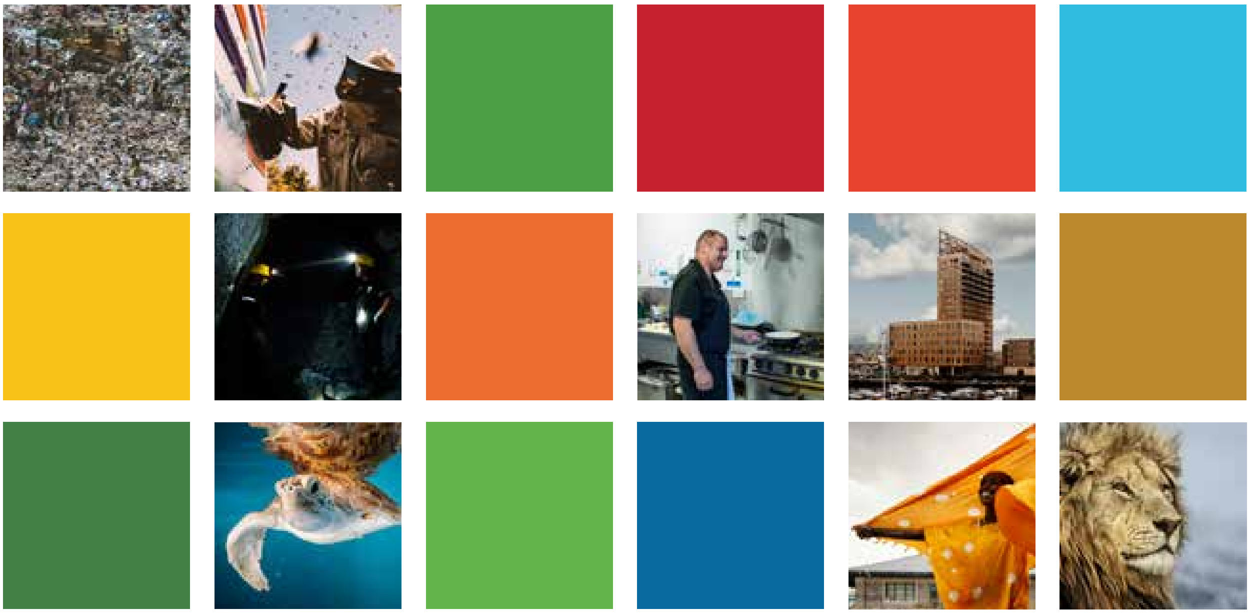
BANCA GENERALI



ANNUAL INTEGRATED REPORT

2022

THE REPORT INCLUDES THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO LEGISLATIVE DECREE NO. 254/2016

TIME
TO CHANGE






Time to Change is the project in which Banca Generali and Stefano Guindani investigate on the state of achievement of the 17 SDGs of the UN 2030 Agenda. For each of them, the photographer's key is twofold: on the one hand, the focus is on highlighting the negative action of humankind on the environment and the community, and on the other hand, how humankind itself has an extraordinary capacity to recover through innovative and sustainable solutions. In his three-year research project, Guindani will go beyond the borders of Italy, searching for critical cases and situations of excellence abroad: Brazil, Norway and Australia, but also the United States and South Africa. He will be accompanied by an exceptional companion, Alberto Salza, one of the world's most respected anthropologists, who will edit the project's texts and suggest some of the projects to be monitored.




Annual Integrated Report
at 31 December 2022

BOARD OF DIRECTORS
8 MARCH 2023

This document is in addition to the official version pursuant to Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) published on the website: www.bancagenerali.com/en/investors/reports-and-relations.

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

BANCA GENERALI

Banca Generali S.p.A.

Administrative and control bodies

Board of Directors - 8 March 2023

Board of Directors	Antonio Cangeri	Chairman
	Gian Maria Mossa	Chief Executive Officer
	Azzurra Caltagirone	Director
	Lorenzo Caprio	Director
	Roberta Cocco	Director
	Alfredo Maria De Falco*	Director
	Ilaria Romagnoli	Director
	Cristina Rustignoli	Director
	Vittorio Emanuele Terzi	Director
Board of Statutory Auditors	Natale Freddi	Chairman
	Mario Francesco Anaclerio	
	Flavia Minutillo	
General Manager	Gian Maria Mossa	
Manager in Charge of Preparing the Company's Financial Reports	Tommaso Di Russo	

* Director co-opted on 8 March 2023.

Contents


BANCA
GENERALI

Letter to Stakeholders

Antonio Cangeri
Chairman

The year 2022 was marked by historic events, both on the geopolitical and financial fronts. The outbreak of war in Ukraine on 24 February and the growing tensions between the United States and the People's Republic of China further undermined the process of globalisation of the world economy — already weakened during the pandemic. The effects of these events, combined with the economic recovery already underway, led to a double-digit rise in the price spiral, which central banks countered with highly restrictive monetary policies: the US Federal Reserve started the fastest rate hike cycle since 1980 and the ECB rapidly reversed direction after years of negative reference rates, while the Bank of Japan maintained its ultra-expansionary policy of negative rates, although changing the yield curve control target for the first time since the 1980s.

The reaction of bond markets to the new scenario of geopolitical tensions, inflationary pressures and restrictive monetary policies was disruptive, with double-digit losses in the global credit market, first and foremost in the United States and in Europe. Pressures also hit stock markets, recording the worst year since 2008 for Wall Street and since 2018 for Europe.

Despite the difficult context, which will find space in textbooks due to the extent of the crisis, Banca Generali was able to record solid financial results, with capital ratios and shareholder remuneration among the best on the Milan Stock Exchange. The Bank also reported solid commercial results, as confirmed by its positive net inflows. As evidenced by figures, the Bank once again proved the resilience and flexibility of its business model, the soundness of the decisions made in recent years to diversify and innovate its range of products and services, and the high-quality and experience of its Financial Advisor network, which, even in the most complex moments, succeeds in giving its best, standing out for the relationship quality offered.

At the beginning of last year — shortly before the outbreak of the market crisis — Banca Generali presented the 2022-2024 Strategic Plan to the Financial Community, with the explicit objective of continuing on the path of rapid, profitable and remunerative growth in line with the results obtained since its listing back in 2006, and in full keeping with its Vision of being the No. 1 private bank by service value, innovation and sustainability. The Plan is based on three pillars, which aim at increasing the value of the Bank's service, both towards its Financial Advisor network and towards its customers. The second pillar focuses on the innovation of the business model with a view to building a data-driven, digital and open Bank. The third aims at strengthening the Bank's sustainability stance to the benefit of all of its stakeholders. The Plan set some ambitious objectives in terms of consistent, profitable and remunerative growth, which the management team has confirmed, despite the deterioration of market conditions.

In terms of business expansion, net inflows reached 5.7 billion euros in 2022, and total assets stood at 83.1 billion euros, slightly below the record level reported for the previous year and proving highly resilient in the face of double-digit corrections in financial markets. The Bank's net profit amounted to 213.0 million euros, with a lower contribution of variable fees linked to financial markets. Net of these non-recurring items, Banca Generali's net profit rose by 25% for the year, thus exceeding the commitment it had undertaken with its stakeholders upon the presentation of the 2022-2024 three-year Plan. In light of the foregoing, the Board of Directors has submitted a proposal for distributing a 192.8 million euro dividend, with a payout of 90.5% calculated on Banca Generali's 2022 net profit, confirming its commitment to providing a generous shareholder remuneration, which is amongst the highest of those offered by the companies listed on the Milan Stock Exchange.

Despite market complexity and volatility, the Bank's business expansion was driven by its intense activity, carried out through its Financial Advisors, who remained close to households in their protection choices. The hundreds of local events held by Financial Advisors in 2022, in addition to their intense daily activity, helped not only to keep customers informed of the most important themes in today's investment scenario, but also, and above all, to provide an objective view of the financial context, avoiding first and foremost the risks triggered by personal emotional reactions to the strong shocks of the various asset classes. It is at the most difficult of times that the role played by professionals in supporting households comes clearly to the fore, as they keep the focus on goals and remain aware of the value of diversification and the risks of a limited, short-term vision. The Bank's support — in the form of tools, analyses, research and thorough training of its Financial

Advisors, which exceeded 60 hours per capita — was once again fundamental to consolidating the relationship of trust with customers, promoting dialogue and hence, ultimately, to growing the business. In this regard, I think it important to draw attention, once more, to the leading position achieved by the Banca Generali network of professionals in terms of portfolio size and expertise quality.

If the Bank's numbers bear clear witness to its excellence, its strong efforts in pursuit of sustainable growth are also deserving of mention. Noteworthy sustainability improvements and efforts continued to be made in 2022, as borne out by the numerous recognitions received from the main ratings agencies in this field: a top rating was awarded by Morningstar's agency Sustainalytics, which has recently ranked Banca Generali first in its world ranking for the sub-industry Asset Management & Custody Services, assigning a 'negligible' ESG risk rating to the Bank. Banca Generali also placed fifth in the ranking of the 97 retail and specialised banks analysed by Moody's Vigeo-Eiris, thus confirming its inclusion in the MIB ESG Index. I would also like to mention that MSCI has raised Banca Generali's sustainability rating from BBB to A. Equally important are the improved ratings received from Standard Ethics — from EE (Strong) to EE+ (Very Strong) — and ISS (Institutional Shareholder Services), which, for the Social category, awarded the Bank the "QualityScore Badge", recognised to companies that have achieved the maximum score. In addition, the Carbon Disclosure Project (CDP) awarded Banca Generali a score of A- for its 2022 climate change reporting.

The awards received on the sustainability front — far from being a point of arrival — are actually the starting point for a renewed commitment to environmental, social and governance issues.

Banca Generali is, in fact, strengthening its commitment to the environment in general, and specifically to the fight against climate change, by promoting initiatives aimed at reducing direct and indirect environmental impacts. In particular, in 2022 the Bank started monitoring the carbon footprint of direct investments, with a medium-term reduction objective. A campaign was then launched to raise employees' awareness of conscious use of energy resources (BG Smart Energy) and the operational refitting project continued at several branches and operating sites, with a more sustainable focus. Although the Bank was already in line with many pillars of the Principles for Responsible Investment (PRI), as in 2021 it had adopted Responsible Investment Policies — which introduced investment and lending restrictions for companies engaged in high climate impact industries and companies that obtain a significant share of turnover or electricity production from coal — it decided to become a PRI signatory in December 2022.

In the social dimension, the Bank has taken part in various initiatives, also alongside its Group, committing in particular to the care and development of its people, with a focus on well-being and equal opportunities, the development of quality investment solutions and the safeguarding of specific local features, enhancing its impact on the community.

In 2022, Banca Generali forged ahead with several Diversity, Equity & Inclusion (DEI) projects, among which the signing of the Charter "Donne in Banca: valorizzare la diversità di genere" (Women in Bank: enhancing gender diversity), promoted by the Italian Banking Association (ABI). Several other DEI initiatives were implemented: BG Forever Young, focused on young talent; BGeneration Month and BGenerAction, aimed at dialogue between the different generations within the Bank; BG Impact People and Women's Empowerment, designed to enhance female professionalism and managerial skills. In 2022 as well, space was given to the younger generations, with over 60% of new hires made up of professionals under 35. On the employment front, Banca Generali confirmed the choice of the hybrid model 'Next Normal' for the entire employee population, so as to ensuring work-life balance.

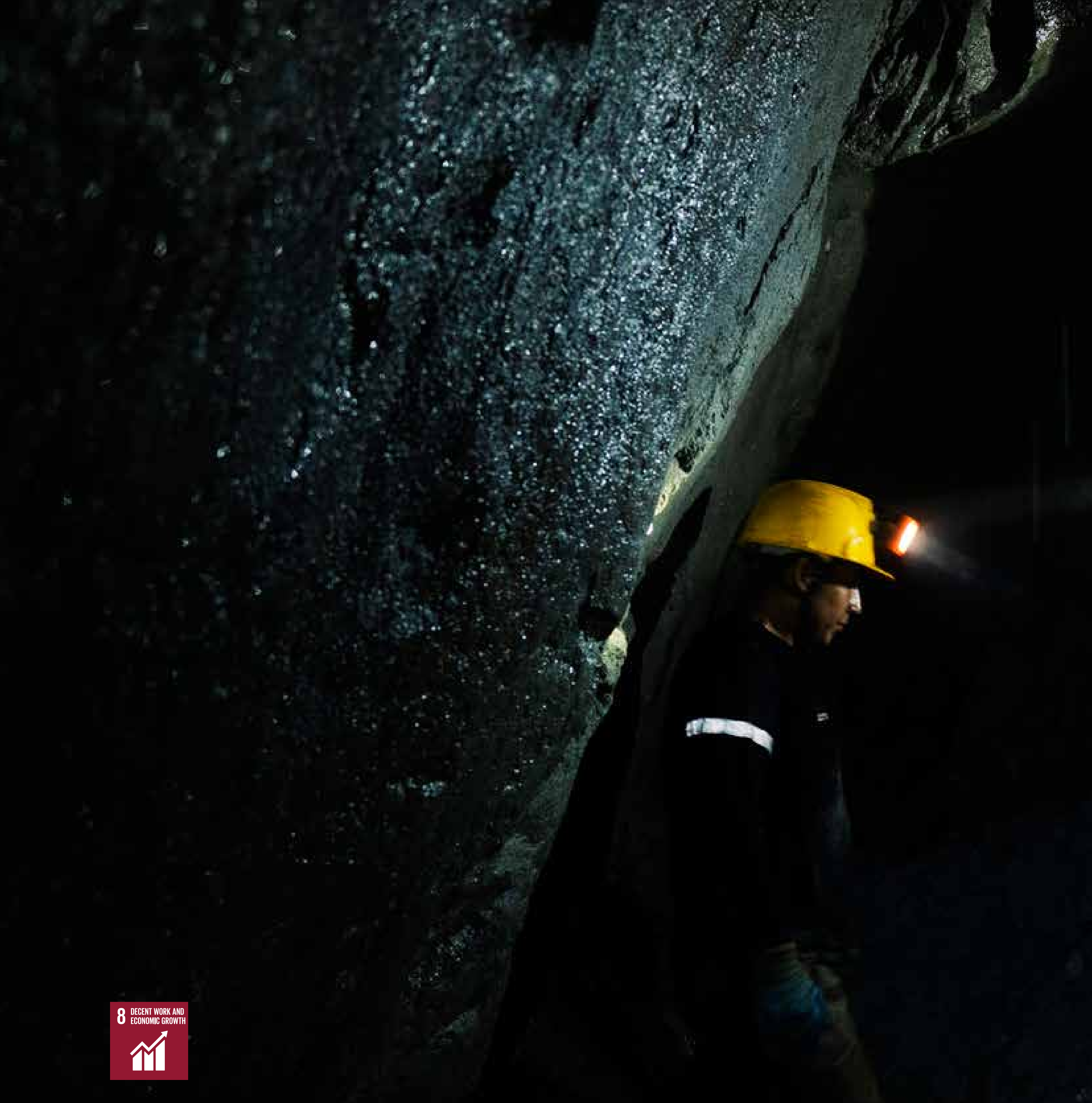
As started some years ago, 2022 again saw a huge focus being placed on the theme of financial education, expanding the initiatives promoted in collaboration with FEduF (the ABI Foundation that promotes initiatives in primary, middle and high schools) with an innovative project — EduFin 3.0 — together with the well-known digital influencer Marco Montemagno, to simplify and make understandable the key concepts of savings, investments and IT tools governing the financial sector. The project, which is continuing in 2023, has had better than expected results, with millions of views reported by the events organised in the first months alone. The Bank's branded initiative "Banca Generali – Un campione per amico" (A Champion for a Friend) has continued throughout Italy: for years, this event has been supplementing messages on the values of sport with financial education content thanks to the side project "Un salvadanaio per amico" (A Moneybox for a Friend), together with FEduF.

The Bank's significant commitment to supporting institutions also continued, with collaborations with the various universities that ensure privileged access to research and innovation. With Milan Bicocca University, Banca Generali presented the first O-Fire Observatory report, developed thanks to the Bank's promotion and support for research in the field of green finance and sustainable investments, with a particular focus in its first year on the EU Taxonomy and its implications for the industrial and financial sectors. The fintech-oriented agreement with Politecnico di Milano for the Blockchain & Distributed Ledger 2022 Observatory has been renewed, as has the agreement with Bocconi University on SME corporate governance, whose annual report has been much followed by the financial community and the business world. Worth of mention are also the traditional surveys on preferences and trends in private banking developed in partnership with LIUC University in Castellanza and Cattolica University in Milan. The Bank also benefits from close synergies with other institutions in Venice and Trieste, thanks to the preferential relationships within the Generali Group and the commitment of its local network.

In 2022, Banca Generali redefined the ESG attribute within its commercial approach and the wealth advisory service provided to its customers, adding to the ESG score the regulatory label pursuant to Articles 8 and 9 of EU Regulation No. 2019/2088. In this regard, I am glad to highlight the fact that 32.2% of the Bank's managed solutions are composed of ESG products, both as direct investment and as underlying assets of financial and insurance investment solutions. This result demonstrates even more how Banca Generali's commercial offer is permeated by the sustainability culture.

Banca Generali also recorded improvements in ESG governance, thanks to the addition to the Articles of Association that recognises the Board of Directors' commitment to sustainable development and to its implementation in corporate strategies. In this context, a long-term programme of in-depth ESG initiatives was also defined and launched, with a view to strengthening Board members' competencies in light of constant changes in the regulatory framework, in line with the Bank of Italy's supervisory expectations on the integration of climate-related and environmental risk in the management of financial institutions. The addition to the Articles of Association is in line with the process that has already introduced sustainability within the Managerial Steering Committee and provided for each of the Board Committees to assume responsibility within their respective purview. More generally, I would like to emphasize the fruitful dialogue between the Board of Directors and the company's management, through regular inductions on topics of primary interest for the Bank's development. During the year, internal control systems have also been further strengthened, with particular attention to the harmonisation of the Company's control functions.

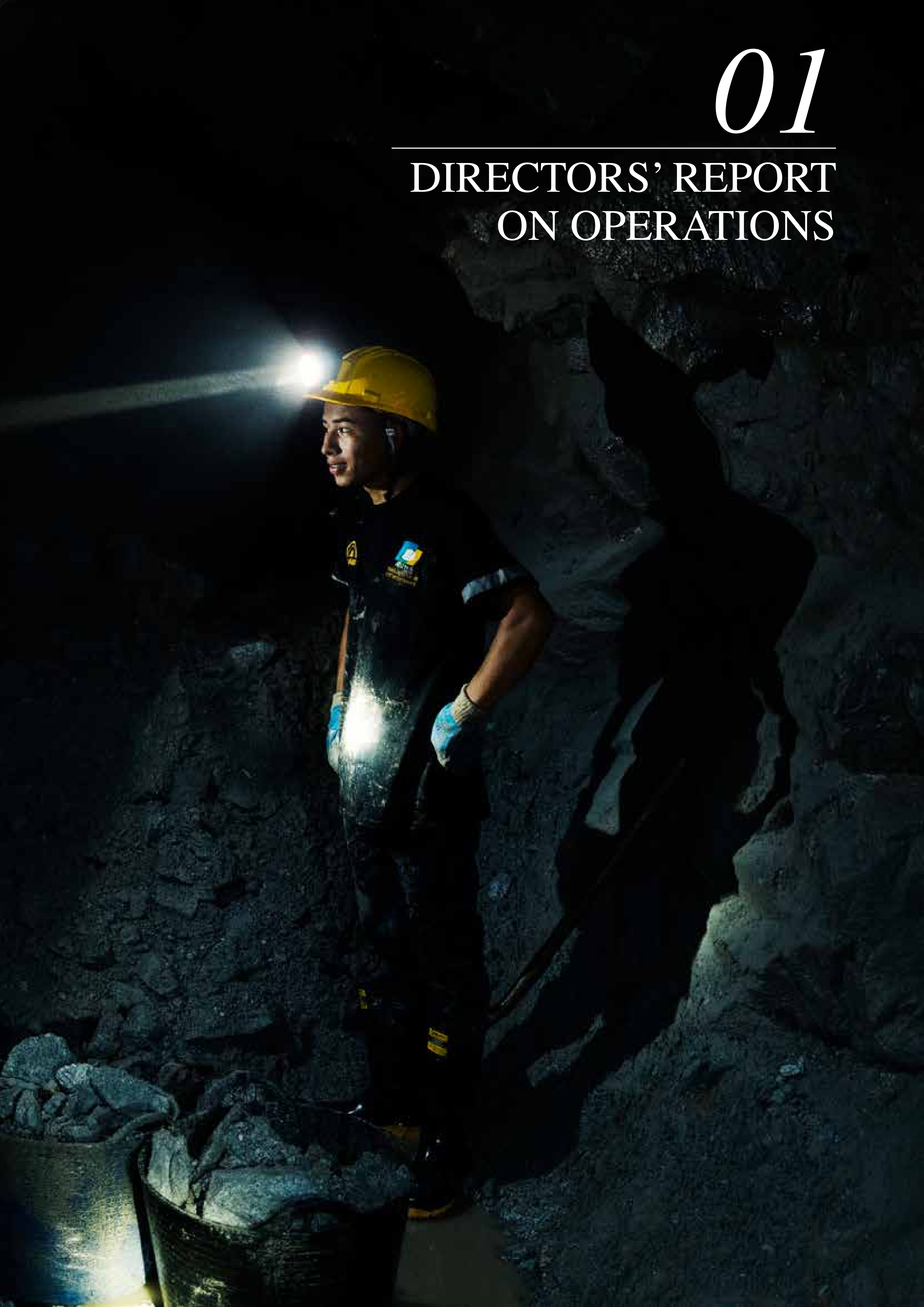
To conclude, I would like to emphasise how all these numerous activities and the quality of the results achieved have been made possible by the all-round vision and the shared values that unite the people of this extraordinary Bank. In this regard, I would like to sincerely thank all the Financial Advisors, Employees and Top Managers led by the Chief Executive Officer, as well as the other members of the Board of Directors, for their commitment, which has made it possible to face and overcome such a complex year from which Banca Generali has emerged even stronger, in the best position to continue on its three-year path and bring out its full potential.



8 DECENT WORK AND ECONOMIC GROWTH

BG4SDGs - Time to Change's camera eye puts "Decent Work and Economic Growth" in the crosshairs by going to explore the critical issues and human efforts to overcome the enormous employment-induced social barrier in a country with extraordinary natural resources, a champion of biodiversity but also of lawlessness and widespread poverty: Colombia.
The focus is on working conditions in the gold mines, which, along with coffee, are symbolic of a country where 42 percent of the population lives below the poverty line and 90 percent of the extraction of the precious metal takes place without official concessions.
Over the years, gold panning turned into mining has had and still has a huge impact on the environment, health and working conditions of citizens. There are in fact 350,000 people in Colombia who carry out work in the gold sector through artisanal production that sustains the many families even in the most remote areas of the country.
Paying the price, in addition to the inhabitants, is the environment exposed to numerous pollutants including mercury widely used during the mining of gold and other metals. In fact, one hundred tons of the toxic liquid metal are leaked into the environment every year, polluting the soil and groundwater, compromising the health of miners and people living near the mines.

01
DIRECTORS' REPORT ON OPERATIONS



Highlights 2022

NET AUM AND INSURANCE INFLOWS
1,158
€ MILLION

TOTAL AUM
83.1
€ BILLION

NET INFLOWS
5,707
€ MILLION

ASSORETI AUM
82.2
€ BILLION

OWN FUNDS
762.2
€ MILLION

NET EQUITY
1,068.5
€ MILLION

TOTAL CAPITAL RATIO
16.7%

TIER 1
16.7%

ESG AUM
32%
ON TOTAL MANAGED SOLUTIONS

INVESTMENT CARBON FOOTPRINT
-42%
VS 2019

TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES
14.27%
PORTION OF EXPOSURES IN TAXONOMY-ELIGIBLE ACTIVITIES OVER COVERED ASSETS

CO_2 EMISSIONS (tCO_2e)
(SCOPE 1: 363 t/SCOPE 2-3: 639 t)
-18%
VS 2019 (Market-based)

NET OPERATING INCOME

639.8

€ MILLION

NET OPERATING EXPENSES

256.5

€ MILLION

OPERATING RESULT

383.3

€ MILLION

PROFIT BEFORE TAXATION

330.2

€ MILLION

NET PROFIT

213.0

€ MILLION

GROSS GLOBAL ADDED VALUE DISTRIBUTED

1,062.5

€ MILLION

NO. OF EMPLOYEES

1,022

OF WHOM 49% WOMEN

EMPLOYEE TRAINING HOURS

60,153

NO. OF FINANCIAL ADVISORS (ASSORETI SCOPE)

2,204

OF WHOM 20% WOMEN

NETWORK TRAINING HOURS

133,072

SMART WORKING/NEXT NORMAL CONTRACT

100%

OF EMPLOYEES

(EXCL. SALES AND FRONT-OFFICE PERSONNEL)

Statement of Methods

Banca Generali is committed to driving economic, social and environmental sustainability in the banking and financial sector. Despite benefiting from the exemption provided under Legislative Decree No. 254/2016 on the reporting of non-financial and diversity information, in 2022 the Bank continued to comply voluntarily with the provisions of the decree to ensure full, transparent and accredited disclosure of its ESG (environmental, social and governance) performance, for the benefit of the entire financial community and the Banking Group's numerous stakeholders.

Well aware of the role of sustainability as strategic to creating value over time, for the past five years Banca Generali has been pursuing increasingly integrated reporting and presenting its non-financial information together with its financial information in its Annual Integrated Report (AIR).

Accordingly, the Banca Generali Group's Annual Integrated Report contains non-financial information in accordance with the provisions of Legislative Decree No. 254 of 30 December 2016, implementing Directive No. 2014/95. In line with the approach adopted in previous years, information can be clearly identified in the Annual Integrated Report thanks to the specific infographics used, which allows a better understating of all data. For further details, reference should be made to the GRI Content Index, which identifies the information included in the Annual Integrated Report that refers to the Non-Financial Statement.

In 2020, Banca Generali chose to begin further consolidating this approach by implementing the principles of the **Integrated Reporting Framework**. In particular, the contents of the Integrated Annual Report were organised so as to further emphasise the interconnection and interdependency of the various types of capital on which the Bank's business model is based, with a view to creating shared value in the short, medium and long term for the various players involved.

With regard to the most significant changes presented, the section regarding Taxonomy-Eligible Activities pursuant to Article 8 of Regulation (EU) No. 2020/852 was updated, alongside the related obligations expressed in the delegated regulations (Delegated Regulation No. 2021/2178 and Delegated Regulation No. 2021/2139). In chapter "Regulation (EU) 2020/852 for Taxonomy-Eligible Activities", Banca Generali outlines the analyses carried out in 2022 to provide its stakeholders with the mandatory disclosure, based on precise, granular data relating to both its securities portfolio and its loan portfolio, without the use of proxies or estimates.

Similarly, the section devoted to sustainable finance refers to the obligations in effect as of 10 March 2021, introduced by European Regulation on sustainability-related disclosures in the financial services sector (Regulation No. 2019/2088 or SFDR) and by Delegated Regulation (EU) No. 2022/1288, effective 1 January 2023 and integrating the SFDR. Leveraging the rules applicable to the various categories of financial operators with regard to ESG-related disclosures, Banca Generali describes its sustainability strategy — focused on maximum transparency towards its investors — by providing information concerning its approach to investment in the decision-making process, the management of risks and their impacts, and ESG products.

Report Scope and Reporting Process

The Banca Generali Group's Consolidated Non-Financial Statement (NFS) has been prepared in accordance with the guidelines of the GRI Sustainability Reporting Standards (GRI Standards) — "in accordance" option — issued in 2021 by the Global Reporting Initiative, which represent the most commonly adopted sustainability reporting standards at the international level.

The figures presented refer to 2022 (from 1 January to 31 December, in line with the financial year) and are compared, where possible, with the results for the 2020-2021 two-year period, except for the chapter "Economic-financial capital", where 2022 data are compared exclusively with those for 2021. This qualitative and quantitative information comes from direct surveys, with the exception of certain estimates — duly highlighted in the document — that do not however affect the accuracy of the information. All of the corporate structures have contributed to defining the contents of this Statement, whereas data gathering was coordinated by the CFO & Strategy Area, which also oversees the financial and capital performance of the Business Units.

The reporting scope includes Banca Generali S.p.A., BG Fund Management Luxembourg S.A., Generfid S.p.A., BG Valeur S.A. and BG Suisse S.A., and coincides with the consolidation scope of equity investments in wholly owned subsidiaries presented in the Consolidated Financial Statements of Banca Generali at 31 December 2022.

In 2022, following an extraordinary transaction, Nextam Partners was excluded from the Banca Generali Group's scope. It should therefore be noted that chapter "Human capital: human resources" provides information on personnel who left the Company and the related impacts on the evolution of the overall turnover rates.

The environmental figures regarding corporate sites and operations, due to availability and significance, only refer to the offices of Milan (Piazza Tre Torri) and Trieste (Corso Cavour).

All changes with respect to this reporting scope and any revisions of information applied in previous reporting periods, including the reasons for the revisions, are duly reported in the document.

The Consolidated Non-Financial Statement (NFS) is subject to auditing by the firm KPMG S.p.A.

The Independent Auditors' Report on the Consolidated Non-Financial Statement is given at the end of the Consolidated Financial Statements of Banca Generali at 31 December 2022.

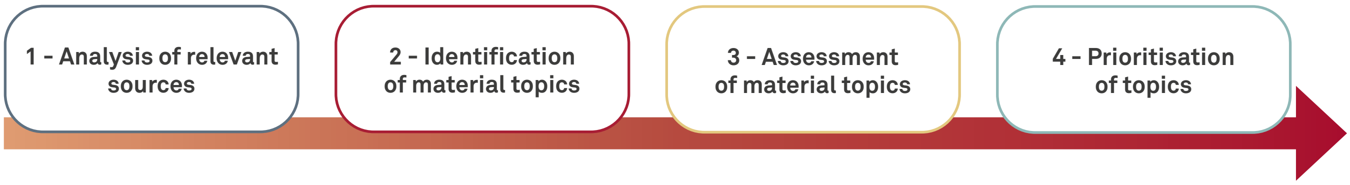
It should also be noted that in this document:
- the term "Banca Generali" is used to indicate the entire Banca Generali Group, also referred to by the expression "Banking Group";
- where it is necessary to refer to Banca Generali individually as the Parent Company, the full company name "Banca Generali S.p.A." is used;
- the expression "Generali Group" is used to indicate the entire Assicurazioni Generali Group, of which the Banca Generali Group is a part.

Materiality Analysis

In drafting its Consolidated Non-Financial Statement, Banca Generali conducted a materiality analysis aimed at identifying and determining the priorities of the economic, environmental, social and governance aspects deemed material and significant to its business and its stakeholders.

These topics qualify as "material" on the basis of their **materiality** and the **impact** — whether actual or potential, in the short or long term — that the undertaking's activities correlated to them might generate on the economy, environment, and people[1].

In order to efficiently identify the materiality of these impacts, a structured process made up of the following 4 macro-phases has been launched.



In compliance with the requirements set forth in the Sustainability Policy, the definition of the ESG material topics started by analysing a wide range of **internal** and **external sources** of information, including:

- the 2022-2024 Strategic Plan and other useful documents relating to the strategic objectives approved by Banca Generali's Board of Directors, including the Charter of Sustainability Commitments;
- the regulatory and legal framework in force, as well as the guidelines, recommendations and other non-binding documents applicable to the banking and financial services sector;
- the sustainability topics defined by EFRAG within the framework of the European Sustainability Reporting Standards, used in the risk materiality assessment;
- the reporting on alleged breaches, if any, of the Internal Code of Conduct gathered through whistleblowing mechanisms;
- the stakeholder engagement activities, which in 2022 included two surveys focused on ESG topics, one targeted to a FA Network sample (approximately 500 Financial Advisors involved) and the other analysing a sample of Bank employees (about 300 respondents);
- requests by shareholders, rating agencies and ESG analysts and investors, including disclosure requirements set forth by international reporting standards;
- public analysis documents on the ESG megatrends identified, *inter alia*, by international organisations, industrial associations, think-tanks, consulting firms, forums and multi-stakeholders' initiatives in which the Banking Group participates;
- media and web monitoring;
- benchmarking activities with companies operating in the same business areas as the Banking Group.

The documents thus generated provided information for updating the materiality analysis. The following graph shows how they were organised in two clusters referred to the main stakeholders — the Banca Generali Universe and the external stakeholders — according to a top-down approach.

[1] This approach, called "impact materiality", implies an "inside-out" perspective, focused on the impacts that the organisation's activities generate on the social-economic context in which it operates. In accordance with the "double materiality" model introduced by the Corporate Sustainability Reporting Directive (CSRD), this approach should be integrated using the "outside-in" perspective, i.e., "financial materiality", which focuses on the nature and relevance of economic-financial impacts (whether positive or negative) that the organisation's more or less efficient management of ESG aspects may generate on its performance, competitive positioning and enterprise value.

Banca Generali universe	External stakeholders		
Board of Directors and Top Managers Clients Financial Advisors Employees Risk - EFRAG	International guidelines Recommandations Expectations Megatrends	Rating agencies Reporting Standards Investors' requests	Benchmarking of best-in-class players of the banking and insurance sectors
Internal documentation approved by the Board of Directors regarding the Bank's strategy and discussion of the results of stakeholder engagement activities: • 2022-2024 Strategic Plan • 2022-2024 ESG projects • Charter of Sustainability Commitments • Employee ESG Survey • FA Network ESG Survey • BGPP quarterly assessment of customers' ESG investments • AIPB report on the integration of ESG criteria in wealth and asset management • Financial materiality qualitative assessment, as per EFRAG ESRS (European Sustainability Reporting Standards)	Guidelines analyses, international frameworks, recommendations and expectations, as well as public documents on megatrends: • UNI ISO 26000 – Social responsibility • World Economic Forum's Global Risks Report • ESMA 2023-2028 strategy • Bank of Italy's supervisory expectations for climate-related and environmental risks • McKinsey's 2022 questionnaire • UN Principles for Responsable Investment (PRI) • Media and Web monitoring	Analyses of requests by shareholders, rating agencies and ESG analysts and investors, including disclosure requirements set forth by international reporting standards: • Rating agencies (MSCI. ISS, Vigeo, Moody's Sustainalytics, ETicaNews, ...) • SASB (Sustainability Accounting Standards Board) • Global Reporting Initiative (GRI) • Requests by institutional investors at Borsa Italiana's Sustainability Week	Sustainability reports or non-financial statements by best-in-class players in the Italian wealth management, banking and insurance sectors on disclosed topics: • Annual integrated reports • Sustainability reports

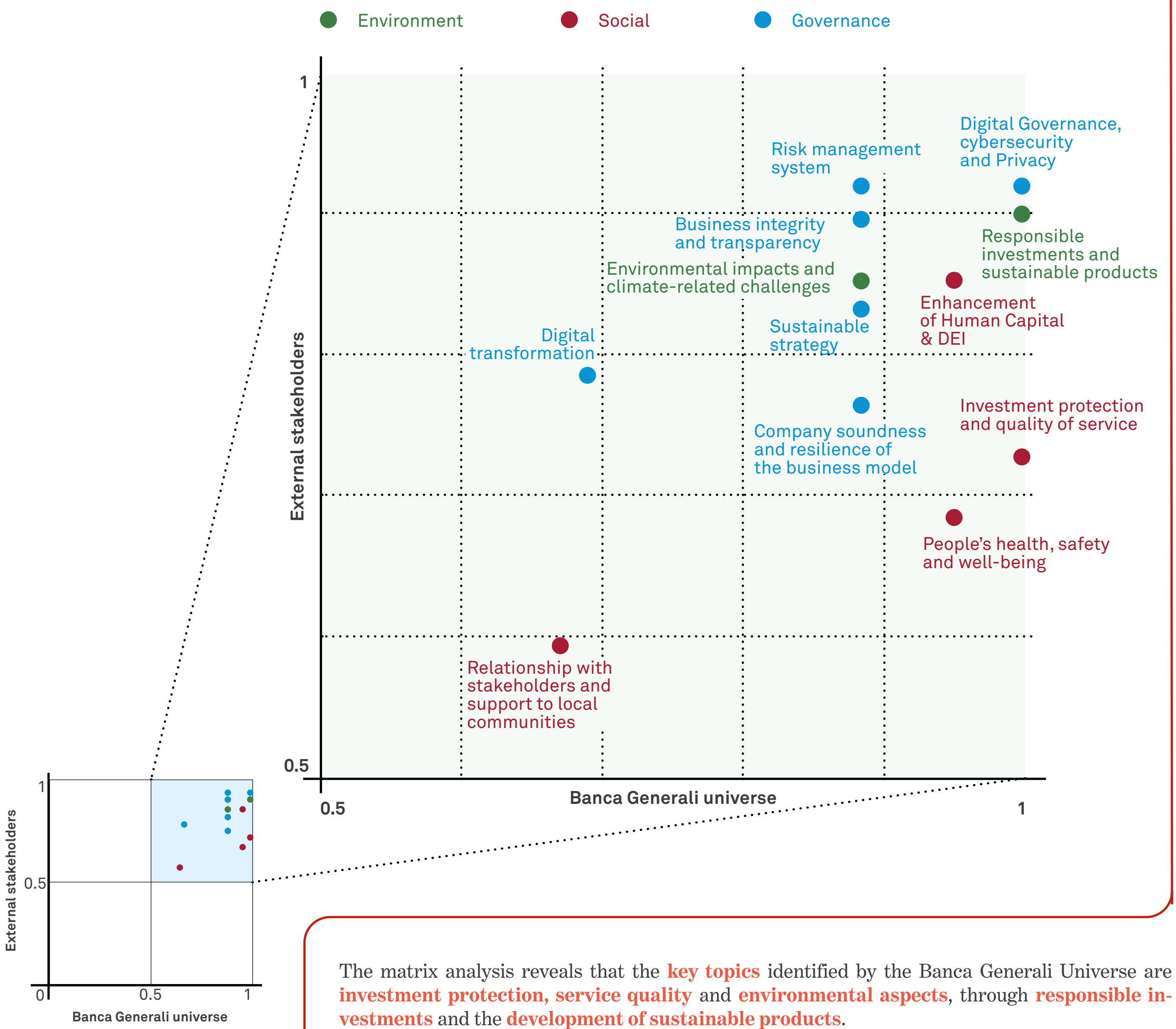
The analysis of the above-mentioned documents led to the definition of a set of **12 topics**, identified on the basis of their **materiality** and the **impact** — whether actual or potential, in the short or long term — that the undertaking's activities correlated to them might generate on the economy, environment, and people. Each topic was also linked to one of the E, S or G areas and to one of the Pillars of the Strategic Plan.

In order to assess the **materiality** of the topics and the related impacts, a **score** was assigned to each topic, as follows:

› 1: if the topic seemed material and connected with material impacts on the economy, environment and people;
› 0.5: if the topic seemed material, but connected with relatively less material impacts on the economy, environment and people;
› 0: if the topic was moderately material.

Stakeholders were assigned an individual specific weight, based on their degree of materiality for the Bank. The score of each topic was then weighted accordingly.

The **materiality matrix** displays the topics on **two dimensions** — the **internal** (the Bank's universe) and the **external** (external stakeholders) dimensions — and positions them based on the scores obtained. The **top right-hand corner plots the 12 priority topics**, i.e., those with a score exceeding 0.5 in both analysis dimensions.



The matrix analysis reveals that the **key topics** identified by the Banca Generali Universe are **investment protection, service quality** and **environmental aspects**, through **responsible investments** and the **development of sustainable products**.

This occurred through the **enhancement of Human Capital** and a focus on people, including through **risk management system and business solidity**.

Among material topics, **cybersecurity** is increasingly relevant to both internal and external stakeholders.

These aspects also reflect the vision of stakeholders outside the Bank Universe.

Compared to the 2021 matrix, a new topic was introduced, namely **digital transformation**.

The following table describes in detail the material topics and their classification to the E, S or G areas.

MATERIAL TOPIC	ESG AREA	DESCRIPTION
Environmental impacts and climate-related challenges	E	Efficient management of natural resources and consumption, thanks to the adoption of policies and practices aimed at reducing CO_2 emissions
Responsible investments and sustainable products	E	Development of investment strategies, services and products that integrate environmental, social and governance matters in line with new regulatory developments, in order to improve the risk/return profiles of portfolios and further raise awareness among customers regarding sustainability matters
Relationship with stakeholders and support to local communities	S	Constant listening and engagement of stakeholders through corporate citizenship programmes, sponsorships and partnerships so as to contribute to the framework of communities
Enhancement of Human Capital & DEI (Diversity, Equity & Inclusion)	S	Development of a company model capable of attracting talent and of an inclusive and fair work environment, in addition to the definition of training paths and adoption of remuneration policies aimed at rewarding people
People's health, safety and well-being	S	Development of a company model that focuses on workers' health, safety and well-being
Investment protection and quality of service	S	Protection and management of customers' investments through a one-to-one commercial model able to also promote financial education and through a portfolio management approach focused on return and on protection against all potential risks that may, directly or indirectly, compromise value over time
Digital transformation	G	Investment on innovation and the development of new technological infrastructures to support the launch of a new range of products and services
Risk management system	G	Adoption of a framework for identifying, assessing and managing risks that integrates ESG factors and complies with the broad and dynamic regulatory context
Sustainable strategy	G	Integration of ESG factors in the company strategy to create medium/long-term value for the different stakeholders
Company soundness and resilience of the business model	G	Adoption of new organisational and service models that allow to ensure a sound performance over time and face the challenges posed by the market
Business integrity and transparency	G	Adoption of standards, processes and codes aimed at guaranteeing integrity in business conduct and transparency of information, as well as respect for human rights and compliance with anti-corruption and anti-money laundering regulations
Digital Governance, Cybersecurity & Privacy	G	Implementation and/or strengthening of tools, technologies and the related internal regulatory framework to ensure IT data and system confidentiality

The following table describes, for each material topics: the ESG areas in which the topic is linked; the main impacts associated with the topic and the activity generating the impact; the main risks correlated to the topic analysed; the main policies adopted by Banca Generali to monitor the topic and prevent or contain the negative impacts associated with it; the Strategic Plan targets; and the related monitoring processes.

ESG AREA	MATERIAL TOPICS	CORRELATED IMPACT	ACTIVITY GENERATING THE IMPACT	ASSOCIATED RISKS
E	Environmental impacts and climate-related challenges	Possibility of having a positive or negative impact on: • conservation of ecosystems at the base of the entire economic and social system in which Banca Generali operates (e.g., in terms of quality of the atmosphere, soil and water bodies) in terms of availability of raw materials and energy and water resources, health and well-being of local communities, etc. • contribution to climate change mitigation • contribution to adjustment to climate change • sustainability level of actual and future company returns for proprietary portfolios and for portfolios managed on behalf of third parties	• Thorough and responsible consumption management (energy, water, etc.) under the direct control of Banca Generali (e.g., supply of electricity from renewable sources, increasing the efficiency of natural gas used for the air conditioning of premises, etc.) • Responsible management of the proprietary portfolio • Provisions of financial products and services whose concept integrates environmental responsibility principles	• Reputational risk • Credit risk • Operational risk • Liquidity risk • Market risk
E	Responsible investments and sustainable products	Possibility of having a positive or negative impact on: • Availability on the market of products and services with high environmental/social performance and ensuing impacts on ESG factors, including in investment strategies and in the products developed • ESG sensitivity and awareness of customers and the market	• Provision of innovative products and services, whose concept integrates environmental, social and governance sustainability principles	• Reputational risk • Market risk • Strategic risk
S	Relationship with stakeholders and support to local communities	Possibility of having a positive or negative impact on: • Social and economic development of the communities in which the Company operates, through active listening • ESG sensitivity and awareness of customers and the market	• Listening and dialogue channels for stakeholders (e.g., surveys, gathering of messages and reports, etc.) • Dialogue with investors • Engagement and empowerment initiatives for local communities on matters such as financial education, sustainability, etc. • Charity/sponsorships/donations/etc. • Publication, on a yearly basis, of the Annual Integrated Report	• Reputational risk • Strategic risk
S	People's health, safety and well-being	Possibility of having a positive or negative impact on: • Protection of the mental-physical well-being, health and safety of employees and all individuals whose operating activity is directly controlled by the organisation (e.g., temporary staff, project-based researchers, interns, etc.) • Opportunity for each collaborator to fully unleash his or her potential	• Updating and execution of Banca Generali's People Strategy • Initiatives aimed at ensuring an health work environment to all personnel • Corporate welfare initiatives • Personnel training and initiatives to raise awareness of these topics	• Operational risk in terms of incorrect organisational balance, increase in accidents and work-related stress • Reputational risk
S	Enhancement of Human Capital & DEI (Diversity, Equity & Inclusion)	Possibility of having a positive or negative impact on: • Stable jobs for the company personnel • Opportunity for each collaborator to fully unleash his or her potential • Evolution of the gender gap in terms of opportunities, competencies, salary, etc. • Gender equal opportunities • Intergenerational exchange • Diversity promotion • Occurrence of all the impacts listed in the previous points, not only within the Banking Group, but also in the businesses/project/activities that benefit from its investments	• Updating and execution of Banca Generali's People Strategy • Development of training plans • Performance management models and tools • Career development plans • Remuneration policies and mechanisms • Implementation of projects/initiatives based on specific focus groups, including following surveys	• Reputational risk, in terms of loss of the trust of employees • Reputational and strategic risk, in terms of loss of clients and competitiveness • Strategic risk, in terms of the loss of competitiveness • Operational risk, in terms of turnover increase

[2] A list of the GRI disclosures reported with regard to individual material topics is given in the GRI Contex Index on page 248.

POLICIES AND MONITORING TOOLS	STRATEGIC PLAN TARGETS [2]	MONITORING PROCEDURES
• Charter of Sustainability Commitments • Policy for the Environment and Climate • Environmental Management System (EMS) • Responsible Investment Policy • Responsible Investment Policy - own portfolio	• Reduction of the carbon footprint of investments • Phase-out of investments in companies operating in the fossil fuel sector • Net zero emissions by 2040 • Asset manager engagement initiatives • Adoption of PRI • TCFD membership	• Monitoring of progress compared to the targets set in the 2022-2024 Strategic Plan • Activities of Banca Generali's Nomination, Governance and Sustainability Committee • Preparation and attestation, on a yearly basis, of the Annual Integrated Report • Integration of climate and environmental risks in the company culture and strategy, as well as in the risk appetite framework
• Commercial and Product Governance Policy • Responsible Investment Policy - own portfolio • Responsible Investment Policy • 2022-2024 Strategic Plan	• % of ESG AUM to managed solutions	• Annual reporting imposed on PRI signatories with regard to the responsible investment activities implemented • Monitoring of progress compared to the targets set in the 2022-2024 Strategic Plan
• Internal Code of Conduct • Ethical Code for Suppliers of the Generali Group • Policy for Managing Engagement with All Shareholders	• Community engagement initiatives • Social impact initiatives	• Monitoring of progress compared to the targets set in the 2022-2024 Strategic Plan • Corporate Governance Report
• Internal Code of Conduct • The European Social Charter of the Generali Group • Charter of Sustainability Commitments • Circular No. 269 "Management of obligations related to health and safety at work" • Company union agreements on work/life balance and welfare (remote working contracts, BG company contract, etc.)" • Dedicate section in the company Intranet "Working safely"	• % of employees in hybrid work (Smart Working Next Normal)	• Periodic Global Engagement Surveys and interim Pulse Surveys focused on people engagement and well-being within the Organisation
• Internal Code of Conduct • The European Social Charter of the Generali Group • The Ten Principles of the UN Global Compact (Generali Group) • Charter of Sustainability Commitments • Ethical Code for Suppliers of the Generali Group • Report on Remuneration Policy and Payments • Job rotation guidelines (job posting golden rules of the Generali Group) • Diversity Policy for Members of Company Bodies • Financial Advisor Manual • Processes for professional development and career advancement (e.g., Group Performance Management, Talent Management, etc.)	• % of under-35 hires • % of Financial Advisors with advanced ESG expertise or EFPA certification • % of Financial Advisors participating in annual ESG training • % of employees involved in digital transformation and sustainability impact projects	• Periodic Global Engagement Surveys and interim Pulse Surveys focused on people engagement and well-being within the Organisation • Activities of Banca Generali's Remuneration Committee • Report on Remuneration Policy and Payments • Periodic report (biennial) on the situation of the male and female workforce • Generali Group's guidelines for implementing the Group Performance Management (GPM) • Declaration pursuant to Law No. 68/99 (Annual declaration on disabled employees)

ESG AREA	MATERIAL TOPICS	CORRELATED IMPACT	ACTIVITY GENERATING THE IMPACT	ASSOCIATED RISKS
S	Investment protection and quality of service	Possibility of having a positive or negative impact on: • Ability to protect the assets and investments of investors and customers as a result of an economic performance able to ensure Banca Generali's resilience and competitiveness in the economic system of reference • Level of sensitivity and awareness of customers and the market on risks and opportunities associated with an efficient management of their financial resources, with ensuing impacts on their well-being and economic stability • Level of ESG sensitivity and awareness of customers and the market	• Provision of services to efficiently support the Financial Advisors network (e.g., training, development of digital tools, etc.) • Customer care services	• Reputational risk, in terms of loss of the trust of clients and investors • Risk of loss of competitiveness • Strategic risk • Operational risk • Compliance risk
G	Digital transformation	Possibility of having a positive or negative impact on: • Availability on the market of products and services with high environmental/social performance • Stable jobs for the company personnel as a result of the resilience and competitiveness that Banca Generali will be able to maintain by further consolidating the digital transformation underway • Protection of investors and customers as a result of an economic performance able to ensure Banca Generali's resilience and competitiveness in the economic system of reference	• Development and execution of innovation and digitalisation strategies • Provision of services to efficiently support the Financial Advisors network (e.g., training, development of digital tools, etc.)	Strategic risk, in terms of loss of competitiveness and exclusion/failure to enter specific markets
G	Risk management system	Possibility of having a positive or negative impact on: • Stable jobs for the company personnel as a result of the resilience and ability to prevent non-compliance • Protection of investors as a results of Banca Generali's ability to ensure resilience and competitiveness on the economic system of reference and to prevent non-compliance • Protection of legality and prevention of illegal behaviour in areas such as the reuse of profits deriving from illegal activities, events of extortion, anti-competitive behaviour, etc. • Ability to protect customers' assets and investments	• Ability to manage traditional risks, emerging risks and ESG risks through specific frameworks	• Compliance risk • Reputational risk • Strategic risk • Market risk • Liquidity risk • Operational risk • Credit and concentration risk • Exchange rate risk
G	Company soundness and resilience of the business model	Possibility of having a positive or negative impact on: • Stable jobs for the company personnel as a result of Banca Generali's resilience and competitiveness in the economic system of reference • Protection of investors and customers thanks both to an economic performance able to ensure Banca Generali's resilience and competitive-ness in the economic system of reference and to the Bank's control of corporate processes through its governance system • Level of market presence, with the ensuing creation of jobs and employment opportunities for people of the local communities	• Development and execution of an effective strategy based on constructive discussion (also actively involving the Banking Group's main stakeholder) on the internal and external context of reference • Provision of services to efficiently support the Financial Advisors network (e.g., training, development of digital tools, etc.)	• Strategic risk • Reputational risk • Liquidity risk

POLICIES AND MONITORING TOOLS	STRATEGIC PLAN TARGETS [2]	MONITORING PROCEDURES
• Internal Code of Conduct • Charter of Sustainability Commitments • Commercial and Product Governance Policy • Policy on the Provision of Investment Advisory Service • Security Policy • Customer Relations Charter • Internal Disputes and Complaints Policy • Data Protection Policy • Reputational Risk Management Policy • Strategic Risk Management Policy • Internal Control System Policy		• Monitoring and managing the reports made through the Contact Centre • Monitoring and managing the reports made through the Network Support Care service available to Financial Advisors
• Internal Code of Conduct • The Ten Principles of the UN Global Compact (Generali Group) • Charter of Sustainability Commitments • Security Policy • Data Governance & Quality Policy	• % of employees involved in digital transformation and sustainability projects • Innovation Pillar of the Strategic Plan	• Monitoring of progress compared to the targets set in the 2022-2024 Strategic Plan • Implementation of structured stakeholder engagement initiatives to constantly map expectations, concerns, suggestions, etc.
• Risk Management Regulation • RAF • Strategic Risk Management Policy • Reputational Risk Management Policy • Operational Risk Management Policy • Financial Portfolio Risk Management Policy (market, counterparty and credit risks of financial instruments) • Credit Risk Management Policy • Liquidity Risk Management Policy • Management Policy on the Interest Rate Risk on the Banking Book • Organisational and Management Model pursuant to Legislative Decree No. 231 • Internal Control System Policy • Business Continuity and Disaster Recovery Policy	• TCFD membership • Adoption of PRI	• Stress tests and quantitative models applied by the Risk Management Area • Controls carried out by the Internal Audit Function • Activities of Banca Generali's Internal Audit and Risk Committee • Controls carried out by the Supervisory Board
• 2022-2024 Strategic Plan • Internal Code of Conduct • Commercial and Product Governance Policy • Responsible Investment Policy - own portfolio • Ethical Code for Suppliers of the Generali Group • The Ten Principles of the UN Global Compact (Generali Group) • Risk Appetite Framework • ICAAP • ILAAP • Pillar 3 • Operational Risk Management Policy • Credit Risk Management Policy • Strategic Risk Management Policy • Reputational Risk Management Policy • Financial Portfolio Risk Management Policy (market, counterparty and credit risks of financial instruments) • Business Continuity and Disaster Recovery Policy	• Sustainability Pillar of the Strategic Plan	• Monitoring of progress compared to the targets set in the 2022-2024 Strategic Plan • Implementation of structured stakeholder engagement initiatives to constantly map expectations, concerns, suggestions, etc.

ESG AREA	MATERIAL TOPICS	CORRELATED IMPACT	ACTIVITY GENERATING THE IMPACT	ASSOCIATED RISKS
G	Sustainable strategy	Possibility of having a positive or negative impact on: • Stable employment for the company personnel as a result of Banca Generali's resilience and competitiveness in the economic system of reference • Protection of investors and customers as a result of a strategy able to ensure Banca Generali's resilience and competitiveness in the economic system of reference • Availability on the market of products and services with high environmental/social performance and ensuing impacts on ESG factors, including in investment strategies and in the products developed • ESG sensitivity and awareness of customers and the market	• Ability to manage the business drawing inspiration from and formally adopting international recognised and established frameworks (e.g., PRI, TCFD, SDGs, etc.)	• Strategic risk, including in terms of failure to enter specific markets and failure to acquire potential new clients
G	Business integrity and transparency	Possibility of having a positive or negative impact on: • Protection of legality and prevention of illegal behaviour in areas such as the reuse of profits deriving from illegal activities, events of extortion, anti-competitive behaviour, etc. • Protection of investors thanks to the Bank's control of corporate processes through its governance system • Impacts on the social-economic development of the communities in which the Company operates and of the stakeholders with which it interacts in managing disputes and potential corruption events • Ensuring of a transparent disclosure of the information concerning Banca Generali's operations • Availability of products and services on the market able to positively or negatively impact these aspects, such as child labour, rights of indigenous peoples, work conditions in the different supply chains, etc.	• Adoption of integrity and transparency standards compliant with the laws and regulations applicable to Banca Generali (including voluntary regulations) • Provision of anti-corruption training in accordance with the Organisational and Management Model pursuant to Legislative Decree No. 231 • Adoption of a transparent tax approach	• Reputational risk, in terms of the loss of the trust of investors, clients and lenders • Strategic risk • Operational risk, in terms of fraud risk • Compliance risk • AML risk
G	Digital governance, Cybersecurity & Privacy	Possibility of having a positive or negative impact on: • Ability to protect personal data and confidential information provided by customers and by all parties with which Banca Generali interacts • Ability to protect customers' assets and investments • Environmental impacts (e.g., printed documents, toner, etc.) depending on the digitalisation level of banking processes and transactions	• Implementation of technological (e.g. adoption of the RSA AAoP anti-fraud system), cultural, managerial and organisational changes necessary to deploy digital and tech solutions designed to protect data and information systems in terms of availability, confidentiality and integrity	• Operational risk, in terms of the disclosure of sensitive information and data • Reputational risk, in terms of loss of the trust of clients and investors • Operational risk, in terms of IT risk • Compliance risk

POLICIES AND MONITORING TOOLS	STRATEGIC PLAN TARGETS [2]	MONITORING PROCEDURES
• Internal Code of Conduct • Organisational and Management Model pursuant to Legislative Decree No. 231 • Internal Audit Model • The European Social Charter of the Generali Group • The Ten Principles of the UN Global Compact (Generali Group) • Charter of Sustainability Commitments • Policy for the Environment and Climate • Sustainability Policy • Strategic Risk Management Policy • Tax Strategy • Commercial and Product Governance Policy • Report on Remuneration Policy and Payments	• Sustainability Pillar of the Strategic Plan	• Annual reporting envisaged for PRI signatories with regard to the responsible investment activities implemented • Preparation and attestation, on a yearly basis, of the Annual Integrated Report • Monitoring and information reporting pursuant to the Sustainable Finance Disclosure Regulation (Regulation EU No. 2019/2088) • Monitoring and information reporting pursuant to EU Taxonomy (Regulation EU No. 2020/852) • Report on Remuneration Policy and Payments
• Organisational and Management Model pursuant to Legislative Decree No. 231 • The Ten Principles of the UN Global Compact (Generali Group) • Charter of Sustainability Commitments • Internal Code of Conduct • Ethical Code for Suppliers of the Generali Group • Security Policy • Internal Control System Policy • Internal Liquidity Adequacy Assessment Process • Whistleblowing Procedure • Internal Fraud Policy • Data Protection Policy • Strategic Risk Management Policy • Reputational Risk Management Policy • Operational Risk Management Policy • Financial Portfolio Risk Management Policy (market, counterparty and credit risks of financial instruments) • Tax Control Framework • Business Continuity and Disaster Recovery Policy • Tax Compliance Policy • Tax Strategy	• Sustainability Pillar of the Strategic Plan	• Activities of Banca Generali's Nomination, Governance and Sustainability Committee • Controls carried out by the Supervisory Board • Task Risk Officer's audit and monitoring activity in compliance with the Tax Control Framework • Preparation and attestation, on a yearly basis, of the Annual Integrated Report
• Internal Code of Conduct • Charter of Sustainability Commitments • Ethical Code for Suppliers of the Generali Group • Data Protection Policy • Security Policy • Reputational Risk Management Policy • Operational Risk Management Policy • Business Continuity and Disaster Recovery Policy • Data Governance & Quality Policy	• Innovation Pillar of the Strategic Plan	• On-site audits at the main IT service outsourcers in compliance with the 2022 Audit Plan • Security and BCP Service's monitoring activity

In the following table, all material topics have been associated to the UN SDGs of priority interest for Banca Generali, to the types of Capital identified in the Integrated Reporting Framework, to the matters provided for in Article 3 of Legislative Decree No. 254/2016 on non-financial reporting and to the Sustainability Pillars of the 2022-2024 Strategic Plan.

MATERIAL TOPIC	SDGS [3]	IR FRAMEWORK	MATTERS AS PER ARTICLE 3 OF LEGISLATIVE DECREE NO. 254/2016	STRATEGIC PLAN
Environmental impacts and climate-related challenges	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION	Natural Capital	Environmental matters Social matters	Community & Future Generations
Responsible investments and sustainable products	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS	Intellectual Capital	Environmental matters Respect for human rights	Clients and FAs
Relationship with stakeholders and proximity to local communities	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES; 17 PARTNERSHIPS FOR THE GOALS	Relationship Capital	Social matters Respect for human rights	Community & Future Generations
People's health, safety and well-being	3 GOOD HEALTH AND WELL-BEING; 10 REDUCED INEQUALITIES	Human Capital	Social matters Employee matters Respect for human rights	Employees
Enhancement of Human Capital and DEI (Diversity, Equity & Inclusion)	4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	Human Capital	Social matters Employee matters Respect for human rights	Employees
Investment protection and service quality	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Relationship Capital	Social matters	Clients and FAs
Digital transformation	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Intellectual capital	Social matters Employee matters	Employees
Risk management system	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Human Capital	Environmental matters Social matters Respect for human rights Anti-corruption matters	Shareholders & Authorities
Company solidity and resilience of the business model	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Economic-financial capital	Anti-corruption matters	Shareholders & Authorities
Sustainable strategy	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS	Human Capital	Environmental matters Social matters	Shareholders & Authorities
Business integrity and transparency	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Human capital	Anticorruption matters Respect for human rights	Shareholders & Authorities
Digital governance, cyber security and data protection	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Relationship Capital	Social matters Employee matters Respect for human rights	Clients and FAs

[3] This column contains the 13 SDGs to which Banca Generali believes it can contribute the most in light of the nature of its business, its sustainability strategy and, above all, its Mission, Vision and Purpose.


9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
7 AFFORDABLE AND CLEAN E ERGY
10 REDUCED INEQUALITIES
5 GENDER EQUALITY
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
3 GOOD HEALTH AND WELL-BEING
11 SUSTAINABLE CITIES AND COMMUNITIES
17 PARTNERSHIPS FOR THE GOALS
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
6 CLEAN WATER AND SANITATION
13 CLIMATE ACTION
4 QUALITY EDUCATION

17 PARTNERSHIPS FOR THE GOALS

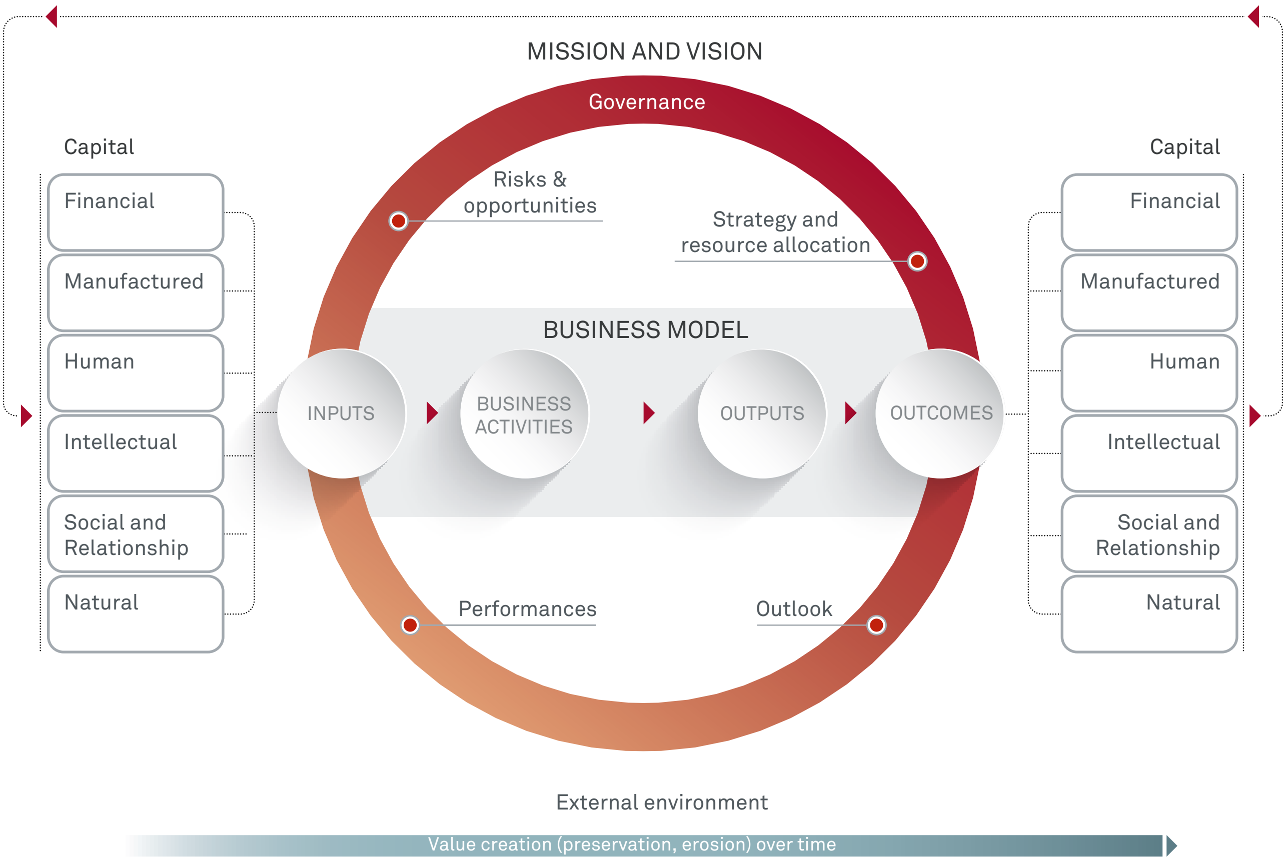
In the far north of Kenya, the Chalbi Desert stretches across an arid plain of stones and dust. Despite being one of the most inhospitable areas in Africa, some local tribes have established a small town called North Horr.
This village is inhabited mainly by nomads from the Gabra tribe, who live almost exclusively on sheep farming. Yet the inhospitable climate is leading to the death of more and more animals, making the future of an entire community more precarious every day.
Climate change is making rainfall extremely rare, reducing the presence of water to a minimum to develop both human and animal life.
In this complicated context, Amref has set up "Heal", a project that aims to radically change the interdependent relationship between man and the environment. Using its transnational presence, the Association is encouraging a process involving countries, organisations and experts, leading North Horr towards sustainable development solutions.
One of the cornerstones of "Heal" is the adoption of a multi-user innovation platform aimed at preventing meteorological risks. To power it, the Association has asked pastoral society leaders, project staff in NGOs working in the area and others such as scientists and researchers who gravitate towards the area to wear sensors to track what is happening in their environment.
A series of weather stations then analyse the collected data in real time, which is explained to the pastoralists through the project managers. In this way, shepherds can manage their livestock more responsibly, preserving them in the difficult environment.

INTEGRATED THINKING

The multiple elements of complexity and uncertainty of recent years have left people with an awareness that they are strongly interdependent and interconnected, while also revealing the systemic and functional role of large companies. Companies engage in co-evolutionary relations, not only with other players from their own business sectors, but also with the society as a whole, more broadly construed, in its political, institutional, social, technological and cultural complexity, as well as with ecosystems and individuals.

Becoming fully aware of these elements inspired Banca Generali to reorganise its Annual Integrated Report according to the structure by-capital proposed in the **International Integrated Framework**[4]: an approach to company reporting that demonstrates the close ties between strategy, financial performance and the social, environmental and economic context in which the Organisation operates, but above all a stimulus to revise its business model in the direction of an "**integrated thinking**" approach, i.e. an awareness that the value created by an organisation is manifest in the exchange, growth, decrease and constant transformation of the types of capital that it uses and influences, with its stakeholders and all of society.

THE VALUE CREATION PROCESS (IR FRAMEWORK)



[4] Integrated reporting framework published in December 2013 by the International Integrated Reporting Council (IIRC) which includes the basic concepts, guiding principles and key contents of integrated reporting.

The **capitals** envisaged in the IR Framework are:

Financial capital	The pool of funds that is available to an organisation for use in the production of goods or the provision of services. They are obtained through financing, such as debt, equity or bonds, or generated through operations or investment results.
Manufactured capital	Manufactured physical objects (as distinct from natural physical objects) that are avail-able to an organisation for use in the production of goods or the provision of services. Manufactured capital is often created by other organisations, but includes assets manufactured by the reporting organization for sale or when they are retained for its own use.
Human capital	People's competencies, capabilities and experience, and their motivations to innovate, including their: alignment with and support for an organisation's governance frame-work, risk management approach, and ethical values; ability to understand, develop and implement an organisation's strategy; loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.
Intellectual capital	Organisational, knowledge-based intangibles, including: intellectual property, such as patents, copyrights, software, rights and licences; organisational capital such as tacit knowledge, systems, procedures and protocols.
Social and Relationship Capital	The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Relationship capital includes: shared norms, and common values and behaviours; key stakeholder relationships, and the trust and will-ingness to engage that an organisation has developed and strives to build and protect for the benefit of external stakeholders; intangibles associated with the brand and rep-utation that an organisation has developed; an organisation's social licence to operate.
Natural capital	All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation.

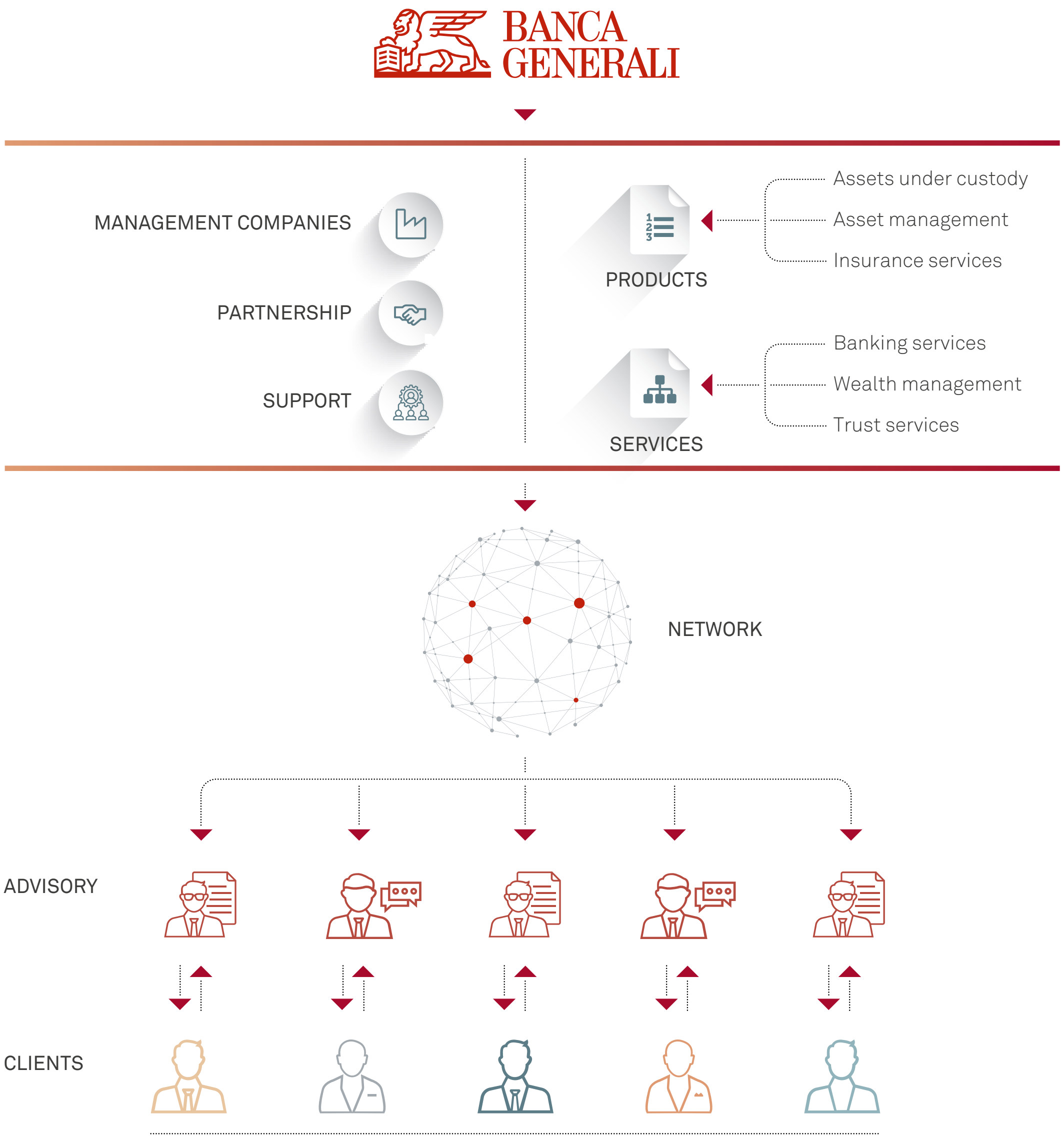
In preparing its Annual Integrated Report, Banca Generali identified **five types of capital** (corresponding to five macro-chapters in the Report) according to its business model:

› **Economic and Financial Capital**, within which the performance in terms of result of operations, financial and capital position of the Banking Group and Parent Company during the year is presented;
› **Intellectual Capital**, which focuses on the innovative aspects tied to the products and services that the Bank offers its customers, as well as services in support of the sales network and company processes;
› **Human Capital**, which includes all information, activities and initiatives carried out for the benefit of Banca Generali's employees and the professionals who are part of its Financial Advisor network;
› **Natural Capital**, within which the figures for the direct and indirect environmental impacts of Banca Generali's activity are presented;
› **Social and Relationship Capital**, which focuses on the initiatives in support of the community carried out by the Banking Group in 2022.

Shared Value Creation Model

Business Model

Banca Generali stands apart within the Italian finance sector for the central role played by the financial advisory and wealth planning services it offers to the **Private** and **Affluent Client** segments through a **network of Financial Advisors** ranked at the top of the industry by competency and professionalism. The bond of trust between Financial Advisor and client is key and is complemented by the range of products, services and support models made available by the Bank.



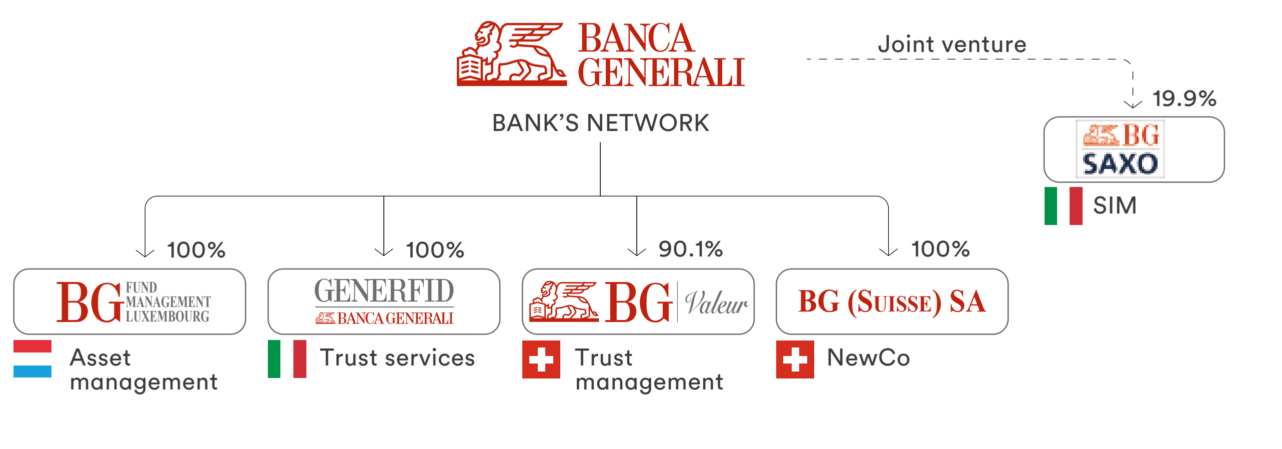
Banca Generali offers:

- **Banking services:** the Bank provides its clients with a range of bespoke banking accounts and services that make doing day-to-day business simple and efficient, thanks to a line of innovative options that ensure the utmost security in online and mobile payments and banking;
- **Assets under Custody:** Banca Generali tends to the AUC component of its clients' portfolios by providing advice on the purchase and sale of securities on the secondary and primary markets, in addition to offering certificates. Banca Generali can offer its Financial Advisors and customers one of the best performing and most comprehensive trading platforms on the market thanks to BG Saxo Sim, a joint venture between Banca Generali and the Danish company Saxo Bank;
- **Asset management:** Banca Generali offers a wide range of mutual funds, as part of an open architecture that benefits from expert selection of the best solutions that thousands of international asset managers have to offer. The open-architecture products offered are rounded out by the in-house range (Luxembourg Sicavs and discretionary mandates) that make it possible to build bespoke solutions, while keeping risk protection as a priority.
  In 2022, Banca Generali expanded its in-house range to better adapt it to the changed market context, with an array of solutions focused on liquidity management, bond investments and active asset management. With regard to its Luxembourg architecture, the Bank introduced liquidity management solutions with the launch of short-term bond products and expanded the range of sub-funds of the BG Collection Sicav to include new actively managed strategies. As regard its discretionary mandates, the Bank introduced financial wrappers focused on liquidity management and global bond investment, as well as management lines characterised by specific active strategies: a dynamic line for investing in ETFs and individual shares with automatic rebalancing, a Smart Target management line with capital protection mechanisms and a Recovery Solution management line that invests with a buy-and-hold strategy. Within the framework of investment solutions, the Bank continued to favour planned savings solutions (PAC plans and Twin Mix). Moreover, on the private banking market, the Bank launched solutions in partnership with the Generali Group and major international institutions;
- **Insurance investments:** in the field of insurance investments, and in particular in the use of asset management to protect and personalise investments, Banca Generali relies on the synergies and expertise offered by the Generali Group, complemented by its own experience and striving for innovation. In 2022, the return of interest rates to solidly positive territory allowed the Bank to reopen its range of traditional life policies (BG Custody), highly appreciated by customers, adding them alongside the traditional BG Stile Libero, a hybrid insurance policy, and Lux Protection Life[5]. In addition, during the year the Bank also launched its first ESG insurance wrapper with dynamic management of equity exposure (BG Oltre);
- **Wealth management and trust services:** the Bank offers a wide array of wealth advisory solutions that extend the dialogue with households beyond investment issues to encompass pension planning, corporate finance, real estate and art advisory, with an eye to potential optimisation of protection for future contingencies and challenges relating to generational transfer (family protection).

This range has been designed and is offered to clients with the support of a value chain consisting of:

- **Commercial networks:** the relationship with clients occurs through a Financial Advisor network (made up of Financial Planners, Private Bankers, Wealth Managers and Relationship Managers), able to best meet the different needs of Financial Advisors and Clients;
- **Managing companies:** in addition to offering banking services, the Group controls a number of managing companies in order to offer its customers the best solutions in some specific segments. These companies include: BG Fund Management Luxembourg S.A., a Luxembourg-based management company responsible for offering in-house funds; Generfid S.p.A., which offers trust services; BG Saxo Sim, a joint venture with the Danish bank Saxo Bank offering advance trading services; and BG Valeur, a boutique financial advisory and asset management firm based in Switzerland. The Swiss NewCo BG Suisse, incorporated in 2021, reinforced its structure by hiring organisational personnel in preparation for starting up business immediately after obtaining the Swiss banking licence, expected to occur in 2023;
- **Partnerships:** to bring its clients the best specialist services the market has to offer in terms of products, wealth management and technology, Banca Generali has formed selected partnerships with other firms in Italy and internationally.

5 Hybrid Private Insurance policy under Luxembourg law launched by the Generali Group, targeted to HNW clients.



Context, Challenges and Opportunities

2022 will be remembered for the outbreak of war in Ukraine. The Russian invasion took the whole world by surprise and the European Union, in particular, found itself facing a conflict on its doorstep. The effort of Ukrainian troops and civilian population, combined with the war and economic support offered by the allied countries, prevented a rapid Russian advance in the early days of the conflict and gradually transformed the confrontation into a war of attrition with huge losses.

The protracted conflict has contributed to increasing the geopolitical and economic tensions between two blocs of countries with increasingly contrasting positions: on the one hand the democracies and market economies, led by the United States of America, and on the other that of the autocracies, led by China and Russia. The emergence of these two blocs seems to call for, if not a definitive reversal, at least a slowdown in globalisation, with significant repercussions for the world economy in light of the high level of integration achieved by markets and supply chains in recent decades.

As regards the pandemic, 2022 saw the gradual normalisation of social life and the reopening of most of the world's economies, following the easing of restrictions. Although the transition from the pandemic to the endemic phase has not yet been formally announced by the World Health Organisation, the levels of economic activity and trade have again returned to normalcy for those countries where timely and widespread vaccination campaigns have been implemented. In contrast with those countries that have successfully embarked on a path of social life normalisation, China pursued its zero-Covid policy until the latter part of the year, with significant repercussions for the country's social and economic stability. China's zero Covid policy has not only had domestic implications, but has contributed to exacerbating economic and geopolitical tensions outside its borders as well.

In the macroeconomic context, the slowdown in growth was accompanied by the resumption of inflation, which had already begun to record significant increases in the second half of 2021. The demand for certain goods and services, repressed during the lockdown periods, exploded with the reopening of Western economies, supported by the huge forced savings accumulated during the pandemic and further boosted by the expansionary monetary and fiscal policies of recent years. The continuous lockdowns of entire cities in China, with the closures of factories and production sites, have put a strain on global supply chains, contributing to supply shortages. The outbreak of war in Ukraine and the ensuing energy crisis, combined with fears of a food crisis, have further exacerbated ongoing inflationary dynamics, contributing to a generalised increase in input costs. The initial debate on the transitory nature of the inflation phenomenon was replaces by double-digit inflation data (or close to double digits) in the US and the Eurozone, including Italy, with values that had not been recorded for over three decades in their respective economies.

Although inflation showed signs of slowing down in the final months of the year, the attention of the Central Banks remains high. There was an abrupt shift from the massive monetary support programmes for the economy implemented in 2020 to the 2022 restrictive policies. The year 2022 saw the fastest rate hike cycle by the US Federal Reserve since 1980, rising from 0.25% to 4.5% in less than 12 months. The ECB returned its rates to positive territory ending 2022 with a key deposit rate of 2%, while the Bank of England raised rates to 3.5%. The main Central Banks have announced or have already started quantitative tightening programmes, and the Bank of Japan has changed its yield curve control target, increasingly difficult to maintain in a more uncertain environment.

In the political sphere, 2022 was a significant year for Italy. Italian population returned to the polls in September, following the fall of the Draghi government. The election result returned a victory for the centre-right coalition led by Giorgia Meloni, who was elected Prime Minister. The new government has adopted an approach in line with the commitments made by the previous government, in particular regarding implementation of the initiatives of the National Recovery and Resilience Plan (NRRP) and in the field of foreign policy. Thanks to growth and inflation, the ration of Italy's public debt to GDP fell in 2022, down to around 145% (154% in 2021). This figure is expected to reduce further to 143% in 2023.

Regarding the financial markets, the combination of high inflation, geopolitical tensions and restrictive monetary policies with rising interest rates contributed to a historic negative result for both equity and bond markets. Global shareholdings recorded a correction of around 14% in euros, masked by the appreciation of the dollar during the year. In particular, 2022 witnessed the collapse of several stocks in the most speculative areas of the markets that had instead stood out in 2021. In general the markets entered a higher volatility regime. Even more significant, however, was the correction in bond markets. The rapid and abrupt rise in interest rates produced the worst result in modern history for investors in US bonds, with double-digit losses. In the UK, the Bank of England had to come to the rescue of the country's pension funds, which were forced to sell their government bonds — known as "gilts — to meet margin calls on their gilt positions. Looking at cryptocurrencies, the overall market capitalisation has more than halved, falling below 1 trillion dollars, while several cases of fraud have emerged among operators in the crypto world that have affected many savers.

With regard to the ESG universe, despite the explosion of a number of greenwashing scandals involving leading financial institutions, the sector's net inflows proved to be resilient. The importance of environmental, social and governance issues in the public agenda has been confirmed, with the progressive implementation of tax spending initiatives by many governments. Examples of these initiatives include the United States' Inflation Reduction Act and the European Union's NextGenerationEU, which will inject significant resources to sustainability projects and initiatives in the coming years.

With regard to the asset management industry in Italy, the volatile and uncertain environment of 2022 further highlighted the advantages for the customer of relying on a model based on networks of Financial Advisors compared to the traditional banking model, based on branches. Proximity, combined with professionalism and a proactive approach in guiding the customer in the management of assets and investment choices, continue to be an element that distinguishes the advisory network business model, stimulating its continuous growth compared to the branch model. Accordingly, there is still ample room for growth for the most dynamic, technologically advanced advisory networks, which will be able to continue to leverage their expertise and differentiated business models to attract the best professionals and win their customers' trust.

The 2022-2024 Strategic Plan

The Ambition for the Three-Year Period

The strategic ambition underlying the Plan drawn up for the 2022-2024 three-year period is to maintain Banca Generali on a path of rapid, profitable and remunerative growth for its shareholders, in continuity and improvement compared to the excellent results already achieved.

The three pillars of the strategy

PILLAR 1
VALUE OF SERVICE

1. Range of targeted solutions:
   - HNW and Private Clients
   - Affluent Clients
2. New service models:
   - Enhanced
   - Guided
   - Self
3. Data-driven network management approach:
   - Client
   - Financial Advisor
   - District

PILLAR 2
INNOVATION

4. Development of a data-driven bank
5. Development of digital platform
6. Partnership ecosystem

PILLAR 3
SUSTAINABILITY

Towards:
- Clients and Financial Advisors
- Employees
- Shareholders and Authorities
- Communities and Future Generations

The strategy to achieve this ambition is based on three pillars, deeply rooted in the Bank's vision: **to be the No. 1 private bank by value of service, innovation and sustainability**.

The **first pillar** of Banca Generali's strategy aims to increase the value of service, bringing the Bank even closer to its Financial Advisor network and its clients. The strategic guidelines provide for:
› developing a **range of targeted solutions** that, building on the ecosystem of products, services and platforms already in place in the private segment, enables to better meet the needs of a wider client base — from Affluent clients to High-Net-Worth (HNW) individuals;
› the introduction of **new service models** that, in a context marked by financial advisor-centric models, allow to enhance Financial Advisors' actions through a greater support by the Bank in managing their clients;
› the implementation of a new **data-driven network management approach** that, based on an estimate of the growth potential of clients, Financial Advisors and districts, and on the identification of the main gaps, drives the coordinated action of the Bank, its network managers and individual Financial Advisors.

With the strategy's **second pillar**, Banca Generali intends to develop an increasingly innovative model, building a data-driven, digital and open Bank. The strategic guidelines provide for:

- the creation of a **data-driven bank:** systemising the Bank's huge amount of data to implement B2C-like data analytics techniques in a financial advisor-centric context;
- the development of **digital platforms** in order to:
  - i) increase the commercial process personalisation through bespoke platforms for Financial Advisors, as a support to the different service models;
  - ii) enhancing operating process efficiency and scalability by further developing robotic business process automation so as to fully digitalise all operating processes;
  - iii) improve the digital customer experience through the integration of new digital services in client channels;
- enhancement of the **partnership ecosystem**: identifying and coordinating the best partners in specific verticals that allow the Bank to consolidate its position with respect to the main industry trends and benefiting from ongoing innovation flows.

Through the **third pillar** of its strategy, Banca Generali aims to consolidate its position in terms of sustainability, becoming a point of reference on ESG themes for its stakeholders.

2022-2024 Commercial and Financial Targets

Despite the turbulence and uncertainly observed in 2022, the Bank's performance confirms the objectives for the 2022-2024 three-year period announced at the 2022 Investor Day:

- **Consistent Growth:** for the three-year period 2022-2024 it expects total cumulated net inflows in the range of 18.0 billion euros and 22.0 billion euros, most of which — approximately two thirds of the total (13-16 billion euros) — will be generated organically by the existing network through the increase of the share of wallet and the acquisition of new Clients;
- **Profitable Growth:** the Bank aims to generate a compound annual growth rate (CAGR) of recurring profit equal to 10-15% over the 2022-2024 three-year period;
- **Remunerative Growth:** Banca Generali intends to distribute steadily growing dividends (cash view) over the Plan period, aiming to reduce profit volatility through a greater payout flexibility. For this purpose, the future Dividend Policy has been set according to the following methods:
  - i) Dividend payout set according to the following criteria:
    - 70-80% on the portion of recurring net profit;
    - 50-100% on the portion of variable net profit.
  - ii) Two-tranche mechanism for dividend payment:
  - 1st tranche: Year T/Q2;
  - 2nd tranche: Year (T+1)/Q1.

Based on the above and in light of profit forecasts, the Bank expects to be able to distribute cumulative dividends of 7.5-8.5 euros per share in the 2022-2025 period (cash view).

Strategic Focus on Sustainability

Consistent with its Vision, Banca Generali reiterates its commitment towards sustainability matters, in line with the documents guiding and reflecting its sustainable approach, such as the Charter of Sustainability Commitments and the Sustainability Policy. In line with this path, the Bank constantly considers the interests of its stakeholders and the economic, environmental and social impacts of its activities when formulating its company strategy and designing its policies. As early as in 2019, Banca Generali started a strategic development and sustainability project that not only covers the area closely linked to ESG investments, but entailed a full-fledged "re-thinking" process of the whole Organisation based on the active engagement of all Corporate Functions. This project led to a Sustainability Plan that continued to inspire the 2022 activities as well.

Banca Generali's "Sustainability by design" is characterised by a holistic approach, whose main areas of interest and development are: **People**; the **ESG solutions** made available to its customers thanks to the valuable contribution of an informed and aware Financial Advisor network; **Governance**, which guides and monitors ESG factors, reporting on them transparently in respect of Authorities and Institutions, also through participation in international initiatives; and the dissemination of the **Sustainability Culture**, which fosters control of the environmental impact and promotes local social impact initiatives.

These **four pillars** have been clearly identified and described in the **objectives of the 2022-2024 Strategic Plan**, disclosed to the market on 14 February 2022, with the aim of integrating sustainability at all corporate levels.

• People

Banca Generali's approach to sustainability is characterised by a strong drive for personal development, pursued not only by harnessing a solid training programme, but also through transparency and revision of remuneration, incentive and performance management systems.

Banca Generali considers **employee training** to be a fundamental tool for supporting the Company's success and competitiveness, in both the short and long term: in line with its corporate values, training is provided through continuous paths over time that are consistent with People's needs and talents, guiding them towards individual responsibility and motivation. Offering quality training, both through classroom sessions and remotely (through webinars or e-learning), is a prerequisite for supporting the development of all employees and making Banca Generali an increasingly recognised player in the market[6]. In order to create a specialised training course for those teams most involved in ESG projects, in 2022 two **advanced training programmes** were created on sustainable finance and ESG risk aspects. The second half of the year also saw the launch of two important initiatives in the world of digital innovation and sustainability: in July, preceded by a survey carried out at company level and in line with the objective of the Strategic Plan to strengthen **digital skills** and **innovation**, the Digital Minds programme was launched; October saw instead the beginning of an **awareness programme on sustainability** involving the entire company population and which, in just two months, brought over 300 people back to the classroom, with further training courses planned for 2023.

Banca Generali's sustainable growth also recognises the fundamental importance of **Diversity, Equity & Inclusion (DEI)** as factors for union and dialogue within the Organisation. In an increasingly complex, globalised and interconnected world, the management of diversity within the Company represents an essential requirement, also for the Organisation's success. In 2022, Banca Generali reiterated its commitment to enhancing equal treatment and opportunities between genders by signing the Charter "Donne in Banca: valorizzare la diversità di genere" (Women in Bank: enhancing gender diversity), promoted by the Italian Banking Association (ABI). The Bank also confirmed its membership of the international community WEPs (Women Empowerment Principles), a set of guiding principles created by the United Nations with the aim of promoting gender equality in companies, and of Women & Tech, a network of companies and people to realise women's potential in innovation. Several initiatives were implemented in the field of DEI: BG Forever Young, focused on young talent; BGeneration Month and BGenerAction, aimed at creating a virtuous alliance between the different generations present in the Bank; BG Impact People and Women's Empowerment, designed to enhance female professionalism and managerial skills. In 2022, under-35 professionals continued to exceed 60% of new hires. To support inclusion and with a view to improving **work-life balance**, in 2022 as well, Banca Generali maintained the "*new-normal*" concept, introduced the previous year: a hybrid work model for the benefit of 100% of staff that combines in-presence work with remote working[7].

[6] For further information, reference should be made to chapter "Human Capital: Human Resources", section "Training and Development of Human Capital".
[7] For further details, see chapter "Human Capital: Human Resources", sections "Diversity & Inclusion" and "Work-life Balance".

• ESG solutions offered to Customers and Financial Advisors

The dissemination of the culture of sustainability also significantly influences the Bank's commercial approach, its wealth advisory service and all its product and service offer in general. In order to develop products and services able to meet the threefold purpose of excellence in customer service, innovation and sustainable growth, Banca Generali complemented its traditional financial allocation methodology with a new approach based on the United Nations 17 Sustainable Development Goals (SDGs): clients, supported by Financial Advisors, can actively select through targeted choices, available within Banca Generali's proprietary platform for creating portfolios (**BGPP** – Banca Generali Personal Portfolio). The platform is continuously upgraded in order to introduce new features in line with regulatory developments and market trends: the two **new features** introduced in 2022 - portfolio search and optimisation - expanded the methods for selecting instruments, making the choice increasingly personalised.

Within a complex and constantly evolving market context, also on a regulatory level, the **Financial Advisors' ESG training** represents, together with the development of the advisory platform, an important driver for the achievement of medium/long-term strategic objectives.

In 2022, all Financial Advisors took at least **two mandatory courses** on ESG topics, focused on regulatory updates, responsible investments and the 17 UN SDGs. As far as **advanced training** is concerned, the third and fourth editions of the training course carried out, on an exclusive basis, with MIP[8] and aimed at EFPA ESG Advisor certification took place, together with the organisation of 17 training sessions on sustainable finance, which involved 335 Financial Advisors.

With reference to the **ESG solutions** offered to its customers, Banca Generali has adopted specific responsible investment policies since 2021. Such policies are based on best international practices and comply with the commitments undertaken by the Generali Group by becoming a signatory of the Global Compact's Principles and the UN **Principles for Responsible Investment** (PRI). Banca Generali formally submitted its signatory application form to PRI in the reporting year.[9] The policies set out the methods adopted by the Bank to systematically consider sustainability risks in investment processes and to mitigate the potential negative effects of ESG investments with regard to customer portfolio management, financial advice and management of the Bank's proprietary portfolios.

Even in a scenario such as that of 2022, when financial markets underwent significant turmoil — a situation not particularly favourable for sustainable products — and an unprecedented regulatory impact in the area of ESG product governance, Banca Generali Group continued to work on developing new products and services that reflect the characteristics provided for in Regulation (EU) No. 2019/2088[10]. The development of the **Luxembourg Sicavs** managed by BG Fund Management Luxembourg focused on strengthening their ESG offerings, also through the launch or reclassification of existing strategies, bringing to 44 the number of strategies that promote environmental or social characteristics or pursued a sustainable investment objective. Among investment services, the range of **portfolio management** solutions, characterised by investment lines that combine the goal of a traditional financial return with social and environmental characteristics aligned with those laid down in the Agenda promoted by the United Nations, was further expanded. At year-end, seven lines promoting environmental or social characteristics had received the "Best Green Asset Managers" award from the ITQF[11]. In addition, in June Banca Generali launched BG Oltre, a whole-life hybrid insurance policy dedicated to affluent clients. This solution is characterised by a moderate initial minimum investment and the ability to invest in key sustainability areas through three internal thematic funds. In line with the constant goal of improving the service level, in 2022 sustainability and the search for new trends were guiding factors of the catalogue revision strategy also with regards to the **range of open-architecture funds**.

In line with the strategic goal of **reinforcing the presence of ESG investment solutions within its customers' portfolios**, and in accordance with the regulatory approach aimed at satisfying the sustainability preferences of its customers through a dedicated range, in 2022 Banca Generali redefined the "ESG" attribute, adding a score prepared by an external provider of at least 3 on a scale of 1 to 5 to the regulatory taxonomy pursuant to Articles 8 and 9 of Regulation (EU) No. 2019/2088. In light of this definition, at the end of 2022 the **ratio of ESG AUM** to total managed solutions was 32.2%, of which 21.5% referring to solutions pursuant to Articles 8 and 9, narrowly defined, and 10.7% to UCITS pursuant to Articles 8 and 9 underlying financial and insurance investment solutions.

The range of products and solutions also extends to some **areas that are not strictly financial**, relating to credit and the real economy. With regard to the lending sector, consistently with the amendments introduced in the Credit Regulations in 2021, the monthly monitoring and the quarterly reporting activities started to include also an ESG assessment of financial guarantees, with the introduction of a specific relevant indicator of the Risk Appetite Framework. In the context of EBA guidelines on loan origination and monitoring, such indicator is a requirement in formulating credit policies.

In addition, in the area of investments in the real economy, work continued in support of initiatives focused on SMEs, such as the BG 4 Real programme, which involved support for an innovative new Italian SME in the med-tech sector.

8 The Business School of Politecnico di Milano.
9 In December 2022, Banca Generali became a PRI investment manager signatory. For further information, see section "ESG Governance and Transparency Towards Authorities and Institutions".
10 Sustainable Finance Disclosure Regulation (or SFDR).
11 Istituto Tedesco di Qualità e Finanza – Deutsche Institut für Qualität und Finanzen.

- **ESG Governance and Transparency Towards Authorities and Institutions**

Banca Generali continued to reinforce its ESG governance through **amendments introduced into its Articles of Association**, expressly acknowledging the consideration of sustainable development by the Board of Directors in formulating company strategies. This important development is in keeping with the legal and regulatory framework and the strategic model already adopted by the Bank, which focuses on sustainable growth over time and the achievement of stable, satisfactory financial and commercial results in the long term, while integrating the ESG approach into all levels of the value chain. The amendments to the Articles of Association are a new stage of the Banca Generali's path started in 2021 by introducing sustainability to its Managerial Steering Committee and allocating the related competence to each Board Committee, each for the areas falling within their remit[12].

Since 2018, the General Counsel and Sustainability Area has been responsible for sustainability matters. Its coordination and guiding role in liasing among the various internal structures and the Banking Group's structures is implemented through a "hybrid" organisational model, in light of the Bank of Italy's supervisory expectations for climate-related and environmental risks[13].

BG Sustainability Policy

The Policy aims to integrate into business processes the Banking Group's sustainability model outlined in the "Charter of Sustainability Commitments", which defines, in line with the principles established by the Internal Code of Conduct and main related legislation, the long-term strategic goals for doing business responsibly, contributing to developing a healthy, resilient and sustainable society.

In particular, the Sustainability Policy outlines the system to identify, assess and manage the ESG Factors-related risks, setting out the rules for:
- identifying and prioritising the ESG Factors that are relevant for the business activities or over which the Group can have most influence;
- managing the risks and opportunities connected with the relevant ESG Factors;
- monitoring and reporting on the risks and opportunities connected with the relevant ESG factors.

ESG Governance always places the **main stakeholders** at the centre, basing all actions on **dialogue** and **transparency**.

The Policy for Managing Engagement with All Shareholders formalises the commitment to **shareholders** through fair, transparent and differentiated forms of engagement. In fact, the Bank believes that the establishment and maintenance of a constant and continuous relationship with all stakeholders is in its own specific interest, as well as a duty towards the market.

In 2022, a long-term programme of **in-depth ESG training** was defined and launched, aimed at strengthening the skills of the members of the **corporate bodies** in light of the constant evolution of the regulatory framework: in October, the first session on sustainable finance was held. The in-depth programme is in line with the **Bank of Italy**'s supervisory expectations on the integration of climate-related and environmental risks into corporate strategies, governance and control systems, the risk management framework and the disclosure of supervised banking and financial intermediaries. With reference to supervisory expectations, Banca Generali was also included in a panel of LSI banks to which a questionnaire was submitted to identify the level of alignment with them. The feedback received was positive and the results showed a good degree of alignment, which will be improved also thanks to a three-year action plan approved by the Board of Directors.

Top Management was kept constantly up to date thanks to the updating and integration of a dashboard of indicators linked to the achievement of the ESG targets of the Strategic Plan, which also includes the ESG indicators monitored within the risk framework. In October, a **Strategy Day** was also organised for the **Board of Directors**, which provided an update on the state of the art with respect to the ESG targets defined by the Plan.

12 Nomination, Governance and Sustainability Committee, Internal Audit and Risk Committee, Remuneration Committee, Credit Committee.
13 Thematic Survey of the degree of alignment of LSIs with supervisory expectations for climate-related and environmental risks, April 2022.

The actions taken with respect to **remuneration** included the reiteration of the commitment to sustainability through the updating of the short-, medium- and long-term qualitative and quantitative indicators focused on a wide range of ESG matters. The inclusion of compliance with sustainable finance regulations in the malus and claw-back clauses was also confirmed.

In 2022, the commitment to transparency extended not only to extensive dialogue with **ESG ratings agencies and financial analysts**, but also to constant updating of the **institutional website**, which included a disclosure pursuant to Article 10 of the SFDR on the transparency of promotion of the environmental or social characteristics of portfolio management services.

With specific regard to dialogue with **ratings agencies**:

- **Standard Ethics**: on 23 December 2022, the independent rating company upgraded Banca Generali's rating from EE (Strong) to EE+ (Very Strong), on a scale from EEE to F. The 12-month outlook remains stable;

- **ISS** (Institutional Shareholders Services): with regard to the Governance Quality Score rating (the assessment is based on a scale of 1 to 10, where 1 represents the lowest level of risk), Banca Generali was awarded a score of 2. As regards Environment & Social Disclosure (in this case as well, assessment is based on a scale of 1 to 10, where 1 represents the highest level of disclosure), the Bank was awarded a score of 2 and 1, respectively, obtaining the "Social QualityScore Badge" reserved for companies that achieved the highest score;

- **Moody's (Vigeo Eiris)**: the Banca Generali Group's ESG Profile was updated in November 2022 with an Overall ESG Score of 62/100 – Advanced. This score placed it 5th in the rankings of 97 companies in the Retail & Specialised Banks sector considered and confirmed its inclusion in the MIB ESG index[14], to which it had been admitted on 17 October 2021;

- **Sustainalytics**: in 2021, Banca Generali had strengthened dialogue with Sustainalytics by obtaining an ESG licence, undergoing an analysis conducted via the Comprehensive Framework, i.e., an analysis including a greater number of indicators. As a result of this research, on 14 December 2021 the Bank had received an upgrade, lowering its ESG risk level to 9.2 (negligible risk class), coming in first place in the world rankings for the Asset Management and Custody Services subindustry. In 2022, this rating remained unchanged;

- **MSCI**: with regard to the ESG Rating, in November 2022 Banca Generali S.p.A.'s rating was revised upwards from BBB to A (on a scale from CCC to AAA);

- **S&P Global Corporate Sustainability Assessment**: in 2021, Banca Generali S.p.A. was invited by the authoritative rating agency S&P to participate in Global Corporate Sustainability Assessment (CSA) for the category "Group C", i.e., the category including companies of interest to the broader investment community. The Bank's score has not been defined yet;

- **Carbon Disclosure Project (CDP)**: Banca Generali S.p.A. was awarded a score of A-[15] within the framework of climate change reporting for 2022.

[14] The methodology underlying the index involves drawing up rankings of the 40 top companies on the basis of ESG criteria, selected from among the 60 most liquid Italian companies, excluding those involved in activities not compatible with ESG investments. The composition of the index is revised with quarterly frequency and the Bank's presence in the index was confirmed in December 2021.
[15] On a scale from D- (worse score) to A (best score).

Adherence to the Principles for Responsible Investments

Signatory of: PRI Principles for Responsible Investment

In December 2022, Banca Generali became a signatory of the **PRI** (Principles for Responsible Investments) promoted by the United Nations, confirming the commitment formalised in the Strategic Plan, in line with its Vision of aiming "To Be the No. 1 Private Bank by Value of Service, Innovation and Sustainability". The Bank is categorised as an Investment Manager and Single Consolidated Group signatory, including in its scope of disclosure Banca Generali, BG Fund Management Luxemburg and BG Valeur.

In accordance with PRI signatory guidelines, Banca Generali Group meets the minimum accountability requirements as:

- over the years it has adopted an investment policy (Responsible Investment Policy, hereinafter "Policy") that outlines in detail the Group's responsible investment approach and covers at least 50% of AUM;
- it has appointed internal/external staff in charge of implementing the Policy;
- it has set up adequate senior-level commitment and accountability mechanisms for implementing the Policy.

Banca Generali's Responsible Investment Policy, is publicly available in excerpt form, **applies to 100% of assets under management**[16] and represents the framework of reference for all Group companies, which in turn have adopted a consistent policy framework that takes into account their specific business requirements. In compliance with the PRI requirements, the Policy defines the governance system, responsibilities and accountability mechanisms applicable to the various functions.

In order to improve its positioning as a signatory of the PRI and increase its potential score, in 2023 the Group will assess actions aimed at strengthening its sustainable investment approach, in line with the ambitions of the 2022-2024 Strategic Plan.

Within the contest of ESG matters, in their broadest meaning, Banca Generali has also pursued a tax transparency approach with respect to all stakeholders. Within this framework, Banca Generali received excellent ratings from the main ESG rating agencies, including with regard to parameters relating to tax management, and is preparing a specific report on taxation (**Tax Transparency Report**).

Sustainability culture

Banca Generali aims to become an ESG reference for its stakeholders. To achieve this ambitious goal, over the years policies and tangible actions have been implemented to contribute positively to the United Nations Sustainable Development Goals (SDGs). The 2022-2024 Strategic Plan reflected the commitment made to the Community, in both **social and environmental** terms.

For years, Banca Generali has been socially committed, through both awareness-raising campaigns conducted through The Human Safety Net Foundation and support for research and the academic world. In 2022, it pursued a **financial education** and awareness-raising project on ESG matters entitled "Un salvadanaio per amico" ("A Moneybox for a Friend") in partnership with FEduF (Foundation for Financial Education and Saving), holding 17 online meetings dedicated to students in first-level primary and secondary schools and directly involving employees as teachers. In addition, a **research** project on **sustainability topics** was financed in collaboration with Bicocca University of Milan.

Banca Generali maintained its commitment to financial education by through a continuous active collaboration with several prestigious universities. In 2021, one such collaboration gave rise to the "O-Fire" Observatory[17], a leading scientific centre that develops and promotes university research in the field of green finance, sustainable and responsible investments (SRIs) and ESG activities, in partnership with Bicocca University of Milan and AIFI (Italian Association of Private Equity, Venture Capital and Private Debt). In November 2022, the Observatory presented its first Annual Report, focusing on the EU Taxonomy[18] and offering an overview of its impacts on the corporate and asset management world.

16 Exceptions are available for specific asset types only.
17 Observatory on Impact Finance and its Economic Implications.
18 Simplified reading of the European taxonomy and first assessment of its implications.

#BG4SDGs
Time to change

In addition, with a view to spreading a positive and sustainability-oriented culture, the Bank further developed "BG4SDGs - Time to Change", a photography project to **raise awareness of the 17 SDGs of the UN 2030 Agenda**, carried out in partnership with photographer Stefano Guindani[19]. Furthermore, in September 2022, the financial education project "EduFin 3.0 – Marco Montemagno for Banca Generali" was launched. This important one-year project aims to cover a major topic in financial education each week, from those of a traditional nature to new developments in the investment sector, such as cryptocurrencies, blockchain and the metaverse, so as to familiarise the general public and young people to the world of finance through social media.

In 2022, Banca Generali continued to pursue its objective of involving **future generations** as active stakeholders of the Organisation. With this goal in mind, the tangible actions taken included organising the Investment Challenge, an initiative focused on the theme of responsible investment carried out in collaboration with Reply and MIP – Politecnico di Milano, which involved 13,750 students from universities located in 95 different countries the world over. Actions also included the creation of a partnership with Build It Up, a non-profit association founded in September 2012 at the initiative of a group of ESCP Europe students to spread an entrepreneurial spirit among young people and provide them with support by putting the start-ups and innovative ideas of talented young people in direct communication with established companies and top-tier professionals.

Since 2019, Banca Generali has been reiterating its **institutional role** in the sustainability world participating in the Forum per la Finanza Sostenibile (FFS), the most authoritative Italian network in promoting the knowledge and practice of sustainable finance, and in Eurosif[20]. In detail, in September 2022, the Bank confirmed its participation in the Italian Sustainability Week, an event organised by Borsa Italiana to foster virtual dialogue between companies and investors regarding matters of sustainability, innovation and economic growth. The event, supported by FFS, UN Global Compact and the UN PRI network, included ten meetings that touched on numerous non-financial topics and allowed the Bank to interact with various financial intermediaries operating in the sustainability sector.

With respect to **climate change**, Banca Generali committed to achieving major medium- and long-term targets, starting with its investment portfolio, and as early as 2021 launched an operating project focusing on sustainable restructuring[21].

[19] For more information on the above-mentioned initiatives, see section "Relationship Capital: Initiatives in Support of Local Communities".
[20] The pan-European association that supports the growth of socially responsible investments in the EU financial markets and that is in turn a member of the Global Sustainable Investment Alliance (GSIA), an organisation that acts on a global scale, bringing together sustainable finance networks on all continents.
[21] For more detailed information, see chapter "Natural Capital.

Integrated Reporting

In accordance with Banca Generali's decision to report the non-financial information provided for in Italian Legislative Decree No. 254/2016, despite qualifying for an exemption (see the Statement of Methods), starting in reporting year 2018 the information provided for in the said Decree will be included in the aforementioned Annual Integrated Report, also available from the address: www.bancagenerali.com/en/investors/reports-and-relations.

According to the provisions of Article 41, paragraph 5, of Legislative Decree No. 136/2015 of 18 August 2015, the Consolidated Report on Operations and the Separate Report on Operations of the Company may be presented as a single document. The Consolidated Report on Operations therefore includes a chapter that provides the data and information specifically required by the Separate Report on Operations.

The financial statement documents are also accompanied by legally mandated additional documentation that contains more detailed information regarding specific aspects of the Banking Group's business:
- the Report on Corporate Governance and Company Ownership;
- the Annual Remuneration Report;
- the Pillar 3 public disclosure;
- Country by Country Reporting.

Report on Corporate Governance and Company Ownership

The Annual Report on Corporate Governance and Company Ownership drafted in accordance with Article 123-*bis* of the Consolidated Law on Finance (TUF) contains a broad set of information regarding, *inter alia*, the structure of share capital and relevant shareholdings, the structure and functioning of the Board of Directors and the Board Committees, the role of the Board of Statutory Auditors, the functioning of the Shareholders' Meeting and an overview of the functioning of the internal control and risk management system.

As permitted by Article 123-*bis* of TUF, this information is presented in a separate report, approved by the Board of Directors and published together with this Report.

The "Annual Report on Corporate Governance and Company Ownership" can be consulted in the Corporate Governance section of Banca Generali's corporate website www.bancagenerali.com/en/governance/corporate-documents.

Remuneration Report

Drawn up pursuant to Article 123-*ter* of TUF and Consob Resolution No. 18049 of 23 December 2011, this Report analyses in detail the Group's Remuneration and Incentive policies and reports on the application of remuneration and incentive policies in the year under review.

In addition, this Report includes the information required by the Bank of Italy (Circular No. 285/2013 - "Supervisory Provisions Concerning Banks", Part I, Title IV, Chapter 2 - Compensation and incentive mechanisms) and by Article 450 of Regulation EU No. 575/2013 (Basel 3).

The Banca Generali Group publishes its Remuneration Report on its website in the Corporate Governance section dedicated to the Shareholders' Meeting. The 2022 Remuneration Report is available at the following link: www.bancagenerali.com/en/governance/agm.

Pillar 3 Public Disclosure

Within the framework of the banking regulatory system governed by the Basel Accords (Basel 3), Pillar 3 represents the “disclosure requirements” that complement the regulatory capital requirement (Pillar 1) and supervisory review process (Pillar 2).

The document includes a wealth of qualitative and quantitative information, structured so as to provide to market operators as complete as possible an overview of the risks assumed, the characteristics of the related systems aimed at identifying, measuring and managing the said risks and the capital adequacy of the Banca Generali Banking Group.

Public disclosure is governed directly by European Regulation No. 575/2013 (“CRR”), Part 8 “Disclosure by institutions” (Articles 431-455), the Commission Delegated Regulations and the Bank of Italy Supervisory Regulations (Circular No. 285 of 17 December 2013, Part II, Chapter 13).

The public disclosure is drafted at the consolidated level by the Banking Group Parent Company and shall be published on at least an annual basis, along with the financial reporting documents. With effect from reporting year 2018, following the entry into force of the fifth update to Circular No. 262/2005, which sets out the rules for the preparation of bank financial statements, detailed disclosures on the composition of own funds, capital requirements and regulatory ratios is included solely in Pillar 3.

The Banca Generali Group regularly publishes its public Pillar 3 disclosure on its website, at the following address: www.bancagenerali.com/en/investors/reports-and-relations.

Country by Country Reporting

In accordance with the provisions set forth in Circular No. 285 issued by the Bank of Italy on 17 December 2013 (Part I, Title III, Charter 2), information on operations by country to be disclosed by the Banking Group, pursuant to Article 89 of Directive No. 2013/36/EU dated 26 June 2013, is available on the corporate website of Banca Generali: www.bancagenerali.com/en/governance/corporate-documents.

11 SUSTAINABLE CITIES AND COMMUNITIES

The quiet waters of Lake Mjøsa are surrounded by green hills, in whose vegetation are camouflaged few and scanty houses. Among these, however, there is one that towers high in the sky, as if to make itself visible from every point of the valley. It is the Mjøstårnet, a skyscraper of 18 floors and 85.4 meters high that is attracting the attention of the world for one of its peculiarities: it is built entirely of wood. The path to achieve the Sustainable Development Goals (SDG) number 11 “Making cities and human settlements inclusive, safe, durable and sustainable” starts from here, a hundred kilometers away from the Norwegian capital of Oslo.
The technique used to build Mjøstårnet, in fact, involves the total absence of any use of concrete and steel. In addition, each cubic meter of logs used in the structure contributes to removing 0.9 tons of carbon dioxide into the air. In other words, this construction activity not only generates no emissions, but even helps reduce them by acting as a storage reservoir. In a world that is constantly looking for effective solutions to combat climate change, Mjøstårnet is therefore proposed as a true disruptive element for a sustainable revolution that starts from the building industry and extends to the environment.
Opened on March 15, 2019, the Mjøstårnet is currently the tallest wooden skyscraper in the world. And even if its primacy will soon be surpassed, its legacy is already carved in the history of world architecture.

GOVERNANCE

History

Banca Generali's history is a history of growth marked by a mix of skills stimulated by internal innovation and an ability to incorporate external realities.

Expansion and mergers of companies and networks of Financial Advisors

Increase in business efficiency, focus on market

1998 - 2000
A new bank
Banca Generali started operations on 1 December 1997, following the acquisition of 90% of the share capital of Cassa di Risparmio di Trieste Specialcredito S.p.A. by Assicurazioni Generali

2000 - 2001
Merger with Prime and creation of the multi-channel bank. Acquisition of Altinia Sim e INA Sim

2003
Acquisition of Banca Primavera's network

2005
Acquisition of Intesa Fiduciaria Sim

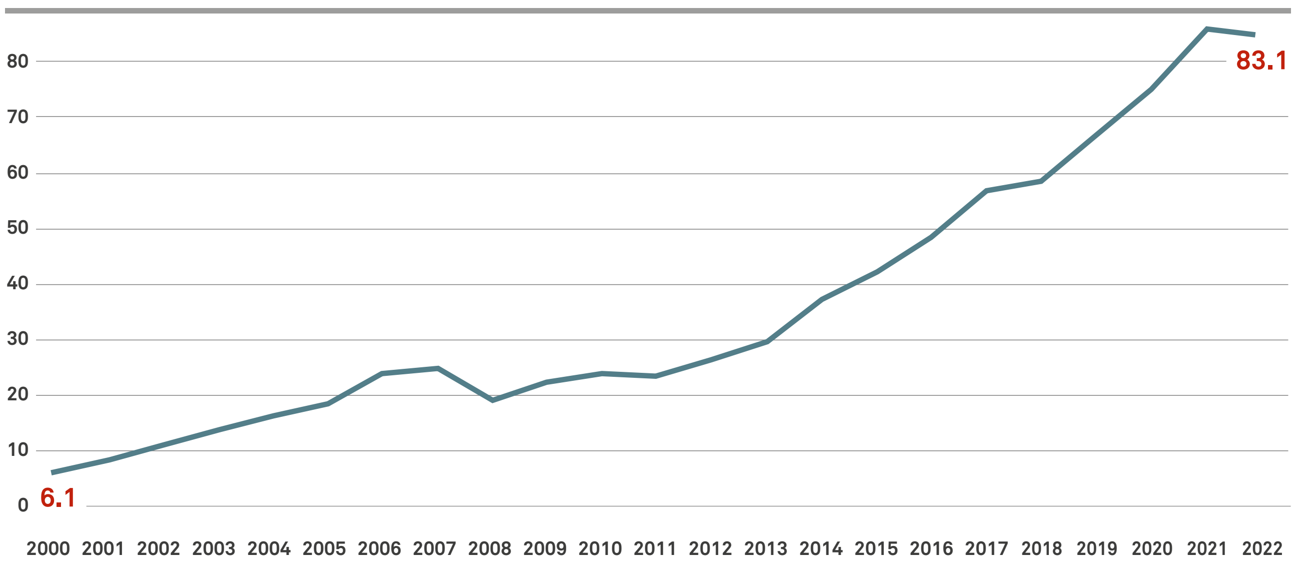
2006
Enhancement of wealth-management activities and listing on the stock exchange Acquisition of a management company, BG SGR. Acquisition of the share capital of Banca BSI Italia (the Italian company of BSI S.A.). Acquisition from BSI of a static trust company, S. Alessandro Fiduciaria (now Generfid). Banca Generali shares debut on the Milan stock exchange on 15 November

2007
Incorporation of the product factory BG Investments Luxembourg

2008
Acquisition of Banca del Gottardo Italia

2009
Creation of Generali Fund Management

BANCA GENERALI - TOTAL ASSETS: 2000-2022 TREND (€ billion)



high-end and development of a wealth management hub

New operating structure thanks to targeted high-end acquisitions

2010 Introduction of the Banca Generali Private Banking division

2011 Merger of BG SGR into Banca Generali

2014 Acquisition of the Italian private-banking unit of Credit Suisse. Creation of the new BG Fund Management Luxembourg

2016 Tenth anniversary of Banca Generali's listing on the Italian stock exchange

2017 Merger of BG Fiduciaria. Creation of the Banca Generali Private trademark and three network divisions: Financial Planner, Private Banking and the new Wealth Management

2018 Definition of the partnership between Banca Generali and Saxo Bank to create BGSaxo Launch of acquisition of Nextam Partners and Valeur Fiduciaria S.A.

2019 Completion of the process of acquisition of Nextam Partners and Valeur Fiduciaria S.A., now BG Valeur S.A.

2020 Merger of Nextam Partners SGR and Nextam Partners S.p.A. into Banca Generali

2021 Incorporation of the NewCo BG Suisse S.A.

Recognitions Received

- Best Financial Advisor Network for Customer Satisfaction (2016, 2017, 2018, 2019, 2020, 2021) Deutsche Institut für Qualität und Finanzen
- Best Distribution Network Italian Certificate Awards – ICA (2021, 2022)
- Gold medal as Italy's Best Asset Manager (2021, 2022) Deutsches Institut für Qualität und Finanzen
- Gold medal as "Best Green Asset Managers" (2023) Deutsches Institut für Qualität und Finanzen (2nd place in 2022)
- Best Employer (2021, 2022) Deutsches Institut für Qualität und Finanzen
- Best Italian Private Bank – 2021 Private Banking Awards Citywire
- Best Italian Private Bank for "Wealth Protection" – 2022 Private Banking Awards Citywire
- Best Private Bank in Europe for use of Technology FT Group
- 2021 Best Private Bank in Italy FT Group
- 2022 Best Private Bank for Digital Wealth Planning in Europe FT Group
- Triple A in ESG Investments (2021) Milano Finanza
- 2022 Most Sustainable Private Bank World Economic Magazine
- 2022 Best Private Bank for Diversity & Inclusion Italy World Economic Magazine
- 2022 Banking Awards – Best Sustainable Private Bank – Italy 2022 Capital Finance International
- Sustainability Awards LC Publishing Group
- Top Manager reputation by Reputation Science – Gian Maria Mossa in 1st place among networks and sole representative of advisory services in the financial top 10 Bluerating

Governance and Organisational Structure

Governance Structure

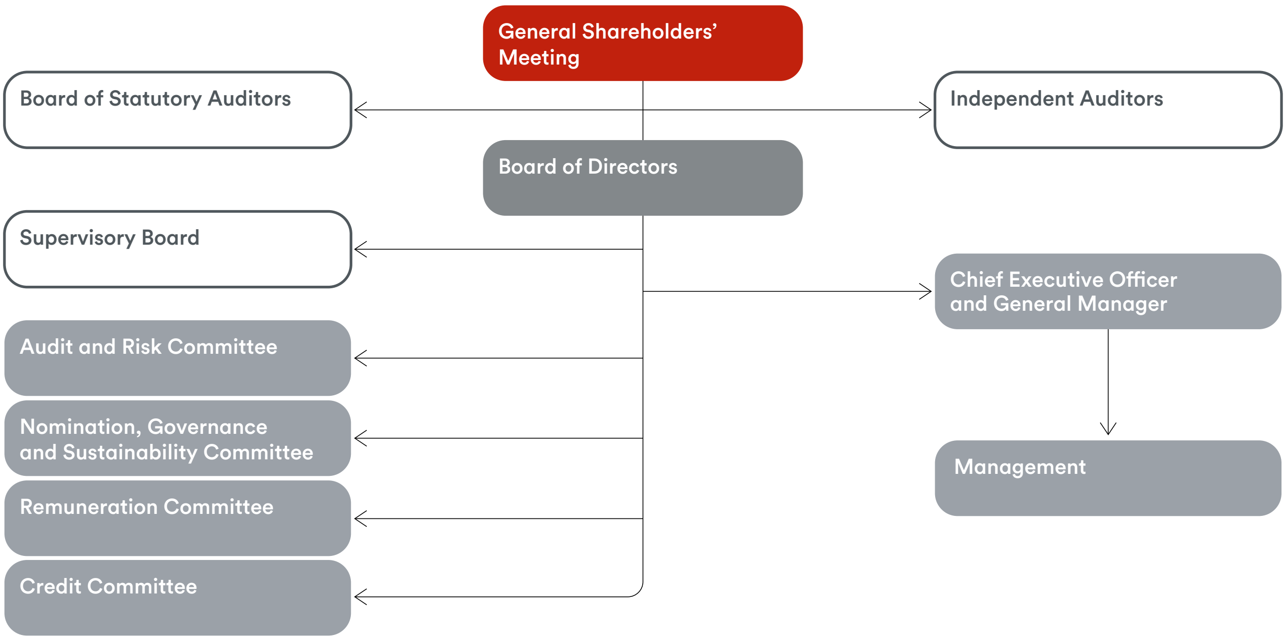
Banca Generali S.p.A.'s governance structure is based on the **traditional model**, which consists of the following corporate bodies: Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

The **Board of Directors**, appointed by the Shareholders' Meeting on 22 April 2021, is composed of 9 members, of which 4 Non-Independent Directors (including the Chairman and the Chief Executive Officer) and 5 Independent Directors, in accordance with laws and regulations currently in force.

Four Board committees have been set up within the Board of Directors: the Remuneration Committee, the Nomination, Governance and Sustainability Committee, the Internal Audit and Risk Committee and the Credit Committee.

As the strategic oversight body, the Board of Directors (BoD) leads the Company pursuing its sustainable success, which consists in creating long-term value for the benefit of shareholders, taking into account the interests of other stakeholders relevant to the Company, formulating consistent strategies for the Bank and the Banking Group accordingly, and verifying and monitoring the implementation on an ongoing basis

The **Board of Statutory Auditors**, appointed by resolution of the Shareholders' Meeting of 22 April 2021, is made up of three Acting Auditors and two Alternate Auditors and has a control function, in accordance with laws and regulations currently in force.



Procedures for selecting and appointing the members of the Board of Directors and Board Committees

Procedures for appointing the members of the Board of Directors

Pursuant to Article 15 of the Articles of Association, Banca Generali is managed by a Board made up of no less than seven and no more than twelve members, appointed by the Shareholders' Meeting after determination of the number of members. Members of the Board of Directors hold office for a maximum of three financial years. Their term ends on the date of the meeting approving the Financial Statements of the last financial year of said term and they are eligible for reappointment.

If appointments are made during the period of office, the term of the newly elected officers comes to an end together with the serving officers.

Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations are entitled to submit a list. The appointment mechanism based on the so-called voting lists ensures transparency, as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.

Pursuant the Articles of Association, each shareholder may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, on pain of disqualification of the list. The lists must contain a number of candidates, capable of ensuring gender balance, no higher than the number of members to be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each shareholder is entitled to vote for only one list.

The outgoing Board of Directors may also submit its own list; in this case, the Nomination, Governance and Sustainability Committee expresses an opinion on the appropriateness of the candidates proposed by the said Board.

Should only one list be submitted, all the members of the Board of Directors shall be appointed from the said list. Should, on the other hand, more than list be submitted, the first candidates on the list obtaining the greatest number of votes, equal to eight ninths of the number of members of the Board of Directors determined by the Shareholders' Meeting will be elected Board members. In the case where the number of Board members belonging to the gender less represented, and appearing on the list that obtained the highest number of votes, is lower than the number required under applicable statutory provisions, the elected candidate with the highest serial number, and belonging to the more represented gender, shall be replaced by the following candidate belonging to the gender less represented and appearing on the same list as the replaced candidate. The Directors belonging to the gender less represented still missing to reach the required number are appointed by the General Shareholders' Meeting, by majority vote. The remaining Directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of Directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

Should it emerge, at the end of voting, that a sufficient number of Independent Directors, within the meaning of applicable regulations, has not been elected, the director bearing the highest serial number in the list that obtained the greatest number of votes, and who does not meet the requirements of independence, shall be replaced by the next candidate on the same list, who does meet the said requirements. If necessary, this procedure may be repeated until all the vacancies of Independent Directors on the Board have been filled. Should it not be possible to cover all the vacancies on the Board, the Shareholders' Meeting shall proceed with the appointment, at the proposal of the shareholders in attendance and by resolution approved by simple majority.

If during the term of office one or more Board members should leave office for whatever reason, they will be replaced according to the procedures established by law. If the leaving Director was taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the outgoing director and willing to accept office or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office and taken, in serial order, from the list to which the first unappointed candidate belonged. The term of the replacement Director shall expire together with the term of the Directors in office at the time of the replacement Director's appointment to the Board.

Where it is not possible to proceed as described above, either because of too few candidates being presented on the lists or as a result of non-acceptance of appointments, the Board of Directors shall co-opt, within the meaning of Article 2386 of the Italian Civil Code, a Director selected by the Board in accordance with the criteria established under law. The Director thus co-opted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him or her following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Article 15 of the Articles of Association.

The Bank's Nomination, Governance and Sustainability Committee is involved in the appointment process described above and, *inter alia*, supports the Board of Directors in activities concerning the appointment or co-option of Directors: in particular, as described below, it plays an advisory role in the prior identification of the qualitative-quantitative composition of the Board of Directors and the Board Committees considered optimal for the purpose of appointing or co-opting the Directors and subsequent verification that the optimal composition corresponds to the actual composition resulting from the appointment process, expressing its opinion on the appropriateness of the candidates identified by the Board.

In accordance with the Articles of Association, the Chairman may be elected by the Shareholders' Meeting or, when not appointed by the Shareholders' Meeting, by the Board of Directors. **The Chairman in office was appointed by the General Shareholders' Meeting held on 22 April 2021**, as the first candidate on the list who obtained the majority of votes. The Chairman in office is not an Executive of the Bank, but an Executive of the parent company Assicurazioni Generali S.p.A.

The Board is also required to appoint a Secretary, who need not necessarily be a Board member.

Procedures for assessing the Board of Directors' performance

In line with the regulatory provisions applicable, the Board of Directors of Banca Generali, with at least annual frequency and with support from the external professional Egon Zehnder — appointed as independent expert for the current three years of the term of the Board —, expresses an opinion on the functioning of the Board of Directors and Board Committees (also with regard to the assessment of ESG aspects and impacts on all its main stakeholders). It also expresses an opinion on their size and composition, also considering factors such as the professional characteristics, experience and gender of its members, as well as their length of service. The procedures for conducting the self-assessment process of the Board of Directors are established in Annex 1 to "*Rules of the Board of Directors and the Board Committees*".

The self-assessment process for the financial year 2022 was carried out in December 2022 and February 2023.

Continuing on from previous years, the methodology adopted — in line with Italian and international best practices — provided for both the completion of a personalised self-assessment questionnaire on Banca Generali's characteristics, and individual and confidential interviews of all the Directors with the Egon Zehnder consultant, to further analyse the issues covered by the self-assessment and collect further contributions and information.

At the end of the activities carried out, a largely positive picture emerged in terms of both functioning and dynamics within the Board of Directors and Board Committees. With particular reference to ESG matters, all the Directors acknowledged the general integration into Banca Generali's financial strategy, appreciating the progress and specific initiatives undertaken during the past year to further improve the Company's ESG positioning.

Procedures for appointing the members of the Board Committees

In accordance with the provisions set forth in Bank of Italy Circular No. 285 of 17 December 2013 (hereinafter the "Bank of Italy Circular No. 285") and in the Corporate Governance Code for Listed Companies of Borsa Italiana adopted by the Bank (hereinafter the "Corporate Governance Code"), in order to improve its functioning, **the Board of Directors** convened on **22 April 2021 resolved to set up** the following **Board Committees (vested with preliminary, consultative and advisory functions):**

i) **Internal Audit and Risk Committee (made up of 4 members);**
ii) **Remuneration Committee (made up of 3 members);**
iii) **Nomination, Governance and Sustainability Committee (made up of 3 members);**
iv) **Credit Committee (made up of 3 members),**

establishing that all the said Committees shall **be exclusively made up of Non-executive and Independent Directors**.

Following the establishment of the aforementioned Board Committees, as well as the installation of the new Board of Directors, the administrative body approved the "Rules of the Board of Directors and the Board Committees" containing the rules of operation also of the said Committees, including the procedures for minuting and the procedures for managing information to the Directors who compose them, specifying the terms for the prior sending of information and the means of protecting the confidentiality of the data and information provided, so as not to prejudice the timeliness and completeness of information flows.

If one or more members of the Board Committees should leave office for whatever reason, the Board of Directors shall replace them selecting the members from among its own members who meet the requirements for the office in the relevant Board Committee.

The following sections describe the composition of the Board Committees.

Criteria for selecting and appointing the members of the Board of Directors

The appointment of the members of the Board of Directors reflects first and foremost the views of the Bank's shareholders, who, as previously mentioned, are entitled to present lists of candidates.

In order to serve in their role, the members of the Bank's Board of Directors must possess the requisites provided for in current legislation. In particular, in compliance with the provisions of current applicable legislation[22], those who hold positions in administrative and control bodies within the Bank must meet the following requirements and eligibility criteria:

› integrity;	› expertise;	› limit on the number of concurrent positions held;
› propriety;	› independence;	› appropriateness of the body's composition;
› professionalism;	› independence of mind;	› interlocking ban[23].

In addition, the outgoing Board of Directors, with the advisory support of the Nomination, Governance and Sustainability Committee:
- on 23 February 2021, defined ex ante the optimal qualitative and quantitative composition of the Board of Directors (hereinafter, the "Qualitative-quantitative Profile of the Board of Directors");
- on 11 May 2021, verified and confirmed that all the Directors meet the respective requirements and fulfilled the criteria provided for by the applicable legislation and complied with the optimal qualitative-quantitative composition approved by the outgoing administrative body.

With specific reference to the independence requirement for Directors (in other words the absence of conflict of interest in the operations carried out by the Bank), reference is made to the sections reported below.

The principles relating to competencies and training, as well as the professional profile of the members of the corporate bodies, are instead regulated by the "Diversity Policy for the Members of the Company Bodies" (hereinafter, the "**Diversity Policy**") adopted by the Bank on 1 March 2018 (last updated on 23 February 2021). In fact, Banca Generali has always placed great emphasis on diversity and inclusion issues, and this in addition to the obligations imposed by primary legislation. In this regard, it bears recalling that its Board of Directors includes four members of the less represented gender (exceeding the regulatory threshold applicable for the year in which the company bodies in office were renewed). Within this context, in line with the Diversity Policy and in order to ensure adequate balance of aspects of diversity and inclusion, Banca Generali:
- ensures proper turnover of Board members;
- has recommended that shareholders take into consideration candidates belonging to different age ranges and consider the candidature of a suitable number of Directors who are already serving to ensure continuity of Board of Directors and Board Committee operations;
- has established that — where a different rate is not provided for by law — at least a third of Directors must belong to the less represented gender;
- guarantees that the less represented gender will have access to the Board of Directors, establishing that the lists including more than two candidates must contain a sufficient number of candidates to ensure an adequate gender balance.

In addition to ensuring a suitably diversified composition of the corporate bodies, this approach, *inter alia*:
- stimulates discussion and debate within the bodies;
- encourages the definition of multiple approaches and perspectives in analysing the issues and in decision-making;

[22] Article 26 of Italian Legislative Decree No. 385 of 1 September 1993 (hereinafter "**TUB**") and the Decree of the Italian Minister of Economy and Finance No. 169 of 23 November 2020 (hereinafter the "**MEF Decree**"), in addition to the provisions of the Italian Civil Code, Italian Legislative Decree No. 58 of 24 February 1998 (hereinafter "**TUF**"), Bank of Italy Circular No. 285 of 17 December 2013, the Corporate Governance Code and Italian Legislative Decree No. 201 of 6 December 2011 concerning "Urgent provisions for growth, equity and the consolidation of the public accounts," converted, with amendments, by Law No. 214 of 22 December 2011 (hereinafter the "**Save Italy Decree**").

[23] It means the ban on assuming or exercising offices between competing companies or groups of companies operating in the credit, insurance or financial markets (Article 36 of the Save Italy Decree).

- effectively supports the business processes for developing strategies, managing activities and risks and controlling the work of top management;
- takes into account the multiple interests that contribute to the Bank's sound and prudent management.

In keeping with the Bank's integrated approach to sustainability, and in line with the recommendations of the outgoing Board of Directors, whose term ended with the Shareholders' Meeting that approved the Financial Statements for the year ended 31 December 2020, the Board of Directors — in establishing its Board Committees — identified sustainability profiles and principles transversally to the areas within the purview of all Board Committees for a more in-depth analysis and integration into all discussions. For a more detailed description of the aforementioned competencies, reference should be made to section "Board Committees' ESG expertise".

Remuneration policies reserved for members of the Board of Directors and top managers

Board member's remuneration is determined at the time of appointment by the General Shareholders' Meeting, in accordance with Article 2389, paragraph 1, of the Italian Civil Code, as a fixed sum plus refund of any out-of-pocket expenses incurred in the performance of their duties, also taking due account of industry-specific surveys and analyses.

Non-executive Directors (including the Chairman) and independent members of the Board of Directors are entitled only to fixed remuneration, in addition to a refund of out-of-pocket expenses incurred for the performance of their duties, and, accordingly, are not entitled to any form of variable remuneration linked to the attainment of specific objectives. Directors who are not vested with delegated executive powers (including the Chairman) are not entitled to any form of share-based incentives.

Directors who also sit on Board Committees are entitled to additional emoluments — in the form of either a pre-established lump-sum, or otherwise, attendance fees for each Board meeting they attend — over and above the remuneration they receive as Board members, in light of the tasks assigned to the Board Committees in question, and the commitment that membership of such committees entails, especially in terms of attendance at meetings and preparatory activities to be completed ahead of committee meetings; said additional emoluments must be established taking due account of industry-specific surveys and analyses of the remuneration of directors, and more specifically, directors sitting on Board Committees.

The Remuneration Policy applicable to the Chairman provides for fixed annual remuneration, determined also on the basis of comparative analysis of the remunerative practices for similar positions.

With specific regard to the positions of Chief Executive Officer and General Manager (currently filled by the same person), total remuneration consists of:
- a recurring fixed remuneration component as Chief Executive Officer and all-inclusive annual remuneration (RAL) as General Manager;
- a short-term variable remuneration, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved. This may reach a maximum of 75% of the RAL (equal to a 60% ratio of the short-term variable remuneration to the total fixed remuneration), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum. Said variable remuneration is subject to the access gate scheme, the bonus deferral scheme and the payment in Banca Generali shares, as well as the malus and claw-back mechanisms;
- a Long Term Incentive, the bonus range for which is set at between 0% and 175% of the fixed component;
- participation in retention and/or loyalty plans.

The ratio of the variable to fixed component of the remuneration, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess shall be subjected to the cap mechanism.

The Balanced Scorecard includes both quantitative and qualitative financial and non-financial objectives for short-term variable remuneration. In particular, these include:
- quantitative objectives linked to the Bank's three-year Strategic Plan and business objectives;
- qualitative objectives, linked to the strategy (relating to project initiatives associated with implementation of the Banking Group's strategy), development and growth of personnel and sustainability initiatives.

The Balanced Scorecards of the Chief Executive Officer and the other top managers (Managers with strategic responsibilities and Key Personnel in charge of the main lines of activity, including CEOs/General Managers of the main relevant subsidiaries) are defined both on the basis of financial and ESG sustainability indicators to be assessed over the annual period.

It should also be noted that the current Chief Executive Officer and General Manager holds both a directorship (with a term of three years, subject to renewal from time to time by the Shareholders' Meeting) and a permanent position as an employed manager (governed, as in the case of the other Managers with Strategic Responsibilities, by the Collective Contract for Credit Sector Executives, to which a notice period of the length provided for in the said collective contract thus applies in accordance with the law).

The individual contract in place at the reporting date with the Chief Executive Officer/General Manager contains a specific standard termination clause that — in specifically identified cases of termination of employment as an executive (or revocation of the position or delegated authority) — provides for the disbursement, in addition to the notice period required by law and the collective contract (or the disbursement of the applicable indemnity in lieu of notice, calculated in accordance with the law and the collective contract), of an amount to be calculated on the basis of a pre-defined formula.

In line with the provisions applying to all the employees, the Chief Executive Officer and General Manager may be granted a severance indemnity exclusively in the event of termination of relationship due to withdrawal by the Company without cause or in case of resignation for cause[24].

The contract also provides, following termination (except for some specific cases, and in particular, cases of termination at the Company's initiative without cause or resignation for cause), for a non-competition agreement of six months, in return for consideration equal to the fixed remuneration provided for the corresponding period of reference and a penalty of twice that amount.

The Bank defines severance pursuant to the applicable legislation in effect and according to the specific general criteria, weighted and balanced in the light of the particularities of each concrete case.

Further information is available in chapter "Human Capital: Human Resources", section "Compensation and Benefits".

ESG expertise of the Board Committees

In defining the corporate strategies, the Board of Directors takes into account the sustainable finance goals and the integration of ESG factors into company decision-making processes. The sustainability profiles and principles are adapted transversally across the areas of responsibility of all Board Committees, so as to further analyse and supplement the sustainability profiles in each discussion[25] as follows:

i) The **Nomination, Governance and Sustainability Committee**, *inter alia*, pursuant to its own regulation:
   a) supports the Board with integrating sustainability into the formulation of business strategies, with particular regard to the analysis of issues relevant to ensuring the generation of long-term value for the Company and the Banking Group, as well as the formulation of material topics;
   b) oversees all sustainability matters related to the Banking Group's operations and the ways in which it interacts with all stakeholders, also fostering a culture of sustainability within the Bank and the Banking Group companies;
   c) proposes to the Board any updates to the Sustainability Policy adopted by the Company and all other internal policy documents that are connected to the latter and designed to pursue the Sustainable Success of the Company and Banking Group;
   d) examines the general outline of the Consolidated Non-Financial Statement contained in the Annual Integrated Report and its content organisation, as well as the completeness and transparency of the information it provides, expressing its observations in this regard to the Board of Directors called to approve the said Report;
   e) formulates opinions and proposals regarding other decisions to be made regarding the corporate governance of the Company and Banking Group and in the area of sustainability that fall within the remit of the Board (including those relating to limits on investment in sectors that, on the basis of the Bank's strategy and the international principles to which it adheres, are considered to have high sustainability risks);

[24] This specific case includes the event of substantial negative change in the role held or the weight in the organisational structure, including after removal from office or revoking of powers.
[25] While maintaining the responsibilities currently assigned to the Nomination, Governance and Sustainability Committee.

ii) the **Internal Audit and Risk Committee**, inter alia, pursuant to its own regulation:
   a) ensures that in the framework of its assessments of risks, where applicable, in line with internal regulations in force and applicable from time to time, that aspects relating to ESG factors are taken into due account;

iii) the **Remuneration Committee**, *inter alia*, pursuant to its own regulation:
   a) formulates proposals regarding plans, targets, rules and company procedures relating to social and environmental issues and, more generally, sustainability, in line with applicable laws and regulations:
      1. promoting the progressive adoption of short- and medium/long-term qualitative and quantitative indicators focused on ESG matters;
      2. supporting the identification of performance targets, to which the provisions of predetermined, measurable variable components tied to a significant extent to a long-term horizon, consistent with the Bank's strategic objectives and designed to promote its sustainable success, also including non-financial parameters, where relevant;
      3. integrating compliance with laws governing sustainable finance;
      4. contributing to the preparation of a remuneration policy consistent with sustainability risk, from the standpoint of both individual performance and of alignment with the interests of shareholders, investors and stakeholders;

iv) the **Credit Committee**, *inter alia*, pursuant to its own regulation:
   a) supports the Board to the extent of its remit, and ensures that the Board may adopt all appropriate lending resolutions in accordance with an assessment of the risks underlying the loans that also take account of the risks connected to environmental, social and governance (ESG) factors, as laid down in the Sustainability Policy adopted by the Bank and pursuant to the Lending Rules.

Composition of the Board of Directors of Banca Generali S.p.A. and of other Banking Group companies

The Company's Board of Directors in office at 31 December 2022 was appointed through the list voting system by the Shareholders' Meeting held on 22 April 2021 and its term will end on the date of approval of the Financial Statements for the year ending 31 December 2023. In this regard, it is reported that the appointment of members was proposed to the aforesaid Meeting once their number (nine) had been determined and the period of office fixed.

It should also be noted that in 2022 two Non-executive and Independent Directors resigned, and both were replaced by co-optation by resolution of the Board of Directors, respectively on 13 October 2022 and 8 March 2023.

Eight Directors were therefore in office at 31 December 2022.

The following tables illustrate the composition of the Boards of Directors of all the Banca General Group companies, highlighting their level of diversity in terms of gender and age.

COMPANY BODIES BY GENDER

	31.12.2022			31.12.2021			31.12.2020		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Banca Generali BoD (*)	4	4	8	4	5	**9**	4	5	**9**
Generfid BoD	2	3	5	2	3	**5**	3	4	**7**
BGFML BoD	2	3	5	2	3	**5**	2	4	**6**
Nextam Sim (**) BoD	-	-	-	1	6	**7**	1	6	**7**
Nextam Ltd. (***) BoD	-	-	-	-	-	**-**	-	-	**-**
BG Valeur BoD	2	4	6	2	4	**6**	3	4	**7**
BG (Suisse) S.A. BoD	2	3	5	-	2	**2**	-	-	**-**
Total	**12**	**17**	**29**	**11**	**23**	**34**	**13**	**23**	**36**
Percentage	**41%**	**59%**	**100%**	**32%**	**68%**	**100%**	**36%**	**64%**	**100%**

(*) At 31 December 2022, the Board of Directors of Banca Generali was made up of eight members as, at that date the process was underway for selecting the new Director who was co-opted on 8 March 2023 to replace the Director who had resigned effective on 18 November 2022.
(**) Company excluded from the Banca Generali Banking Group as of 20 January 2022 following Banca Generali S.p.A.'s disposal of the controlling interest to third-party investors.
(***) Company in liquidation.

BANCA GENERALI S.P.A.'S BOARD OF DIRECTORS AT 31.12.2022

NAME AND SURNAME (GENDER)	ROLE	APPOINTED BY	NO. OF OTHER RELEVANT POSITIONS HELD (*)	RELEVANT COMPETENCIES (**)															
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Antonio Cangeri (M)	Chairman Non-executive Director	Shareholders' Meeting of 22 April 2021 Majority list	5 (of which 4 in the Generali Group)	●	●	●	●	●	●	●	●	●	●	●	●	●	●		
Gian Maria Mossa (M)	Executive Director	Shareholders' Meeting of 22 April 2021 Majority list	N/A	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Azzurra Caltagirone (W)	Non-executive Director	Shareholders' Meeting of 22 April 2021 Majority list	20 (all of which in companies belonging to the same group)	●		●	●			●		●		●	●	●	●		
Lorenzo Caprio (M)	Independent and Non-executive Director	Shareholders' Meeting of 22 April 2021 Majority list	N/A	●	●	●	●	●	●	●	●		●	●		●			
Roberta Cocco (W)	Independent and Non-executive Director	Shareholders' Meeting of 22 April 2021 Majority list	2	●		●	●		●		●	●	●	●	●			●	●
Ilaria Romagnoli (W)	Independent and Non-executive Director	Co-opted by the Board of Directors of 13 October 2022 (***)	2	●	●	●	●	●	●	●	●	●	●	●	●			●	
Cristina Rustignoli (W)	Non-executive Director	Shareholders' Meeting of 22 April 2021 Majority list	11 (all of which in the Generali Group)	●	●	●	●	●	●	●		●	●	●	●	●	●		
Vittorio Emanuele Terzi (M)	Independent and Non-executive Director	Shareholders' Meeting of 22 April 2021 Minority list	4 (of which 1 in the Generali Group)	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	

1 Financial markets
2 Banking and financial sector regulations
3 Guidance and strategic planning
4 Organisational structures and corporate governance
5 Risk management
6 Internal control systems
7 Banking and financial activity and products
8 Accounting and financial reporting
9 Knowledge of digital, innovation, fintech and alternative investment issues
10 ESG
11 Business strategy and model
12 Human Capital/Human resources area
13 Experience and knowledge of the fields of reference in which Banca Generali operates
14 Experience with markets and investments with an international perspective
15 IT technology
16 Innovation, fintech and alternative investment

(*) For purposes of calculating the relevant positions indicated in this table, the positions such as directors or standing auditors in companies other than the Bank have been taken into account (thus excluding, by way of example, the positions held in foundations or associations, non-profit organisations and inactive companies).
It should also be noted that the table also specifies the positions held by each member in companies belonging to the same group (including the group headed by Assicurazioni Generali S.p.A.).

(**) The relevant competencies indicated in the table reflect the content of the statements made by each Director during the candidacy process. These competencies meet the criteria pursuant to Article 10 of the MEF Decree, as well as the additional competencies identified by the outgoing Board in the Qualitative-quantitative Profile of the Board of Directors. In addition, it should be noted that in 2021, following the appointment of the Board of Directors, induction sessions were held to provide an introductory overview of the Bank, the Group reporting to it and the main sectors in which it operates, including a focus on products, the Strategic Plan, the internal control and risk management system, with deep dives relating to corporate governance and the approach to sustainability and the reference business sector (induction also extended to Ilaria Romagnoli following her appointment as Director). In 2022, again with a view to enriching Directors' expertise, the inductions concerned, among other things, blockchain and digital assets, IT strategy and sustainable finance.

(***) The co-opted Director shall be confirmed/replaced by resolution of the 2023 Shareholders' Meeting.

CORPORATE BODIES BY AGE

	31.12.2022				31.12.2021				31.12.2020			
	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL
Banca Generali BoD (*)	-	2	6	**8**	-	2	7	**9**	-	3	6	**9**
Generfid BoD	-	1	4	**5**	-	1	4	**5**	-	1	6	**7**
BGFML BoD	-	-	5	**5**	-	-	5	**5**	-	-	6	**6**
Nextam Sim (**) BoD	-	-	-	**-**	-	2	5	**7**	-	2	5	**7**
Nextam Ltd. (***) BoD	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
BG Valeur BoD	-	2	4	**6**	-	2	4	**6**	-	3	4	**7**
BG (Suisse) S.A. BoD	-	2	3	**5**	-	1	1	**2**	-	-	-	**-**
Total	**-**	**7**	**22**	**29**	**-**	**8**	**26**	**34**	**-**	**9**	**27**	**36**
Percentage	**-**	**24%**	**76%**	**100%**	**-**	**24%**	**76%**	**100%**	**-**	**25%**	**75%**	**100%**

(*) At 31 December 2022, the Board of Directors of Banca Generali was made up of eight members as, at that date the process was underway for selecting the new Director who was co-opted on 8 March 2023 to replace the Director who had resigned effective on 18 November 2022.
(**) Company excluded from the Banca Generali Banking Group as of 20 January 2022 following Banca Generali S.p.A.'s disposal of the controlling interest to third-party investors.
(***) Company in liquidation.

Composition of the Board Committees of Banca Generali S.p.A.

At 31 December 2022

	NOMINATION, GOVERNANCE AND SUSTAINABILITY COMMITTEE (IT PROVIDES ADVICE AND SUBMITS PROPOSALS)	REMUNERATION COMMITTEE (IT EXPRESSES OPINIONS AND SUBMITS PROPOSALS)	AUDIT AND RISK COMMITTEE (*) (IT PROVIDES ADVICE AND SUBMITS PROPOSALS)	CREDIT COMMITTEE (IT PROVIDES PRELIMINARY FUNCTIONS, ADVICE AND SUBMITS PROPOSALS)
Lorenzo Caprio	X		P	X
Roberta Cocco	P	X		
Ilaria Romagnoli	X	X	X	P
Vittorio Emanuele Terzi		P	X	X

(*) As previously mentioned, at 31 December 2022, in derogation from the Rules of the Board of Directors and the Board Committees, the Internal Audit and Risk Committee was provisionally composed of only 3 out of 4 acting members, pending completion of the selection process for the new Director.
P: Chairman
X: member

Procedure adopted by the Board of Directors for managing conflicts of interest

One of the responsibilities of the Bank's Board of Directors is to ensure the prevention of conflicts of interest. In order to facilitate decision-making, especially with regard to the sectors of activity in which the conflict of interest risk is highest, the Board of Directors may avail itself of the Internal Audit and Risk Committee's support when evaluating specific transactions.

Within Board meetings, Directors abstain from resolutions in which they have a conflicting interest, on their own behalf or on behalf of third parties, without prejudice to the obligations provided for in Article 2391, paragraph 1, of the Italian Civil Code. In fact, the Director may not undertake obligations of any kind or perform purchase or sale transactions, directly or indirectly, with the Bank, without the prior unanimous resolution of the Board of Directors and with the favourable vote of all members of the control body[26].

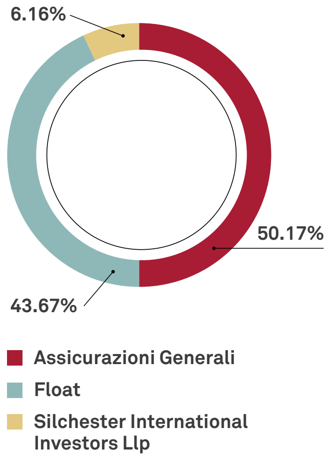
With a view to avoiding and mitigating conflict of interest situations, the Bank's Board of Directors has also adopted a **Policy on Conflicts of Interest Management** that governs the issue of conflicts of interest in the provision of investment and ancillary services, incorporates the provisions on conflicts of interest relating to insurance investment products and takes into account the supervisory provisions of Bank of Italy Circular No. 285[27], which aims to monitor instead the risk that the closeness of certain parties to the Bank's decision-making centres could compromise the

[26] Without prejudice to the obligations arising under the Italian Civil Code in respect of the interests of directors and related-party transactions, in compliance with Article 136 of TUB.
[27] Bank of Italy Circular No. 285 concerning risk assets and conflicts of interest in relation to connected parties.

objectivity and impartiality of decisions regarding the transactions involving the said parties, and potentially create distortions in the resource-allocation process, exposing the Bank to risks that are not adequately measured or controlled, including possible conflicts of interest, and/or resulting in harm and losses to depositors and shareholders.

Ownership Structure

Assicurazioni Generali, through Alleanza Assicurazioni S.p.A., Generali Italia S.p.A., Generali Vie S.A., Genertel S.p.A. and GenertelLife S.p.A., currently holds 50.17% of Banca Generali's share capital. It should also be noted that the shareholder Silchester International Investors LLP holds a 6.16% interest in the share capital. The remaining 43.67% is the free float. No shares bearing special rights of control have been issued.



Organisational Structure

In 2022, Banca Generali continued with its ongoing work to raise the efficiency of the organisational structure and bring it into line with the external competitive context and the related technological challenges, serving the strategies to increase and diversify the products and services offered by the Bank, as well as the development of the Financial Advisor network.

The organisational changes carried out in 2021 had made it possible to complete a number of organisational refinements to consolidate specific structures and focus on the areas most involved in the objectives set out in the 2022-2024 Strategic Plan.

In addition to the second-tier control functions, the **CEO coordinates the General Management, which includes the following structures**:

- **General Counsel & Sustainability Area**: it includes the structures of the Legal Counsel and Litigations Department, Legal Banking and Financial Advice Department, Corporate Affairs and Relations with Authorities Department and the Group Sustainability Service;
- **Human Resources Department**: it oversees the Human Resources Administration structure and the Human Resources Management and Development structure (HR Business Partner);
- **Marketing and External Relations Department**: it focuses on managing promotional initiatives and on promoting and protecting the Bank's image, both within the Organisation and with the external world, in addition to coordinating al promotional and communication activities on digital channels;
- **CFO (Chief Financial Officer) & Strategy Area**: it coordinates the economic, commercial and strategic planning activities, initiatives in the finance and accounting-administrative field, as well as the Investor Relations structure that represents the Bank with the national and international financial community. The CFO also holds the role of Manager in charge of financial information;
- **COO (Chief Operating Officer) & Innovation Area**: the COO coordinates the Bank's operations, including the development, assessment and selection of innovations in the field of tools and services. In addition, the COO oversees the IT & Operations, Organisation & Outsourcing, Project Governance & Innovation and Data Management structures;
- **Deputy General Manager Wealth Management, Markets and Products**: the Deputy General Manager is tasked with synergistically increasing the availability of the Bank's products and services, with a primary focus on clients, so as to constantly improving the commercial service model offered. The Deputy General Manager Wealth Management, Markets and Products coordinates the Wealth Management the Asset Management Areas and the Products, Loans, Network and Clients Digital Platforms and Network Development and Training structures;
- **Deputy General Manager Commercial Networks**, **Alternative and Support Channels**: to facilitate synergies and interactions between organisational structure and the commercial network universe, the Deputy General Manager coordinates — through the FA Network Area — the distribution networks of Financial Advisors who are not employees (Financial Planners, Private Bankers and Wealth Advisors), providing them with commercial and operational support, the Private Relationship Manager Area (employed FAs) and the Alternative and Support Channel Area, which is tasked with providing the best possible assistance to network activities and customer requirements, including by managing the Branches and the Contact Center Service.

Mission, Vision, Values

VISION

To be the No. 1 Private Bank, Unique by Value of Service, Innovation and Sustainability.

MISSION

Trusted professionals always by the customers' side, developing and looking after their life plans.

PURPOSE

PROTECTING AND IMPROVING THE LIVES OF PEOPLE AND BUSINESSES BY ENHANCING THE MANAGEMENT OF THEIR ASSETS AND SAVINGS.

VALUES

Banca Generali Values are in line with those of the Generali Group:

DELIVER ON THE PROMISE

We want to build a long-term relationship of trust with people: employees, customers and stakeholders. The objective of our work is to improve our customers' lives, turning a promise into reality.

LIVE THE COMMUNITY

We are proud to belong to a Group that operates throughout the world with a major focus on social responsibility matters. We feel at home in all markets.

VALUE OUR PEOPLE

We give value to people, promote diversity and invest in encouraging ongoing learning and professional growth to create an environment that is transparent, collaborative and accessible to all.

BE OPEN

We are curious, proactive and dynamic people with open, diverse minds that want to look at the world from another viewpoint.

For further information, reference is made to Banca Generali's Internal Code of Conduct, available on the corporate website http://www.bancagenerali.com (updated version).

Behaviours

Behaviours describe how the Bank wants to go about its activity every day and are what differentiate it from others. They represent the commitment, as a group and as individuals, and how we want to measure how results are achieved

OWNERSHIP
working proactively and passionately to achieve an excellent performance

SIMPLIFICATION
simplifying, adapting quickly and making smart decisions

HUMAN TOUCH
collaborating with others, showing empathy and team spirit

INNOVATION
embracing differences to create innovation

Risk management and business management transparency

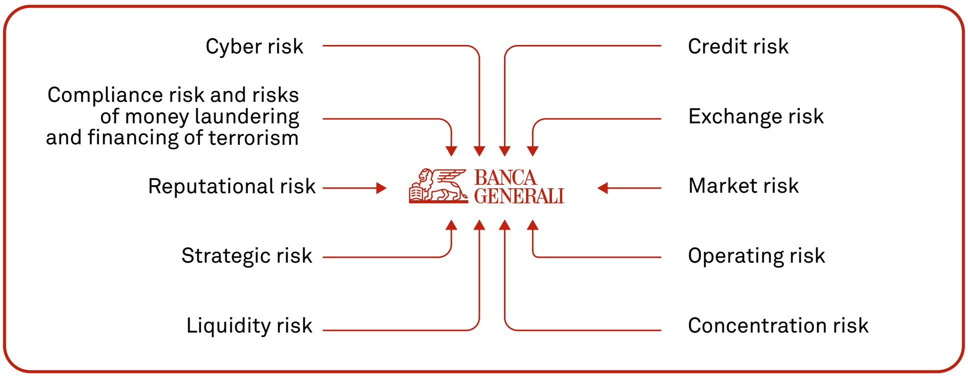
Risks and Uncertainties

Spiralling energy and food prices, demand-side pressures in some sectors due to the reopening of economic activities and supply-side bottlenecks have pushed inflation upwards, with a significant slowdown in growth in the Euro area. Moreover, the adverse geopolitical situation, with Russia's aggression against Ukraine, has impacted business and consumer confidence. Central banks are implementing a rate-increase policy aimed at reducing inflationary pressure, although the persistent vulnerabilities caused by the pandemic continue to represent a risk for the orderly transmission of the monetary policy. These perspectives are reflected in the experts' latest projections on economic growth, which have been revised sharply downwards for the remainder of 2022 and for the entire 2023, with a risk of recession and stagflation.

The heightened financial market uncertainties and the phasing out of supporting measures that had been introduced in the pandemic period are increasing traditional risks (credit, market, operating, liquidity risks).

In addition, attention is being paid to non-financial risks linked to the development and implementation of banks' digital transformation strategies or related to the global climate change.

In this context, the Bank confirms its commitment to monitoring its risks, as briefly described here below, as well as to coordinating its capital management activity for long-term business sustainability.



› **Credit risk**: it is the risk associated with the possibility that a counterparty may become insolvent, or the likelihood that a borrower may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates. In detail, credit risk is the risk that an unexpected change in the creditworthiness of a counterparty, of the value of the guarantees it has provided, or of the margins it has used in the event of default, may generate an unexpected change in the value of the Bank's credit position.

  In accordance with the Banca Generali Group's business model, this type of risk chiefly arises from liquidity invested in money markets (interbank deposits), financial instruments (mainly government bonds) held in portfolios measured at amortised cost or in FVOCI and loans to customers (revocable and/or fixed-term credit). With regard to the latter, in line with the provisions of the Risk Appetite Framework and in accordance with the Business Model and the lending policies adopted, credit activity is an ancillary means of achieving the priority objectives in the private banking sector. In this context, the Bank prefers a customer target with a strong capital position, mainly focused on natural persons. In fact, there is a clear prevalence of exposures to retail (made up primarily of private and affiliated customers), compared to the corporate segment.

As regards the composition of the Group's portfolio, the HTC component consists mainly of debt exposures to central administration. With regard to institutional borrowers, credit risk management is based on the allocation of appropriate credit lines, which are monitored by the Risk Management Department and established with the objective of maintaining a portfolio's risk profile that is consistent with the strategies and risk appetite approved by the Board of Directors.

Operational limits on the amounts of credit lines granted to institutional counterparties are governed by Group policies, which set out the maximum credit that may be extended to each counterparty based on its rating class. The overall consistency of ECAI ratings with internal credit assessments is verified by the Risk Management Department at least annually. Credit lines are reviewed at least every year; this involves updating existing credit lines for counterparties that are already borrowing from the Bank or examining new credit line proposals with a view to diversifying the proprietary portfolio and developing new business linked to market opportunities.

With a view to further strengthening the management and monitoring of the credit risk profile, the Bank has adopted a portfolio management policy that, in addition to the aforementioned credit lines, provides, *inter alia*, for minimum and maximum investment limits on specific geographical-industry clusters and minimum thresholds for investments in government securities or securities with a high credit standing. This framework also sets specific maximum maturity limits for investments in the proprietary bond portfolio and strict limitations on exposures to complex instruments or hard-to-value assets.

Overall, the weight of non-performing exposures on the customer loan portfolio, although it increased during the year, remains low when compared to the banking system.

The portfolio of NPLs to customers is mostly secured by pledges of securities and bank guarantees and has a good coverage level in the residual cases in which the collateral is insufficient.

The portfolio of performing loans to customers is approximately 79% composed of exposures to natural persons, whereas the remainder is composed of exposures to companies, in both cases with high creditworthiness. Credit is primarily provided in the form of revocable facilities and Lombard loans, which together account for around 77% of the actually and potentially used exposure. In accordance with the Bank's lending policies and risk appetite, credit is mostly secured by pledges of highly liquid financial instruments and products.

The Group has also strengthened its origination and monitoring processes in accordance with the EBA Guidelines on loan origination and monitoring (GL EBA LOM).

› **Interest rate risk**: it arises from changes in the value of assets and liabilities, the valuation of which is sensitive to unfavourable changes in the term structure or volatility of interest rates. In particular, this risk arises due to the possibility that an interest rate change will reflect negatively on the reduction in net interest or in a reduction in economic value.

The Group uses derivatives for hedge accounting purposes (e.g., Interest Rate Swaps), both in order to safeguard the banking book against adverse changes in the fair value of loans caused by movements in rate curves, and to contain duration levels in view of changing trends in the proprietary portfolio.

With a view to monitoring the variability of the net interest component, the Bank measures the rate risk profile of its banking book through the periodic calculation of specific metrics linked to it, such as the shift sensitivity of the economic value and the sensitivity of net interest, compared to the limits established by the Board of Directors when approving the Risk Appetite Framework. Particular attention is also paid to the evolution of the proprietary portfolio's duration, through the monitoring of specific thresholds or through stress tests that aim to detect in advance the significant sources of risk when adverse situations occur.

To support management and regulatory monitoring, scenarios are applied with parallel and non-parallel instantaneous rate shocks to the yield curve, in line with the standards of the Basel Committee on Banking Supervision Standards. Regulatory scenarios are also applied that are consistent with the EBA Guidelines for disclosure purposes envisaged by the supervisory authorities in the context of the Short Term Exercise (STE).

For the purpose of calculating the above metrics, the Bank applies behavioural models to represent items contractually classified as on-demand, using a model designed to reflect the characteristics of stability of assets and their stickiness to changes in market rates.

› **Market risk**: it stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account; it is currently limited and residual. Market risk is represented by the possibility to suffer losses due to variations in the value of a financial instrument or a portfolio of financial instruments associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

  Market risks are maintained within appropriate operating limits, which are monitored by the Risk Management Adequacy Department. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

› **Operating risk**: the exposure across the various legal entities in the Group is closely linked to the type and volume of activities, as well as the operating procedures adopted. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advisors) and the direct involvement of all personnel in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, *inter alia*, losses due to fraud, human error, interruptions of operations, unavailability of systems, breach of contract, natural disasters and legal risk.

  In this area, the Risk Management Department is responsible for:
  › identifying and assessing the operating risks inherent in company processes through the Risk Self-Assessment, whose main goals are:
    – identifying/monitoring the risks to which the Bank is most exposed and its root causes;
    – responding to the regulatory requirements established by prudential supervisory regulations;
    – facilitating and developing a culture of operational risk at the level of the Group's Top Management and Organisational Structures;
    – identifying and monitoring the actions to mitigate significant operational risk events;
  › identifying the operational risk accidents/events through loss data collection and carrying out analyses and monitoring of the same;
  › oversees a dashboard of indicators (known as "KRIs" or "Key Risk Indicators") that it has defined for monitoring the areas of greatest risk so as to report in advance a deterioration of the Bank's risk level, thereby enabling the prompt implementation of possible mitigating action.

  In particular, the Bank's operational risk management framework allows to:
  › constantly pay attention to the control and monitoring of the risk of fraud/conduct, a risk of particular importance to the Bank, given its organisational structure;
  › identify and manage the risks related to the processes for managing the products/services offered and related development projects;
  › monitor and manage all risks arising from third-party agreements (outsourcing);
  › devote the utmost attention to cyber and system security.

  With respect to the latter, special attention is being paid to cyber risks and cybersecurity, given the Bank's very fast growth path, with a strong push towards digitisation. With this in mind, and considering the open-architecture system that the Bank has adopted:
  › in terms of monitoring IT services outsourcing, the Bank has implemented appropriate control measures designed to ensure the efficient functioning of application procedures and IT systems supporting organisational processes;
  › in terms of IT security governance, the Bank has adopted specific methodologies, rules and standards on the subject. In this context, the Bank continuously focuses on developing security measures both using applications with the development of ad-hoc solutions/tools, and in training terms through continuous awareness-raising activities on the topic.

  Moreover, the Banca Generali Group has adopted an insurance coverage for operational risks deriving from acts of third parties or caused to third parties, as well as adequate clauses covering damages caused by providers of infrastructure and services; it also approved a Business Continuity Plan.

› **Concentration risk**: it results from the exposure to groups of related counterparties and counterparties operating in the same sector/geographical area. The Bank reports a good level of diversification, consistent with its business model and with a lending activity targeted primarily at Italian private clients and well-distributed at geographical level. In addition, the Bank guarantees *ex-ante* compliance with the regulatory limits regarding the level of exposure towards related parties and major risks.

› **Liquidity risk**: it derives from funding and lending transactions in the course of the Group's ordinary business. Such risk takes the form of default of payment obligations, which may be caused by an inability to procure funding (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk of fulfilling payment obligations at above-market costs, incurring a high cost of funding or —

and, in some occasions, simultaneously — incurring capital losses on the divestment of assets.

In addition to the short-term and intraday dimension, liquidity risk management also takes into account the medium/long-term dimension relating to imbalance between funding sources and their usage. The excessive financial leverage risk profile is also specifically monitored within the framework of structural liquidity.

The liquidity risk control and management systems are governed by the "Liquidity Management Policy", which, in line with the provisions of the Risk Appetite Framework, identifies the maximum risk tolerance limits and aims to ensure the maintenance of an adequate liquidity position to cope with periods of tension, even prolonged ones, in the funding market, thus ensuring the maintenance of both an adequate buffer consisting of high quality liquid assets that can be easily liquidated or refinanced with the ECB, as well as a high level of stable deposits.

With reference to the short-term risk profile, i.e., within 12 months, the Risk Appetite Framework provides for specific thresholds on the Liquidity Coverage ratio, which are accompanied by thresholds on the Survival Period and the Asset Encumbrance ratio. As regards, instead, the monitoring of the structural balance profile, specific thresholds on the Net Stable Funding ratio promote greater use of stable funding.

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of financing sources and monitoring cash flows and daily liquidity. Any liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, to a secondary degree, where available, through the refinancing transactions promoted by the ECB. The funding structure is mainly focused on net inflows from retail customers, which are characterised by a stable performance, and on institutional sources of funding.

The Bank's Risk Management Department is called upon to perform second-tier controls, thus ensuring the measurement, including forward-looking measurement, of the Bank's liquidity risk exposure. It also applies stress scenarios and, if the thresholds set by the Framework are exceeded, scenarios based on the limits approved by the Board of Directors, in addition to activate specific reporting and escalation procedures, monitoring the recovery actions approved by the competent Bodies.

With regard to the customers' derivative transactions on the Saxo platform, the collateral the Bank places to secure transactions with the custodian (EuroClear) is monitored by the Bank's first-tier and second-tier control functions, based on internal checks and daily reports produced by the brokerage counterparty.

Moreover, the Group has a Contingency Funding Plan in order to ensure the orderly management of any systemic and idiosyncratic liquidity crises, the safeguarding of the Bank's assets and a guarantee of business continuity. This Plan detects, through early warning monitoring, any signs of liquidity tension and identifies the actions or tools to be activated. On an annual basis, the Bank also initiates and prepares a self-assessment on liquidity risk management during the ILAAP process, providing the results to the supervisory authorities.

- **Strategic risk**: the actual or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario. The first pillar of the framework for strategic risk management is Governance, which ensures constant monitoring for the traceability of decisions. The strategic risk is tackled by policies and procedures in which the most important decisions are reported to the Board of Directors and supported by specific preventive impact analyses in terms of capital adequacy and liquidity, consistency with the Risk Appetite Framework and sustainability of the business model. The positioning and strategic risk analysis also takes into account developments in the legislation, especially European legislation, on sustainable finance, the evolution of market and customer preferences with respect to sustainable investment products and solutions, and the potential repercussions that these may have on the Group's competitive positioning. The Board of Directors has approved specific strategic planning guidelines, which regulate the CRO/CFO interaction, for the purpose of defining and updating the Strategic Plan and the Risk Appetite Framework and the ensuing approval of the budget for first year of the plan.

- **Reputational risk**: the current or prospective risk of a decrease in profits or capital arising from a negative perception of the corporate image by clients, counterparties, shareholders, investors or supervisory authorities. The Banca Generali Group is structurally exposed to reputational risk due to the Group's distinctive operations, which focus on offering and placing financial and insurance products with its clients through its own Financial Advisor network. To monitor this risk, the Bank has adopted specific codes of conduct and codes of ethics that govern the Group's operations and its dealings with its main stakeholders.

Banca Generali has adopted a dedicated reputational risk management framework, which provides for the identification of risks potentially prejudicial to the corporate image and the assessment of the associated exposure, also through the monitoring of risk indicators by business area, thematic area and type of stakeholder, to which a governance and escalation process is applied for the identification and implementation of measures and controls to mitigate the risk.

Banca Generali has launched a process designed to identify in advance possible situations of risk relating to its main business operations, in particular during the new product development or partner selection phase, in which to conduct an analysis of potential reputational risks relating to the specific operations in order to permit the informed assumption and, insofar as possible, mitigation of the type of risk concerned by implementing safeguards that minimise their impact on the Bank's image.

In addition, reputation risk is also taken into consideration in the Risk Appetite Framework assessment of Banca

Generali, confirming its commitment to monitoring and containing this risk. To this end, specific indicators are monitored in order to identify any possible critical events that should occur and that could harm the Bank's reputation.

The reputational risk management framework is integrated with sustainability risk considerations (or ESG risks). Starting from an analysis of ESG risk drivers deemed most significant owing to their potential impact on risk categories already included in the Group's framework, other factors are identified as especially relevant from a reputational standpoint, which are related to the Corporate Identity and to the Group's positioning on sustainability issues, including with respect to how they are perceived externally by the stakeholders. ESG factors that may affect the performance of investments managed as part of Portfolio Management are also considered significant, with consequent repercussions on the Group's image in the asset management services area.

With a view to mitigating reputational and strategic risks, Banca Generali is constantly committed to managing the operational and financial aspects of its business with a focus on social and environmental responsibility and the sustainability for future generations. To this end, Banca Generali aims to:

- pursue sustainable growth in the long term, while reducing the risks tied to the volatility of the economic scenario in which the Bank operates;
- realise the full potential of all those who work at the Bank, by developing their skills and providing the proper recognition of each individual's contribution to the organisation's success;
- focusing on the social context in which it is based by participating in welfare, cultural and sports initiatives in favour of the community;
- favouring the reduction of direct and indirect environmental impacts by taking steps to minimise the consumption of energy, paper and water, and to lower pollutant emissions.

The commitment to preventing and combating fraud is also to be regarded as a factor mitigating operating and reputational risk, thereby ensuring the sustainability of the business.

Mapping of Banca Generali's ESG positioning

The Group is engaged in a dynamic environment that pays increasing attention to sustainability issues and, especially, to the worsening of the climate crisis, which highlight the need for a transition towards a resilient and low-carbon economy, giving rise to risks and opportunities for the financial sector. In light of these developments, in 2021 the Group started a process aimed at including the impacts of sustainability drivers on the risk areas identified in its vertical risk policies. In light of the potential impact of ESG factors on reputational risk due to the importance of sustainability for the Group's Corporate Identity, the commitments defined within the sustainable finance area and the investment solutions offered that integrate ESG factors and the expectations generated among the Group's stakeholders[28], the Bank monitors sustainability risk on an ongoing basis, incorporating ESG factors into its risk management framework and improving transparency, as it recognises the importance of being a purpose-driven global leader, contributing to a fairer and more sustainable society.

Sustainability has been identified among the pillars of the Banca Generali Group's 2022-2024 Strategic Plan, with the ultimate goal of integrating all ESG factors into the Bank's strategy, core business and processes, assessing both market risks and opportunities and taking into account the expectations of all stakeholders. To this end, the Bank has set out the following guidelines:

- enriching its own value proposition by expanding the ESG product range and launching specific sustainability training courses dedicated to Financial Advisors;
- promoting transparency and engagement with shareholders and institutions;
- promoting work-life balance and Diversity, Equity & Inclusion initiatives for its People;
- actively contributing to social impact initiatives and engaging responsibly with the community with a particular focus on climate change.

In the environmental field, the Group is committed to promoting and raising awareness among its people towards a responsible business model, with specific regard to combating climate change, through the management of the related risks, and to reducing its direct and indirect environmental impacts through a conscious use of natural resources, proper waste management and the integration of ESG factors in its business practices. In particular, 2022 saw the launch of a scheme to monitor the carbon footprint of direct investments with a medium-term reduction objective, the development of a campaign to raise employee awareness about a conscious use of energy resources (BG Smart Energy) and the continuation of the operational project for the sustainable refitting of a number of branches and operating sites. Based on the Principles for Responsible Investment (PRI) and the Principles for Responsible Banking (PRB), Banca Generali has also adopted its Responsible Investment Policy, which introduced investment and lending restrictions for companies engaged in high climate impact and high transition risk industries, such as mining and utilities companies that derive a significant share of turnover or electricity generation from coal. Similarly, for the broader category of environmental risks, restrictions on investment and credit were introduced for companies that have caused serious damage to the environment.

In the social field, the Group is committed to caring for its people by enhancing their well-being and equal opportunities, to preserving customers' capital by developing quality investment solutions, and to protecting the community in

[28] Including regulators and dedicated rating agencies.

which it operates by taking into account its needs and requirements.

Banca Generali constantly monitors environmental and social issues, integrating them into the Group's offering and developing ESG strategies with a focus on trends such as the circular economy, sustainable and medical technology, new communication methods and impacting approaches.

In the governance area, the Group is committed to adopting ethical conduct and good practices, with a view to business integrity and transparency, including through internal awareness-raising and promotion of ESG factors. In this regard, in May 2021, the sustainability profiles and principles were adopted transversally in the areas within the remit of all the Board Committees. In addition, the Management Steering Committee was entrusted with implementing the sustainability strategy. In 2022, ESG Governance was further strengthened thanks to integration of the Articles of Association, designed to expressly acknowledge the consideration by the Board of Directors of sustainable development when defining corporate strategies: this important change is in line with the legislative and regulatory framework and with the strategy model already adopted by the Bank for some time, oriented towards sustainable growth over time and the achievement of stable and satisfactory long-term economic and commercial results, integrating the ESG approach at every stage of the value chain.

During 2022, a long-term programme of in-depth training on ESG matters was defined and launched, aimed at strengthening the competencies of the members of the corporate bodies in light of the regulatory framework's constant evolution: the first session on sustainable finance was held in October. The in-depth programme is in line with the Bank of Italy's supervisory expectations on the integration of climate-related and environmental risks into corporate strategies, governance and control systems, the risk management framework and the disclosure of supervised banking and financial intermediaries.

ESG risk governance model

Managing ESG risks requires consideration not only of the impact of these risks on the Bank's organisation, but also of the potential risks to which the Bank exposes its stakeholders and the environment through its operations.

The Group therefore adopts a holistic approach to ESG matters, based on:

- the definition of a Group ESG strategy according to the guidelines provided by the Corporate Bodies and supported by the Internal Governance Structures: Banca Generali wants to be "the No. 1 private bank by service value, innovation and sustainability", aware that innovation, the development of new products and services and the sustainable action of companies can help to reduce the impacts of phenomena such as climate change and social inequalities;
- the management of sustainability issues in sensitive sectors through its own regulatory framework also aimed at defining criteria for limiting and excluding lending operations or investing in business sectors considered most exposed to ESG risks;
- the identification and management of potential direct and indirect impacts related to climate change and the development of metrics for measuring indirect impacts;
- the integration of ESG factors into the general Risk Management framework and, in particular, the provision within the Risk Appetite Framework of a specific section dedicated to ESG and climate change risks that defines specific limits and criteria.

Through its Risk Appetite Framework, the Group defines its risk appetite and tolerance, also in respect to ESG factors, compatible with its strategic objectives, including in its assessments all the elements that may be relevant for sustainable success.

In 2022, the activities launched in 2021 to gradually integrate ESG risk factors into the Bank's risk management framework continued with the updating and extension of the process for quantifying material exposures to ESG risks (with specific regard to climate risks). Starting with the climate risk factors (physical and/or transition) inherent in the Bank's business and the main transmission channels through which these factors impact on the traditional risk categories, detailed analyses of material exposures relating to assets under management and Lombard loans have been updated and specific assessments have been carried out with reference to own securities, the corporate loan and mortgage segment, the Bank's operating offices and customer current accounts.

To investigate exposure to climate transition risks with reference to own financial instruments, financial instruments managed on behalf of third parties and those used as collateral underlying Lombard loans, the Paris Agreement Capital Transition Assessment (PACTA) tool was used in line with the previous year. This tool allows investors to obtain a granular view of the alignment of analysed portfolios by climate-relevant sectors and the related technologies, with the aim of identifying exposure to risks associated with a disorderly transition to a low-carbon economy. Although some investments in climate-relevant sectors were found, the analysis of managed portfolios showed that the proportion of these assets is minor compared to the total investments covered by the PACTA analysis; hence the overall exposure to sectors sensitive to transition climate risk is residual compared to the total assets under analysis. A similar result was obtained from an analysis of the collateral underlying Lombard loans. At the end of 2022, the analysis was further expanded, investigating the exposure to climate risks of the Bank's securities, which consist mainly of government bonds, structurally less exposed to transition risks.

In the reporting year, the Bank quantitatively assessed its exposure to physical climate-related factors with regard to operational, liquidity and credit risk. Through the geolocation of its operating offices, the properties provided as collateral for loans disbursed and the registered offices of contractors and account holders, the Bank identified the degree of hydrogeological hazard (floods and landslides) specifically associated with its exposures using the Italian national map of hydrogeological instability published by ISPRA (Italian Institute for Environmental Protection and Research). The results of the analysis did not highlight significant critical issues with reference to the various risk categories, as the Bank's exposures are not concentrated excessively in specific high climatic hazard areas.

- **Compliance risk and risks of money laundering and financing of terrorism**: the compliance risk is the risk that the Company may incur legal or administrative penalties, significant financial losses or reputational damages as a result of the breach of laws, regulations or voluntary codes of conduct, as well as money laundering and terrorist financing activity (defined as the risk of involvement, also unintentional, of the Company in such offences). The efficient management of these risks requires a company culture that promotes integrity, propriety and compliance with the spirit of the law in accordance with the principle of proportionality and the entity's size and specific operational characteristics.

  'Compliance' is a process that permeates each Banking Group company's activities and organisation, beginning with the definition of company values and strategies and extending to influencing the definition of policies, internal procedures, operating practices and conduct. Likewise, an effective prevention and management of money laundering and terrorism financing risks necessarily require an adequate definition of internal policies and procedures aimed at combating these events.

  Accordingly, the said risk monitoring is most effectively pursued in a company context that emphasises the principles of honesty and integrity, by constantly involving all Corporate Bodies, Committees, the Compliance function, as well as the Anti-money Laundering function, each to the extent of its respective competencies, and, more generally, all employees and professionals.

  The pursuit of regulatory compliance is an opportunity for improving operating procedures and company practices with consequent positive effects on the effectiveness and efficiency of processes.

- **Cyber risk**: the risk of incurring financial losses due to accidental or malicious events affecting the IT system.

  All organisations, regardless of their sector of activity, use at least one PC, server, database and e-mail system, in addition to mobile devices: each of these is a point of entry through which threats may enter the company and cause damage. The main threats that may potentially damage and/or render inoperative the company IT system are as follows:
  - human error creating an opportunity for viruses and malware;
  - an accidental event that compromises the IT system;
  - malicious action by third parties (e.g., theft of information and data by internal or external persons, hacking attacks, ransomware, etc.).

  These threats may cause various types of damages, such as direct and material damages to electronic and IT systems, damages due to business disruption, compensation claims from third parties, reputational damages and loss of customers and suppliers and emerging costs of professional services.

  In collaboration with its IT suppliers, Banca Generali uses various tools to manage and monitor this risk:
  - information and training to create a company culture surrounding IT risks;
  - technical adaptations to prevent damages from occurring (constant threat observation, filters, data encryption, periodic updating and monitoring of systems);
  - technical adaptations to decrease the extent of damages, where they nonetheless occur (back-ups, redundant systems and compartmentalisation);
  - drafting, maintenance and verification of the Business Continuity Plan for efficient management of emergencies.

The year 2022 saw an increase in the number of cyber attacks and, as a result, the level of attention to cyber risk.

To cope with this risk, the Bank extended the number of opportunities for discussion and collaboration between the structures, namely the Risk Management, BCP Security and Internal Audit structures, which were also reinforced.

The 2022 Audit Plan provided for specific checks on IT outsourcers, also with the support of independent companies. The activities carried out highlighted improvement actions, implemented by the line structures in order to mitigate the consequences of possible cyber attacks.

Internal Control System

Banca Generali S.p.A.'s Internal Control System is composed of the set of rules, functions, structures, resources, processes and procedures that aim, through an adequate process of identification, measurement, management and monitoring of the main risks, to ensure that the following aims are achieved, in accordance with sound, prudent management:

- verification of the implementation of company strategies and policies;
- containment of risk within the limits indicated in the framework of reference for determining the Bank's risk appetite (Risk Appetite Framework);
- safeguarding the value of assets and protecting against losses;
- effectiveness and efficiency of corporate processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Bank may be involved, voluntarily or involuntarily, in unlawful activities (with particular regard to activities relating to money-laundering, usury and financing of terrorism);
- operational compliance with the law and supervisory regulations, as well as policies, regulations and internal procedures.

The Banking Group has implemented an internal control system in line with best practices at the national and international levels, aimed to reduce the risks of inefficiency, overlapping of roles, sub-optimal system performance and loss of system efficiency. The Internal Control System is defined and regularly updated by Banca Generali's Board of Directors in accordance with any changes in the law and the Bank's operations.

The Internal Control structure is divided into the following three levels:

- **Line controls**, i.e., first-tier controls, aimed at ensuring that activities are conducted properly. These are carried out by the operating structures themselves, including through units dedicated solely to control duties that report to the heads of these structures, or by back-office company areas and units; to the extent possible, line checks are incorporated into IT procedures;
- **Risks and compliance checks** (so called "second-tier checks"), performed by functions not involved in production and broken down as follows:
  - Risk management checks: these are part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating functions, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for each type of risk;
  - Compliance checks: these focus on the compliance of operations with laws, measures by supervisory authorities and the Bank's self-regulation provisions; checks of the operation of the Financial Advisor distribution network fall into this category;
  - Anti-money laundering checks: these assess compliance with laws and provisions by supervisory authorities concerning money-laundering and prevention of financing of terrorism, as well as compliance with the related Bank's self-regulation provisions governing operations and safeguards aimed at ensuring full knowledge of the customer, the traceability of financial transactions and the identification of suspicious transactions;
- **Internal Audit** (so called "third-tier checks"), performed with the aim of providing assurance that the risks identified are appropriately monitored, while offering advice on emerging risks, including those resulting from the use of new technologies. The Internal Audit function collaborates and communicates with the second lines of defence (second-tier checks) in order to implement a holistic vision of risks and the compliance system, while also promoting a cul-

INTERNAL CONTROL SYSTEM

1. 1ST TIER CHECKS

- Line checks

Completed by:

- Law 262 Organisational Unit
- Supervisory Board
- Chief Security Officer

2. 2ND TIER CHECKS

Dedicated Functions:
a. Risk Management
b. Compliance
c. Anti money Laundering

3. 3RD TIER CHECKS

- Internal Audit

ture of risk. Moreover, Internal Audit checks are aimed at detecting breaches of rules and procedures, in addition to periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the Internal Control System and IT system.

The Internal Control System is completed by:
- the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005;
- the Supervisory Board, set up pursuant to Legislative Decree No. 231/2001;
- the CSO (Chief Security Officer); the IT Security Function within the COO & Innovation Area that defines and implements the Bank's security strategy, with the mission of protecting all the Company's physical and IT resources and cultural assets, defining a common approach for managing security elements and promoting a culture of security within the Group.

The structure of the Bank's Internal Control System is intended to:
- ensure appropriate control oversight of all of the Group's activities and proper disclosure on this subject, in pursuit of the values of substantive and procedural fairness and transparency;
- ensure the efficiency, traceability and auditing of transactions, and more generally all management activities, the reliability of accounting and management data, compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially with a view to prevent fraud against the Bank and the financial markets;
- foster an informed attitude in risk management;
- provide assurance and adequate protection of client information;
- promote processes of innovation.

The circulation of information amongst and within Corporate Bodies and control Functions allows to meet the targets of efficient management and effective controls, thus representing a fundamental condition for the integrated Internal Control System.

In accordance with the provisions of the Basel Committee and EU regulations, and in compliance with the supervisory instructions issued by the Bank of Italy[29], the **Banking Group has defined an internal process** (ICAAP – Internal Capital Adequacy Assessment Process) **for independently assessing its capital adequacy**, i.e., the adequacy, in current and prospective terms, of the overall capital at its disposal to meet the relevant risks to which it is exposed and support its strategic decisions. That process presupposes a solid corporate governance system, a clear, appropriate organisational structure and the definition and implementation of all processes required for the effective identification, management, monitoring and reporting of risks and the presence of adequate internal control mechanisms.

The Banking Group has formally defined a policy for each of the risks identified that lays down:
- the general principles, roles and responsibilities of the Company Bodies and Functions involved in risk management;
- the guidelines regarding risk management in accordance with the business model, the risk appetite, the Internal Control System, System of Delegated Powers defined by the Board of Directors and provisions of the Supervisory Authority.

In order to prevent conduct contrary to the principles of propriety, legality and transparency in the handling of operations by personnel, and to avoid the attribution of administrative liability to companies for offences committed by personnel in the interest or to the benefit of those companies, the **Banking Group has adopted and implemented** an **Organisational and Management Model**, pursuant to Legislative Decree No. 231/01, as further amended.

The Model is an integral part of the set of rules, procedures and control systems developed by Banca Generali, and contributes to the overall structured and comprehensive organisational framework that is designed to prevent unlawful conducts, and in particular, those envisaged by the legislation in question.

The proper understanding and dissemination of the content and underlying principles of that Model are ensured by specific training initiatives provided through e-learning systems targeted at all employees and Financial Advisors, so as to ensure that all human resources are duly trained. The Model is updated whenever there are regulatory and/or organisational changes and is submitted to the Board of Directors for analysis and approval.

Banca Generali has also adopted a whistleblowing procedure (available for the public on the corporate website), which regulates the mechanisms available for the management of any reports that the personnel may make, regarding frauds and suspicious behaviour, irregularities in business conduct or violations of the rules governing the activity. The Internal Control System maintains a constantly evolving approach to counter and prevent fraud, money laundering offences, usury or funding of terrorism. In addition, the security of customer information is under constant analysis and alignment with industry regulations and guidelines, as well as best practices.

In 2022, the regulatory framework governing the activities of the Corporate Control Functions was updated.

[29] See Bank of Italy Circular No. 285 dated 17 December 2013 "Supervisory Provisions for Banks".

NFI procedures project

In order to regulate and ensure a more robust overall reporting process (including from a non-financial perspective), in 2019 the Parent Company, Banca Generali, in line with the existing financial reporting procedures (pursuant to Law No. 262/2005), started to prepare and publish a series of internal organisational procedures designed to ensure the accuracy and reliability of the non-financial information disclosed in the Annual Integrated Report.

The process consists of the following phases:
1. identification of the main non-financial quantitative KPIs, published in the Annual Integrated Report;
2. identification of new non-financial quantitative KPIs which the Banca Generali Group intends to disclose in order to supplement the requirements of constantly evolving regulations;
3. preparation, where necessary, of an operating manual to be used by the personnel involved to operationally guide the activities underlying the calculation of certain coefficients that characterise some non-financial KPIs;
4. mapping of the processes relating to the preparation of the main non-financial information;
5. identification of the main risks tied to the individual processes and, therefore, identification of more points of control to mitigate them.

In 2022, in line with the work carried out in 2021, the project continued with the identification of additional KPIs, published in the Annual Integrated Report 2021, and drawing up of the related procedures, in addition to the review of the procedures already mapped through organisation of a walkthrough activity in order to confirm the alignment between the operations performed and those planned in the procedures.

The quantitative information presented in this Report has been prepared according to the NF procedures adopted by Banca Generali. These procedures will be constantly updated, both to reflect new KPIs and in the event of amendments to applicable legislation or the non-financial reporting standards adopted by the Banking Group (GRI Standards).

Internal Audit Activity

Banca Generali's Internal Audit Function carries out independent, objective assurance and advisory activity aimed at improving the Organisation's efficiency and effectiveness by providing the management and top managers with improvement actions for the implementation of control measures aimed at mitigating company risks and promoting an effective governance process, with a view to ensuring the long-term stability and sustainability of the Banking Group.

On the one hand, the Function is responsible for expressing an opinion on with expressing its opinion on the completeness, adequacy, functionality and reliability of the overall Internal Control System and ICT system, checking and performing onsite audits on the regular conduct of operations and the evolution of risks, while also supporting the Board of Directors, the Board of Statutory Auditors, the Internal Audit and Risk Committee and Top Managers in defining the structure of the Internal Control and Corporate Governance System, as well as propose possible improvements area within risk management.

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

The risk governance activity involves ongoing collaboration between the corporate control functions, to encourage cooperation across priority topics and provide the Audit and Risk Committee with an increasingly integrated and complete reporting system.

In 2022, the Bank was the object of an ordinary inspection by the Bank of Italy, which ended with a "partially favourable" opinion about Governance and the Internal Control System. In detail, no criticalities emerged regarding the activity carried out by the Internal Audit Department.

In light of the findings of the Bank of Italy's inspection, the project to harmonise the Corporate Control Functions was launched before the end of the first half of the year. This project provided for: (i) the standardisation of taxonomies and metrics for determining severity, (ii) the definition of a single escalation process for the management of open remediations, and (iii) the introduction of integrated reporting and more homogeneous communication standards between these Functions. The work on the project to harmonise the Corporate Control Functions was completed during the year, in accordance with the commitments made to the Bank of Italy.

Within the scope of its functions, the Internal Audit Function maintained its focus on strengthening alignment processes between the Bank's various structures, and the monitoring of improvement programmes for existing controls, which were initiated as a result of previous activities, were monitored (follow-up).

Transparent Business Management

IN 2022, **2,117**
FINANCIAL ADVISORS
RECEIVED TRAINING ON
ANTI-MONEY LAUNDERING

Banca Generali aims at actively contributing to economic and social development based on respect for human rights, professional ethics and business transparency, both on the short and long term. Operating in the asset management market — a context requiring high ethical and transparency standards to be met in business activities —, Banca Generali constantly operates in accordance with legislation, policies, internal regulations and professional ethics. In order to ensure a highly positive impact arising from compliance with laws, the Bank has specifically adopted an Internal Code of Conduct, drawn up in accordance with the principles set forth in the Code of Conduct of the Generali Group and aimed at clearly defining rules of conduct which administrative and control bodies, employees, Financial Advisors and professionals must comply with. The Code pays great attention to the fight against corruption and specifically prohibits the offering or acceptance of inducements, such as undue payments, gifts, entertainment or other benefits.

In addition, the Group also focuses on guaranteeing full transparency in its relations with customers, with the market and with suppliers. The values of the rigorous selection approach adopted by the Bank are based on the Internal Code of Conduct and the "relationship value", as well as on the Code of Ethics for Suppliers of the Generali Group, which sets out the general principles for managing relations with the contractual partners in a correct and productive manner.

The Internal Code of Conduct is an integral part of the 231 Organisational and Management Model, which represents the right tool for ensuring a strong focus on compliance with Legislative Decree No. 231/2001 on vicarious corporate liability. As a Company whose shares are listed on the market managed and organised by Borsa Italiana S.p.A., Banca Generali has also decided to adhere to Borsa Italiana's Corporate Governance Code for Listed Companies.

With regard to the all the aspects able to contain possible corruption events, Banca Generali has adopted measures to regulate and monitor the following areas:
- MiFID 2 Directive;
- Supervisory provisions on banking transparency;
- Insurance Distribution Directive ("IDD Directive");
- Anti-Money Laundering Directive;
- Tax due diligence;
- Whistleblowing;
- Organisational and Management Model;
- Tax Compliance Policy.

The above-mentioned policies and procedures are communicated to all the employees and the members of the individual Boards of Directors of the Banking Group, as well as to the Financial Advisors.

Regarding anti-corruption training, a special course was again organised in the year relating to Legislative Decree No. 231/2001[30], which also covered the crime of corruption.

[30] With regard to the Luxembourg-based BGFML, a course entitled "Antibribery e Corruption" was launched. BG Valeur S.A. is also considering the possibility to organise a similar course.

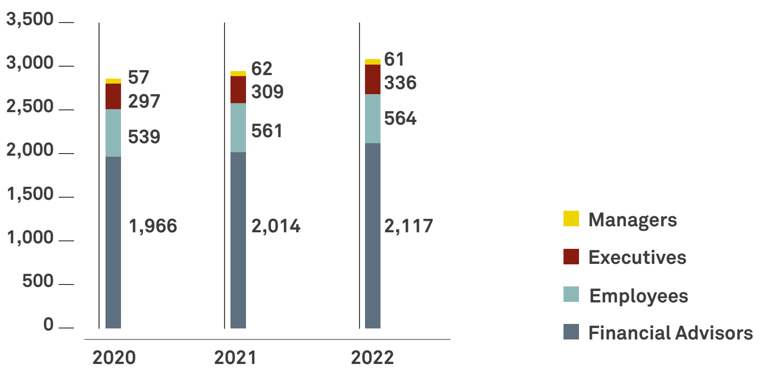
TRAINING ACTIVITIES ON ANTI-CORRUPTION ISSUES

	2022				2021				2020			
	NUMBER ITALY[31]	PERCENTAGE ITALY	NUMBER ABROAD	PERCENTAGE ABROAD[32]	NUMBER ITALY	PERCENTAGE ITALY	NUMERO ESTERO	PERCENTAGE ABROAD	NUMBER ITALY	PERCENTAGE ITALY	NUMERO ESTERO	PERCENTAGE ABROAD
Managers	58	95.1%	3	100.0%	59	100.0%	3	75.0%	55	94.5%	2	66.7%
Executives	325	98.2%	11	100.0%	301	98.4%	8	80.0%	288	98.3%	9	100.0%
Employees	545	98.7%	19	95.2%	545	98.4%	16	88.9%	526	95.5%	13	92.9%
Financial Advisors	2,117	99.1%	n.a.	n.a.	2,014	97.0%	n.a.	n.a.	1,966	97.6%	n.a.	n.a.

No non-compliance events with respect to laws and regulations falling within the purview of the Compliance Function were observed in the reporting year.

It should also be noted that in 2022 no corruption events were confirmed.

ANTI-CORRUPTION TRAINING



Tax Governance, Control and Risk Management

On 27 December 2021, the Italian Tax Authority admitted Banca Generali, with effect from the tax period ended on 31 December 2020, to the **Cooperative Compliance Program** instituted by Legislative Decree No. 128 of 2015, aimed to establish stronger relations with the tax authorities by transitioning from a relationship based on tax audits subsequent to fulfilment of tax obligations to a system of ongoing exchange, in which the taxpayer and tax authority engage in dialogue to reach, where possible, a prior common assessment of decisions relating to management of the tax variable.

In the review of the application for admission by the Italian Tax Authority in 2021, examination focused on the structure of the internal control system for tax risk adopted by Banca Generali, the **Tax Control Framework** (TCF), the adoption of which is a condition for eligibility for the scheme.

In line with the instructions from the Organisation for Economic Co-operation and Development (OECD), as transposed by the Italian Tax Authority into the rules governing the Cooperative Compliance Program, Banca Generali's TCF consists of:

a) a **tax strategy**, approved by the Board of Directors on 23 June 2020, setting out the principles for managing the tax variable and the strategic guidelines aimed at ensuring compliance with tax rules.

31 With regard to Italy, training refers to Banca Generali and Generfid.
32 With reference to 2021, the term ABROAD refers to the Luxembourg-based BGFML.

In detail, the tax strategy defines Banca Generali's commitment to operating in accordance with the following principles:

- compliance with tax laws applicable in the countries in which it operates and responsible tax risk management;
- prohibition to engaging in conduct and transactions that translate into merely artificial constructions and do not reflect the business or may reasonably be expected to yield undue tax advantages;
- transparency and propriety in relations with the tax authorities;
- pricing of intercompany transactions on the basis of the arm's-length principle.

By approving the tax strategy, Banca Generali's Board of Directors assumed the responsibility for ensuring that it is disseminated and applied, while also performing the specific task of spreading the underlying culture and values.

The tax strategy entered into force from the day after that of its approval and was published on Banca Generali's corporate website: www.bancagenerali.com/en/sustainability/sustainability-documents;

b) a **governance** model that applies to: (i) roles and responsibilities relating to taxation, and (ii) information flows envisaged for managing tax risk addressed to the administrative body (i.e., annual report).

TCF governance is defined by the Tax Compliance Policy, adopted by Banca Generali's Board of Directors on 4 November 2022 and aligned with the tax strategy.

The implementation of the TCF involved, inter alia, the provision of a process control system, which is entrusted to the specifically dedicated position of Tax Risk Officer (TRO). At annual intervals, the TRO prepares, together with the Tax OU, the Report on the Tax Control Framework, which is presented to the Internal Audit and Risk Committee by the TRO on the invitation of the Chief Financial Officer and, through the Committee itself, to the Board of Directors. The Tax OU and the TRO provide the Compliance and Anti-Money Laundering Department with all the data necessary for preparation of the relevant report, which is also submitted to the corporate bodies for their evaluation within the broader scope of the management of non-compliance risks to which the Bank is exposed;

c) a system for **mapping**, **controlling**, **measuring** and **managing tax risk** to ensure the accuracy and correctness of the fulfilment of tax obligations (calculation, payment and return) and the monitoring of the interpretative choices made.

The TCF adopted by Banca Generali is designed to mitigate the **tax law compliance risks** contained in the related Risk Map, updated and tested by the TRO to provide assurance regarding the internal control system for tax risk. The Tax OU, together with the TRO, monitors the release of new tax arrangements that could have an impact on the internal control system to mitigate tax risks. The TRO assesses any need to update the Risk Map. In the event of regulatory changes, the TRO activates the operating functions responsible for the formalisation/updating of corporate processes. The TRO and the Tax OU support the competent operating functions in the assessment of compliance with tax legislation of new processes that are introduced or amended from time to time. In particular, it is the responsibility of the business functions and central functions to promptly report to the TRO and the Tax OU the processes within their remit that have been newly introduced or undergone operational changes.

As for risk profiles relating to proper interpretation of tax law (**interpretation risk**), the Rules for Managing Interpretation Risk — appended to the Tax Compliance Policy approved by the Board of Directors — lay down a specific risk identification process underlying ongoing interpretative choices and the related measurement, not only in quantitative terms, but also in qualitative terms, including evaluating the reputational aspects that could damage the Bank if the event associated occurs. The mitigation of interpretation risk is structured as both an internal decision-making escalation process, depending on the scope of the risk, and activation of preliminary discussions with the Italian Tax Authority on tax risks that exceed the materiality threshold defined in agreement with the said Agency, still subject to definition.

Banca Generali's TCF was duly introduced and integrated within the Internal Control and Risk Management System (hereinafter "ICRMS") that the Bank adopted, in light of the regulatory framework in which it operates, to improve profitability, protect capital solidity, ensure compliance with external and internal legislation and codes of conduct, promote transparency towards the market through oversight of the risks assumed. In accordance with the prudential supervisory provisions set forth in Bank of Italy Circular No. 285 of 2013 (Part I, Title, Chapter 3), the ICRMS oversees, *inter alia*, against the risk of non-compliance with tax regulations. In particular, Banca Generali's TCF functions in a manner complementary to the ICRMS by covering tax risk areas not managed by other internal control systems of the Bank and, in particular, mapping tax compliance risk and managing the tax interpretation risk.

Relations with the tax authorities and stakeholder engagement

Banca Generali ensures transparency and propriety in its relations with the tax authorities. In order to consolidate a collaborative approach with the tax authorities, the Bank adopts transfer pricing documentation rules, in accordance with the provisions of the OECD Transfer Pricing Guidelines.

The approach of openness and transparency towards the tax authorities is designed to ensure accurate, timely communication. If an error is identified, Banca Generali pledges to work proactively to provide the relevant explanations and reach an adequate solution. Moreover, in defence of its company interest and that of its shareholders, Banca Generali deems it legitimate to uphold, including in litigation, a reasonable interpretation of the law, where there are differences of interpretation with the competent tax authorities.

In addition, Banca Generali continues to adopt an approach based on tax transparency towards all stakeholders, within the framework of broader ESG matters. Within this framework, Banca Generali received excellent ratings from the main ESG ratings agencies (e.g., MSCI, S&P, Sustainalytics and Moody's – Vigeo Eiris), including with regard to parameters relating to tax management, and is preparing a **Tax Transparency Report**.

Country-by-Country Report[33]

The Country-by-Country Report provides a concise illustration of the Banking Group's key financial, economic and tax information, separately for each tax jurisdiction in which individual group companies are considered resident.

The purpose of the reporting is to present economic and operational indicators representative of the volume of the Banking Group's activities within each tax jurisdiction which, taken into account together with the other information contained in this Annual Integrated Report, may contribute to an assessment of the level of taxes accrued and paid in a jurisdiction.

The data presented refer to the Annual Integrated Report at 31 December 2022, prepared on the basis of IASs/IFRSs and may therefore differ, as regards profit and loss and balance sheet aggregates, from the values recorded by individual companies in each jurisdiction on the basis of the applicable local accounting standards.

TAX JURISDICTION (AMOUNTS IN € THOUSAND, EXCEPT FOR THE NO. OF EMPLOYEES)	1. NAMES OF RESIDENT ENTITIES	2. CORE BUSINESS	3. NO. OF EMPLOYEES	4. INCOME FROM SALES TO THIRD PARTIES	5. INCOME FROM INTRAGROUP TRANSACTIONS WITH OTHER TAX JURISDICTIONS	6. PROFIT (LOSS) BEFORE TAXATION	7. PROPERTY AND EQUIPMENT	8. COMPANIES' INCOME TAXES, ACCRUED (CURRENT)	9. COMPANIES' INCOME TAXES PAID ON A CASH BASIS
Italy	For detailed information on entities included in the Consolidated Financial Statements and their tax jurisdiction, reference should be made to the Notes and Comments to the Consolidated Financial Statements, Part A.1 - Section 3	Banking activities	781	788,670	118,846	144,984	150,537	*53,899*	56,931
of which: Banca Generali S.p.A.[34]		*Banking activities*	*776*	*787,262*	*118,844*	*144,918*	*150,183*	53,870	*56,920*
Luxembourg		Asset management	27	345,192	111	180,271	1,679	22,559	30,674
Switzerland		Asset management	30	8,878	-	(6,991)	3,023	-	-
Report total			**838**	**1,142,740**	**118,957**	**318,264**	**155,238**	**76,458**	**87,605**
Reconciliation (consolidation adjustments, intragroup dividends and related taxes)[35]			-	-	(118,957)	4,083	(373)	6,502	6,502
Consolidated Financial Statements			**838**	**1,142,740**	**-**	**322,348**	**154,865**	**82,959**	**94,106**

33 As highlighted in the chapter "Integrated Reporting" in this Report, Banca Generali publishes annually, on its corporate website, the specific Country by Country Report provided for the banking sector by Article 89 of Directive No. 2013/36/EU (CRD IV), as governed by Bank of Italy Circular No. 285/2013.

34 See the corresponding items in Banca Generali S.p.A.' Separate Financial Statements for a reconciliation of the amounts reported in the table. In this regard, it should be noted that the sum of income from sales to third parties and intragroup transactions corresponds to the following items of the Separate Financial Statements of Banca Generali S.p.A.: Net banking income gross of interest expense and fee expense. Dividends received from other group entities are not included.

35 The differences that emerge from the total amounts of the Country-by-Country Reporting and Consolidated Financial Statements refer to (i) consolidation adjustments made in application of the accounting policies adopted in preparing the Consolidated Financial Statements, and (ii) the exclusion from the Country-by-Country Reporting of the amounts relating to dividends received from other group entities and the related taxes paid and accrued.

The following definitions should be considered when assessing the figures in the above table:

- No. employees: average number of employees in the year, calculated on a full-time equivalent basis;
- Income from sales to third parties: income from transactions with entities not belonging to the Banca Generali Group (i.e., entities not included in the Consolidated Financial Statements of Banca Generali S.p.A.). The term "income" is to be construed broadly as corresponding to net banking income gross of interest expense and fee expense. Dividends received from other group entities are not included;
- Intragroup revenues with other jurisdictions: revenues generated by transactions between group entities residing in other tax jurisdictions. Dividends received from other group entities are not included;
- Profit (Loss) before taxation: profit gross of taxes. Dividends received from other group entities are not included;
- Companies' income taxes paid: corporate income taxes paid (on a cash basis) in the reporting year, regardless of the year to which the taxes refer. Companies' income taxes paid do not include taxes paid on dividends received from other group entities (6,502 thousand euros). In the interest of completeness, it should be noted that the stated amount includes (i) prior years' taxes (41,200 thousand euros) paid to resolve the tax dispute, recognised in the Consolidated Financial Statements net of the draw-down of the tax dispute provision (10,650 thousand euros), and (ii) taxes paid to the Assicurazioni Generali Italian national tax consolidation scheme (6,576 thousand euros);
- Companies' income taxes, accrued (current): corporate income taxes calculated on the taxable income for the year (current taxes). Prior-year taxes (28,963 thousand euros), deferred tax assets, deferred tax liabilities and any provisions for uncertain tax liabilities (uncertain tax positions) are not included. Taxes accrued on dividends received from other group entities (6,502 thousand euros) are also not included;
- Property and equipment (other than cash and cash equivalents): net carrying amount of property and equipment. Pursuant to IFRS 16, property and equipment includes "rights of use" arising from property and other equipment leasing transactions. Cash and cash equivalents, intangible assets and financial assets (equity investments) are not included.

As regard the reasons for the difference between (i) the tax burden — expressed in terms of both actual taxes and accrued (current) taxes and (ii) theoretical tax (i.e., tax due for the purposes of GRI 207-4-b-x), see Part C – Section 21 "Income tax for the year from operating activities" – Item 300 in the Notes and Comments to the Consolidated Financial Statements as regard the Group as a whole, and to Part C - Section 19 "Income tax for the year from operating activities" – Item 270 in the Notes and Comments to the Separate Financial Statements of Banca Generali S.p.A.

The following table shows the actual tax rate and the cash tax rate of Banca Generali, as reported in the Consolidated and Separate Financial Statements of Banca Generali. For further information, reference should be made to the aforementioned sections in the Consolidated and Separate Financial Statements.

ACCOUNTING STATEMENTS	NET PROFIT BEFORE INCOME TAXES (A)	INCOME TAXES FOR THE YEAR[36] (B)	INCOME TAXES PAID (C)[37]	ACTUAL TAX RATE (B/A)	CASH TAX RATE (C/A)
Consolidated Financial Statements	322,348	109,375	94,106	33.9%	29.2%
Separate Financial Statements	*312,701*	*86,514*	*63,421*	27.7%	20.3%

[36] Income taxes for the year, as reported in the Consolidated and Separate Financial Statements of Banca Generali ("reported taxes"). This item includes current taxes (including those on dividends received from other entities of the Banca Generali Group), prior years' taxes, deferred tax assets and liabilities and any provisions for uncertain tax liabilities (uncertain tax positions).

[37] Income taxes for the year paid, including those on dividends received from other entities of the Banca Generali Group and prior years' taxes.

Sustainable Finance Disclosure Regulation

In a context marked by a deep transformation of European financial market regulations on transparency, guided by European Regulation No. 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Banca Generali has continued to pursue a number of projects that have integrated and reinforced its procedures, policies and methodologies in accordance with a constantly evolving regulatory framework.

In particular, the regulation on disclosure in the financial services sector was subsequently reinforced by Regulation (EU) No. 2020/852 on the taxonomy of environmentally sustainable activities, which lays down the criteria for determining whether an activity may be considered environmentally sustainable, and Commission Delegated Regulation (EU) No. 2022/1288, which lays down regulatory technical standards (RTSs) specifying the information regarding financial instruments that invest in sustainable and environmentally sustainable economic activities.

Within this context, and in relation to its status as signatory of the Principles for Responsible Investments (PRI)[38], Banca Generali regards it as of fundamental importance to integrate ESG factors into its investment process, out of the conviction that these elements, in addition to fostering sustainable economic and social development, may contribute positively to the financial results of the portfolios of its customers, while also mitigating the related risks.

In 2021, the Banca Generali Group drafted its Level 1 disclosures pursuant to the SFDR and made them available on the relevant websites with a view to ensuring transparency[39].

With the aim of reinforcing its responsible and sustainable investment practices, in early 2021 Banca Generali adopted its Responsible Investment Policy; it constantly assesses whether to update the Policy to ensure it is consistent with the regulatory framework on sustainability. The Policy requires that the traditional investment analysis based on financial criteria incorporate an analysis focused on sustainability risks and the adverse impacts of investments on sustainability factors, i.e., environmental, social and governance matters such as reducing pollution, combating climate change, respecting human rights, staff development and issues relating to the fight against active and passive corruption.

This integration process involves the use of indicators, such as the ESG rating, and of negative screening tools, such as the restricted list and the watch list, developed also with the support of external advisors. Such indicators and tools enhance the due diligence process in order to identify any exposures to controversial sectors or violations of the United Nations Global Compact.

In addition, with the entry into force of Commission Delegated Regulation (EU) No. 2022/1288 (RTSs), in 2022 the Banca Generali Group defined qualifying criteria for designing investment products that, compared to the range of products offered, stand out for their focus on environmental, social and/or good governance aspects, or promotion of sustainability characterisitscs (i.e., pursuant to Article 8 of SFDR), or that have sustainable investment objectives (i.e., Article 9 SFDR). These investment solutions are:

- 7 investment lines of Banca Generali's discretionary mandates, with promote environmental and social characteristics pursuant to 8 of SFDR[40];
- 46 sub-funds of BG Fund Management Luxembourg[41] S.A., of which 41 that promote environmental or social characteristics pursuant to Article 8 of SFDR and 5[42] that have sustainable investment as their objective pursuant to Article 9 of SFDR.

In managing such products, the Group — in order to satisfy the environmental, social or good governance criteria they promote and to achieve sustainable goals — has designed an investment approach based not only on exclusions — whether by sector or due to controversial activities — but also on a holistic assessment of the ESG practices of the financial instruments underlying the portfolios, summarised by an ESG rating provided by an external provider.

With regard to products for which management has been delegated to a third party, the Group applies the ESG policy of the delegated investment manager together with its policies on exclusions and management of controversial activities. The third party investment manager is subject to periodic due diligence, which is also necessary to ensure compliance of its processes with the Sustainable Investment Policy.

38 Banca Generali became a PRI signatory in December 2022.
39 For further information, reference should be made to the websites of BG Private (section on ESG reporting) and of BGFML.
40 For further information on the promotion of environmental and/or social characteristics by Banca Generali' portfolio management services, reference is made to the online disclosure pursuant to Article 10 of SFDR available at the following link: www.bancageneraliprivate.it/sostenibilit%C3%A0/trasparenza-finanza-sostenibile.
41 With regard to the investment sub-funds offered by BG Fund Management Luxembourg S.A. pursuant to Articles 8 and 9 of SFDR, further information on the promotion of environmental and/or social characteristics and investment objectives is available on the online disclosures pursuant to Article 10 of SFDR at the following link www.bgfml.lu/site/home/sostenibilita.html.
42 It should be noted that 2 of the 5 sub-funds classified pursuant to Article 9 of SFDR have not been placed yet.

Regulation (EU) 2020/852 for Taxonomy-Eligible Activities

The European Taxonomy (Regulation EU No. 2020/852) provides a system for classifying environmentally sustainable economic activities and introduces disclosure obligations on said activities for financial and non-financial undertakings, subject to the Non-Financial Reporting Directive (NFRD)[43]. Economic activities are classified according to six environmental objectives:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control;
- protection and restoration of biodiversity and ecosystems.

The technical-scientific criteria (so-called "technical screening criteria") regarding the objectives of the taxonomy are defined in specific Delegated Acts[44]. The European Taxonomy classifies economic activities as follows[45]:

- *taxonomy-eligible economic activities*, i.e., activities described in Delegated Acts, irrespective of whether those economic activities meet the technical screening criteria;
- *taxonomy-non-eligible economic activities*, i.e., activities not described in Delegated Acts;
- *taxonomy-aligned activities*, i.e., activities that comply with the following criteria:
  - significant contribution to one of the aforementioned environmental objectives;
  - compliance with the DNSH (Do Not Significant Harm) principle, i.e., avoiding to significantly harm any of the other environmental objectives;
  - observance of the minimum social safeguards, namely compliance with the OECD (Organisation for Economic Co-operation and Development) Guidelines, the United Nations Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work.

In order to facilitate uniform application of the disclosure requirements established by the Taxonomy, European regulators require companies subject to the NFRD to report on environmentally sustainable economic activities according to the following regulatory deadlines:

- from 1 January 2020 to 31 December 2023, financial undertakings disclose information regarding **taxonomy-eligible economic activities**;
- with effect from 1 January 2024, financial undertakings are to disclose data relating to **taxonomy-aligned economic activities**; in detail, credit institutions should use the GAR (Green Asset Ratio);
- with effect from 1 January 2026, credit institutions shall provide more granular data than the GAR, by also including KPIs relating to services other than lending (KPIs relating to fees and commissions) and other information pertaining to the GAR relating to the trading portfolio.

Banca Generali's Approach

In developing a methodological approach, Banca Generali considered the most recent interpretative notes published by European regulator regarding the implementation of the disclosure required by Article 8 of the Taxonomy[46].

[43] The European NFRD introduces an obligation for some large undertakings to report the non-financial information within the report on operations. This Directive has been transposed into Italian law through Legislative Decree No. 254/2016.

[44] With regard to the current reporting year, reference is made to the first two climate-related objectives as per Delegated Regulation No. 2021/2139. At the reporting date, European institutions have not issued yet the delegated act identifying the technical-scientific criteria for the other four environmental objectives.

[45] Pursuant to Delegated Regulation No. 2021/2178.

[46] The document published in October 2022 and entitled "Information from European Union Institutions, Bodies, Offices and Agencies", provides clarification regarding voluntary and mandatory disclosure, where mandatory disclosure is based on the most recent publicly available information (contained in the sustainability reports drafted pursuant to the Non-Financial Reporting Directive) or provided directly by the company benefiting from the investments, whereas voluntary disclosure is based on proxies and estimates.

In 2022, Banca Generali conducted analyses to provide its stakeholders **mandatory** disclosure, based on precise, granular data relating to both its securities portfolio and its loan portfolio, without the use of proxies or estimates.

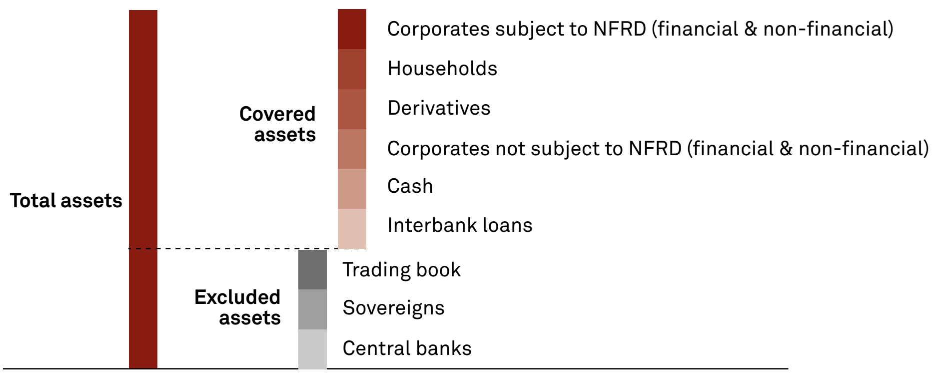
Reporting requirements and scope

The European Taxonomy requires credit institutions to disclose the following KPIs:
- Proportion of exposures to taxonomy-eligible economic activities over total covered asset and total assets;
- Proportion of exposures to taxonomy-non-eligible economic activities over total asset covered by the KPI and total assets;
- Proportion of exposures to governments, central banks and central governments over total assets;
- Portion of derivatives over total assets;
- Portion of exposures to undertakings not subject to disclose non-financial information[47] over total assets;
- Proportion of the trading portfolio and on-demand inter-bank loans over total assets.

The reporting of these KPIs is based on several reporting scope:
- ***Total assets:*** the entire scope of the assets of Banca Generali S.p.A.;
- ***Covered assets:*** the reporting scope for calculating taxonomy-eligible — and in the future, also taxonomy-aligned — economic activities; these do not include trading portfolios, exposures to central governments, supranational issuers and central banks;
- ***Excluded assets:*** the part of the scope of assets including trading portfolios, exposures to central governments, supranational issuers and central banks; these assets are defined as "excluded" as they are not taken into account in calculating taxonomy-eligible — and in the future, also taxonomy-aligned — economic activities.

Therefore, Banca Generali's reporting scope is bases on the total on-balance sheet assets of Banca Generali S.p.A., including in particular:
- **loans and advances, debt securities, equity investments and collateral**, specifically considering both financial assets measured at amortised cost and financial assets measured at fair value, as well as investments in subsidiaries, real estate guarantees and on demand inter-bank loans;
- **sovereign securities**;
- **exposures to central banks**;
- **trading portfolio**.

The following scheme shows Banca Generali's reporting scope, taking into account its aforementioned regulatory obligations.



[47] To ensure better understanding of the text, this section also refers to the Non-Financial Reporting Directive for all undertakings not subject to disclose non-financial information.

Sources, data and methodology

For the second reporting year, Banca Generali focused on developing **an analysis and methodology capable of providing its stakeholders with mandatory disclosure based on more granular, complete, accurate and comparable data, which does not rely on the use of estimates**.

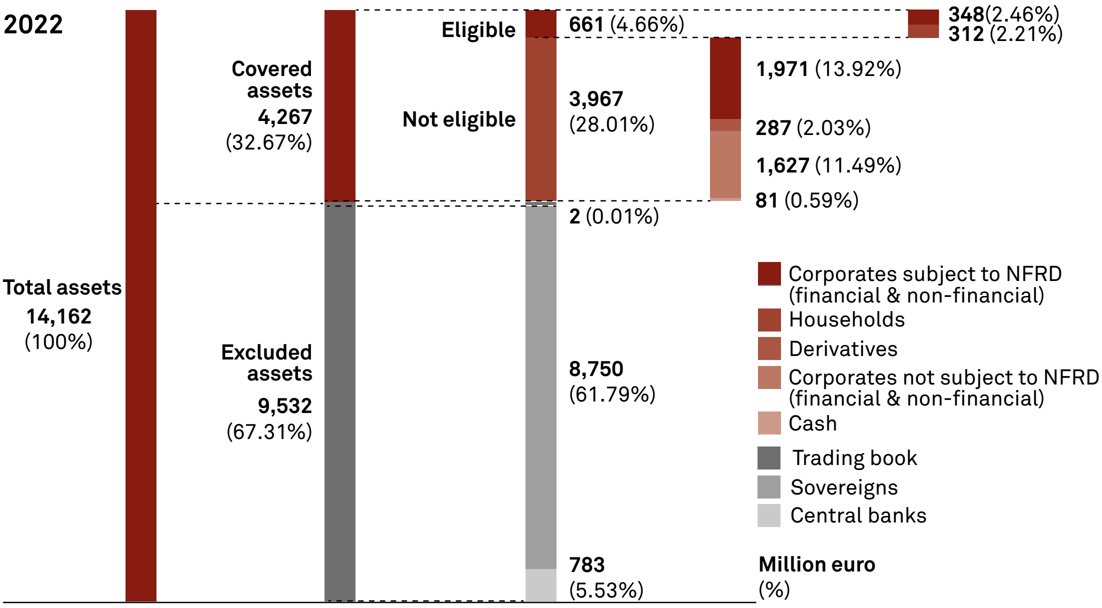
The data was drawn thanks to the collaboration with the various structures of the bank and with the support of an external provider: the granularity of the ensuing presentation was supplemented by sources drawn directly from the most recent available sustainability reports, drafted in accordance with the NFRD.

This analysis was conducted on both the current reporting year (2022) and the previous reporting year (2021) to allow a proper comparison, as the mandatory disclosure presents methodological differences that do not render comparable their scope with the voluntary analysis published on the Annual Integrated Report of the previous year[48].

The details of the methodological approach used are set out below:
- ***Identification of taxonomy-eligible economic activities in Banca Generali's own securities:*** on the basis of the data reported directly by the issuers in the Sustainability Reports of the 2021 reporting year, the external provider calculated eligibility percentages, allocating the results on the basis of the amount of the exposures for the relevant tax years (2021 and 2022);
- ***Identification of taxonomy-eligible economic activities in the loan portfolio:*** thanks to greater availability of information, Banca Generali was able to determine loans, advances, and mortgage loans for residential properties and real-estate guarantees oriented towards energy efficiency for the two-year period considered;
- ***Identification of exposures to undertakings not subject to NFRD (Non-Financial Reporting Directive):*** the 2021 voluntary disclosure was based on estimates formulated according to two criteria:
  - listed or non-listed company;
  - European or non-European company.

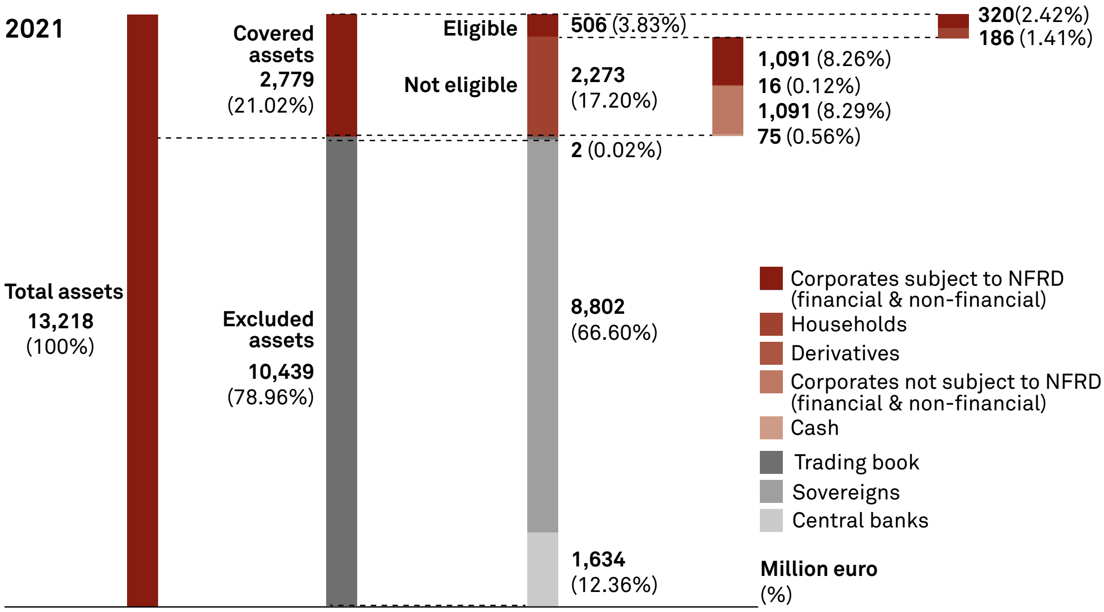
  For 2022, the data is considered precise due to the detailed analyses conducted by the external data provider, whose findings yield more accurate data, also capable of identifying that referring to companies that are unlisted, but are subject to an obligation to report non-financial data pursuant to NFRD[49].

The following are several graphical representations that exemplify the results of the new methodology, along with the detailed tables on both data relating to taxonomy-eligible economic activities and other indicators required by Regulation No. 2021/2178.



48 The analyses conducted for the voluntary disclosure in the Annual Integrated Report 2021 differ from those of the mandatory disclosure provided this year, because the scope is characterised by data with a different degree of granularity and accuracy. In particular, the scope and detail used for mandatory disclosure consist of entering different data in the numerator and denominator, for the purposes of calculation of KPIs.

49 In particular, the analysis conducted by the provider investigated (listed and unlisted) European companies that have prepared a sustainability report, identifying their weight on the basis of total Banca Generali exposures.



TAXONOMY-ELIGIBLE ACTIVITY INDICATORS	DESCRIPTION	2022 € MILLION	2022 % PORTION	2021 € MILLION	2021 % PORTION
Portion of exposures in taxonomy-eligible activities	Exposures in taxonomy-eligible activities over covered assets	660.50	14.27%	505.75	18.20%
	Exposures in taxonomy-eligible activities over total assets		4.66%		3.83%
Portion of exposures in taxonomy-non-eligible activities	Exposures in taxonomy-non-eligible activities over covered assets	3,966.51	85.73%	2,272.98	81.80%
	Exposures in taxonomy-non-eligible activities over total assets		28.01%		17.20%

The result of **eligible activities, equal to 14.27%,** was calculated on total covered assets. The percentage of **non-eligible activities** was also calculated on total covered assets and was **85.73%.**

This figure declined by approximately 4% on total covered assets compared to 2021. The decrease was attributable to an increase in the value included in the denominator, such as:

- an approximately 49% increase in exposures to undertakings not subject to NFRD, whose percentage is respectively and equally divided between financial (24.57%) and non-financial undertaking (24.54%);
- a rise in exposures to derivatives for about 270,860,382.63 euros, for an exponential increase of approximately 1,700%.

The carrying amount of taxonomy-eligible economic activities grew by 154,753,574.86 euros overall in 2022, increasing by nearly 1% — **from 3.83% to 4.66%** — the portion of eligible activities to total assets.

OTHER INDICATORS	2022 € MILLION	2022 % PORTION ON TOTAL ASSETS	2021 € MILLION	2021 % PORTION ON TOTAL ASSETS
Trading portfolio and on-demand inter-bank loans	1.99	0.01%	2.02	0.02%
Exposures to central governments, central banks and supranational issuers	9,532.67	67.31%	10,436.82	78.96%
Exposures in derivatives	286.78	2.03%	15.92	0.12%
Exposures to undertakings not subject to disclosing non-financial information over total assets	1,626.57	11.49%	1,090.88	8.25%

The 2022 indicators that were virtually unchanged compared to 2021 include the trading portfolio and on-demand inter-bank loans, declining by 1.41% overall. Exposures to central banks and supranational issuers decreased by about 9%, of which 8% referring exclusively to exposures to central governments and central banks.

As explained above, **the most relevant figures are those referring to exposures in derivatives and exposures to undertakings not subject to NFRD, whose increase led to a reduction in the value of taxonomy-eligible economic activities over total covered assets**.

Stakeholder Engagement

Banca Generali liases with numerous stakeholders that differ by type, requirements and needs expressed. The Bank recognises as stakeholders all those parties (Institutions, Organisations, groups or individuals) which, in a framework of shared but not always naturally converging interests, can influence or be influenced by its activities.

In accordance with the guidelines defined by the AccountAbility 1000 (AA1000) standard, the identification of stakeholders of priority interest for the Bank is carried out taking into consideration the following criteria:

RESPONSIBILITY

Parties to whom Banca Generali has (legal, financial, operational, etc.) responsibilities formalised in contracts, company policies, laws, etc.

INFLUENCE

Parties who, in the current or future context, can influence the Bank's decision-making processes.

PROXIMITY

Parties with whom Banca Generali has established lasting relationships, and parties on which the Organisation depends to ensure its day-to-day operations.

REPRESENTATION

Parties who, for legal/cultural/other reasons, play a representative role for the benefit of other individuals.

STRATEGY

Parties with whom Banca Generali establishes relationships by virtue of the pursuance of its policies or strategic choices.

Overall, stakeholder listening and dialogue activities are carried out mainly in order to:
- understand the needs and expectations of stakeholders of priority interest in the medium to long term to support strategic planning;
- anticipate risks of a different nature (operational, reputational, etc.);
- monitor the level of satisfaction and check the extent to which the different stakeholder categories have a positive perception of their relationship with the Bank;
- seize new opportunities through the joint identification of solutions capable of creating shared value for the Organisation and its stakeholders.

The main channels for dialogue with the different stakeholder categories are listed here under:

BG EMPLOYEES

CHANNELS FOR DIALOGUE

- Periodic engagement survey
- Dedicated portal
- Monthly communications and newsletters
- Individual performance evaluation interviews and joint determination of development goals
- Roundtables with unions and workers' representatives
- Annual meeting with all employees
- Internal meetings and cascading initiatives
- Training activities and team building
- Survey on ESG matters
- Dedicated focus groups

INTERNATIONAL AND FINANCIAL SECTOR (INCLUDING COMPANIES, MEDIA, OPINION LEADERS, PROFESSIONAL ASSOCIATIONS, NON-PROFIT ORGANISATIONS AND THE WELFARE INDUSTRY)

CHANNELS FOR DIALOGUE

- Local conventions on financial education
- Press conferences
- Company points of contact dedicated to media and institutional relations
- Meetings with institutions
- Multistakeholder meetings
- Social activities in favour of community

SHAREHOLDERS & AUTHORITIES (INCLUDING SHAREHOLDERS, INVESTORS, ANALYSTS, PROXY ADVISORS)

CHANNELS FOR DIALOGUE

- General Shareholders' Meeting
- Media news
- Meetings and interviews with analysts, investors and proxy advisors
- International roadshows
- Digital channels and social media

CUSTOMERS

CHANNELS FOR DIALOGUE

- Surveys on the level of satisfaction
- Market researches
- Dialogue with consumer associations
- Communications channels devoted to customers (website, e-mail, toll-free phone number)
- Media
- Dedicated events
- Advertising campaigns
- Periodic documentation and in-depth reporting
- Social media

SUPPLIERS, STRATEGIC PARTNERS

CHANNELS FOR DIALOGUE

- Meetings with bank and networks
- Working groups on common projects
- Participation in local meetings
- Media
- Events

FINANCIAL ADVISORS (NETWORK)

CHANNELS FOR DIALOGUE

- Survey on ESG matters
- Dedicated portal
- Monthly newsletter
- Dedicated conventions
- Survey on the level of satisfaction
- Website and apps for mobile devices
- Media
- Training
- Local events
- Social media

COMMUNITY

CHANNELS FOR DIALOGUE

- Partnerships with observatories and research centres
- Dialogue with universities (e.g., Fintech & Insurtech Observatory of Milan Polytechnic; CeTIF Cattolica University of Milan)
- Website and social media
- Event organisation and participation in, sponsorship of and contribution to third-party events, such as collaborative projects on financial education (FEduF – Foundation for Financial Education and Saving; AbiEdufin3.0) and cultural projects [BG Art Talent and Milano ArtWeek together with the Municipality of Milan; Banca Generali - Un Campione per Amico (A Champion for a Friend)]

1 NO POVERTY

In this photograph, the lens of Stefano Guindani focused on investigating the situation related to Sus-tainable Development Goal (SDG) number 1 “Eradicate poverty in all its forms and everywhere.” Every hour, about 300 trucks full of garbage make their way inside the large dump that collects the garbage of the most populous urban area in all of Central America: Ciudad del Guatemala.
Here, in what is called the “Zone 3 landfill” over the past 40 years, a veritable community of people has developed who try to survive in extreme poverty, deriving the little they need to live from what the rest of the city discards, namely garbage.
According to some estimates, more than 30,000 people now live in the Zone 3 landfill crammed into precarious and makeshift housing without access to running water. It is an extreme situation that the pandemic has made even more desperate, calling the international community to much-needed and swift action.
According to a World Bank report, there are about 3 billion people in the world who reside in urban areas and produce 1.3 billion tons of solid waste each year. In a Planet whose climate is increasingly crying out for help, it is clear that reducing this waste is more than essential. Yet there are those in the world who not only live among the waste, but even rely on it to be able to feed themselves.

PERFORMANCE AND CREATION OF SUSTAINABLE VALUE

at 31.12.2022

Summary of Operations

The Banca Generali Group closed the financial year 2022 with a **consolidated net profit of 213.0 million euros**, compared to 323.1 million euros for the previous year (-34.1%).

The comparison is adversely influenced by variable components more closely linked to financial market dynamics. The year 2022 was in fact was marked by a particularly negative context for investments due to the concurrent decline in all asset classes that was triggered by the geopolitical tensions and the paradigm shift in interest rates as a result of inflationary pressures. This reflected on the sharp drop in variable fees to 19.3 million euros for 2022 from 220.6 million euros for the previous year.

The decline had been partly offset by the positive effect generated by the gradual upward revision of banking book yields due to the rise in interest rates.

The result was also impacted by **one-off tax charges** amounting to 35.3 million euros, borne as a result of the framework agreement reached with the Italian Tax Authority on 19 September 2022. However, this agreement allowed the Company to settle pending claims related to transactions with the subsidiary BGFML for the tax periods from 2014 to 2019 and to significantly reduce the risk of potential future claims. Moreover, it should be noted that the agreement paved the way for full implementation of the Cooperative Compliance procedures to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period.

Net of such volatile components, Banca Generali confirmed the substantial improvement in net profit quality — reflected on the recurring component — confirming the commitment it had announced when launching the 2022-2024 Strategic Plan aimed at achieving a greater financial sustainability of its results.

In fact, **recurring net profit**, excluding variable revenue items and other one-off items[50], amounted to **221.1 million euros**, up 25.2% compared to the previous year. This growth benefited from the flexibility of the business model, as well as from a tight containment of operating costs.

Despite the markets' strong volatility and the ensuing prudent approach to investments, **net inflows** amounted to **5.7 billion euros**, showing resilience in a particularly complex market context.
Investors' preference towards protection and liquidity in this highly uncertain phase reflected in a net inflows mix chiefly oriented towards AUC solutions, which recorded net inflows amounting to 4.3 billion euros, compared to 0.9 billion euros for the previous year, and towards current accounts, which recorded net inflows of 1.1 billion euros.
Managed solutions (funds, financial and insurance wrappers) amounted to 2.0 billion euros, diversified over a wide range of products and services (in-house and third-party funds, financial and insurance wrappers), among which in-house products accounted for 75% of the growth reported.

Total **assets under management (AUM)** managed by the Group on behalf of its customers stood at **83.1 billion euros** overall at 31 December 2022 (-3.1%), including the 0.9 billion euro contribution deriving from the assets managed by BG Valeur S.A. In addition, managed assets also included 0.9 billion euros in AUC products of Generali Group companies and 3.7 billion euros in funds, and Sicavs distributed directly by BGFML, for an overall total of **87.7 billion euros**.

Managed solutions — most affected by market corrections — reached 40.1 billion euros (-9.4%) at year end, however reporting a sharp increase in the ESG component, which amounted to 12.9 billion euros, accounting for 32.2% of total managed solutions. **Traditional life insurance policies** remained essentially stable at 15.3 billion euros (-5.6%). The **AUC component** grew to 27.6 billion euros (+9.5%), of which 12.1 billion euros (+1.2%) in current accounts and 15.5 billion euros (+16.9%) in AUC products. The growth in **AUC products** was attributable to the extraordinary rise in the short- and medium-term interest rate curve that the Bank supported by enhancing its advisory services on bonds and bond portfolios through its Advanced Advisory solutions.

50 Profit net of variable fees (performance fees), non-recurring trading income and other one-off items.

Assets under Advisory (**BGPA**) totalled **7.4 billion euros** at the end of December 2022, up 1.3% compared to year-end 2021, despite the unfavourable financial market context.

Net banking income amounted to **639.8 million euros**; however, net of the sharp decline in variable performance fees (-201.2 million euros; -91.2%), it grew by 11.6% thanks to the **increase in net recurring fees (452.2 million euros; +1.2%)** and the swift rise in **net financial income (168.3 million euros; +50.3%)**. The latter benefited from both the expansion of average interest-bearing assets and, to a greater extent, the strong increase in bond yields in recent months and still ongoing, thanks to a financial asset structure focusing on a bond portfolio with a short duration (1.2 years) and a high exposure to variable rates (53% of the total).

Operating expenses were **256.5 million euros**, up 5.9%, including 3.5 million euros one-off charges.

Core[51] **operating expenses** totalled **232.9 million euros**, up 5.8%, fully in line with the objectives of the new 2022-2024 three-year Plan and confirming the thorough cost discipline and the operating leverage potential of the Bank's business model. This item includes in particular 6.1 million euros generated by the launch of BG Suisse, net of which the growth would have been 5.3%.
Operating efficiency indicators remained at excellent levels: the ratio of **total costs to total assets** stood at 31 bps at year-end, slightly increasing as a result of the dynamics of total assets due to the trend of the reference markets; the **cost/income ratio**, adjusted for non-recurring items, further improved to 40.8% compared to 43.0% for the previous year.

Provisions, contributions related to banking funds and **net adjustments** amounted to **53.0 million euros** compared to **63.4 million euros** for 2021, excluding one-off charges[52]. The decline was mainly attributable to lower provisions for contractual indemnities and long-term incentives reported in 2022, also following the rise in the discount rates applied for the statistical-actuarial assessment. The decrease in provisions was only partially offset by a **prudential allocation** to cover commercial activities aimed at retaining customers and supporting them in case of potential investment losses due to market trends.

Core loans grew to 16.1 billion euros, with a net increase of over 0.7 billion euros compared to the previous year (+4.5%). In detail, the banking book financial assets stood at 11.9 billion euros, up 11.7% compared to the previous year. 96% of the portfolio was invested in bonds with a duration of 1.2 years and 53% in floating-rate securities; it is thus well positioned to benefit from any rate increase. Exposures composed of loans to customers amounted to 2.5 billion euros, with a more modest performance in the year (+5.1%), which however highlighted an increase in Lombard transactions. Net interbank position was nearly 0.9 billion euros, markedly decreasing compared to the previous year (-33.8%) as a result of the decline in deposits with the ECB and the early repayment of the TLTROs received.

With reference to **capital requirements**, Banca Generali confirmed the soundness of its regulatory aggregates: CET1 ratio was **15.6%** and Total Capital Ratio was **16.7%**, calculated including the proposal to distribute a dividend of 1.65 euros per share, for an overall total amount of **192.8 million euros**. These ratios were above the specific requirements set by the Bank of Italy for the Group (i.e., CET1 ratio at 8% and Total Capital Ratio at 12.3%) for the SREP – Supervisory Review and Evaluation.

[51] Operating expenses, net of non-recurring items, amounting to 3.5 million euros (1.9 million euros in 2021), and of costs related to sales personnel amounting to 20.2 million euros at 31 December 2022 (20.7 million euros in 2021).
[52] 80.6 million euro charges for acquiring notes from securitisations of healthcare receivables. In this regard, reference should be made to the Annual Integrated Report 2021.

Group Economic and Financial Highlights

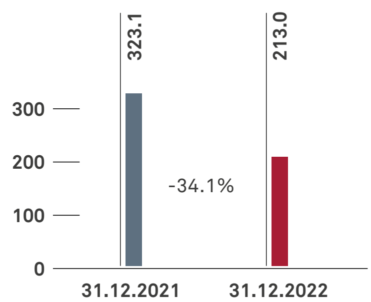
CONSOLIDATED ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	31.12.2022	31.12.2021	CHANGE %
Net interest income	145.0	83.3	74.0
Net financial income	**168.3**	**112.0**	**50.3**
Net fees	471.5	667.3	-29.3
Net banking income	**639.8**	**779.3**	**-17.9**
Net operating expenses [d]	**-256.5**	**-242.3**	**5.9**
of which: Staff expenses	*-114.8*	*-107.8*	*6.4*
Operating result	**383.3**	**537.0**	**-28.6**
Provisions and charges related to the banking system [d] and other one-off charges	-44.7	-141.5	-68.4
Adjustments to non-performing loans	-8.3	-2.5	230.2
Profit before taxation	**330.2**	**392.7**	**-15.9**
Net profit	**213.0**	**323.1**	**-34.1**

PERFORMANCE INDICATORS

	31.12.2022	31.12.2021	CHANGE %
Cost/income ratio [d] [f]	40.1%	31.1%	29.0
Operating Costs/Total Assets (AUM) – annualised [e]	0.31%	0.28%	9.3
EBTDA [d]	420.0	572.7	-26.7
ROE [a]	19.6%	28.2%	-30.5
ROA [b]	0.26%	0.38%	-31.9
EPS - Earnings per share (euros)	1.86	2.81	-33.9

NET PROFIT
(€ million)



NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.12.2022	31.12.2021	CHANGE %
Funds and Sicavs	693	2,922	-76.3
Financial wrappers	1,000	938	6.6
Insurance wrappers	279	1,443	-80.7
Managed solutions	**1,972**	**5,303**	**-62.8**
Traditional insurance products	**-814**	**-487**	**67.1**
AUC	**4,549**	**2,869**	**58.6**
Total	**5,707**	**7,685**	**-25.7**

ASSET UNDER MANAGEMENT & CUSTODY

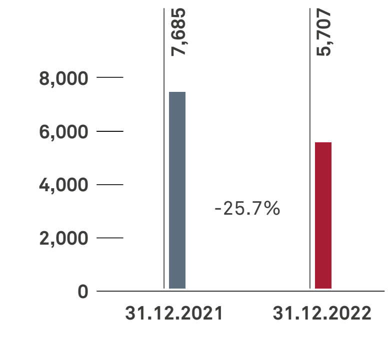
(€ BILLION)	31.12.2022	31.12.2021	CHANGE %
Funds and Sicavs (c)	20.6	23.6	-12.6
Financial wrappers (c)	9.4	9.4	-0.6
Insurance wrappers	10.1	11.2	-9.9
Managed solutions	**40.1**	**44.3**	**-9.4**
Traditional insurance products	**15.3**	**16.3**	**-5.6**
AUC	**27.6**	**25.2**	**9.5**
Total (c)	**83.1**	**85.7**	**-3.1**

NET EQUITY

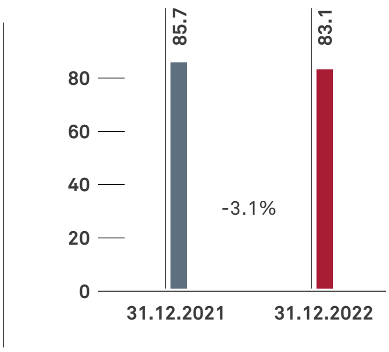
	31.12.2022	31.12.2021	CHANGE %
Net equity (€ million)	1,068.5	1,105.9	-3.4
Own funds (€ million)	762.2	759.0	0.4
Excess capital (€ million)	199.5	242.6	-17.8
Total Capital Ratio	16.7%	17.4%	-4.2

(a) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the year and the end of the previous year.
(b) Ratio of net result for the year to Assoreti's year-end exact AUM and AUM arising from new acquisitions, annualised.
(c) Total Assoreti's AUM were increased by AUM not included in the consolidation scope and generated by the new acquisitions.
(d) For a greater understanding of operating performance, mandatory contributions (of both an ordinary and extraordinary nature) paid to the Italian Interbank Deposit Protection Fund, the European Single Resolution Fund and Italian National Resolution Fund have been reclassified from the administrative expenses aggregate to a separate item. The restatement better represents the evolution of the costs linked to the Bank's operating structure by separating them from the systemic charges incurred.
(e) Ratio of operating expenses, gross of non-recurring components, to Assoreti's year-end exact AUM and AUM arising from new acquisitions, annualised.
(f) The cost/income ratio measures the ratio of operating expenses to net operating income. This ratio has been restated compared to the previous quarters in order to include the item "Adjustments of property, equipment and intangible assets" as well.

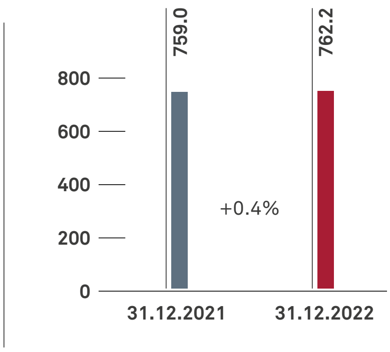
NET INFLOWS
(€ million)



ASSETS UNDER MANAGEMENT
(€ billion)



OWN FUNDS
(€ million)



Macroeconomic Context and Positioning

Macroeconomic Scenario and Future Prospects

Financial markets faced a very complex year in 2022. US market statistics show that, over the last 90 years, the stock and bond markets have only recorded negative performances four times, and this year is the only time they have both posted double-digit losses. The negative returns on equity and bond markets are mainly attributable to the war in Ukraine, which caused an across-the-board increase in commodities prices and generated inflationary pressures both in the United States, where the consumer price index peaked at just above 9%, and in Europe, where it exceeded the 10% threshold. In order to combat such high inflation, the Federal Reserve and the European Central Bank raised their key interest rates by 375 and 200 bps, respectively, during the year.

Such an abrupt rate hike by the main central banks drove up the main bond yield curves, with capital losses on Euro Area government bonds of approximately 14%. In detail, German ten-year yields went from -0.18% to approximately 2.56%, whereas US Treasury yields from 1.50% to about 3.83%. The restrictive monetary policy implemented by Powell and Lagarde caused a decline in global gross domestic product growth estimates, in addition to an increase in the likelihood of a recession in 2023, according to economists. Both Europe and the United States have reported inverted yield curves, with short-term government bonds paying higher yields than medium/long-term ones.

With regard to corporate bonds, credit spreads widened during the period for both investment-grade and high-yield bonds, increasing by 120 bps and 375 bps, respectively. They both went on to recover part of this widening in the fourth quarter, driven by US inflation data, which was lower than expected (closing the year with yields of approximately 4.20% and 7.70%, respectively).

Around the time of the Draghi government's crisis and the ensuing elections, BTP spreads increased: ten-year bonds reached 250 bps, only to close the period at 215 bps, whereas two-year notes reached approximately 130 bps, to then retrace to approximately 40 bps. During the phases of greatest stress, the ECB intervened, noting that instruments suited to maintaining the stability of spreads in the Euro Area Member States are currently in place.

On the equity front, 2022 was characterised by negative performances on the main global equity indexes. The S&P 500 and Eurostoxx 50 declined by approximately 14% in euros. Emerging countries underperformed developed countries, mainly due to the negative contribution from the Chinese equity market, which was impacted by a sharp slowdown in growth due to the zero-Covid policy implemented by the Chinese government.

At the sector level, value sectors outperformed growth segments, which are negatively correlated to rate increases, as they are penalised by higher rates used to discount future cash flows.

At the currency level, the euro/dollar exchange rate was severely impacted by the more restrictive monetary policy implemented by the Federal Reserve than by the ECB, and the dollar strengthened by approximately 6% in the period against the euro.

On the commodities front, the Bloomberg Commodity Index recorded an initial increase of 45%, which continued from the start of the year until early March, driven by the conflict in Ukraine, whereas the second part of the year was marked a lateral/downwards trend in the general commodities index, due to both the stabilisation of the war situation in Easter Europe and the outbreak of widespread expectations of cooling of the global economic cycle. In sector terms, the year's only outperformer was the energy segment, whereas the other sectors, and particularly precious and industrial metals, underperformed, penalised by the macro-context of rising rates and, in the case of industrial metals, the weakening of the economic cycle.

Future prospects

After several years of near-zero — and in many cases sub-zero — yields, the macroeconomic context expected to prevail in 2023 appears more favourable for bond investments than in the past. This forecast is based on the central banks' approach, which for 2023 appears to be less aggressive, generally as of the end of the rate increase cycle.

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

Competitive Positioning

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

The asset management market

In December 2022, the Italian asset management industry recorded a total of 1,219 billion euros of assets under management (-14.6% compared to the end of the previous year).

As shown in Table 6, net inflows from the Italian asset management industry (Assogestioni market) were positive for approximately 16.7 billion euros at the end of December 2022.

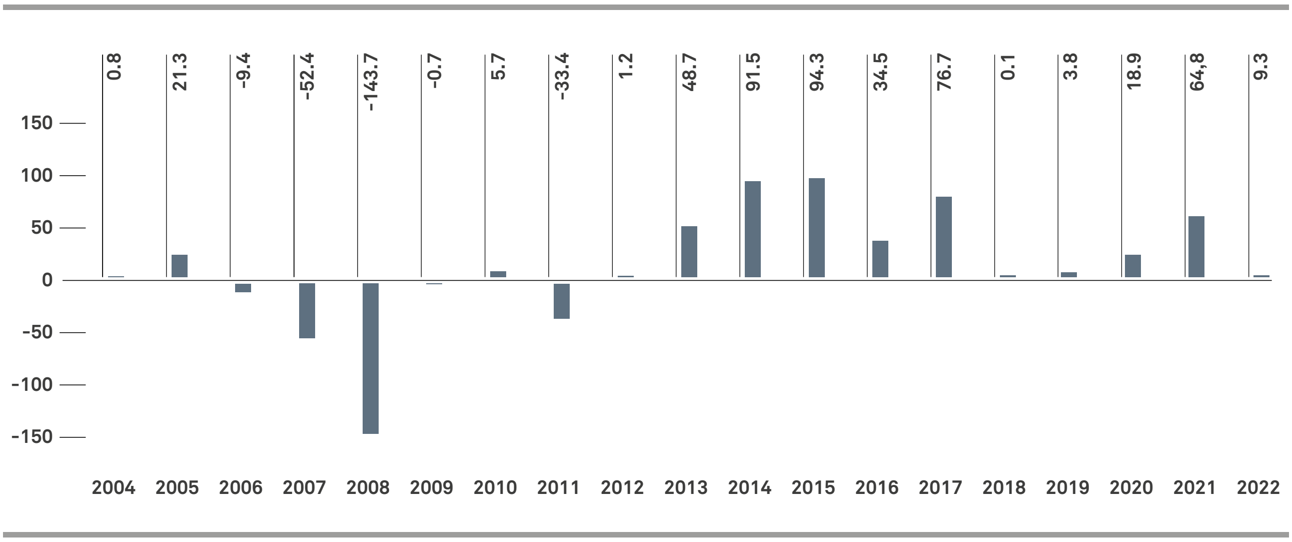
The following table shows the evolution of assets under management over the past five years, broken down by product/service type and the associated net inflows.

EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

	NET INFLOWS					ASSETS				
(€ MILLION)	12.2022	12.2021	12.2020	12.2019	12.2018	12.2022	12.2021	12.2020	12.2019	12.2018
Italian funds	66	5,848	-5,618	-11,362	-3,440	228,259	259,028	241,858	245,671	239,101
Foreign funds	9,272	58,921	24,487	15,151	3,511	846,450	1,004,303	874,624	817,480	711,285
Total funds	**9,338**	**64,769**	**18,869**	**3,789**	**71**	**1,074,709**	**1,263,331**	**1,116,482**	**1,063,151**	**950,386**
GP Retail	**7,316**	**12,021**	**3,050**	**919**	**-4,319**	**144,428**	**164,343**	**136,704**	**132,338**	**120,755**
Total	**16,654**	**76,790**	**21,919**	**4,708**	**-4,248**	**1,219,137**	**1,427,674**	**1,253,186**	**1,195,489**	**1,071,141**

Source: Assogestioni.

THE UCITS[53] MARKET IN ITALY



The Assoreti market

At December 2022, **total net inflows** generated by the Financial Advisor networks authorised to make off-premises offer amounted to approximately 43.8 billion euros, down -19.7% compared to the figure at December 2021.

In 2022, the unfavourable market context drove customers towards more conservative solutions: as a result, **net inflows from AUC solutions** increased sharply to about 28.0 billion euros (+92.5% compared to the same period of the previous year), accounting for 63% of total net inflows. By contrast, **net inflows from managed and insurance solutions** declined to approximately 16.0 billion euros compared to 2021 (-60.0%).

TOTAL NET INFLOWS (ASSORETI)

(€ MILLION)	31.12.2022	31.12.2021 [54]	2022-2021 % CHANGE
Total assets under management	7,862	22,584	-65.2%
Total insurance products	8,172	17,531	-53.4%
Total AUC	27,743	14,413	92.5%
Total	**43,777**	**54,528**	**-19.7%**

Source: Assoreti

In the **asset management** market, net inflows were mainly driven by net investments made in discretionary mandates (mainly GPM), with net volumes of 4.7 billion euros. Net inflows generated by UCITS units were also positive with an overall amount of 3.2 billion euros.

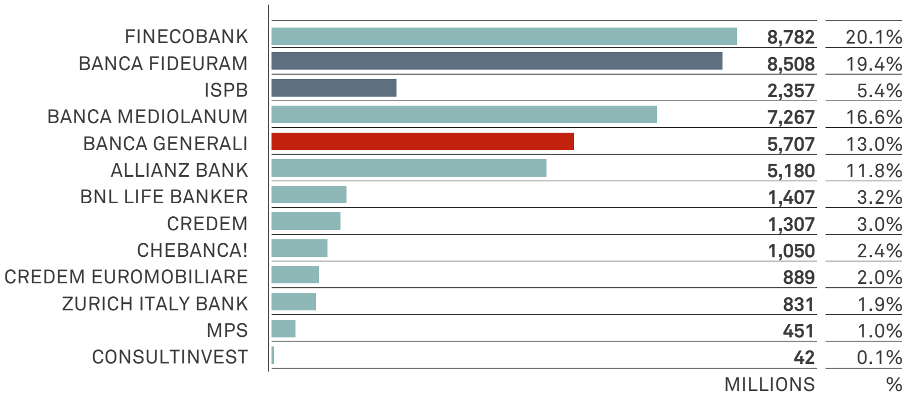
With regard to insurance and pension products, net premiums paid during the year amounted to approximately 8.1 billion euros, mainly driven by unit-linked policies (4.6 billion euros) and multi-line policies (3.3 billion euros).

[53] Undertakings for Collective Investment in Transferable Securities (source: Assogestioni data).
[54] In the interest of uniformity of comparison with the data at 31 December 2022, data at 31 December 2021 differ from those reported in the 2021 Annual Integrated Report due to a change in the Assoreti scope.

Banca Generali

Banca Generali's **net inflows** amounted to 5.7 billion euros at December 2022, thus confirming the Bank's role as a market leader with a 13.0% market share.

TOTAL NET INFLOWS ASSORETI – 43.8 € BILLION –
AND MARKET SHARE % (December 2022, € million)



Source: Assoreti

With regard to **insurance and asset management products**, Banca Generali reported about 1.2-billion-euro net inflows, confirming its role as a market leader with a 7.2% market share.

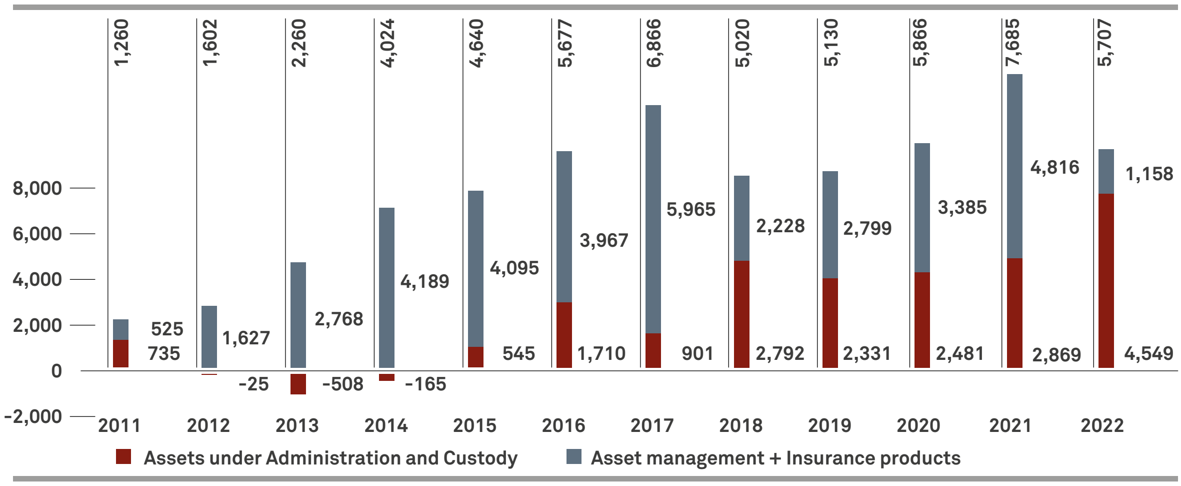
In the year, the Bank also **increased the number of its Financial Advisors**, bringing the figure to 2,204 at December 2022, with a market share of 9.7% of total Assoreti Financial Advisors.

BANCA GENERALI'S NET INFLOWS

	BG GROUP		Y/Y CHANGES VS 31.12.2021	
(€ MILLION)	31.12.2022	31.12.2021	AMOUNT	%
BG Group funds and Sicavs	203	1,267	-1,064	-84.0%
Third-party funds and Sicavs	490	1,655	-1,165	-70.4%
Financial wrappers	1,000	938	62	6.6%
Insurance wrappers	279	1,443	-1,164	-80.7%
Total assets under management	**1,972**	**5,303**	**-3,331**	**-62.8%**
Total traditional life insurance policies	-814	-487	-327	67.1%
Total AUC	4,549	2,869	1,680	58.6%
Total net inflows from products placed by the network	**5,707**	**7,685**	**-1,978**	**-25.7%**

At December 2022, Banca Generali's net inflows amounted to 5.7 billion euros. In order to meet customers' requirements, the Bank mainly focused on **AUC products**, which reached 4.5 billion euros, rising sharply compared to the previous year (+58.6%).

BANCA GENERALI'S NET INFLOWS EVOLUTION 2011-2022 (€ MILLION)



ASSORETI TOTAL ASSETS – 698.9 € BILLION – AND % MARKET SHARES[55]
(December 2022, € billion)

	BILLION	%	
BANCA FIDEURAM	**148.8**	21.3%	
ISPB	**138.7**	19.8%	
FINECOBANK	**93.2**	13.3%	
BANCA MEDIOLANUM	**92.9**	13.3%	
BANCA GENERALI	**82.2**	11.8%	14.7% without ISPB
ALLIANZ BANK	**59.8**	8.6%	
CREDEM	**27.1**	3.9%	
ZURICH ITALIA BANK	**16**	2.3%	
EUROMOBILIARE	**13.5**	1.9%	
BNL LIFE BANKER	**9.4**	1.3%	
CHEBANCA!	**7.8**	1.1%	
MPS	**7.5**	1.1%	
CONSULTINVEST	**2.1**	0.3%	

Source: Assoreti.

Despite a particularly unfavourable market context, at December 2022 the Bank reported a positive performance in terms of assets under management. Accordingly, Banca Generali confirmed its fifth place in the rankings of the main companies on the Financial Advisor network market, with an 11.8% market share (a figure that would rise to 14.7% if the contribution of Intesa Sanpaolo Private Banking were excluded on a like-for-like basis).

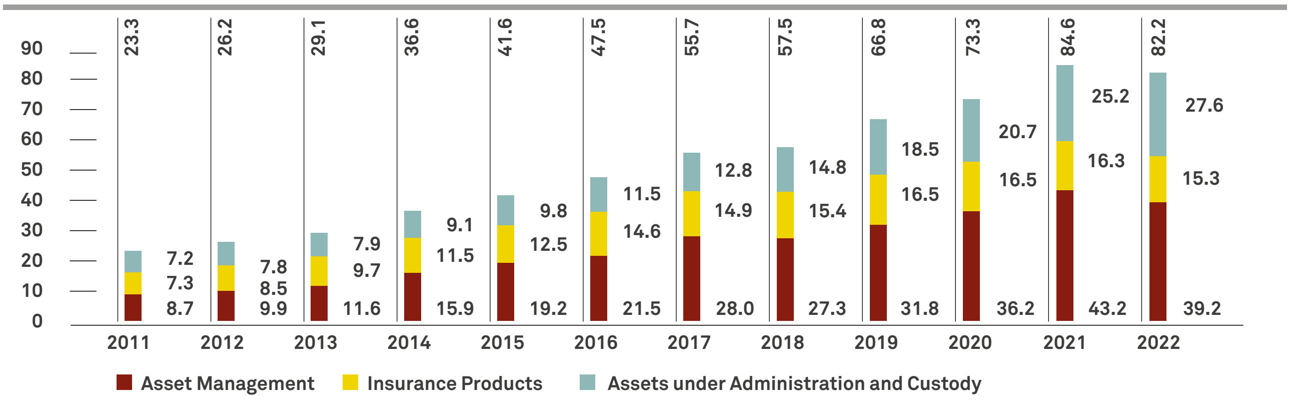
[55] The change in Banca Generali's market share compared to the previous years was due to a change in the Assoreti scope.

BANCA GENERALI'S AUM (ASSORETI SCOPE)

(€ MILLION)	BG GROUP 31.12.2022	BG GROUP 31.12.2021	CHANGES VS 31.12.2021 AMOUNT	CHANGES VS 31.12.2021 %
BG Group funds and Sicavs	9,147	10,445	-1,299	-12.4%
Third-party funds and Sicavs	11,363	12,973	-1,609	-12.4%
Financial wrappers	8,594	8,521	73	0.9%
Insurance wrappers	10,130	11,247	-1,117	-9.9%
Total assets under management	**39,234**	**43,186**	**-3,952**	**-9.2%**
Total traditional life insurance policies	15,340	16,251	-911	-5.6%
Total AUC	27,598	25,209	2,389	9.5%
Total AUM placed by the network	**82,171**	**84,646**	**-2,475**	**-2.9%**

Although 2022 was a particularly challenging year for the Assoreti market, Banca Generali succeeded in containing the decline in assets under management (-2.9% compared to December 2021). The ratio of managed products to total assets was approximately 48% (51% at 31 December 2021), mainly in favour of the AUC component, which grew by 9.5%, accounting for about 34% of total assets at the end of 2022. The weight of traditional insurance products remained stable at 19% of total assets, despite a -5.6% decrease.

BANCA GENERALI'S TOTAL ASSETS EVOLUTION 2010-2021 (ASSORETI SCOPE) (€ BILLION)



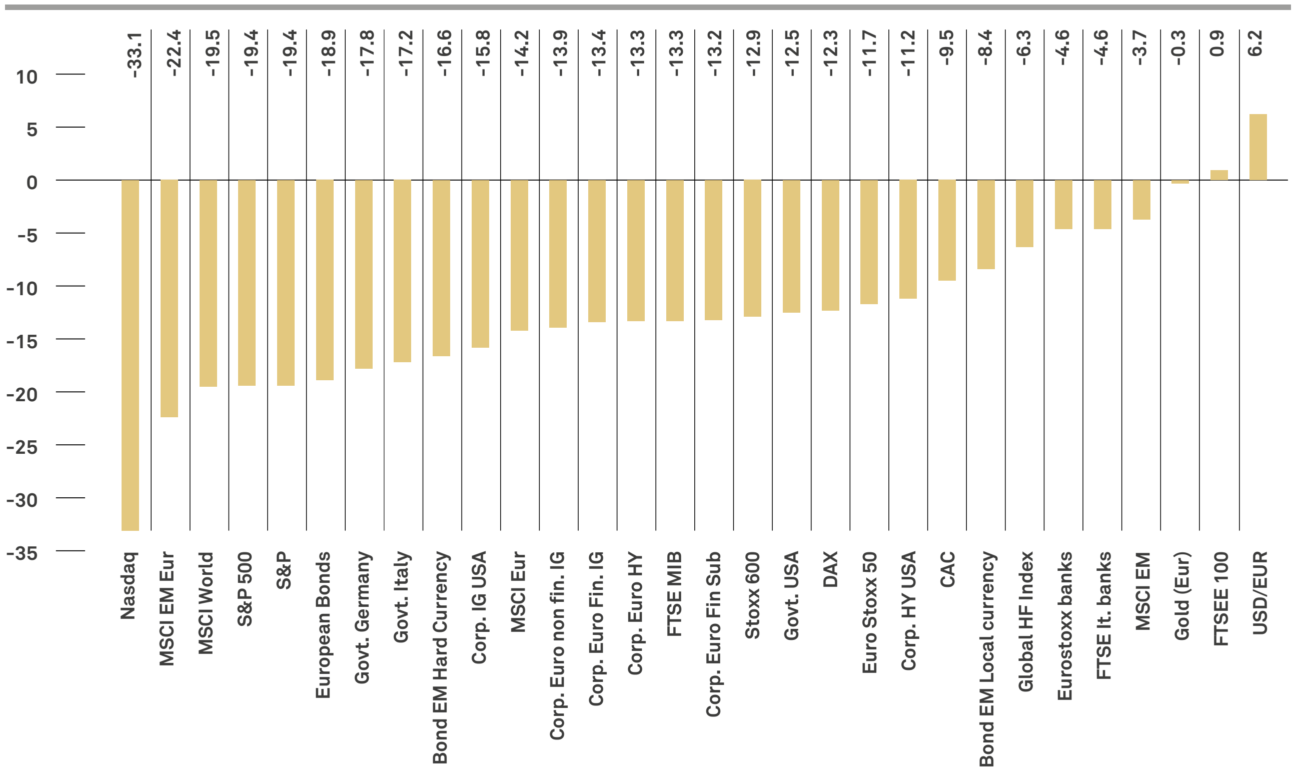
Banca Generali Stock Performance

International financial markets faced an extraordinarily complex year in 2022, registering double-digit losses for both equity and bond markets. These losses were the worst since 2018 for European stock exchanges and since 2008 for US equity markets, but the real surprise was the equally sharp decline in bond markets. European government bonds reported an average -19% decline, marking worse performances than the corresponding European equity indices (Stoxx 600: -13%). Similarly, the United States also recorded an extraordinary decline of 13% for government bonds and of 16% for US investment-grade corporate bonds.

Underlying the exceptional negative performance is the significant anti-inflationary monetary tightening applied by central banks, exacerbated by the outbreak, in February, of the conflict in Ukraine, which triggered a sharp rise in inflation, induced by the energy crisis and the lack of raw materials entailed by the situation. At the global level, central banks took action through massive hikes of key interest rates to halt price increases, marking a total reversal of course compared to the ultra-expansionary monetary policy in place since 2016.

Other asset classes, and particularly cryptocurrencies, also faced a particularly complex year in 2022. The dollar and commodities were among the few exceptions to the scenario of severe declines. Near the end of the year, signs of cooling-off of inflation, diminished expectations of recession and reopenings in China drove a recovery of equity markets, partially recouping the losses accumulated to that point.

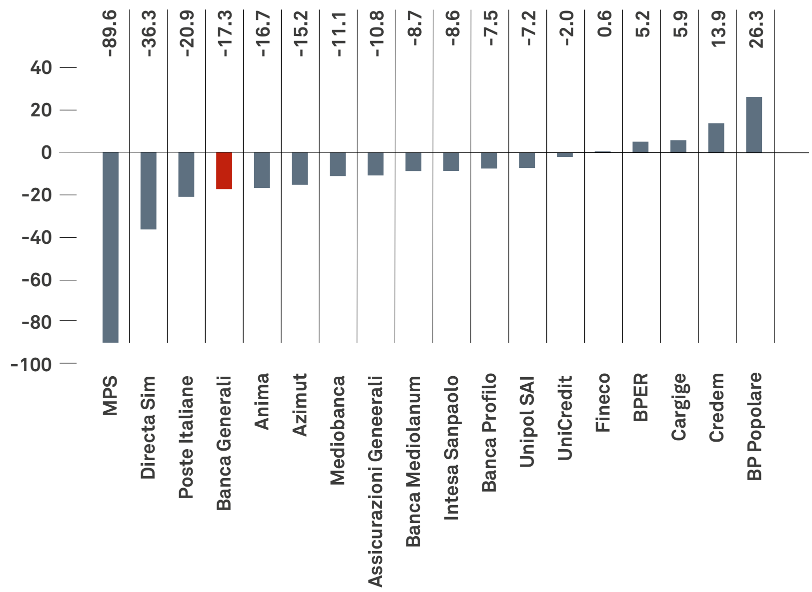
PERFORMANCE OF THE WORLD'S INDEXES IN 2022



Within this complex scenario, the Italian and European banking sector underwent a peculiar dynamic: initially, when the war broke out, it declined on fears of repercussions due to the exposure in Russia and the uncertainties of the conflict, falling to a low at the end of September. The sector then recovered sharply owing to the benefits tied to the rate increase, proving at year-end among those that performed best in relative terms, with a negative performance of 5% at the level of Italian and European banks.

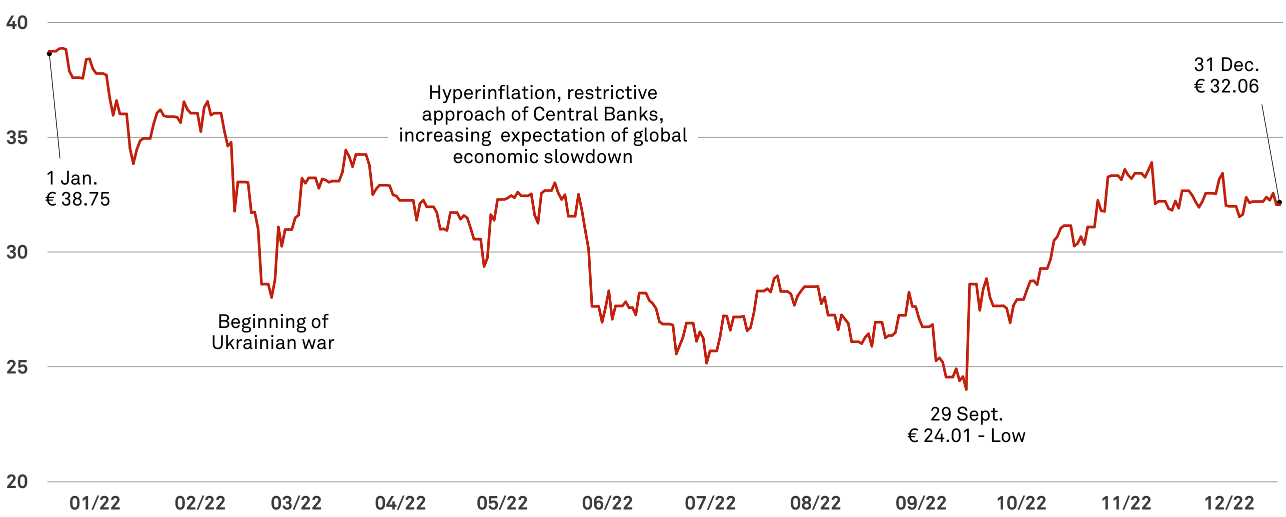
On the other hand, the asset management sector was severely impacted by the international equity market performance and the investors' greater risk aversion until the end of the third quarter. In the fourth quarter, the sector then began a partial recovery, reflecting that on the financial markets, recording performances within a range of -17% and +1% at year-end.

PERFORMANCE OF THE MAIN FINANCIAL STOCKS ON THE ITALIAN MARKET IN 2022 (%)



In light of the foregoing, the performance of Banca Generali shares was particularly volatile during the year, in line with equity market trends. After a prudent start, the Bank's share price dropped sharply as war broke out in Ukraine, further exacerbated by bear financial markets, driving it down to a low of 24.01 euros on 29 September. The shares then recovered constantly, closing the year at 32.06 euros, down 17.3% from 38.75 euros at the end of the previous year. The stock continued to recover in the first few weeks of 2023.

BANCA GENERALI STOCK PERFORMANCE IN 2022



At the end of 2022, the **Bank's capitalisation was 3,746 million euros**.

MARKET PRICES OF BANCA GENERALI SHARES – SUMMARY

(€)	2018	2019	2020	2021	2022
Maximum	30.84	31.86	33.00	43.20	38.88
Minimum	17.03	18.24	16.86	25.54	24.01
Average	23.53	25.41	25.90	34.32	30.88
Year-end	**18.13**	**28.96**	**27.24**	**38.75**	**32.06**
Capitalisation (€ million)	**2,119**	**3,384**	**3,183**	**4,528**	**3,746**

The Bank's shares amounted to 116,851,637, of which 50.1% held by Assicurazioni Generali. At year-end 2022, the number of treasury shares was 2,809,497, accounting for 2.4% of share capital. These shares are intended for the service of long-term remuneration plans for the Bank's Key Personnel, thus confirming that the remuneration policies are geared towards long-term value creation.

TABLE: AUTHORISED SHARE CAPITAL

	2018	2019	2020	2021	2022
Number of shares issued	116,851,637	116,851,637	116,851,637	116,851,637	116,851,637
No. of outstanding shares at year-end (*)	115,922,547	115,384,058	115,083,961	114,632,168	114,042,140
Treasury shares	929,090	1,467,579	1,767,676	2,219,469	2,809,497

(*) Net of treasury shares.

Business Outlook

In 2023, the macroeconomic scenario will likely be characterised by a slowdown in the United States economy and modest recessions in European Union countries, with central banks still committed to the fight against inflation through restrictive monetary policies that are gradually leading inflation back towards negative territory. However, there continue to be risks relating to energy prices, the stability of sovereign debt and ongoing geopolitical tensions, which could have a negative impact on expected scenarios.

Accordingly, from the standpoint of financial markets, after several years of near-zero — and in many cases sub-zero — yields, the macroeconomic context expected to prevail in 2023 appears more favourable for bond investments than in the past. As regard equity markets, the greater-than-expected inflation decline in the United States represents the most encouraging sign that may be seen for the coming year.

This macroeconomic scenario is overlaid with certain dynamics in the financial intermediation sector that increase its complexity and related risks, potentially impacting results. In particular, several potential impact dynamics persist:

- regulatory discontinuity (including the entry into force of the MiFID 2 Directive);
- the increasing relevance of technology as a factor for success in the business;
- the evolution of customers in terms of digital and financial literacy, as well as awareness of ESG matters.

In this context — which is certainly complex and marked by uncertainties, with customers focused on advisory services and wealth protection, but not devoid of excellent growth opportunities — choices focusing on service and product innovation, implementation of stronger financial planning and advisory skills, the higher quality of the Bank's network and the emphasis on internationalisation will continue to prove the winning elements for ensuring that Banca Generali enjoys **sustainable growth** and works to gain further market shares in the investment sector.

In light of the above, and consistently with the 2022-2024 Strategic Plan, in 2023, the Banking Group will **focus its attention on increasing the value of service** bringing the Bank even closer to its Financial Advisor network and its clients and increasing its commitment towards **sustainability** matters, while constantly ensuring greater dedication to developing **innovative** model solutions.

In line with the pillars of the new 2022-2024 Strategic Plan, the main measures to be taken in 2023 will continue to concern:

- developing a **range of targeted solutions** that, building on the ecosystem of products, services and platforms already in place in the private segment, enables to better meet the needs of a wider client base — from Affluent clients to High-Net-Worth (HNW) individuals;
- introducing **new service models** that, in a context marked by financial advisor-centric models, allow to enhance Financial Advisors' actions through a greater support by the Bank in managing their clients;
- implementing a new **data-driven network management approach** that, based on an estimate of the growth potential of clients, Financial Advisors and districts, and on the identification of the main gaps, drives the coordinated action of the Bank, its Network Managers and Financial Advisors;
- **innovating** the Bank's model by creating a data-driven, digital and open bank through the development of digital platforms to enhance customer experience, and building new partnerships in specific fields that allow the Bank to consolidate its position with respect to industry trends;
- consolidating its position in terms of **sustainability**, becoming a point of reference on ESG themes for all stakeholders. In particular, the Bank will be mainly committed to expanding the sustainable product range offered to its customers and to improving the advisory service quality, in which the continuous ESG training of Financial Advisors plays a fundamental role. As regard human resources, it will continue its efforts to create a work environment that promotes DEI principles and work-life balance, in addition to the active contribution to climate protection and responsible actions towards communities;
- the **internationalisation** of the Banking Group with the start-up of business by BG Suisse, planned for 2023, after obtaining the banking licence from the Swiss supervisory authority.

Despite the inflationary scenario expected in 2023, which naturally drives operating expenses up, Banca Generali will focus on containing the increase in such costs to levels far below revenue growth, mainly orienting it to digital innovation and the development of useful products and services that help further improve the quality of advice provided to customers and the network's productivity, as well as to the consolidation of its position in terms of sustainability.

Seizing the opportunities offered throughout 2023 by the new market context and, above all, continuing to implementing the aforementioned actions, the Bank will be able to meet its targets in line with the objectives set for the 2022-2024 three-year period, disclosed to the market at the Investor Day 2022:

- Consistent Growth: cumulated net inflows estimated in the range between 18.0 billion euros and 22.0 billion euros for the 2022-2024 three-year period;
- Profitable Growth: generating a compound annual growth rate (CAGR) of recurring profit equal to 10-15% over the 2022-2024 three-year period;
- Remunerative Growth: distributing steadily growing dividends over the Plan period, based on the approved Dividend Policy, for total cumulative dividends of 7.5-8.5 euros per share in the 2022-2025 period (cash view).

Economic-Financial Capital

Operating Results at Group Level and by Line of Business

Group's results

The Banca Generali Group closed financial year 2022 with consolidated net profit at 213 million euros, compared to 323.1 million euros for 2021 (-34.1%), as it was impacted by variable components, more linked to financial market dynamics.

The rapid deterioration of the macroeconomic and financial outlook, which gradually intensified during the year, reflected on the fall in variable fees to 19.3 million euros in 2022 from 220.6 million euros for the previous year.

The result was also impacted by **one-off tax charges** amounting to 35.3 million euros, borne as a result of the framework agreement reached with the Italian Tax Authority on 19 September 2022. However, this agreement allowed the Company to settle pending claims related to transactions with the subsidiary BGFML for the tax periods from 2014 to 2019 and to significantly reduce the risk of potential future claims. Moreover, it should be noted that the agreement paved the way for full implementation of the Cooperative Compliance procedures to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period.

Net of these more volatile components, Banca Generali confirmed the substantial improvement in net profit quality — as confirmed by its recurring component —, which reached **221.2 million euros** compared to **176.6 million euros** for 2021, sharply up by 25.2%, thanks to the flexible business model and a tight containment of operating costs.

PROFIT AND LOSS ACCOUNT

			CHANGE	
(€ THOUSAND)	2022	2021	AMOUNT	%
Net interest income	144,979	83,334	61,645	74.0%
Net income (loss) from trading activities and dividends	23,330	28,673	-5,343	-18.6%
Net financial income	**168,309**	**112,007**	**56,302**	**50.3%**
Recurring fee income	940,689	942,653	-1,964	-0.2%
Fee expense	-488,473	-495,894	7,421	-1.5%
Net recurring fees	**452,216**	**446,759**	**5,457**	**1.2%**
Variable fee income	19,316	220,550	-201,234	-91.2%
Net fees	**471,532**	**667,309**	**-195,777**	**-29.3%**
Net banking income	**639,841**	**779,316**	**-139,475**	**-17.9%**
Staff expenses	-114,789	-107,844	-6,945	6.4%
Other general and administrative expenses (net of duty recoveries)	-116,576	-103,664	-12,912	12.5%
Net adjustments of property, equipment and intangible assets	-36,668	-35,654	-1,014	2.8%
Other operating expenses/income	11,488	4,891	6,597	134.9%
Net operating expenses	**-256,545**	**-242,271**	**-14,274**	**5.9%**
Operating result	**383,296**	**537,045**	**-153,749**	**-28.6%**
Net adjustments to non-performing loans	-8,334	-2,524	-5,810	230.2%
Net provisions for liabilities and contingencies	-27,101	-45,383	18,282	-40.3%
Other one-off charges	-	-80,628	80,628	-100.0%
Contributions and charges related to the banking system	-17,595	-15,475	-2,120	13.7%
Gains (losses) from equity investments	-107	-289	182	-63.0%
Operating profit before taxation	**330,159**	**392,746**	**-62,587**	**-15.9%**
Income taxes for the year	-81,856	-69,639	-12,217	17.5%
One-off charges related to the tax settlement	-35,330	-	-35,330	n.a.
Gains from non-current assets held for sale	-	-	-	n.a.
Net profit attributable to minority interests	-61	4	-65	n.a.
Net profit	**213,034**	**323,103**	**-110,069**	**-34.1%**

Net banking income amounted to **639.8 million euros** and, net of the significant decline in variable performance fees (-201.2 million euros; -91.2%), showed an 11.6% increase as a result of the following factors:

- the progress in **net recurring fees** (452.2 million euros; +1.2%), driven by:
  - the stable performance of **management fee income** (812.9 million euros; +1.1%), thanks to the improvement in profitability of managed assets compared to the same period of the previous year;
  - a decline in **other banking and entry fees** (-7.6%), as a result of activities more closely linked to market trends (funds underwriting fees and greater exposure to bond trading), offset by the increase in revenues generated by advisory services and banking activities;
- the improvement of **net financial income** (168.3 million euros; +50.3%), which benefited from both the expansion of average interest-bearing assets and the strong increase in bond yields in recent months and still ongoing, thanks to a financial asset structure focusing on a bond portfolio with a short duration (1.2 years) and a high exposure to variable rates (53% of the total).

Operating expenses were **256.5 million euros**, up 5.9%, including 3.5 million euro one-off charges.

Core[56] operating expenses totalled **232.9 million euros**, up 5.8%, fully in line with the objectives of the new 2022-2024 three-year Plan and confirming the thorough cost discipline and the operating leverage potential of the Bank's business model. This item includes in particular 6.1 million euros generated by the launch of BG Suisse, net of which the growth would have been 5.3%.

Operating efficiency indicators remained at excellent levels: the ratio of **total costs to total assets** stood at 31 bps at year-end, slightly increasing as a result of the dynamics of total assets due to the trend of the reference markets; the **cost/income ratio**, adjusted for non-recurring items, further improved to 40.8% compared to 43.0% for the previous year.

Provisions, contributions related to banking funds and **net adjustments** amounted to **53.0 million euros** compared to **63.4 million euros** for 2021, excluding one-off charges[57]. The decline was mainly attributable to lower provisions for contractual indemnities and long-term incentives reported in 2022, also following the rise in the discount rates applied for the statistical-actuarial assessment. The decrease in provisions was only partially offset by a **prudential allocation** to cover commercial activities aimed at retaining customers and protecting them from potential investment losses due to market trends.

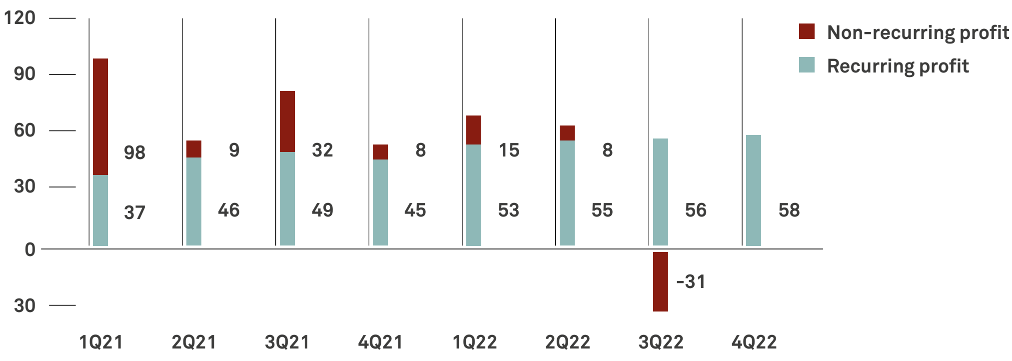
Operating profit before taxation was 330.2 million euros, down 62.6 million euros compared to the previous year (-15.9%).

The **tax burden** for the year, excluding the extraordinary component related to the tax settlement finalised at the end of September, was estimated at **81.9 million euros**, with an overall tax rate of 24.8%, sharply increasing compared to 19.9% in 2021 and calculated, gross of the benefits arising from the previous year's realignment of the carrying and tax values of goodwill, trademarks and other intangible assets, mainly as a result of the lesser incidence of the tax burden accrued in jurisdictions other than Italy.

[56] Operating expenses, net of non-recurring items, amounting to 3.5 million euros (1.9 million euros for 2021), and of costs related to sales personnel amounting to 20.2 million euros at 31 December 2022 (20.7 million euros in 2021).

[57] 80.6 million euro charges for acquiring notes from securitisations of healthcare receivables. In this regard, reference should be made to the Annual Integrated Report 2021.

QUARTERLY NET PROFIT (€ MILLION)



QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	4Q22	3Q22	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21
Net interest income	57,142	35,993	29,309	22,535	18,144	21,306	22,147	21,737
Net income (loss) from trading activities and dividends	2,486	5,186	11,035	4,623	3,986	13,308	8,430	2,949
Net financial income	**59,628**	**41,179**	**40,344**	**27,158**	**22,130**	**34,614**	**30,577**	**24,686**
Recurring fee income	232,688	229,397	233,988	244,616	254,271	239,167	228,059	221,156
Fee expense	-123,866	-117,396	-122,564	-124,647	-133,952	-125,147	-119,779	-117,016
Net recurring fees	**108,822**	**112,001**	**111,424**	**119,969**	**120,319**	**114,020**	**108,280**	**104,140**
Variable fee income	1,740	2,022	1,894	13,660	23,953	31,576	53,984	111,037
Net fees	**110,562**	**114,023**	**113,318**	**133,629**	**144,272**	**145,596**	**162,264**	**215,177**
Net banking income	**170,190**	**155,202**	**153,662**	**160,787**	**166,402**	**180,210**	**192,841**	**239,863**
Staff expenses	-29,651	-27,753	-28,641	-28,744	-27,794	-26,760	-26,849	-26,441
Other general and administrative expenses	-36,277	-27,556	-29,251	-23,492	-32,913	-23,826	-24,607	-22,318
Net adjustments of property, equipment and intangible assets	-10,038	-9,013	-8,934	-8,683	-9,842	-8,730	-8,875	-8,207
Other operating income/expenses	1,311	2,336	6,853	988	-638	566	4,029	934
Net operating expenses	**-74,655**	**-61,986**	**-59,973**	**-59,931**	**-71,187**	**-58,750**	**-56,302**	**-56,032**
Operating result	**95,535**	**93,216**	**93,689**	**100,856**	**95,215**	**121,460**	**136,539**	**183,831**
Net adjustments to non-performing loans	-862	-2,615	-2,792	-2,065	1,755	-228	-2,665	-1,386
Net provisions	-16,093	350	-6,359	-4,999	-19,268	-7,536	-7,268	-11,311
Other one-off charges	-	-	-	-	-628	-	-80,000	-
Contributions and charges related to the banking system	-595	-11,118	-	-5,882	-958	-8,380	-1,508	-4,629
Gains (losses) from equity investments	6	-55	-432	374	-112	-68	-50	-59
Operating profit before taxation	**77,991**	**79,778**	**84,106**	**88,284**	**76,004**	**105,248**	**45,048**	**166,446**
Income taxes for the year	-20,383	-20,372	-21,103	-19,998	-23,722	-24,503	9,588	-31,002
One-off charges for tax settlement procedures	-	-35,330	-	-	-	-	-	-
Net profit attributable to minority interests	-41	-5	-2	-13	42	-20	-36	18
Net profit	**57,649**	**24,081**	**63,005**	**68,299**	**52,240**	**80,765**	**54,672**	**135,426**

Net interest income

At the end of 2022, net interest income amounted to 145.0 million euros[58], up 61.6 million euros (+74%) compared to the previous year, driven by the steady increase in market interest rates following the central banks' decisions in the fourth quarter of the year.

[58] This figure does not include interest expense for late payment, amounting to 7.8 million euros, paid in relation to the tax settlement finalised at the end of September, which was restated under the specific one-off charges item.

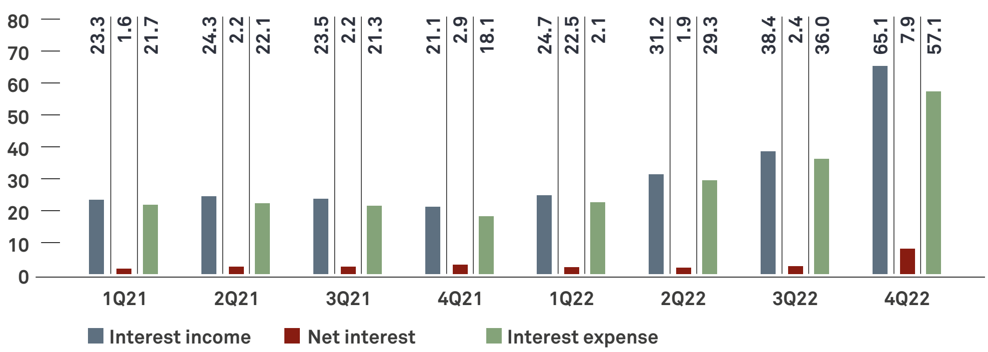
In particular, the debt securities portfolio showed a marked 90.5% rise in interests accrued, mainly attributable to a very rapid increase in average yields obtained during the year (+78.3%) and, to a lower extent, to the expansion of loan volumes (+12.2%).
The Bank could fully benefit from the strong increase in bond yields in recent months, thanks to a financial asset structure focusing on a bond portfolio with a short duration (1.2 years) and a high exposure to variable rates (52.6% of the total).

The average yield of the bond portfolio stood at around 100 bps in the reporting period, up compared to 59 bps for 2021 (+70%).

In the fourth quarter, interest on loans to customers, most of which are benchmarked on the Euribor, also grew sharply by 48.1%, driven by the increase in the average loan rates (+43.3%), against a modest growth of total assets (+5.9%).

The marked reversal of the interbank interest rate trend also impacted exposures to banks (+6.3 million euros), due both to the new overnight deposits with the ECB started in September (3.5 million euros) and income from repurchase agreement transactions.

NET INTEREST (€ MILLION)



NET INTEREST INCOME

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Financial assets measured at fair value through profit or loss	114	99	15	15.2%
Financial assets measured at fair value through other comprehensive income (*)	75	-5,569	5,644	-101.3%
Financial assets measured at amortised cost (*)	109,031	62,804	46,227	73.6%
Total financial assets	**109,220**	**57,334**	**51,886**	**90.5%**
Loans to banks	6,291	31	6,260	n.a.
Loans to customers	36,256	24,473	11,783	48.1%
Other liabilities (negative interest expense)	7,638	10,380	-2,742	-26.4%
Total interest income	**159,405**	**92,218**	**67,187**	**72.9%**
Due to banks	866	823	43	5.2%
Repurchase agreements - banks	491	-	491	n.a.
Due to customers	4,475	650	3,825	n.a.
Repurchase agreements - customers	2,783	-	2,783	n.a.
IFRS 16-related financial liabilities	3,200	3,340	-140	-4.2%
Other assets (negative interest income)	2,611	4,071	-1,460	-35.9%
Total interest expense	**14,426**	**8,884**	**5,542**	**62.4%**
Net interest income	**144,979**	**83,334**	**61,645**	**74.0%**

(*) Including hedging differentials.

The negative interest income paid to counterparties on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 2.6 million euros and 7.6 million euros, respectively, highlighting a net slowdown in the fourth quarter. Income accrued referred to:

- TLTRO 3 refinancing operations with the ECB (4.4 million euros), subject to early repayment in the fourth quarter of the year (-33.7%);
- current account deposits held with the Bank by its institutional and non-institutional customers, for specific agreements and particularly high deposit brackets (2.0 million euros);
- to a residual extent, treasury funding repurchase agreement transactions with banks and customers (0.8 million euros) and other transactions (0.4 million euros).

Charges consisted primarily of interest on balances with the ECB (0.7 million euros), incurred before the entering into force of the new interest rate structure in the third quarter of 2022, and, for the remainder, of repurchase agreements with banks (0.5 million euros) and negative interest on margins paid.

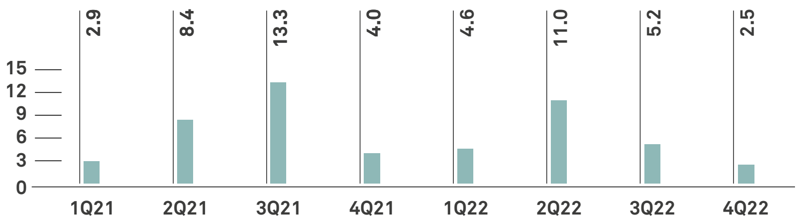
NET NEGATIVE INTEREST

			CHANGE	
(€ THOUSAND)	2022	2021	AMOUNT	%
ECB (TLTRO)	4,398	6,636	-2,238	-33.7%
Banks	173	193	-20	-10.4%
Customers	3,067	3,551	-484	-13.6%
Total negative interest expense	**7,638**	**10,380**	**-2,742**	**-26.4%**
Banks	1,789	4,045	-2,256	-55.8%
Customers	822	26	796	n.a.
Total expense for negative interest income	**2,611**	**4,071**	**-1,460**	**-35.9%**
Net negative interest income and expense	**5,027**	**6,309**	**-1,282**	**-20.3%**

Net income from trading activities and dividends

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

NET RESULT OF FINANCIAL OPERATIONS (€ MILLION)



At the end of 2022, this aggregate was positive for 23.3 million euros, down by 18.6% compared to the previous year, totally realised in the second half of the year due to the contraction in debt securities prices on the financial markets.

NET RESULT OF FINANCIAL OPERATIONS

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Dividends and income on UCITS	**1,145**	**1,084**	**61**	**5.6%**
Trading of financial assets and equity derivatives	-55	-122	67	-54.9%
Trading of financial assets and derivatives on debt securities and interest rates	14	31	-17	-54.8%
Trading of UCITS units	-	-56	56	-100.0%
Securities transactions	-41	-147	106	-72.1%
Currency and currency derivative transactions	3,600	6,653	-3,053	-45.9%
Net income (loss) from trading activities	**3,559**	**6,506**	**-2,947**	**-45.3%**
Equity securities and UCITS	-11,941	97	-12,038	n.a.
Debt securities	16	334	-318	-95.2%
Financial Advisors' policies	359	411	-52	-12.7%
Net income (loss) of assets mandatorily meas-ured at fair value through profit and loss	**-11,566**	**842**	**-12,408**	**n.a.**
Net income (loss) from hedging	**1,884**	**2,088**	**-204**	**-9.8%**
Gains (losses) from disposal on HTC and HTCS debt securities	**28,308**	**18,153**	**10,155**	**55.9%**
Net result of financial operations	**23,330**	**28,673**	**-5,343**	**-18.6%**

Net income from **trading activities** amounted to 3.6 million euros, due to the significant decline in the contribution of currency transactions.

Outside of the trading book, **net income of assets mandatorily measured at fair value** through profit or loss contributed a negative 11.6 million euros, chiefly attributable to the fair value adjustment of the important investment in the Forward Fund (-10.8 million euros), analysed in detail in the Annual Integrated Report 2021[59].

Net income from hedging was positive for 1.9 million euros, in line with the previous year.

The treasury management of debt securities allocated to the HTCS and HTC portfolios recorded **gains on disposals** for the year amounting to 28.3 million euros, significantly increasing by 10.2 million euros compared to 2021. This result was due to the 42.4 million euro profit imbalance generated by the turnover of the HTC portfolio and to the 14.1 million euro losses on the HTCS portfolio.

Fee income

Fee income amounted to **960 million euros**, significantly decreasing compared to 2021 (-17.5%) due to the strong decline in variable fees (-91.2%). **Recurring fees** remained virtually stable (-0.2%), proving their resilience even in the current difficult market context.

FEE INCOME

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Underwriting fees	30,487	42,724	-12,237	-28.6%
Management fees	812,907	804,323	8,584	1.1%
Fees for other services	97,288	95,606	1,682	1.8%
Recurring fees	**940,682**	**942,653**	**-1,971**	**-0.2%**
Performance fees	19,323	220,550	-201,227	-91.2%
Total fee income	**960,005**	**1,163,203**	**-203,198**	**-17.5%**

[59] For further details on the restructuring transaction of a portfolio of senior bonds issued by some special purpose vehicles for healthcare receivable securitisation that Banca Generali acquired from its customers and concurrently transferred to the Forward Fund, by subscribing its units, reference should be made to the Annual Integrated Report 2021, specifically to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements.

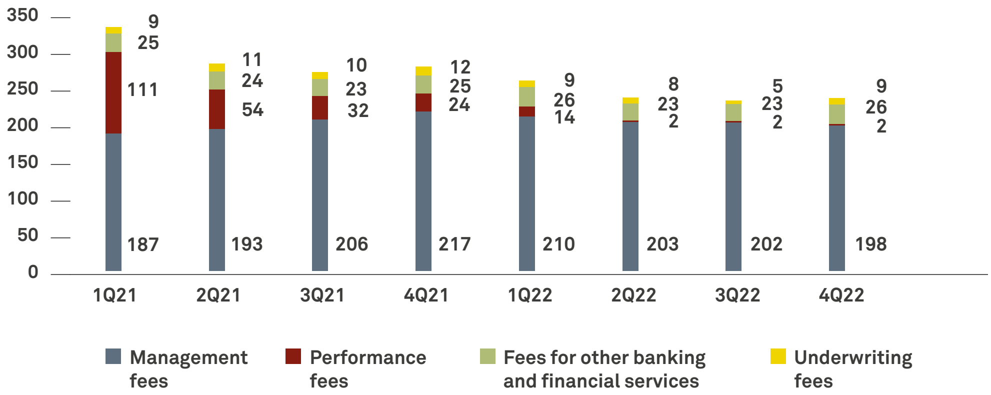
With regard to recurring fees, the aggregate's stable performance was driven by **performance fees** (+1.1%), which reported a higher profitability, although average total assets managed in the year remained essentially stable (+0.1%[60]).

Other underwriting and banking fees declined by 7.6% compared to 2021, mainly as a result of activities more closely linked to market trends, offset by the increase in income from advisory services and other banking activities.

Underwriting fees (-28.6%) were impacted by the marked reduction in income from the placement of UCITS (-40.0%) and the slowdown in the placement of **certificates** (-33.7%).

Fees for other services, of a banking and financial nature, grew instead by 1.8% thanks mainly to the income generated by investment advisory (+4.0%) and other banking services (+11.2%), offset by a decline in retail brokerage activities (-3.7%).

BREAKDOWN OF FEE INCOME (€ MILLION)



Fee income from the solicitation of investment and asset management of households reached 862.7 million euros and, net of the aforementioned non-recurring component, remained virtually stable compared to the previous year (-0.6%).

ASSET MANAGEMENT FEE INCOME

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
1. Collective portfolio management	344,752	533,868	-189,116	-35.4%
2. Individual portfolio management	93,518	92,646	872	0.9%
Fees for portfolio management	**438,270**	**626,514**	**-188,244**	**-30.0%**
1. Placement of UCITS	138,099	146,039	-7,940	-5.4%
of which: UCITS promoted by the Group	*4,937*	*8,833*	*-3,896*	*-44.1%*
2. Placement of bonds and equity securities	20,898	25,109	-4,211	-16.8%
of which: certificates	*15,311*	*23,087*	*-7,776*	*-33.7%*
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	1,175	1,095	80	7.3%
4. Distribution of third-party insurance products	263,631	268,182	-4,551	-1.7%
5. Distribution of other third-party financial products	645	658	-13	-2.0%
Fees for the placement and distribution of financial services	**424,448**	**441,083**	**-16,635**	**-3.8%**
Asset management fee income	**862,718**	**1,067,597**	**-204,879**	**-19.2%**

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

With regard to **Sicavs** promoted by the Banking Group, **management fees** — net of the effect of non-recurring performance components — rose by 2.6% compared to 2021, thanks to the effect of the new fee structure introduced as of the second half of 2021 and consolidated in 2022 through the rebranding of BG Collection Investments Sicav.

In addition to the constant success of the **Lux IM** Sicav, which reported 14.9 billion euro AUM (of which 6.7 billion euros relating to retail funds placed by the Financial Advisors' network), worth of mention is the relaunch of the other Sicav promoted by the Group, which changed its name in BG Collection Investments in April 2022 and was enhanced to feature new monobrand sub-funds, managed directly by renowned, highly specialised third-party partners (3.4 billion euros, of which 2.3 billion euros for retail funds).

Fee income from **distribution of insurance products** were essentially stable compared to 2021 (-1.7%), also as a consequence of the slowdown with reference to the overall increase in average AUM in this segment (-1.1%), and traditional solutions in particular (-1.8%).

Fees for the **placement of third-party UCITS** amounted to 133.2 million euros, with a 2.9% decline compared to 2021 due to the significant decrease in underwriting fees (-34.9%), offset by the stable performance of management fees (-0.2%) and average managed assets compared to 2021.

Fee income for other services, of a banking and financial nature, stood at 97.3 million euros thanks to the rise in investment advisory (+4.0%). By contrast, fees for trading declined (-3.9%).

FEE INCOME FOR OTHER SERVICES

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Fees for trading and custody	37,393	38,928	-1,535	-3.9%
Investment advisory fees	45,486	43,720	1,766	4.0%
of which: BG Advisory	*36,846*	*35,526*	*1,320*	*3.7%*
of which: AG Group's unit-linked policies	*8,640*	*8,194*	*446*	*5.4%*
Fees for collection and payment services	4,840	4,381	459	10.5%
Fee income and account-keeping expenses	5,459	5,017	442	8.8%
Fees for other services	4,109	3,560	549	15.4%
Total fee income for other services	**97,287**	**95,606**	**1,681**	**1.8%**

With regard to investment advisory, fee income from BG Personal Advisory reached 36.8 million euros, up 3.7%, whereas other advisory services for the Insurance Group's unit-linked insurance policies stood at 8.6 million euros (+5.4%).

At the end of the year, despite the difficult market scenario, **Assets under Advisory** recorded total AUM of **7.4 billion euros**, increasing by 1.3% compared to year-end 2021.

Fee expense

Fee expense, including fee provisions[61], amounted to 488.5 million euros, with a slight decrease in the year (1.5%).

[61] In order to ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentives related to sales and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 18.8 million euros for 2022 and 21.4 million euros for 2021.

The Bank's ratio of total payout to total fee income (net of performance fees) was thus 51.9%[62] compared to 52.6% for 2021.

FEE EXPENSE

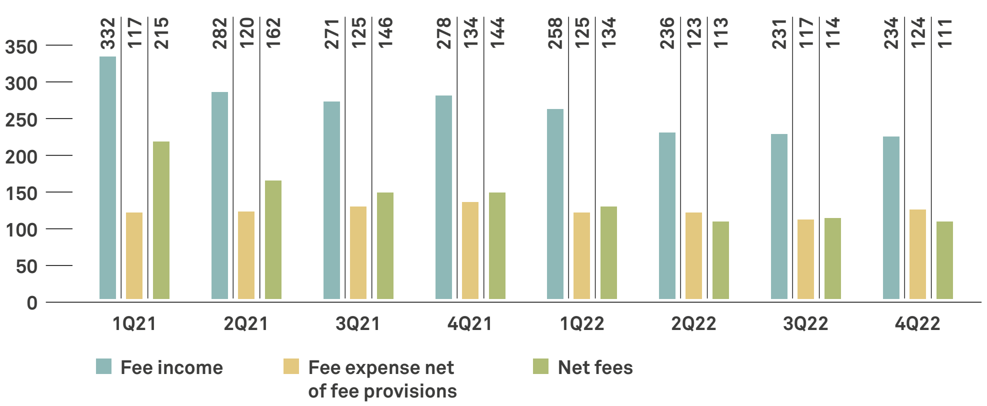
(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Ordinary payout	302,804	312,554	-9,750	-3.1%
Extraordinary payout	102,475	103,380	-905	-0.9%
Other network maintenance expenses	28,548	24,365	4,183	17.2%
Fee expense for off-premises offer	**433,827**	**440,299**	**-6,472**	**-1.5%**
Fees for portfolio management	36,896	36,505	391	1.1%
Other fee expense	17,750	19,090	-1,340	-7.0%
Total	**488,473**	**495,894**	**-7,421**	**-1.5%**

Fee expense for off-premises offer paid to the Financial Advisor network amounted to 433.8 million euros, down 6.5 million euros compared to 2021 (-1.5%), mainly attributable to the decrease in ordinary payout (-9.7 million euros; 3.1%), partly offset by the increase in other expenses incurred for the network (+4.2 million euros), which included the portion of contractual indemnities paid in the year and not covered by provisions.

Fees for portfolio management stood at 36.9 million euros and mostly referred to administration and third-party management fees incurred by the Group's management company for the management of the Sicavs under administration.

Other **fee expense for other services, of both a banking and financial nature**, totalled 17.8 million euros, decreasing compared to 2021 (-7.0%), mainly because some cost items recognised in 2021 for other services were no longer present and some activities were internalised.

BREAKDOWN OF QUARTERLY FEE INCOME (€ MILLION)



[62] The numerator of the total payout ratio also includes fee expense, which as of the fourth quarter of 2022 has been paid back to the sales network, calculated on the basis of net interest income. At 31 December 2022, the ratio of said fees to net interest income was 1.2%.

Operating expenses

Operating expenses were 256.5 million euros, up 5.9%, including 3.5 million euro one-off charges.

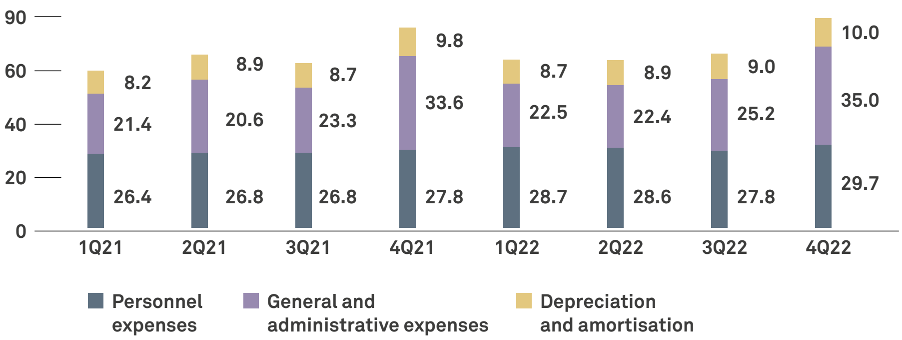
Core[63] **operating expenses** totalled **232.9 million euros**, up 5.8%, fully in line with the objectives of the new 2022-2024 three-year Plan and confirming the thorough cost discipline and the operating leverage potential of the Bank's business model. This item includes in particular 6.1 million euros generated by the launch of BG Suisse, net of which the growth would have been 5.3%.

Operating efficiency indicators remained at excellent levels: the ratio of total **costs to total assets** stood at 31 bps at year-end, slightly increasing as a result of the dynamics of total assets due to the trend of the reference markets; the **cost/income ratio**, adjusted for non-recurring items, further improved to 40.8% compared to 43.0% for the previous year.

OPERATING EXPENSES

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Staff expenses	114,789	107,844	6,945	6.4%
General and administrative expenses and other net income	105,088	98,773	6,315	6.4%
Net adjustments of property, equipment and intangible as-sets	36,668	35,654	1,014	2.8%
Operating expenses	**256,545**	**242,271**	**14,274**	**5.9%**

OPERATING COST STRUCTURE (€ MILLION)



Within this aggregate, **staff expenses**, including employees, interim staff and directors, reached 114.8 million euros, up 6.9 million euros (+6.4%) as a result of the new resources acquired from BG Suisse (+3.8 million euros), the further organic growth of the Group's workforce (+4.0 million euros), partly offset by a lesser incidence of variable remuneration (-1.8 million euros).

[63] Operating expenses, net of non-recurring items, amounting to 3.5 million euros (1.9 million euros in 2021), and of costs related to sales personnel amounting to 20.2 million euros at 31 December 2022 (20.7 million euros in 2021).

STAFF EXPENSES

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
1) Employees	**113,229**	**106,629**	**6,600**	**6.2%**
Ordinary remuneration	84,218	77,169	7,049	9.1%
Variable remuneration and incentives	21,758	23,522	-1,764	-7.5%
Other employee benefits	7,253	5,938	1,315	22.1%
2) Other staff	**-131**	**-362**	**231**	**-63.8%**
3) Directors and Auditors	**1,691**	**1,577**	**114**	**7.2%**
Total	**114,789**	**107,844**	**6,945**	**6.4%**

Group employees numbered 1,022, 36 more than in 2021 (+3.7%), of which 15 BG Suisse employees. The increase in average headcount for the year was more modest, totalling 32 staff.

EMPLOYEES

	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %	WEIGHTED AVERAGE (*) 2022	WEIGHTED AVERAGE (*) 2021
Managers	73	67	6	9.0%	70	66
Executives	360	337	23	6.8%	354	331
3rd and 4th level executives	*189*	*184*	*5*	*2.7%*	*188*	*180*
1st and 2nd level executives	*171*	*153*	*18*	*11.8%*	*167*	*151*
Other employees	589	582	7	1.2%	588	584
Total	**1,022**	**986**	**36**	**3.7%**	**1,013**	**981**

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

Other general and administrative expenses and other net income totalled 105.1 million euros, with a 6.3 million euro increase compared to the previous year (+6.4%), also largely attributable to the effect of BG Suisse's start-up and infrastructural project charges.

Net provisions

Net provisions not related to fees64 amounted to 27.1 million euros, down 18.3 million euros compared to the previous year, mainly due to lower provisions to cover contractual commitments to the sales network (-35.1 million euros), partly offset by the increase in other provisions for liabilities and contingencies.

The aforementioned decrease in provisions for contractual indemnities to the sales network is largely attributable to the following factors:

- the suspension of the Loyalty Framework Programme for the Financial Advisor network, the 6th 2022-2026 cycle of which was not activated, and which had recorded net provisions of 13.2 million euros in the corresponding period of the previous year;
- the change in the financial and demographic parameters used for the valuation of actuarial funds, which resulted in a lower charge of 17.4 million euros, arising from the combined effect of:
  a) surpluses released in the current year as a result of the increase in the discount rates used for the valuation of actuarial funds, amounting to 26.9 million euros, for which greater provisions had been made in 2021 (+2.0 million euros) in relation to an opposite trend[65];

[64] Fee provisions, which amounted to 18.8 million euros (21.4 million euros in 2021), are recognised under the fee expense aggregate.

[65] The discount rate applied to actuarial provisions is determined on the basis of the annual average EURIRS rates applicable to the average life of the population, increased by the spread between the ten-year BTP and ten-year EURIRS. The increase in the discount rate used therefore reflected the increase in interest rates and government bond spreads in the period March 2022-December 2022 (3.76%) compared to the previous measurement for the period March 2021-December 2021 (1.03%) used for the valuation of actuarial funds at 31 December 2021.

b) surpluses in the previous financial year due to the adjustment of the retirement age of Financial Advisors (+4.5 million euros)66.

The increase in provisions for other liabilities and contingencies (+24.1 million euros) was essentially attributable to the greater customer commercial activities requested by the sales network and which are expected to be implemented in the following years.

In particular, these provisions included a prudential allocation of 23 million euros to cover commercial activities aimed at restoring customers' potential losses resulting from investments made in products distributed by the Bank and to sustain customer retention.

NET PROVISIONS

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Provision for staff liabilities and contingencies	-375	905	-1,280	-141.4%
Restructuring provisions – Voluntary redundancy plan	985	2,300	-1,315	-57.2%
Provision for legal disputes	3,976	5,390	-1,414	-26.2%
Provision for contractual indemnities to the sales network	-4,802	30,316	-35,118	-115.8%
Other provisions for liabilities and contingencies	24,937	865	24,072	n.a.
Provision for tax and contributions dispute	2,371	5,688	-3,317	-58.3%
Guarantees and commitments	9	-81	90	-111.1%
Total	**27,101**	**45,383**	**-18,282**	**-40.3%**

Adjustments

Net adjustments for non-performing loans amounted to 8.3 million euros, increasing by 5.8 million euros compared to the previous year.

NET ADJUSTMENTS TO NON-PERFORMING LOANS

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	2022	2021	CHANGE
Specific adjustments/reversals	**-3,049**	**338**	**-2,711**	**-854**	**-1,857**
Non-performing loans of the banking book	-2,464	337	-2,127	-432	-1,695
Operating loans to customers	-585	1	-584	-422	-162
Portfolio adjustments/reversals	**-5,623**	**-**	**-5,623**	**-1,670**	**-3,953**
Performing debt securities	-4,655	-	-4,655	-911	-3,744
Performing loans to customers and banks	-968	-	-968	-759	-209
Total	**-8,672**	**338**	**-8,334**	**-2,524**	**-5,810**

Provisions for expected credit losses (ECLs) on the portfolio of debt securities and on performing loans to customers and banks (Stage 1 and Stage 2) showed net adjustments for 5.6 million euros, with a ratio to total financial assets measured at amortised cost (HTC/HTCS) that remained very low.

The debt securities portfolio recorded net value adjustments for 4.7 million euros, up by 3.7 million euros compared to the previous year, mainly as a result of the expansion of investment volumes and the higher incidence of investments in securities of financial and corporate issuers.

[66] In the first half of 2021, on the basis of observations of the average retirement age over a 5-year time horizon, the estimated age for Financial Advisors had been raised to about 70, an increase of two years over the estimate based on the legal parameters.

The portfolio of performing loans was virtually in line with the previous year.

Net specific adjustments totalled 2.7 million euros, up by 1.9 million euros, and referred primarily to new positions classified as unlikely-to-pay (0.7 million euros) and past-due (1.1 million euros), and to the impairment or write-off of past advances to Financial Advisors and operating loans for services rendered to customers (0.3 million euros).

Contributions and charges related to the banking system

Expenses related to the contributions to the Italian National Resolution (FRN) and Interbank Deposit Protection Funds (FITD) amounted to **17.6 million euros**, increasing by 2.1 million euros compared to the previous year.

This aggregates included ordinary contributions to the **Single Resolution Fund** amounting to 5.8 million euros and the contributions paid to the **Interbank Deposit Protection Funds** (FITD) in the amount of 11.7 million euros, including 3.9 million euro additional contributions necessary to the gradual replenishment of outlays linked to the bail-outs carried out in the previous years[67].

CONTRIBUTIONS AND CHARGES RELATED TO THE BANKING SYSTEM

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
BRRD - FRU: ordinary contributions	5,847	4,629	1,218	26.3%
BRRD - FRN: additional contributions (for four banks in 2015)	-	1,508	-1,508	-100.0%
DGSD - FITD: ordinary and additional contributions	7,823	6,951	872	12.5%
DGSD - FITD: additional contributions related to interventions	3,925	2,387	1,538	64.4%
Contributions and charges related to the banking system	**17,595**	**15,475**	**2,120**	**13.7%**

In 2022, the additional contributions requested by the National Resolution Fund managed by the Bank of Italy to cover the interventions undertaken in 2015 as part of the Resolution plan for four local banks was finally terminated (1.5 million euros in 2021).

Income taxes

Income taxes for the year, excluding the one-off component related to the tax settlement finalised at the end of September 2022, amounted to **81.9 million euros**, up 3.6 million euros compared to the burden estimated at the end of 2021, gross of the 8.6 million euro benefits arising from the realignment of the carrying and tax values of goodwill, trademarks and other intangible assets recognised at the end of the first half of 2021[68].

The estimated total **tax rate** was 24.8%, up compared to 19.9% at the end of the previous year (17.7% net of the realignment), mainly due to the lesser incidence of the tax burden accrued in jurisdictions other than Italy.

[67] Reference is made in particular to the interventions in favour of Carige in 2019 and of Banca Popolare di Bari in 2020, whose effects on the FITD resources have been divided in instalments up to 2024.
[68] For further details on the realignment of the carrying and tax values of goodwill, trademarks and other intangible assets at the end of the first half 2021, reference should be made to the Annual Integrated Report 2021 and the Interim Report at 30 June 2021. In this regard, it should be noted that, as at 31 December 2021, the tax benefit had been recognised in the financial statements for an amount of 8.6 million euros, up to the amount of DTAs that can be reabsorbed over a twenty-year time horizon.

INCOME TAXES

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Current taxes for the year	-85,502	-90,729	5,227	-5.8%
Prior years' taxes	1,099	1,482	-383	-25.8%
Changes of prepaid taxation (+/-)	2,744	13,927	-11,183	-80%
Changes of deferred taxation (+/-)	-197	5,681	-5,878	-103%
Total	**-81,856**	**-69,639**	**-12,217**	**17.5%**
Realignment operations	-	8,627	-8,627	-100.0%
Taxes gross of realignment operations	**-81,856**	**-78,266**	**-3,590**	**4.6%**

One-off charges related to the tax settlement

On **19 September 2022**, Banca Generali signed a framework agreement with the Italian Tax Authority, Regional Direction of Friuli-Venezia Giulia, establishing the conditions for the settlement of the transfer pricing tax claims for the tax periods from 2014 to 2019.

Under the agreement, Banca Generali incurred an actual charge of **45.9 million euros**, including a greater amount of taxes totalling 40.7 million euros and interest for late payment of 7.8 million euros and excluding the lower taxes estimated for the year due to tax deductibility of the latter amount (2.6 million euros).

No penalties have been applied due to the penalty protection regime.

Since the Bank had already allocated **10.6 million euros** to the provision for tax disputes, the actual charge for the year thus amounted to **35.3 million euros**.

The framework agreement settled the transfer pricing claims regarding transactions with the management company BGFML, a subsidiary of Banca Generali,

- as per the tax assessment executive notices for IRES and IRAP purposes, for the 2014 tax period, notified by the Italian Tax Authority on 24 March 2022. Banca Generali had filed an appeal with the Tax Commission of the Province of Trieste on 23 May 2022, which was scheduled to be discussed in October;
- in the two Reports of Verification (PVC) notified by the Trieste economic and financial unit of the Italian Finance Police, following a tax assessment started in March 2020, issued respectively on 9 December 2021 for IRES and IRAP related to the tax periods 2015 and 2016 (PVC 2021), and on 16 March 2022 for IRES and IRAP related to the tax periods from 2017 to 2019.

The tax settlement was thus finalised on 21 September 2022, with the signing of two partial, out-of-court settlement agreements with reference to pending claims at the Trieste Provincial Tax Court for the 2014 tax period (IRES/IRAP), and 8 IRES/IRAP tax assessment settlements for the 2015 to 2018 tax periods. The tax claims relating to 2019 were dropped, as explained below.
The greater amount of taxes and the interest for late payment were therefore paid on 22 September.

For more comprehensive information on the complex tax issue originated by a tax assessment carried out by the Italian Tax Authority in March 2017, reference should be made to the Annual Integrated Report 2021.

With reference to the content of the settlement, the agreement signed was based on the recognition of a remuneration for the handover, carried out in 2008, to the newly established company BGFML of the delegated investment management of BG Sicav. The greater remuneration was recognised in declining order for the tax periods from 2014 to 2018. There were no claims for the 2019 tax period, as it was deemed that the effects of the delegated investment management handover had ended in the aforementioned period.
The agreement confirmed the arm's length nature of the standard remuneration of transactions between Banca Generali and BGFML, thus limiting the matter to an exceptional event that occurred in 2008 and with effects until 2018. It was also recognised that Banca Generali did not contribute in any way to BGFML activities by providing non-contractual services.

As a result, the agreement also recognised the suitability of the National Documentation prepared by the Bank, and particularly of the Transfer Pricing Model and the Transfer Pricing Policy, as appropriate for the remuneration of the Bank's functions, assets and risks.

The agreement also paved the way for full implementation of the Cooperative Compliance procedures to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period.

The Provincial Tax Court's judgement on the minor claims not concerning transfer pricing issues and included in the above-mentioned assessment notices for 2014 and in two further assessment notices for 2015 is still pending, as these claims were not covered by the settlement agreement. However, discussions continue with the Italian Tax Authority with a view to achieving an out-of-court settlement for these assessment notices as well.

Earnings per share

At year-end 2022, basic net earnings per share were 1.86 euros.

			CHANGE	
	2022	2021	AMOUNT	%
Net profit for the year (€ thousand)	213,034	323,103	-110,069	-34.1%
Earnings attributable to ordinary shares (€ thousand)	213,034	323,103	-110,069	-34.1%
Average number of outstanding shares (thousand)	114,564	115,016	-452	-0.4%
EPS – Earning per share (euros)	**1.86**	**2.81**	**-0.95**	**-33.8%**
Average number of outstanding shares with diluted share capital	114,564	115,016	-452	-0.4%
EPS – Diluted earnings per share (euros)	**1.86**	**2.81**	**-0.95**	**-33.8%**

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 measured at fair value through other comprehensive income.

At the end of 2022, the latter component provided a negative overall contribution of 10.3 million euros, against a net negative change of 2.8 million euros recorded at the end of the previous year.

In detail, HTCS debt securities portfolio valuation reserves decreased by 12.6 million euros as a result of the following factors:

- the recognition of net valuation capital losses totalling 16.7 million euros, net of 0.2 million euros referring to reversal of collective reserves;
- the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-1.8 million euros);
- a positive net tax effect (+5.9 million euros) associated with the above changes and mainly resulting from a net increase in DTAs.

COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Net profit	**212,973**	**323,107**	**-110,134**	**-34.1%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	384	494	-110	-22.3%
Financial assets measured at fair value through other comprehensive income	-12,562	-4,336	-8,226	190%
Without transfer to Profit and Loss Account:				
Financial assets measured at fair value through other comprehensive income	125	-327	452	-138%
Actuarial gains (losses) from defined benefit plans	1,743	630	1,113	177%
Total other income, net of taxes	**-10,311**	**-3,539**	**-6,772**	**191.3%**
Comprehensive income	**202,663**	**319,568**	**-116,906**	**-36,6%**
Consolidated comprehensive income attributable to minority interests	123	67	56	84%
Consolidated comprehensive income attributable to the Group	**202,539**	**319,501**	**-116,962**	**-36.6%**

Results by line of business

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions[69].

The **Private Banking CGU (PB CGU)** consists of the assets attributable to the network of Financial Advisors managing total client assets of less than 50 million euros, as well as the assets attributable to Relationship Managers and the respective clients.

The **Wealth Management CGU (WM CGU)** consists of the assets attributable to the network of Financial Advisors managing total client assets of more than 50 million euros, in addition to Swiss operations.

In light of the business nature, the Group assesses the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments.

The financial aggregates presented for each segment therefore consist of net interest, net fees and income from trading activities and dividends. They include both components arising from transactions with third parties external to the Group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

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

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

The following table shows the consolidated profit and loss results of each of the three operating segments, stated net of intra-segment eliminations. For the purpose of a better understanding of the economic data reported below, it bears recalling that changes also reflect the reallocations among CGUs performed in the year.

[69] Management approach.

BANCA GENERALI GROUP - PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT

	2022				2021			
	PB CGU	WM CGU	CORPORATE CENTER	TOTAL	PB CGU	WM CGU	CORPORATE CENTER	TOTAL
Net interest income	**47,629**	**22,229**	**75,121**	**144,979**	**14,987**	**8,363**	**59,984**	**83,334**
Fee income	594,884	291,849	73,272	960,005	699,721	325,701	137,781	1,163,203
of which: underwriting	*21,651*	*8,398*	*437*	*30,487*	*32,192*	*7,720*	*2,812*	*42,725*
of which: management	*512,966*	*252,727*	*47,214*	*812,907*	*511,772*	*248,313*	*44,239*	*804,323*
of which: performance	*9,801*	*4,003*	*5,519*	*19,323*	*104,218*	*44,736*	*71,596*	*220,550*
of which: other	*50,466*	*26,721*	*20,101*	*97,288*	*51,539*	*24,933*	*19,134*	*95,606*
Fee expense	-313,746	-159,323	-15,404	-488,473	-318,374	-158,355	-19,165	-495,894
of which: incentives	*-13,483*	*-5,351*	*-*	*-18,834*	*-13,901*	*-7,547*	*-*	*-21,447*
Net fees	**281,138**	**132,527**	**57,868**	**471,532**	**381,347**	**167,345**	**118,616**	**667,309**
Net income (loss) from trading activities and dividends	-	-	23,330	23,330	-	-	-51,955	-51,955
Net banking income	**328,767**	**154,756**	**156,318**	**639,841**	**396,334**	**175,708**	**126,645**	**698,687**
Staff expenses				-114,789				-107,846
Other general and administrative expenses				-217,470				-203,790
Adjustments of property, equipment and intangible assets				-36,668				-35,653
Other operating expenses/income				94,787				89,543
Net operating expenses				**-274,140**				**-257,746**
Operating result				**365,702**				**440,941**
Adjustments of other assets				-8,334				-2,524
Net provisions				-27,101				-45,383
Gains (losses) from investments and equity investments				-107				-289
Operating profit before taxation				**330,159**				**392,746**
Income taxes - operating activities				-117,186				-69,638
Profit (loss) from HFS assets								
Net profit (loss) for the year attributable to minority interests				-61				4
Net profit				**213,034**				**323,103**

Private Banking CGU

PB CGU

	2022	2021	CHANGE
Net interest income	47,629	14,987	217.81%
Net fees	280,887	381,347	-26.34%
Net banking income	**328,516**	**396,334**	**-17.11%**
AUM	52,624	54,917	-4.17%
Net inflows	3,594	4,856	-26.00%
Financial Advisors	1,832	1,800	1.78%
AUM/FA	28.73	30.51	-5.85%
Net inflows/FA	1.96	2.70	-27.29%

At 31 December 2022, this CGU's AUM amounted to 52.6 billion euros, down about 2.3 billion euros (-4.2%) compared to the previous year. This result was attributable to the negative performance of financial markets, which led to an approximately -5.9 billion euro decline in total assets, only partly offset by positive net inflows, amounting to about 3.6 billion euros. The AUM decline drove a decrease in PB CGU Financial Advisors' average portfolio, which however stood at 28.7 million euros (30.5 million euros at 31 December 2021).

In 2022, this CGU's net banking income was 328.5 million euros (396.3 million euros in 2021). This result was attributable to the following factors:

- net interest income, net of notional interest attributable to the Corporate Center CGU, was more than tripled as a result of increased volumes and the favourable impact of the LTP curve on net inflows;
- net fees amounted to 280.9 million euros (381.4 million euros at 31 December 2021). This result was mainly due to the decline in performance fees (-94.4 million euros) driven by market trends. By contrast, management fees grew slightly, despite the extremely negative performance of financial markets, whose effects however contributed also to slightly reduce other fee components, more influenced by the negative market scenario of 2022.

The CGU's contribution to consolidated net banking income was 51%.

Wealth Management CGU

WM CGU

	2022	2021	CHANGE
Net interest income	22,229	8,363	165.80%
Net fees	132,987	167,345	-20.53%
Net banking income	**155,216**	**175,708**	**-11.66%**
AUM	29,691	29,897	-0.69%
Net inflows	2,113	2,829	-25.31%
Financial Advisors	384	374	2.67%
AUM/FA	77.32	79.94	-3.28%
Net inflows/FA	5.50	7.56	-27.25%

At 31 December 2022, WM CGU's AUM amounted to 29.7 billion euros, virtually unchanged compared to 2021 (29.9 billion euros). The Wealth Management CGU's AUM were also significantly impacted by the 2022 negative market performance, which eroded the positive contribution of over 2.1 billion euro net inflows generated by new customers. Thanks to these trends, the average portfolio per Financial Advisor decrease only slightly to approximately 77 million euros (80 million euros in 2021).

In 2022, this CGU's net banking income was 155.2 million euros (175.7 million euros in 2021), down by about 12%.

Like the PB CGU, this CGU's decline was attributable to the reduction in performance fees, whereas all other fee components were virtually unchanged compared to 2022. The decline in the WM CGU's net banking income was however partly offset by the significant increase in net interest income, which, as described above, benefited from increased volumes and the favourable impact of the LTP curve on net inflows.

The contribution to the overall net banking income was therefore 24% (25% in 2021).

Corporate Center CGU

CORPORATE CENTER

	2022	2021	CHANGE
Net interest income	75,151	59,984	25.28%
Net fees	57,855	118,616	-51.22%
Net income (loss) from trading activities and dividends	23,262	-51,955	n.a.
Net banking income	**156,268**	**126,645**	**23.39%**
AUM	5,388	6,549	-17.74%
Net inflows	n.a.	n.a.	n.a.
Financial Advisors	n.a.	n.a.	n.a.

At 31 December 2022, the Corporate Center CGU's AUM amounted to 5.3 billion euros (6.5 billion euros at 31 December 2021). In 2022, net banking income in the Corporate channel reached 156.3 million euros (126.6 million euros in 2021), with an increase of over 23% attributable to:

› an over 25% rise in net interest income, which benefited from increased volumes and the growth of the interest rate curve;
› net income (loss) from trading activities was positive for 23.3 million euros, compared to a negative -52 million euros at 31 December 2021. The negative result reported in 2021 had been attributable to the recognition under this item of the one-off charges linked to the transaction for acquiring notes from securitisations of healthcare receivables reserved for professional clients — an operation aimed at protecting said clients;
› the decline in net fees to 57.9 million euros at 31 December 2022 (118.6 million euros at 31 December 2021), due also to the significant reduction in performance fees. All other fee components remained virtually stable compared to 2021.

The contribution to the overall net banking income was therefore 24% (18% in 2021).

Creation and Distribution of Value Added

The creation of value for all its stakeholders is one of Banca Generali's key objectives.

Most of the economic value generated is distributed to the various stakeholders with which Banca Generali comes into contact in the course of its day-to-day operations, including shareholders, suppliers, Financial Advisors, employees, the State and, finally, the community and the environment.

The economic value retained, calculated as the difference between the economic value generated and economic value distributed, represents the set of resources intended for productive investments aimed to permit economic growth and financial stability, as well as to ensure the creation of new wealth for the benefit of stakeholders.

The economic value generated and distributed was analysed by determining the value added, calculated by restating the items of the 2022 Consolidated Profit And Loss Account on the basis of the guidelines issued by the Italian Banking Association and the GRI (Global Reporting Initiative).

The economic value generated is equal to the difference between total revenues and total costs for the purchase of goods and services, less the portion of costs incurred for the benefit of the various categories of stakeholders.

Therefore, the economic value generated includes charges in support of the banking system, inclusive of contributions to the National Resolution and Interbank Deposit Protection Funds amounting to 17.6 million euros and recognised upon distribution of value added, according to the view that they are a form of taxation.

During the distribution process, the net provisions for incentives and indemnities for the network, recoveries of expenses and indemnities charged to Financial Advisors and net provisions for staff were classified in the respective stakeholder category.

In 2022, the economic value generated by the Group's overall operations reached 1,148.3 million euros, down 5.7% compared to the previous year.

ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED

			CHANGE	
(€ THOUSAND)	2022	2021	AMOUNT	%
Economic value generated	**1,148,258**	**1,217,603**	**-69,345**	**-5.7%**
Economic value distributed	**1,062,512**	**1,094,187**	**-31,675**	**-2.9%**
Employees, collaborators and Financial Advisors	532,565	573,285	-40,720	-7.1%
Suppliers	111,784	99,642	12,142	12.2%
Shareholders and third parties	192,744	227,865	-35,121	-15.4%
Government, entities, institutions and communities	225,419	193,395	32,024	16.6%
Economic value retained	**85,746**	**123,416**	**-37,670**	**-30.5%**

This value was distributed to stakeholders as follows:

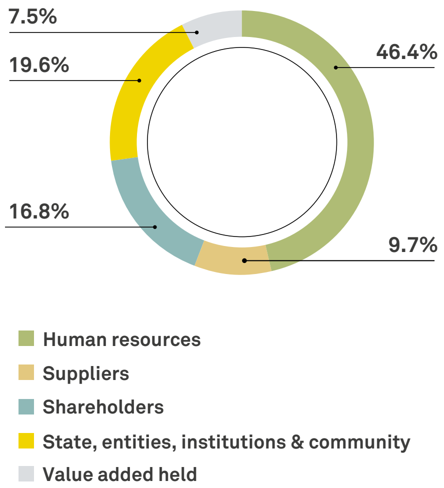
- **employees and collaborators**, including **Financial Advisors**, benefited from approximately **46.4%** of the economic value generated, in the total amount of approximately 532.6 million euros (down 7.1% compared to the previous year). Employees and collaborators benefited from 113.1 million euros (+2.6% on 2021) and Financial Advisors from 419.5 million euros (-9.4% compared to the previous year), inclusive of net provisions for incentives, recruitment plans and other contractual indemnities amounting to 14.0 million euros;
- **shareholders** received **16.8%** of the economic value generated, due in part to payment of a dividend of 1.65 per share, with a 90.5% payout ratio calculated on 2022 consolidated net profit;
- **suppliers** benefited from **9.7%** of the economic value generated, up compared to 8.2% in 2021, or approximately 111.8 million euros;
- the **Italian government, institutions and communities** received approximately **19.6%** of the economic value generated, amounting to approximately 225.4 million euros, up compared to the previous year (16.6%); this aggregate also includes the charges in support of the banking system and the stamp duty on current accounts and financial instruments. In 2022, data also included the one-off charges incurred following the tax settlement agreement finalised on 19 September 2022 with the Italian Tax Authority, Regional Direction of Friuli-Venezia Giulia, for the settlement of the transfer pricing tax claims for the tax periods from 2014 to 2019.

Accordingly, the business system also retained — in the form of retained earnings, depreciation and amortisation, residual provisions for risks and changes in deferred tax assets and liabilities — the total amount of 85.7 million euros, or 7.47% of the economic value generated. The amount is to be regarded as an investment that the other categories of stakeholders make each year in order to keep the Company in efficient condition and foster its development.

DISTRIBUTION OF THE ECONOMIC VALUE GENERATED

	2022	2021
Employees and collaborators	46.38%	47.08%
Suppliers	9.74%	8.18%
Shareholders	16.79%	18.71%
Government, entities, institutions and communities	19.63%	15.88%
Economic value retained	7.47%	10.14%
Total	**100.00%**	**100.00%**

BREAKDOWN OF VALUE ADDED



The following table shows in particular the process of creation of the Group's economic value and its distribution among stakeholders.

STATEMENT OF DETERMINATION OF THE TOTAL ADDED VALUE

	ITEMS (€ THOUSAND)	2022	2021	CHANGE	%
10.	Interest income and similar revenues	159,405	92,218	67,187	72.9%
20.	Interest expense and similar charges [7]	-14,426	-8,884	-5,542	62.4%
40.	Fee income	960,005	1,163,203	-203,198	-17.5%
50.	Fee expense (net of expenses related to Financial Advisor network) [1]	-54,646	-55,595	949	-1.7%
70.	Dividends and similar income	1,145	1,084	61	5.6%
80.	Net income (loss) from trading activities	3,559	-73,426	76,985	-104.8%
90.	Net income (loss) from hedging	1,884	2,088	-204	-9.8%
100.	Gains (losses) on disposal or repurchase of:	28,308	18,154	10,154	55.9%
	a) financial assets measured at amortised cost	42,426	15,674	26,752	170.7%
	b) financial assets measured at fair value through other comprehensive income	-14,118	2,480	-16,598	n.a.
110.	Net income (loss) from other financial assets and liabilities measured at fair value through profit and loss:	-11,566	145	-11,711	n.a.
	b) financial assets and liabilities mandatorily measured at fair value	-11,566	145	-11,711	n.a.
130.	Net adjustments/reversals due to credit risk relating to:	-8,334	-2,524	-5,810	n.a.
	a) financial assets measured at amortised cost	-7,918	-2,266	-5,652	n.a.
	b) financial assets measured at fair value through other compre-hensive income	-416	-258	-158	61.2%
230.	Other operating expenses/income [4]	82,928	81,163	1,765	2.2%
280.	Gains (losses) on disposal of investments	-4	-23	19	-82.6%
	A. TOTAL ECONOMIC VALUE GENERATED	**1,148,258**	**1,217,603**	**-69,345**	**-5.7%**
190.b	Other general and administrative expenses [2]	-111,784	-99,642	-12,142	12.2%
	ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	**-111,784**	**-99,642**	**-12,142**	**12.2%**
190.a	Staff expenses	-113,076	-110,263	-2,813	2.6%
50.	Fee expense – expenses and provision for external networks (cost of Financial Advisors) [5]	-419,489	-463,022	43,533	-9.4%
	ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND COL-LABORATORS	**-532,565**	**-573,285**	**40,720**	**-7.1%**
340.	Profit (loss) for the year attributable to minority interests	61	-4	65	n.a.
	ECONOMIC VALUE DISTRIBUTED TO THIRD PARTIES	**61**	**-4**	**65**	**n.a.**
	Profit distributed to shareholders	-192,805	-227,861	35,056	-15.4%
	ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS	**-192,805**	**-227,861**	**35,056**	**-15.4%**
190.b	Other general and administrative expenses: indirect and direct taxes [6]	-85,930	-86,587	657	-0.8%
190.b	Other general and administrative expenses: contributions to the Italian National Resolution and Interbank Deposit Protection Funds [6]	-17,595	-15,475	-2,120	13.7%
300.	Income taxes for the year on operating activities (portion related to current taxes)	-119,733	-89,247	-30,486	34.2%
	ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND LOCAL ADMINISTRATIONS	**-223,258**	**-191,309**	**-31,949**	**16.7%**
190.b	Other general and administrative expenses: contributions to communities and the environment and charitable gifts [6]	-2,161	-2,086	-75	3.6%
	ECONOMIC VALUE DISTRIBUTED TO COMMUNITIES AND THE ENVIRONMENT	**-2,161**	**-2,086**	**-75**	**3.6%**
	B. TOTAL ECONOMIC VALUE DISTRIBUTED	**-1,062,512**	**-1,094,187**	**31,675**	**-2.9%**
200.	Net provisions for liabilities and contingencies: [3]	-31,293	-11,862	-19,431	163.8%
	a) commitments and guarantees issued	-9	82	-91	n.a.
	b) other net provisions [3]	-31,284	-11,944	-19,340	161.9%
210.	Net adjustments/reversals of property and equipment	-22,448	-21,949	-499	2.3%
220.	Net adjustments/reversals of intangible assets	-14,220	-13,705	-515	3.8%
250.	Gains (losses) from equity investments (portion of valuational component)	-103	-266	163	-61.3%
300.	Income taxes for the year on operating activities (change in deferred tax assets and liabilities)	2,547	19,608	-17,061	n.a.
	Profit allocated to reserves	-20,229	-95,242	75,013	n.a.
	C. TOTAL ECONOMIC VALUE RETAINED	**-85,746**	**-123,416**	**37,670**	**-30.5%**

(1) This figure differs from that included in the Profit and Loss Account in the Financial Statements, as the remuneration for the Financial Advisor network has been reclassified to "Staff expenses".
(2) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of indirect and direct taxes, contributions to the National Resolution and Interbank Deposit Protection Funds and charitable gifts (which have been stated in the related specific items).
(3) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of net provisions for incentives and indemnities in favour of the Financial Advisor network and net provisions for personnel.
(4) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of expenses recovered from Financial Advisors and staff contingencies (which have been stated in the related specific items).
(5) This figure differs from that included in the Profit and Loss Account in the Financial Statements, as it includes remuneration paid to the Financial Advisor network and the related provisions.
(6) This figure is stated as a specific item in the statement of determination of added value.
(7) This figure differs from that included in the Profit and Loss Account in the Financial Statements as interest expense due to late payment regarding to the tax settlement with the Italian Tax Authority finalised in September 2022 was reclassified to item 300. Income taxes for the year on operating activities (portion related to current taxes).

Group's Capital and Financial Position

At the end of 2022, total consolidated assets amounted to 17.3 billion euros, up by nearly 1.1 billion euros (+6.6%) compared to the end of 2021.

Total net inflows reached 15.5 billion euros, up 1.1 billion euros overall, fully attributable to the treasury repurchase transactions effected in the fourth quarter of the year (1.3 billion euros), which largely offset the decline in interbank funding (-274 million euros) and in customer's current account deposits (-259 million euros).

Core loans thus totalled 16.1 billion euros, up 0.7 billion euros (+4.5%).

CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	507,346	415,558	91,788	22.1%
Financial assets at fair value through other comprehensive in-come	1,120,101	2,543,065	-1,422,964	-56.0%
Financial assets measured at amortised cost	14,478,596	12,447,258	2,031,338	16.3%
a) Loans to banks (*)	3,284,113	2,811,785	472,328	16.8%
b) Loans to customers	11,194,483	9,635,473	1,559,010	16.2%
Hedging derivatives	286,776	11,357	275,419	n.a.
Equity investments	3,091	2,048	1,043	50.9%
Property, equipment and intangible assets	295,279	295,184	95	-
Tax receivables	72,266	72,627	-361	-0.5%
Other assets	503,394	401,819	101,575	25.3%
HFS assets	-	2,694	-2,694	-100.0%
Total assets	**17,266,849**	**16,191,610**	**1,075,239**	**6.6%**

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

LIABILITIES AND NET EQUITY (€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Financial liabilities measured at amortised cost	15,503,979	14,412,354	1,091,625	7.6%
a) due to banks	544,531	818,734	-274,203	-33.5%
b) due to customers	14,959,448	13,593,620	1,365,828	10.0%
Financial liabilities held for trading and hedging	123,604	171,871	-48,267	-28.1%
Tax liabilities	44,577	28,320	16,257	57.4%
Other liabilities	281,248	242,037	39,211	16.2%
HFS liabilities	-	318	-318	-100.0%
Special purpose provisions	244,921	230,843	14,078	6.1%
Valuation reserves	-9,972	522	-10,494	n.a.
Equity instruments	50,000	50,000	-	-
Reserves	724,536	624,033	100,503	16.1%
Share premium reserve	53,767	55,866	-2,099	-3.8%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-80,139	-64,822	-15,317	23.6%
Net equity attributable to minority interests	442	313	129	41.2%
Net profit (loss) for the year (+/-)	213,034	323,103	-110,069	-34.1%
Total liabilities and net equity	**17,266,849**	**16,191,610**	**1,075,239**	**6.6%**

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Financial assets at fair value through profit or loss	507,346	423,583	426,181	426,789	415,558	39,877	40,766	45,555	48,455
Financial assets at fair value through other comprehensive income	1,120,101	1,635,970	2,134,674	2,643,207	2,543,065	3,305,138	3,522,999	3,411,976	2,730,098
Financial assets measured at amortised cost	14,478,596	14,596,770	14,160,038	13,127,518	12,447,258	11,461,254	11,308,313	9,889,588	9,657,380
a) Loans to banks	3,284,113	3,560,506	3,408,299	2,916,354	2,811,785	2,553,351	2,304,706	1,484,204	1,236,556
b) Loans to customers	11,194,483	11,036,264	10,751,739	10,211,164	9,635,473	8,907,903	9,003,607	8,405,384	8,420,824
Hedging derivatives	286,776	305,216	175,432	84,243	11,357	5,275	3,293	3,189	2,486
Equity investments	3,091	3,081	3,098	3,261	2,048	2,158	2,205	1,658	1,717
Property, equipment and intangible assets	295,279	283,319	287,441	288,470	295,184	271,649	277,073	280,322	288,598
Tax receivables	72,266	70,077	69,955	67,233	72,627	89,091	88,545	52,882	49,846
Other assets	503,394	440,433	428,493	374,910	401,819	402,815	440,678	350,214	398,409
HFS assets	-	-	-	-	2,694	1,648	1,650	1,847	-
Total assets	**17,266,849**	**17,758,449**	**17,685,312**	**17,015,631**	**16,191,610**	**15,578,905**	**15,685,522**	**14,037,231**	**13,176,989**

LIABILITIES AND NET EQUITY (€ THOUSAND)	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Financial liabilities measured at amortised cost	15,503,979	16,004,867	15,612,346	15,120,875	14,412,354	13,462,819	13,465,086	12,183,528	11,506,596
a) Due to banks	544,531	808,094	843,741	795,433	818,734	838,191	877,405	805,612	598,129
b) Due to customers	14,959,448	15,196,773	14,768,605	14,325,442	13,593,620	12,624,628	12,587,681	11,377,916	10,908,467
Financial liabilities held for trading and hedging	123,604	103,144	158,499	222,931	171,871	136,860	96,758	78,082	69,404
Tax liabilities	44,577	43,788	37,427	31,830	28,320	57,543	60,595	69,593	42,516
Other liabilities	281,248	366,023	638,111	238,515	242,037	588,253	789,391	184,119	181,697
HFS liabilities	-	-	-	-	318	381	284	384	-
Special purpose provisions	244,921	224,394	234,222	231,984	230,843	287,410	282,928	201,785	192,272
Valuation reserves	-9,972	-11,421	-10,215	-5,926	522	1,309	2,871	2,444	4,139
Equity instruments	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reserves	724,536	721,191	718,454	948,825	624,033	615,354	613,397	1,002,866	726,471
Share premium reserve	53,767	53,759	53,771	55,860	55,866	55,825	55,875	57,062	57,062
Share capital	116,852	116,852	116,852	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-80,139	-70,034	-55,941	-64,816	-64,822	-64,822	-38,888	-45,185	-45,185
Net equity attributable to minority interests	442	501	482	402	313	258	275	275	246
Net profit (loss) for the year (+/-)	213,034	155,385	131,304	68,299	323,103	270,863	190,098	135,426	274,919
Total liabilities and net equity	**17,266,849**	**17,758,449**	**17,685,312**	**17,015,631**	**16,191,610**	**15,578,905**	**15,685,522**	**14,037,231**	**13,176,989**

Direct Inflows from Customers

Total direct inflows from customers amounted to 14.9 billion euros, increasing by 1,366 million euros (+10.0%) compared to 31 December 2021, mainly due to the greater impact of 1,321 million euro treasury repurchase transactions with very short maturities effected in the fourth quarter of the year on the MTS Repo market, managed by Cassa di Compensazione e Garanzia.

These transactions offset the effects of the early repayment of TLTRO financing (691 million euros) in November and made it possible to continue with interest-bearing overnight deposit transactions with the ECB (645 million euros).

As for the remainder, repurchase agreements offset the decline in customer's current account deposits due to reinvestments in AUC solutions, driven by the increase in interest rates and the enhancement of the advisory services recently launched on the bond market.

In this regard, it should be noted that in the fourth quarter inflows from retail customers' current accounts within the Assoreti scope declined by 848 million euros, whereas inflows from AUC solutions grew by over 2.1 billion euros.

DUE TO CUSTOMERS

				CHANGE	
(€ THOUSAND)		31.12.2022	31.12.2021	AMOUNT	%
1.	Current accounts and demand deposits	12,972,643	13,231,340	-258,697	-2.0%
2.	Financing	1,652,307	7,441	1,644,866	n.a.
	Repurchase agreements with CG&G (MTS Repo)	1,320,571	-	1,320,571	n.a.
	Repurchase agreements with customers	51,522	-	51,522	n.a.
	Other (collateral margins)	280,214	7,441	272,773	n.a.
3.	Other debts	334,498	354,839	-20,341	-5.7%
	IFRS 16-related lease liabilities	153,656	156,363	-2,707	-1.7%
	Operating debts to sales network	131,040	157,980	-26,940	-17.1%
	Other debts (money orders, amounts at the disposal of customers)	49,802	40,496	9,306	23.0%
Total due to customers		**14,959,448**	**13,593,620**	**1,365,828**	**10.0%**

Promotional transactions in repurchase agreements with the Bank's customers launched in July 2022 amounted to 51 million euros.

These transactions allow liquidity to be invested, for a period of four to six months, in a low-risk financial instrument with an interesting yield of 1.50%-1.80% per annum gross, against the provision of new liquidity. In particular, two transactions were completed in July and August, for a total value of 280 million euros maturing on 31 October 2022, whereas in October and November three additional transactions were carried out, with similar characteristics and maturing between March and May 2023.

By contrast, captive inflows generated from the treasury management of the companies within the Assicurazioni Generali Group recorded net outflows of 196 million euros to 376.3 million euros at the end of the year, accounting for 2.5% of total inflows.

INFLOWS FROM CUSTOMERS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Inflows from Parent Company	74,677	38,848	35,829	92.2%
Inflows from other subsidiaries of the Generali Group	228,038	455,997	-227,959	-50.0%
IFRS 16-related lease financial liabilities	73,615	77,778	-4,163	-5.4%
Total inflows from Generali Group	**376,330**	**572,623**	**-196,293**	**-34.3%**
Inflows from other parties	14,583,118	13,020,997	1,562,121	12.0%
of which: current accounts	*12,670,183*	*12,737,092*	*-66,909*	*-0.5%*
Total inflows from customers	**14,959,448**	**13,593,620**	**1,365,828**	**10.0%**

There was also a significant expansion in liabilities relating to daily variation margins received on the Eurex market, amounting to 280 million euros, offset by the increase in hedging derivative transactions.

The non-interest-bearing debt position consisted of accounts payable to the sales network for the placement of financial products and services, as well as of other sums made available to customers, primarily relating to claims settlement activity by the Group's companies (money orders).

Core loans

Core loans totalled 16.1 billion euros overall, with a net increase of over 700 million euros compared to 31 December 2021 (+4.5%).

Investments in the portfolio of financial assets, which grew by over 1,247 million euros (+11.7%), made up the largest component of the aggregate.

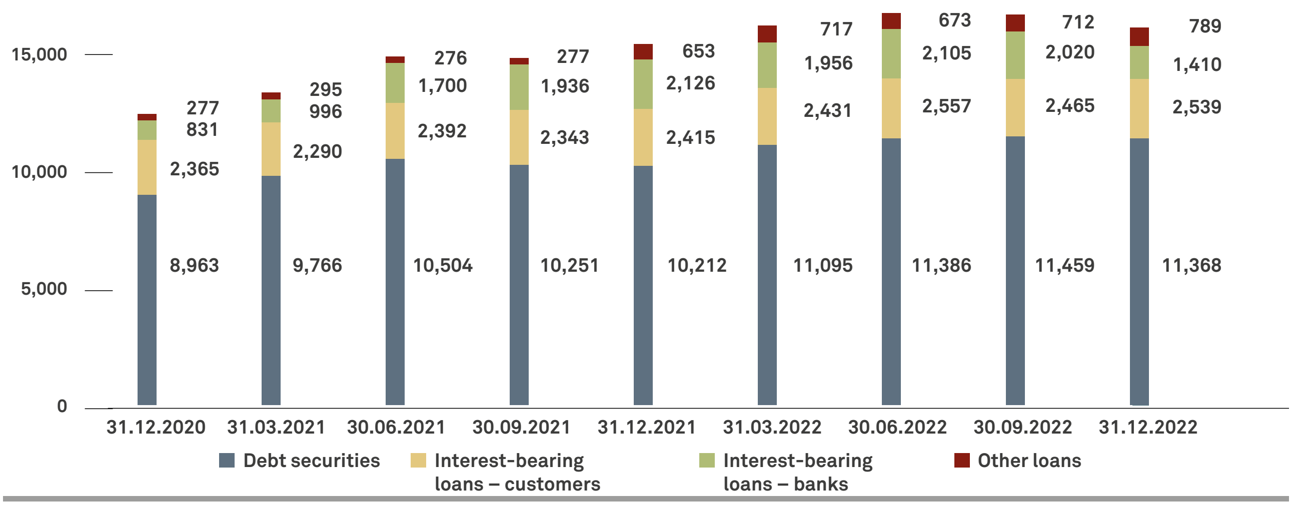
Exposures towards customers reported instead a more modest growth of over 124 million euros (+5.1%), whereas exposures to banks declined sharply (-716 million euros; -33.7%).

INTEREST-BEARING FINANCIAL ASSETS AND LOANS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Financial assets measured at fair value through profit or loss	507,346	415,558	91,788	22.1%
Financial assets measured at fair value through other comprehensive income	1,120,101	2,543,065	-1,422,964	-56.0%
Financial assets measured at amortised cost	10,261,614	7,683,260	2,578,354	33.6%
Financial assets	**11,889,061**	**10,641,883**	**1,247,178**	**11.7%**
Loans to and deposits with banks (*)	1,409,738	2,125,833	-716,095	-33.7%
Loans to customers	2,539,480	2,415,273	124,207	5.1%
Operating loans and other loans	267,764	222,892	44,872	20.1%
Total interest-bearing financial assets and loans	**16,106,043**	**15,405,881**	**700,162**	**4.5%**

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

QUARTERLY EVOLUTION OF LOANS (€ MILLION)



Overall, investments in financial instruments accounted for 73.8% of total core loans, slightly increasing compared to 69.1% at the end of 2021, and continued to focus on the portfolio of securities issued by the government and supranational and other public institutions, accounting for nearly three fourth of the total portfolio. This was supported by a careful diversification process regarding investments on debt securities issued by credit institutions (+134.6%), and particularly covered bonds.

FINANCIAL ASSETS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Government securities	7,948,873	8,223,459	-274,586	-3.3%
Supranational and other public institutions	798,225	577,821	220,404	38.1%
Securities issued by banks	2,018,625	860,285	1,158,340	134.6%
Securities issued by other issuers	601,815	550,710	51,105	9.3%
Equity securities and other securities	521,523	429,608	91,915	21.4%
Total financial assets	**11,889,061**	**10,641,883**	**1,247,178**	**11.7%**

The residual component of equity securities, UCITS and other similar securities chiefly referred to the investment, for a total of 478.5 million euros, of the units of the Forward Fund, a newly formed Italian fund (AIF) managed by Gardant SGR and specialised in illiquid investments, in which Banca Generali made additional payments of 112 million euros to fully cover the fund units subscribed[70].

Investments concentrated in the held-to-collect (HTC) portfolio, driven by financial assets measured at amortised cost and held for long-term investment purposes, which amounted to over 10.3 billion euros at the end of the year, accounting for 86.3% of total financial asset, increasing by 2.6 billion euros (+33.6%).
In light of financial markets' high volatility, the held-to-collect-and-sell (HTCS) portfolio, i.e., financial assets measured at fair value with a balancing entry to net equity without any particular time constraints, declined significantly by 1.4 billion euros (-56.0%) to 1.1 billion euros.

[70] For further details on the restructuring transaction of a portfolio of senior bonds issued by some special purpose vehicles for healthcare receivable securitisation that Banca Generali acquired from its customers and concurrently transferred to the Forward Fund, by subscribing its units, reference should be made to the Annual Integrated Report 2021, specifically to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements, and to section "One-off charges" in the Director's Report.

In the reporting year, the Bank actively continued to operate in asset swap derivatives, trading interest rate swaps to hedge debt securities, mostly Italian and foreign fixed-rate and index-linked government bonds allocated to the HTCS and HTC portfolios.
For each hedging derivative, a specific highly effective fair value hedging relationship is formed. At the end of 2022, the notional amounts of the hedging derivatives outstanding amounted to 4,076 million euros, of which 115 million euros relating to the HTCS portfolio. The asset swap portfolio had a net balance of 4,093 million euros and a fair value of 4,047 million euros overall.

The overall portfolio remained focused on sovereign debt, which however declined slightly at year-end by 54 million euros, accounting for 73.6% of total investments in financial instruments, down compared to the end of the previous year (82.7%).

The portion of the portfolio invested in Italian government bonds was essentially stable at 5.5 billion euros (-0.8%), with a ratio to total volumes virtually unchanged at 63.0% compared to the previous year.

Foreign sovereign debt as well remained essentially stable (-0.2%) amounting to 3.2 billion euros, or 37% of the total government portfolio.

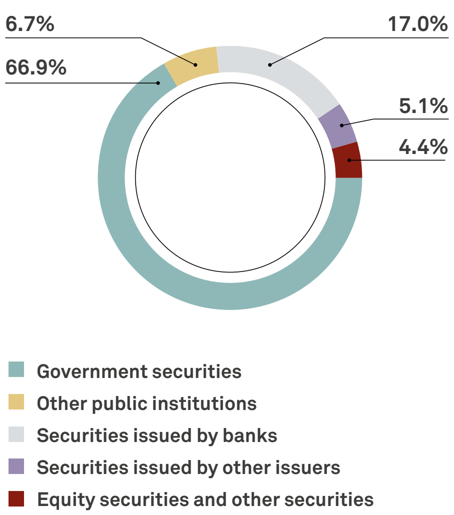
At year-end, this component was more concentrated on the HTC portfolio (2.6 billion euros) than on the HTCS portfolio (0.6 billion euros), of which it accounted for over 55%. From a geographical standpoint, investments were primarily allocated on EU issues, with a particular focus on the Iberian peninsula, France and Eastern countries.

EXPOSURE TO THE SOVEREIGN RISK BY PORTFOLIO

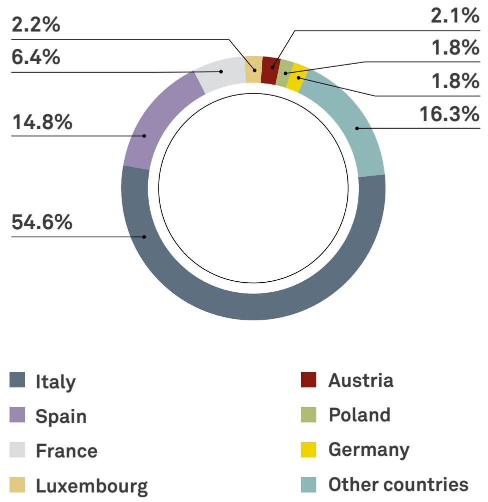
			CHANGE	
(€ THOUSAND)	31.12.2022	31.12.2021	AMOUNT	%
Financial assets measured at fair value through other comprehensive income	906,753	2,285,776	-1,379,023	-60.3%
Financial assets measured at amortised cost	7,840,345	6,515,504	1,324,841	20.3%
Total	**8,747,098**	**8,801,280**	**-54,182**	**-0.6%**
Total foreign government bonds	**3,235,190**	**3,242,127**	**-6,937**	**-0.2%**
Total Italian government bonds	**5,511,908**	**5,559,153**	**-47,245**	**-0.8%**

The overall geographical breakdown of the debt securities portfolio therefore indicated a lower concentration of investments in Italian securities, which fell from 60.9% at the end of 2021 to 54.6%, followed by the exposure to issuers of the Iberian peninsula, primarily represented by government bonds, which amounted to 14.8%.

BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO



GEOGRAPHICAL BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO

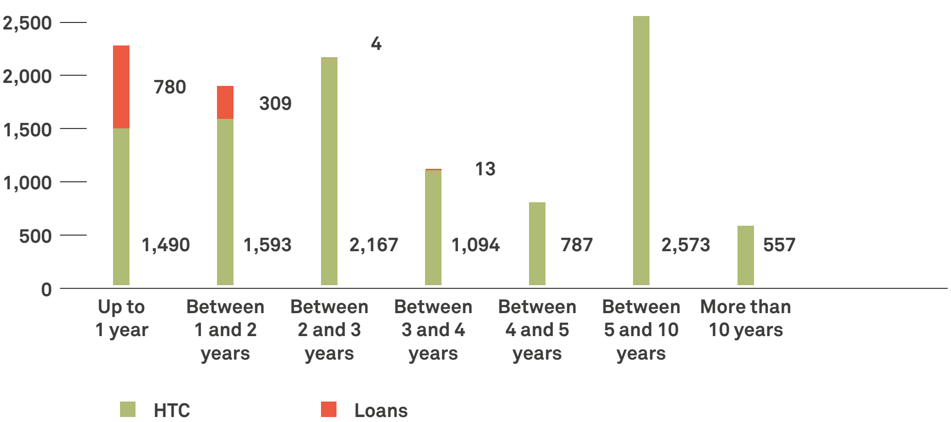


At the end of 2022, the share of financial assets with a maturity of more than 3 years declined slightly to 44.2% compared to the end of 2021 (46.4%).

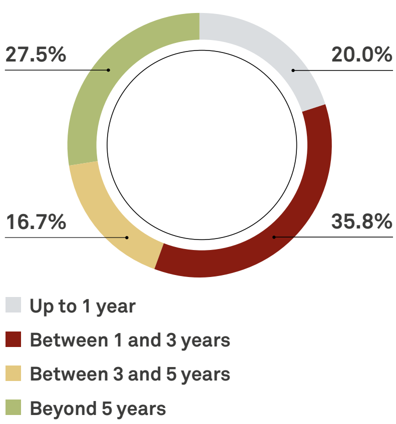
The portfolio of debt securities had an overall average residual life of about 3.9 years. In particular, the average maturity of the HTC portfolio was 4.6 years, whereas the average maturity of the HTCS portfolio declined to 0.8 years.

52.6% of the portfolio was made up of issues with variable-rate or inflation-linked coupons, including hedged securities, and 47.4% of fixed-rate issues.

BONDS PORTFOLIO MATURITY (€ MILLION)



BREAKDOWN OF BONDS PORTFOLIO BY MATURITY AT 31.12.2022



Loans to customers neared **2,539 million euros**, rising by 124.2 million euros compared to year-end 2021 (+5.1%), mainly due to new Lombard loans granted, fully secured by pledges on financial instruments, which rose by over **227 million euros** in the year, bringing the total of this type of current account exposures to over **1,459 million euros**. This uptrend was partly offset by a decline in both transactions regarding mortgages and personal loans (-103 million euros) and, to a lower extent, in other current account exposures.

LOANS, OPERATING LOANS AND OTHER LOANS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Current accounts	1,793,523	1,567,177	226,346	14.4%
Mortgages and personal loans	740,442	843,271	-102,829	-12.2%
Other financing and loans not in current accounts	5,515	4,825	690	14.3%
Loans	**2,539,480**	**2,415,273**	**124,207**	**5.1%**
Operating loans to management companies	133,975	157,646	-23,671	-15.0%
Sums advanced to Financial Advisors	56,330	31,119	25,211	81.0%
Stock exchange interest-bearing daily margin	57,412	2,257	55,155	n.a.
Charges to be debited and other loans	7,961	21,816	-13,855	-63.5%
Operating loans and other loans	**255,678**	**212,838**	**42,840**	**20.1%**

Operating loans and other loans grew (+20.1%), mainly as a result of the increase in margins paid in relation to repurchase agreements effected on the eMTS Repo market and, to a lower extent, to hedging derivative transactions. The increase in sums advanced to Financial Advisors was offset by the advances to the sales network under the Framework Loyalty Program in July 2022.

Net **non-performing exposures** on loans to customers amounted to **37.6 million euros**, or **1.48%** of total loans reported in the table above.
The aggregate includes all the exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. (now EFG Bank AG) upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty.
Net of this aggregate, non-performing exposures on loans to customers amounted to **19.2 million euros** and consisted for nearly 92% of credit facilities secured by financial collaterals mainly in the form of pledges on financial instruments and/or similar products, such as mandate to policy redemption.

Unsecured exposures on loans to customers, for which risk is effectively borne by the Bank, amounted to just **1.6 million euros**, or around **0.06%** of total loans to customers.

The portfolio of non-performing loans (loans to customers excluding operating loans and debt securities) rose by 5.8 million euros, mostly attributable to unlikely-to-pay positions (4.3 million euros) and, to a lower extent, to positions past due or expired (+1.1 million euros).

NON-PERFORMING EXPOSURES

	31.12.2022				31.12.2021				CHANGE	
(€ THOUSAND)	BAD LOANS	UNLIKELY TO PAY	PAST-DUE AND/OR EXPIRED EXPOSURES	TOTAL	BAD LOANS	UNLIKELY TO PAY	PAST-DUE AND/OR EXPIRED EXPOSURES	TOTAL	DELTA	CHANGE %
Gross exposure	29,123	12,457	10,196	51,776	28,650	6,751	8,451	43,852	7,924	18%
Adjustments	9,734	2,414	1,994	14,142	9,679	994	1,349	12,022	2,120	18%
Total net exposure	**19,389**	**10,043**	**8,202**	**37,634**	**18,971**	**5,757**	**7,102**	**31,830**	**5,804**	**18%**
Gross exposure	26,531	-	-	26,531	26,082	-	-	26,082	449	2%
Adjustments	8,097	-	-	8,097	8,067	-	-	8,067	30	-
Exposure guaranteed by net indemnity	**18,434**	**-**	**-**	**18,434**	**18,015**	**-**	**-**	**18,015**	**419**	**2%**
Gross exposure	2,592	12,457	10,196	25,245	2,568	6,751	8,451	17,770	7,475	42%
Adjustments	1,637	2,414	1,994	6,045	1,612	994	1,349	3,955	2,090	53%
Exposure net of indemnity	**955**	**10,043**	**8,202**	**19,200**	**956**	**5,757**	**7,102**	**13,815**	**5,385**	**39%**
Net guaranteed exposure	910	9,669	7,051	17,630	921	5,518	6,034	12,473	5,157	41%
Net exposure not guaranteed	**45**	**374**	**1,151**	**1,570**	**35**	**239**	**1,068**	**1,342**	**228**	**17%**

At 31 December 2022, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of over **865 million euros**, sharply down compared to a net exposure of 1,307 million euros at the end of the previous year, chiefly due to the combined effect of:

- a reduction in the net exposure to central banks (-160 million euros), attributable to the early repayment of TLTRO financing (-691 million euros) and the ensuing decline in demand deposits (-859 million euros);
- the increase in amounts due to banks (+281 million euros), mainly attributable both to the expansion of funding repurchase agreements with banks (+465 million euros), which exceeded lending repurchase agreements with banks, and to the reduction of collateral deposits and margins on OTC derivatives and repurchase agreements with banks (-58 million euros).

NET INTERBANK POSITION

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
1. Repayable on demand	**747,443**	**1,593,647**	**-846,204**	**-53.1%**
Demand and overnight deposits with ECB and Bank of Italy (*)	645,000	1,504,015	-859,015	-57.1%
Transfer accounts	102,443	89,632	12,811	14.3%
2. Time deposits	**662,295**	**532,186**	**130,109**	**24.4%**
Mandatory reserve	137,889	130,137	7,752	6.0%
Term deposits	13,650	31,646	-17,996	-56.9%
Repurchase agreements	397,723	199,805	197,918	99.1%
Collateral margins	113,033	170,598	-57,565	-33.7%
Total loans to banks	**1,409,738**	**2,125,833**	**-716,095**	**-33.7%**
1. Due to Central Banks	**-**	**690,725**	**-690,725**	**-100.0%**
TLTRO	-	690,725	-690,725	-100.0%
2. Due to banks	**544,531**	**128,009**	**416,522**	**325.4%**
Transfer accounts	31,897	96,022	-64,125	-66.8%
Repurchase agreements	477,028	11,752	465,276	n.a.
Collateral margins	17,055	670	16,385	n.a.
Other debts	18,551	19,565	-1,014	-5.2%
Total due to banks	**544,531**	**818,734**	**-274,203**	**-33.5%**
Net interbank position	**865,207**	**1,307,099**	**-441,892**	**-33.8%**

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

As mentioned above, on 23 November 2022, the following three-year financing operations disbursed as part of the TLTRO 3 (Targeted Long Term Refinancing Operation) programme were subject to early repayment:

- TLTRO 3, series IV, in the amount of 500 million euros, disbursed on 24 June 2020 and maturing on 24 June 2023, without prejudice to the possibility of early repayment starting as of the end of September 2021;
- TLTRO 3, series VII, in the amount of 200 million euros, disbursed on 24 March 2021 and maturing on 27 March 2024, without prejudice to the possibility of early repayment as of the end of March 2022.

Until July 2022, there transactions benefited from particularly favourable negative interest rates of -0.5%, with the exception for the period from 24 June 2020 to 24 June 2021 and to 23 June 2022, in which a negative interest rate of 1% was applied under certain conditions.

Following the decisions of the Governing Council of the ECB on 27 July, 8 September and 27 October 2022 changing the key ECB interest rates applicable to Eurosystem operations, the negative interest rate applicable to TLTROs subsequently increased to 0.50% and 1.25% as from the aforementioned reference dates and to 2% as of 2 November 2022.

The Council also decided that interests accrued on these transactions as of 23 November would be calculated exclusively based on the average of the interest rates of reference in force as of the aforementioned date, therefore excluding from the average calculation the more favourable interest rates previously applied.

Accordingly, banks were offered three additional periods for early repayment, and Banca Generali decided to take advantage of them.

The rate applicable to overnight deposits, which was previously zero, rose from 0.75% in September to 1.5% as of 2 November and to 2.0% as of 21 December 2022, currently standing at 2.5%.

Provisions

Special purpose provisions amounted to nearly 245 million euros overall, moderately increasing compared to the previous year (+6.1%) and mainly referring to provisions for contractual indemnities to the sales network.

PROVISIONS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Provision for termination indemnity	3,705	4,335	-630	-14.5%
Provisions for guarantees issued and commitments	52	43	9	20.9%
Provisions for pensions and similar obligations	1,365	2,974	-1,609	-54.1%
Other provisions for liabilities and contingencies	**239,799**	**223,491**	**16,308**	**7.3%**
Provisions for staff expenses	10,979	15,656	-4,677	-29.9%
Provision for the redundancy incentive plan	1,000	2,462	-1,462	-59.4%
Provisions for legal disputes	14,512	16,067	-1,555	-9.7%
Provisions for contractual indemnities to the sales network	152,550	147,070	5,480	3.7%
Provisions for sales network incentives	32,160	31,270	890	2.8%
Provisions for tax and contributions/pension disputes	2,445	8,056	-5,611	-69.6%
Other provisions for liabilities and contingencies	26,153	2,910	23,243	n.a.
Total funds	**244,921**	**230,843**	**14,078**	**6.1%**

Contractual indemnities referred to:

- provisions to cover Financial Advisor termination indemnities provided for under Article 1751 of the Italian Civil Code, assessed on an actuarial basis, in the amount of 74.7 million euros;
- other indemnities relating to termination of the agency or management position (management development indemnity, portfolio development indemnity, retirement eligibility bonus) of 26.7 million euros;
- the provision for the service of the annual cycles of the 2017-2026 Framework Loyalty Programme for the Sales Network, in the amount of 34.3 million euros;
- the new provision for the service of the three-year incentive plan for the sales network, in the amount of 16.8 million euros.

It should be noted that the Bank decided to suspend the implementation of the above Loyalty Framework Programme, for which the sixth 2022-2026 cycle was therefore not activated. The provisions relating to the latter cycle refer to 50% of the accrued indemnity to be paid in cash, whereas the portion payable in Banca Generali shares has been accounted for pursuant to IFRS 2.
In July 2022, a 34.2 million euro financial advance related to the bonuses to be paid in cash was also granted to the beneficiaries of the Loyalty Framework Programme drawing from the provision recognised and valued at 30 June 2022. This advance is subject to the same accrual conditions provided for by the Programme and beneficiaries will be definitively entitled to it in the first half of 2027.

The new 2022-2024 three-year incentive plan, approved by the Board of Directors on 18 March 2022, is in addition to the annual incentives for the sales network and is tied to the achievement of both several overall objectives set at the Banking Group level in terms of total net inflows and recurring fee income, established in the new Strategic Plan, and individual objectives.
In particular, at the end of the plan no incentives may be disbursed without full achievement of the three-year net inflow targets and at least 90% of the cumulative recurring fee target at the end of 2024.

Special rules also apply to Financial Advisors eligible to participate in the previous Loyalty Framework Programme, for which a minimum bonus (bonus floor) applies, to be paid at the end of the three-year period if other conditions are met, but only in the absence of net outflows.
The three-year bonus will be paid in 2026, provided that on 31 December 2025 the net inflow targets reached are no less than 90% of net inflows reached at the end of the three-year plan period.

The incentives accruing on a multi-year basis, tied to net inflow targets, qualify as costs of obtaining a contract pursuant to IFRS 15 and are expensed over a five-year period, like other similar incentives granted to the sales network.
In addition, the plan calls for the payment of the cash bonus only, with the sole exception of beneficiaries qualifying as Key Personnel in the three-year period, to whom the specific provisions of the Remuneration Policies (deferral, shared-based payment, etc.) apply.

The net change in provisions for contractual indemnity to the sales network, amounting to 5.5 million euros, was the result of the decline in actuarial provisions (-11.3 million euros), primarily due to the effect of the decline in discounting rates, in an amount of approximately 18.9 million euros, in response to which the new provisions allocated in service of the three-year incentive plan for the sales network were recognised for a total of 16.8 million euros, of which 13.4 million euros set to accrue in subsequent years.

Provisions for other liabilities and contingencies included a prudential allocation of 23 million euros to cover commercial activities aimed at restoring potential losses to customers resulting from investments made in products distributed by the Bank and to sustain customer loyalty.

Accruals to other provisions for liabilities and contingencies also included amounts allocated to account for the tax dispute, totalling 2 million euros and essentially aligned to the required amount, to cover minor disputes that did not fall within the scope of the tax settlement, that are still pending and for which exchanges with the Italian Tax Authority are underway.

Net equity and regulatory aggregates

At 31 December 2022, the Banking Group's consolidated net equity, including net profit for the year, exceeded 1,068 million euros, declining by 37.3 million euros compared to the previous year.

CONSOLIDATED NET EQUITY

			CHANGE	
(€ THOUSAND)	31.12.2022	31.12.2021	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	53,767	55,866	-2,099	-3.8%
Reserves	724,536	624,033	100,503	16.1%
(Treasury shares)	-80,139	-64,822	-15,317	23.6%
Valuation reserves	-9,972	522	-10,494	n.a.
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the year	213,034	323,103	-110,069	-34.1%
Group net equity	**1,068,078**	**1,105,554**	**-37,476**	**-3.4%**
Net equity attributable to minority interests	442	313	129	41.2%
Consolidated net equity	**1,068,520**	**1,105,867**	**-37,347**	**-3.4%**

The decrease in net equity in 2022 was attributable to the aforementioned allocation to: the 2021 dividend approved by the General Shareholders' Meeting on 21 April 2022 for an amount of 227.9 million euros; the plan to buy-back treasury shares ended in early October; the negative performance of fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and other reserves included in other comprehensive income; the change in reserves for share-based payments (IFRS 2); and consolidated net profit, as shown in the following table.

CHANGE IN NET EQUITY

(€ THOUSAND)	31.12.2022
Net equity at year-start	**1,105,867**
Provisions for 2021 dividends	-227,861
Purchase and sale of treasury shares	-24,385
Dividends not paid on treasury shares	3,537
Change in IFRS 2 reserves	11,329
Change in OCI valuation reserves	-10,211
Dividends on AT1 equity instruments	-1,631
Consolidated net profit	212,973
Other effects	-1,098
Net equity at year-end	**1,068,520**
Change	**-37,347**

The 2021 dividend was partly distributed on 23 May 2022, for an amount of 132.2 million euros, net of the portion to be assigned to treasury shares, whereas the remainder will be paid in February 2023 (93.4 million euros).

The reporting year saw the completion of the plan for the buy-back of treasury shares, approved on 21 April 2022 by the General Shareholders' Meeting and aimed at the repurchase of a maximum of 897,500 treasury shares in service of remuneration plans for Key Personnel for 2022 and the new Long-Term Incentive Plan for the three-year period 2022-2024.
As part of this plan, authorised by the Supervisory Authority on 1 July 2022 e implemented from 1 August to 7 October 2022, all the 897,500 treasury shares planned were acquired, for a total valued of 24.3 million euros.

On the basis of the achievement of the performance objectives set out in the Remuneration Policy for 2021 and the previous years, 307,472 treasury shares, with a value of around 9.0 million euros, of which 82,684 shares in service of the 2018 LTIP, were allotted to the Banking Group's employees and Financial Advisors qualifying as Key Personnel, as well as to network managers.

At 31 December 2022, the Parent Company, Banca Generali, thus held 2,809,497 treasury shares, with a value of 80.1 million euros, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

	NO. OF SHARES	VALUE	AVERAGE PRICE	AVERAGE NO. OF SHARES
Amount at year-start	2,219,469	64,822,379	29.2	2,219,469
Allotments	-307,472	-8,979,038	29.2	-203,372
Purchases	897,500	24,295,776	27.1	251,158
Amount at year-end (2022)	**2,809,497**	**80,139,116**	**28.5**	**2,267,255**

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) markedly decreased by 12.4 million euros, due to the stronger volatility that impacted financial markets as a result of the inflation forecasts, partly offset by the actuarial gains from defined benefit plans.

VALUATION RESERVES

(€ THOUSAND)	31.12.2022 POSITIVE RESERVE	31.12.2022 NEGATIVE RESERVE	31.12.2022 NET RESERVE	31.12.2021 NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	1,457	-11,324	-9,867	2,694	-12,561
Valuation reserves - OCI equity securities	527	-1,240	-713	-837	124
Exchange differences	713	-	713	340	373
Actuarial gains (losses) from IAS 19-compliant defined benefit plans	-105	-	-105	-1,675	1,570
Total	**2,592**	**-12,564**	**-9,972**	**522**	**-10,494**

Consolidated own funds amounted to 762.2 million euros, up 3.2 million euros compared to the end of the previous year (+0.4%).
Capital absorption rose by 16.7 million euros (+4.8%) due mainly to the increase in capital requirements to cover credit risk (+13.8 million euros) and, to a lower extent, operational risk (+2.9 million euros).
The increase in capital absorbed to cover credit risks was related in particular to the rise in exposures to supervised intermediaries and covered bonds (+14.9 million euros) and, to a lesser extent, companies and retail exposures (+7.1 million euros), partially offset by the decline in the requirement for the Forward Fund (-11.0 million euros), resulting from the discharge of the Bank's residual commitment.

At the end of the year, CET1 ratio reached 15.6%, compared to a minimum requirement of 8%, and Total Capital Ratio (TCR) reached 16.7%, compared to the SREP minimum requirement of 12.30%[71].

OWN FUNDS AND CAPITAL RATIOS

(€ THOUSAND)	31.12.2022 PHASE-IN	31.12.2021	CHANGE AMOUNT	CHANGE %	31.12.2022 FULLY PHASED-IN
Common Equity Tier 1 capital (CET1)	712,159	708,963	3,196	0.5%	707,696
Additional Tier 1 capital (AT1)	50,000	50,000	-	-	50,000
Tier 2 capital (T2)	-	-	-	n.a.	-
Total own funds	**762,159**	**758,963**	**3,196**	**0.4%**	**757,696**
Credit and counterparty risk	277,424	263,618	13,806	5.2%	277,847
Market risk	10	26	-16	-62.2%	10
Operational risk	88,138	85,227	2,912	3.4%	88,138
Total absorbed capital (Pillar I)	**365,571**	**348,870**	**16,701**	**4.8%**	**365,994**
Total SREP minimum requirements (Pillar II)	**562,615**	**516,328**	**46,287**	**9.0%**	**541,672**
Excess over SREP minimum requirements	199,544	242,635	-43,091	-17.8%	216,024
Risk-weighted assets	4,569,644	4,360,877	208,766	4.8%	4,574,931
CET1/Risk-weighted assets	15.6%	16.3%	-0.7%	-4.1%	15.5%
Tier 1/Risk-weighted assets	16.7%	17.4%	-0.7%	-4.2%	16.6%
Total own funds/Risk-weighted assets (Total Capital Ratio)	**16.7%**	**17.4%**	**-0.7%**	**-4.2%**	**16.6%**

[71] On 20 May 2022, upon conclusion of the SREP – Supervisory Review and Evaluation Process carried out annually by the competent Supervisory Authority, the Bank of Italy communicated to Banca Generali the following specific capital requirements to be applied to the Banking Group commencing with the reporting on Own Funds at 30 June 2022:
- a Common Equity Tier 1 (CET1) ratio of 8% (previously set at 7.75%), consisting of an Overall Capital Requirement (OCR) of 5.50% (of which 4.5% as minimum regulatory requirement and 1% as additional requirement following the SREP) and a capital conservation buffer for the remainder;
- a Tier 1 ratio (T1 ratio) of 9.85% (previously set at 9.51%), consisting of an Overall Capital Requirement (OCR) of 7.35% (of which 6% as minimum regulatory requirement and 1.35% as additional requirement following the SREP) and a capital conservation buffer for the remainder;
- a Total Capital Ratio (TCR) of 12.30% (previously set at 11.84%), consisting of an Overall Capital Requirement (OCR) of 9.80% (of which 8% as minimum regulatory requirement and 1.80% as additional requirement following the SREP) and a capital conservation buffer for the remainder.

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

The change in own funds was primarily attributable to the inclusion of the share of 2022 retained earnings (+20.2 million euros), partially offset by the effects of the plan for the buy-back of treasury shares (-24.4 million euros) and by the reduction of OCI reserves (-8.3 million euros), net of other positive financial and prudential effects (+15.6 million euros), as shown in the table below.

CHANGES IN OWN FUNDS

(€ THOUSAND)

Own funds at 31.12.2021	**758,963**
2022 retained earnings	20,229
Dividends not paid on treasury shares	3,537
Dividends on AT1 equity instruments	-1,631
Purchase and sale of treasury shares	-24,385
Change in IFRS 2 reserves	11,428
Change in OCI reserves on HTCS debt and equity securi-ties	-8,255
Change in IAS 19 OCI reserves	2,223
Change in goodwill and intangible assets (net of related DTLs)	-134
DTAs through P&L arising on losses	-48
Change in negative prudential filters (prudent valuation - simplified method)	1,336
Other effects	-1,104
Total changes in TIER 1 capital	**3,196**
Own funds at 31.12.2022	**762,159**
Change	**3,196**

In accordance with the risk profile identified in the Risk Appetite Framework and overall capital adequacy, the 2022-2024 Dividend Policy calls for the distribution of a dividend composed as follows to mitigate the effects of the variability of non-recurring components:

- a component calculated at between 70% and 80% of recurring consolidated net profit;
- a component calculated at between 50% and 100% of non-recurring consolidated net profit.

However, the Board of Directors of Banca Generali decided not to penalise the dividend to be distributed to shareholders for 2022 of the portion of non-recurring net profit relating to the costs of resolving the tax dispute involving adjustments to prior-year taxable income (2014-2018), arising from events that occurred in 2008.
Not considering this item, non-recurring consolidated net profit would amount to 27.2 million euros, on the basis of which, in application of the guidelines set in the Dividend Policy, it was decided to grant shareholders a higher dividend of 16.4 million euros overall, equal to just under 60% of the component thus adjusted.
The Board of Directors approved the proposal to distribute a cash dividend for 192.8 million euros, equal to 1.65 per share[72], for a total payout of 90.5%, calculated on the 2022 consolidated net profit.

In this regard, it should be noted that in the fourth quarter of 2022 Banca Generali implemented the optional phase-in regime that makes it possible to exclude from the calculation of CET1 a share of unrealised gains and losses relating to exposures to public administrations and authorities recognised as of 31 December 2019.
On the basis of this regime, Banca Generali sterilised for prudential purposes 40% of the decrease in net valuation equity reserves for government debt securities, amounting to 4.5 million euros, recognised with respect to 31 December 2019.
The amount of the related net DTAs recognised in accounting for such reserves (2.1 million euros), normally subject to a weighting coefficient of 250%, was also sterilised for the purposes of determining RWAs, resulting in an effect on the credit risk capital requirement of just over 0.4 million euros.

[72] Dividend per share (1.65 euros) is composed of a recurring portion of 1.51 euros and a portion of 0.14 euros per share related to the adjusted non-recurring net profit.

The phase-in filter, introduced with Commission Delegated Regulation (EU) No 2020/873, published in the OJEU on 26 June 2020, in relation to the Covid-19 emergency, applies until the reporting deadline of 31 December 2022.

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

The Bank's liquidity ratios also maintained excellent levels, with the Liquidity Coverage Ratio (LCR) at **338%** and Net Stable Funding Ratio (NSFR) at **192%**. The Bank's leverage ratio stood at **4.3%**.

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

	31.12.2022		
(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of the Banca Generali	**760,023**	**226,188**	**986,211**
Differences between net equity and book value of companies consolidated using the line-by-line method	64,708	-	64,708
- Profit /losses carried forward of consolidated companies	55,952	-	55,952
- Goodwill	8,707	-	8,707
- Other changes	49	-	49
Dividends from consolidated companies	-	-167,783	-167,783
Consolidated companies' result for the year	36,783	150,572	187,355
Net profit attributable to minority interests	503	-61	442
Sterilisation of impaired equity investments	-	4,567	4,567
Result of associates valued at equity	-421	-231	-652
Valuation reserves - consolidated companies	2,647	-	2,647
Goodwill	-8,707	-	-8,707
Consolidation adjustments	-50	-218	-268
Net equity of the Banking Group	**855,486**	**213,034**	**1,068,520**

Cash flows

In 2022, operating activities absorbed a total of 592 million euro cash flows.
In detail, cash inflows, for a total net amount of 1,391 million euros, were chiefly generated by operations (246 million euros) and the significant increase in inflows from customers (+1,375 million euros), driven at year-end by funding repurchase agreement transactions, offset by the decline in the amount due to banks (-284 million euros).
These cash flows were mainly used for financial assets investments (-1,612 million euros) and, to a lower extent, for loans to customers (-172 million euros) and in the interbank segment (-130 million euros), with total outflows of 1,983 million euros.

Cash flows used for operating activities must be increased by the cash outflows generated by funding activities, taking into account dividends paid — represented by the second tranche of the 2020 dividend, the first tranche of the 2021 dividend and the AT1 financial instrument coupon —, and residually the investing activities, for a total amount of 254 million euros.

Cash and cash equivalents at period-end amounted to 774 million euros, with an 846 million euro decrease compared to 2021.

CASH FLOWS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE
Liquidity generated by operations	**245,990**	**355,816**	**-109,826**
Financial assets	-1,611,651	-1,568,502	-43,149
Loans to banks	-129,858	-343,192	213,334
Loans to customers	-172,178	-28,897	-143,281
Other operating assets	-69,522	22,640	-92,162
Total assets	**-1,983,209**	**-1,917,951**	**-65,258**
Amounts due to banks	-283,747	225,774	-509,521
Amounts due to customers	1,374,916	2,514,206	-1,139,290
Other operating liabilities	53,917	-5,437	59,354
Total liabilities	**1,145,086**	**2,734,543**	**-1,589,457**
Liquidity generated by/used for operating activities	**-592,133**	**1,172,408**	**-1,764,542**
Investments	-19,838	-14,964	-4,874
Acquisition and disposal of business units and equity investments	-663	108,327	-108,990
Liquidity generated by/used for investing activities	**-20,501**	**93,363**	**-113,864**
Dividends paid	-209,076	-285,396	76,320
Issue/purchase of treasury shares and financial instruments	-24,385	-25,984	1,599
Liquidity generated by/used for financing activities	**-233,461**	**-311,380**	**77,919**
Net liquidity generated/used	**-846,095**	**954,392**	**-1,800,487**
Cash and cash equivalents	**774,239**	**1,620,334**	**-846,095**

Parent Company's Operations and Performance of Subsidiaries

Parent Company's Operations

Considering the Banca Generali Group's operating structure, the report on consolidated figures better meets the needs of valid representation of earnings and financial position performance than an analysis of the Bank's aggregates alone.

Accordingly, these comments complete the consolidated information to which primary reference should be made.

Operating Result[73]

Banca Generali closed 2022 with net profit of 226.2 million euros, down compared to 342.2 million euros reported at the end of the previous year, chiefly due to the lower contribution of dividends distributed both in advance and at the end of the previous year by the Luxembourg subsidiary BG Fund Management Luxembourg S.A., which decreased from 333.6 million euros to 167.8 million euros.

[73] The following reclassifications have been made in the presentation of the reclassified Profit and Loss Account in order to facilitate understanding of operating performance:
1) reclassification to the net fee aggregate of the provisions for incentives related to sales and recruitment plans; the net provisions aggregate was restated net of these items, amounting to 18.8 million euros in 2022 and 21.4 million euros in 2021;
2) reclassification to the other general and administrative expenses aggregate of taxes recovered from customers, accounted for among other operating income and expenses and amounting to 83.1 million euros in 2022 and 84.4 million euros in 2021;
3) reclassification of the costs of the mandatory contributions paid by the Bank, pursuant to the DSGD and BRRD for the protection of the banking system (contributions to the Italian Interbank Deposit Protection Fund, European Single Resolution Fund and the Italian National Resolution Fund for previous interventions), from the general and administrative expenses aggregate to a separate item not included in the net operating expenses aggregate; this restatement aligns the Bank's disclosure with the most widespread market practice and enables a better presentation of the performance of costs more closely connected to the Bank's operating structure, separated from the amount of the systemic costs incurred;
4) one-off tax charges relating to the tax settlement finalised in September 2022, consisting of taxes paid net of funds utilised (30.6 million euros), interest expense due to late payment (7.8 million euros) and the related tax component (2.5 million euros), have been reclassified to an individual item.

The result was also impacted by **one-off tax charges** amounting to 35.3 million euros, borne as a result of the framework agreement reached with the Italian Tax Authority on 19 September 2022. However, this agreement allowed the Company to settle pending claims related to transactions with the subsidiary BGFML for the tax periods from 2014 to 2019 and to significantly reduce the risk of potential future claims. Moreover, it should be noted that the agreement paved the way for full implementation of the Cooperative Compliance procedures to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period.

INCOME STATEMENT

			CHANGE	
(€ THOUSAND)	2022	2021	AMOUNT	%
Net interest income	**145,131**	**84,031**	**61,100**	**72.7%**
Net income (loss) from trading activities	22,217	27,710	-5,493	-19.8%
Dividends	168,928	334,634	-165,706	-49.5%
of which: dividends from equity investments	*167,783*	*333,550*	*-165,767*	*-49.7%*
Net financial income	**336,276**	**446,375**	**-110,098**	**-24.7%**
Fee income	723,286	740,506	-17,220	-2.3%
Fee expense	-451,559	-459,853	8,294	-1.8%
Net fees	**271,727**	**280,653**	**-8,926**	**-3.2%**
Net banking income	**608,003**	**727,028**	**-119,024**	**-16.4%**
Staff expenses	-97,175	-94,509	-2,666	2.8%
Other general and administrative expenses (net of duty recoveries)	-109,955	-99,555	-10,400	10.4%
Net adjustments of property, equipment and intangible assets	-34,732	-33,840	-892	2.6%
Other operating expenses/income	11,439	6,144	5,295	86.2%
Net operating expenses	**-230,423**	**-221,760**	**-8,663**	**3.9%**
Operating result	**377,580**	**505,268**	**-127,687**	**-25.3%**
Net adjustments to non-performing loans	-8,327	-1,959	-6,368	n.a.
Net provisions	-27,101	-45,381	18,280	-40.3%
Other one-off charges	-	-80,628	80,628	-100.0%
Contributions and charges related to the banking system	-17,595	-15,475	-2,120	13.7%
Gains (losses) from the disposal of equity investments	-4,044	-20	-4,024	n.a.
Operating profit before taxation	**320,513**	**361,805**	**-41,292**	**-11.4%**
Income taxes for the year on operating activities	-58,995	-28,185	-30,810	n.a.
One-off charges related to the tax settlement	-35,330	8,627	-43,957	n.a.
Net profit	**226,188**	**342,247**	**-116,059**	**-33.9%**

Reclassified **net banking income**, net of the dividends distributed by the Banking Group's investees, rose by approximately 46.7 million euros (+11.9%) compared to the previous year, primarily due to the increase in net interest income (+61.1 million euros). Net income (loss) from trading activities declined slightly (-5.5 million euros), as did net fees (-8.9 million euros compared to 31 December 2021).

Net interest income amounted to 145.1 million euros, up 72.7% driven by the positive contribution of securities trading (+51.9 million euros; +90.5%) and the expansion of loans to customers (+11.8 million euros; +48.1%). The net contribution of transactions with the ECB stood at +7.2 million euros (as imbalance between the TLTRO proceeds, interest income on the mandatory reserve and on overnight deposits and the charges associated with excess demand deposits).

Net fees were 271.7 million euros, slightly down compared to the same period of the previous year (-3.2%).

NET FEES

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
Fees for portfolio management	86,002	83,244	2,758	3.3%
Fees for placement of securities and UCITS	276,134	295,042	-18,908	-6.4%
Fees for distribution of third-party financial products	265,465	269,945	-4,480	-1.7%
Fees for trading, receipt of orders, and custody of securities and currencies	36,200	37,517	-1,317	-3.5%
Advisory fees	45,516	42,332	3,184	7.5%
Fees for collection and payment services	4,840	4,381	459	10.5%
Fees for other banking services	9,129	8,045	1,084	13.5%
Total fee income	**723,286**	**740,506**	**-17,220**	**-2.3%**
Fees for off-premises offer	432,766	439,550	-6,784	-1.5%
Fees for collection and payment services	4,339	4,029	310	7.7%
Fees for trading and securities custody	9,488	9,958	-470	-4.7%
Fees for portfolio management	1,047	1,239	-192	-15.5%
Fees for other banking services	3,919	5,077	-1,158	-22.8%
Total fee expense	**451,559**	**459,853**	**-8,294**	**-1.8%**
Net fees	**271,727**	**280,653**	**-8,926**	**-3.2%**

Fee income from the solicitation of investment and asset management of households reached 627.6 million euros, with a slight reduction compared to 2021 (-3.2%). This result was attributable to lower revenues from the distribution of insurance products (-4.5 million euros; -1.7%) and from the placement of UCITS units of the Banking Group (-9.6 million euros; -7.2%) and of third parties (-4.2 million euros; -3.0%). Fee income individual portfolio management stood at approximately 86.0 million euros, up +3.3% compared to 2021. Fee income for placement of bonds decreased (-5.1 million euros; -21.0%).

ASSET MANAGEMENT FEE INCOME

(€ THOUSAND)	2022	2021	CHANGE AMOUNT	CHANGE %
1. Individual portfolio management	86,002	83,244	2,758	3.3%
Fees for portfolio management	**86,002**	**83,244**	**2,758**	**3.3%**
1. Placement of Banking Group's UCITS units	123,604	133,191	-9,587	-7.2%
2. Placement of UCITS units	133,165	137,345	-4,180	-3.0%
3. Bond placement	19,366	24,506	-5,140	-21.0%
of which: certificates	*15,311*	*23,087*	*-7,776*	*-33.7%*
4. Distribution of portfolio management services	1,175	1,095	80	7.3%
5. Distribution of insurance products	263,631	268,180	-4,549	-1.7%
6. Distribution of other third-party financial services	658	670	-12	-1.8%
Fees for the placement and distribution of third-party products	**541,599**	**564,987**	**-23,388**	**-4.1%**
Total	**627,601**	**648,231**	**-20,630**	**-3.2%**

Fee expense, including fee provisions, amounted to 451.6 million euros, decreasing by -1.8% compared to the previous year, mostly due to the decline in fees paid to the Financial Advisor network for off-premises offers (-6.8 million euros; -1.5%).

The Bank's total payout ratio to total fee income was thus 62.4%, just above 62.1% in 2021.
The payout ratio for off-premises offers alone, calculated on the basis of asset management fees, amounted to 69.0%, exceeding 67.8% for the previous year.

Other net fees from banking services offered to customers included fees for trading, order collection, custody and administration fees, advisory fees and fees charged to customers for account-keeping expenses and other services. This aggregate stood at 76.9 million euros, up approximately 4.9 million euros compared to the previous year, thanks to the expansion of advisory services for both retail customers (advanced advisory) and for Generali Group companies.

Operating expenses, including staff expenses, other general and administrative expenses, amortisation and depreciation and other operating income and expenses, amounted to 230.4 million euros, increasing by 8.7 million euros compared to the previous year (+3.9%).

The **cost/income ratio**[74], which measures the ratio of operating expenses to net operating income, amounted to 52.3%, compared to 56.4% reported at the end of 2021.

OPERATING EXPENSES

			CHANGE	
(€ THOUSAND)	2022	2021	AMOUNT	%
Staff expenses	97,175	94,509	2,666	2.8%
Other general and administrative expenses (net of duty re-coveries)	109,955	99,555	10,400	10.4%
Net adjustments of property, equipment and intangible as-sets	34,732	33,840	892	2.6%
Other income and expenses (net of duty recoveries)	-11,439	-6,144	-5,295	86.2%
Operating expenses	**230,423**	**221,760**	**8,663**	**3.9%**

Staff expenses, including employees, interim staff and directors, reached about 97.2 million euros, up approximately 2.7 million euros (+2.8%) compared to the previous year, as a result of the organic workforce growth and the performance of variable remuneration.

Bank employees were 940 at year-end, an increase of 26 compared to 2021.

Other general and administrative expenses, net of recoveries of taxes paid by clients, amounted to about 110.0 million euros, increasing by 10.4 million euros (+10.4%) compared to 2021.

Provisions, contributions related to banking funds and **net adjustments** amounted to 53.0 million euros compared to 62.8 million euros for 2021 (-15.6%), excluding the previous year's one-off provisions[75].

Net provisions not related to fees[76] amounted to 27.1 million euros, down 18.4 million euros compared to the previous year, mainly due to lower provisions to cover contractual commitments to the sales network (-35.1 million euros), due to the rise in the discount rates applied for the statistical-actuarial assessment, partly offset by the increase in other provisions for liabilities and contingencies (+24.1 million euros).

Net adjustments for non-performing loans stood at approximately 8.3 million euros, up 6.4 million euros compared to 2021 as a result of greater write-downs on the portfolio of debt securities.

Expenses related to the contributions to the Italian National Resolution and Interbank Deposit Protection Funds amounted to 17.6 million euros and included the contributions to the funds for the protection of the banking system, which rose by 2.1 million euros compared to the previous year.

Income taxes for the year, excluding the one-off component related to the tax settlement finalised at the end of September, were estimated at 59.0 million euros, with an overall tax rate of 18.4%, sharply increasing compared to 5.4% in 2021 and calculated, gross of the benefits arising from the previous year's realignment of the carrying and tax values of goodwill, trademarks and other intangible assets, mainly as a result of the lower incidence on the result of dividends from equity investments subject to reduced taxation.

[74] This ratio has been restated compared to the previous quarters in order to include the item "Adjustments of property, equipment and intangible assets" as well.
[75] In the previous year, 80 million euros was also allocated to protect clients from potential losses on investments in securitisations of healthcare receivables, reserved for professional clients. In this regard, reference should be made to the Annual Integrated Report 2021 and the Interim Report on Operations at 30 June 2021.
[76] Fee provisions, which amounted to 18.8 million euros (21.4 million euros in 2021), are recognised under the fee expense aggregate.

Performance of the main balance sheet aggregates

At the end of 2022, total assets amounted to approximately 17.2 billion euros, increasing by 1.1 billion euros (+6.8%) compared to the end of 2021.

Total net inflows reached 15.5 billion euros (+7.5%); the most significant increase was reported by loans to customers (+1.4 billion euros), largely attributable to the increase in repurchase agreement transactions. Inflows from banks declined, chiefly as a result of the repayment of the TLTRO financing in the year (-690.7 million euros) and only partly offset by the increase in repurchase agreement transactions (+465.3 million euros).

At year-end, core loans stood at 16.0 billion euros (+4.7%).

ASSETS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	507,346	415,558	91,788	22.1%
Financial assets at fair value through other comprehensive income	1,120,101	2,543,065	-1,422,964	-56.0%
Financial assets measured at amortised cost	14,403,854	12,356,258	2,047,596	16.6%
a) Loans to banks (*)	3,261,886	2,782,569	479,317	17.2%
b) Loans to customers	11,141,968	9,573,689	1,568,279	16.4%
Hedging derivatives	286,776	11,357	275,419	n.a.
Equity investments	32,158	25,572	6,586	25.8%
Property, equipment and intangible assets	274,489	278,396	-3,907	-1.4%
Tax receivables	71,123	71,107	16	-
Other assets	501,225	401,201	100,024	24.9%
HFS assets	-	1,115	-1,115	-100.0%
Total assets	**17,197,072**	**16,103,629**	**1,093,443**	**6.8%**

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

LIABILITIES AND NET EQUITY

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Financial liabilities measured at amortised cost	15,538,621	14,449,422	1,089,199	7.5%
a) Due to banks	544,498	818,734	-274,236	-33.5%
b) Due to customers	14,994,123	13,630,688	1,363,435	10.0%
HFT financial liabilities	-	4,551	-4,551	-100.0%
Hedging derivatives	123,604	167,320	-43,716	-26.1%
Tax liabilities	31,989	7,972	24,017	n.a.
Other liabilities	273,463	235,465	37,998	16.1%
Special purpose provisions	243,184	227,689	15,495	6.8%
Valuation reserves	-12,620	-384	-12,236	n.a.
Equity instruments	50,000	50,000	-	-
Reserves	632,163	511,451	120,712	23.6%
Share premium reserve	53,767	55,866	-2,099	-3.8%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-80,139	-64,822	-15,317	23.6%
Net profit (loss) for the year (+/-)	226,188	342,247	-116,059	-33.9%
Total liabilities and net equity	**17,197,072**	**16,103,629**	**1,093,443**	**6.8%**

Direct inflows from customers amounted to approximately 15.0 billion euros, with an increase of 1.4 billion euros compared to 31 December 2021, mostly attributable to the rise in repurchase agreement transactions.

LOANS TO CUSTOMERS

(€ THOUSAND)		31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
1.	Current accounts and demand deposits	13,022,118	13,283,649	-261,531	-2.0%
2.	Financing	1,652,307	7,441	1,644,866	n.a.
	Repurchase agreements	1,372,093	-	1,372,093	n.a.
	Collateral margins	280,214	7,441	272,773	n.a.
3.	Other debts	319,698	339,598	-19,900	-5.9%
	Operating debts to sales network	120,522	147,247	-26,725	-18.1%
	IFRS 16-related lease liabilities	149,375	151,856	-2,481	-1.6%
	Other (money orders, amounts at the disposal of customers)	49,801	40,495	9,306	23.0%
Total due to customers		**14,994,123**	**13,630,688**	**1,363,435**	**10.0%**

Captive inflows from subsidiaries and the companies within the Assicurazioni Generali Group, net of IFRS 16-related liabilities (72.1 million euros), decreased by 198.3 million euros to 424.0 million euros at the year-end, thus accounting for 2.8% of total net inflows.

INFLOWS FROM CUSTOMERS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Inflows from subsidiaries	49,459	52,309	- 2,850	-5.4%
Inflows from Parent Company	74,677	38,848	35,829	92.2%
Inflows from other subsidiaries	227,783	455,400	- 227,617	-50.0%
IFRS 16-related lease financial liabilities	72,100	75,755	- 3,655	-4.8%
Total inflows from Generali Group	**424,019**	**622,312**	**- 198,293**	**-31.9%**
Inflows from other parties	14,570,104	13,008,376	1,561,728	12.0%
of which: current accounts	*12,670,199*	*12,737,092*	*- 66,893*	*-0.5%*
Total inflows from customers	**14,994,123**	**13,630,688**	**1,363,435**	**10.0%**

Net inflows from customers external to the Insurance and Banking Group continued to be driven by demand deposits, which reported a decrease of 66.9 million euros and amounted to over 12,670 million euros.

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 item dropped significantly by approximately 19.9 million euros.

Core loans totalled 16.0 billion euros overall, up 0.7 billion euros (+4.7%) compared to 31 December 2021, mainly as a consequence of the increase in investments in financial asset portfolios, which grew by 1.2 billion euros (+11.7%).

INTEREST-BEARING LOANS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Financial assets measured at fair value through profit or loss	507,346	415,558	91,788	22.1%
Financial assets measured at fair value through other comprehensive income	1,120,101	2,543,065	-1,422,964	-56.0%
Financial assets measured at amortised cost	14,403,854	12,356,258	2,047,596	16.6%
a) Loans to banks	3,261,886	2,782,569	479,317	17.2%
Deposits and financing (*)	1,387,511	2,096,617	-709,106	-33.8%
Debt securities	1,862,289	675,898	1,186,391	175.5%
Other operating loans	12,086	10,054	2,032	20.2%
b) Loans to customers	11,141,968	9,573,689	1,568,279	16.4%
Loans	2,539,480	2,415,273	124,207	5.1%
Debt securities	8,399,324	7,007,361	1,391,963	19.9%
Other operating loans	203,164	151,055	52,109	34.5%
Total interest-bearing financial assets and loans	**16,031,301**	**15,314,881**	**716,420**	**4.7%**

(*) ECB demand deposits included.

Loans to customers reached 2,539 million euros, up compared to year-end 2021 (+5.1%), as a result of the growth in account credit facilities.

LOANS, OPERATING LOANS AND OTHER LOANS

(€ THOUSAND)	31.12.2022	31.12.2021	CHANGE AMOUNT	CHANGE %
Current accounts	1,793,523	1,567,177	226,346	14.4%
Mortgages and personal loans	740,442	843,271	-102,829	-12.2%
Other financing and loans not in current accounts	5,515	4,825	690	14.3%
Total loans	**2,539,480**	**2,415,273**	**124,207**	**5.1%**
Operating loans to management companies	81,473	95,873	-14,400	-15.0%
Sums advanced to Financial Advisors	56,330	31,119	25,211	81.0%
Stock exchange interest-bearing daily margin	57,412	2,257	55,155	n.a.
Charges to be debited and other loans	7,949	21,806	-13,857	-63.5%
Operating loans and other loans	**203,164**	**151,055**	**52,109**	**34.5%**
Debt securities	**8,399,324**	**7,007,361**	**1,391,963**	**19.9%**
Total loans to customers	**11,141,968**	**9,573,689**	**1,568,279**	**16.4%**

Net non-performing exposures on loans to customers amounted to 37.6 million euros, or 1.48% of total loans to customers.

The aggregate includes all the exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A.[77] 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 19.2 million euros and consisted for 92% of credit facilities secured by financial collaterals mainly in the form of pledges of financial instruments and/or similar products, such as mandate to policy redemption. Unsecured exposures on loans to customers, for which risk is effectively borne by the Bank, amounted to just 1.6 million euros, or around 0.06% of total loans to customers.

At 31 December 2022, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of 843.0 million euros, sharply down compared to a net credit imbalance of 1,277.9 million euros at the end of the previous year.

[77] 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.

This performance was essentially due to the combined effect of the reduction in demand deposits with the Central Bank (-859.0 million euros), the increase in reverse repurchase agreement (+197.9 million euros) and repurchase agreements (+465.3 million euros), the decline in collateral margins (-41.2 million euros) and the repayment of the TLTRO financing (-690.7 million euros).

NET INTERBANK POSITION

			CHANGE	
(€ THOUSAND)	31.12.2022	31.12.2021	AMOUNT	%
1. Repayable on demand	**726,867**	**1,572,300**	**-845,433**	**-53.8%**
Demand deposits with ECB and Bank of Italy (*)	645,000	1,504,015	-859,015	-57.1%
Transfer accounts (*)	81,867	68,285	13,582	19.9%
2. Time deposits	**660,644**	**524,317**	**136,327**	**26.0%**
Mandatory reserve	137,889	130,137	7,752	6.0%
Term deposits and current accounts	11,999	23,777	-11,778	-49.5%
Repurchase agreements	397,723	199,805	197,918	99.1%
Collateral margins	113,033	170,598	-57,565	-33.7%
Total loans to banks	**1,387,511**	**2,096,617**	**-709,106**	**-33.8%**
1. Due to Central Banks	**-**	**690,725**	**-690,725**	**-100.0%**
TLTRO	-	690,725	-690,725	-100.0%
2. Due to banks	**544,498**	**128,009**	**416,489**	**n.a.**
Transfer accounts	31,897	96,022	-64,125	-66.8%
Repurchase agreements	477,028	11,752	465,276	n.a.
Collateral margins	17,055	670	16,385	n.a.
Other debts	18,518	19,565	-1,047	-5.4%
Total due to banks	**544,498**	**818,734**	**-274,236**	**-33.5%**
Net interbank position	**843,013**	**1,277,883**	**-434,870**	**-34.0%**
3. Debt securities	**1,862,289**	**675,898**	**1,186,391**	**175.5%**
4. Other operating loans	**12,086**	**10,054**	**2,032**	**20.2%**
Total interbank position	**2,717,388**	**1,963,835**	**753,553**	**38.4%**

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

The 16.1 million euro increase in **other provisions for liabilities and contingencies** was attributable to greater provisions to cover commercial activities in favour of customers and the decline in provisions for contractual indemnities for the sales network, as described above.

Net equity and regulatory aggregates

At 31 December 2022, net equity, including net profit for the year, amounted to 986.2 million euros compared to 1,011.2 million euros at the end of the previous year.

NET EQUITY

			CHANGE	
(€ THOUSAND)	31.12.2022	31.12.2021	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	53,767	55,866	-2,099	-3.8%
Reserves	632,163	511,451	120,712	23.6%
(Treasury shares)	-80,139	-64,822	-15,317	23.6%
Valuation reserves	-12,620	-384	-12,236	n.a.
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the year	226,188	342,247	-116,059	-33.9%
Total net equity	**986,211**	**1,011,210**	**-24,999**	**-2.5%**

In 2022, the change in net equity, amounting to nearly 25 million euros, was influenced by the portion of dividends paid, the change in the reserves for share-based payments (IFRS 2), the change in fair value valuation reserves for the portfolio of HTCS financial assets and other reserves included in other comprehensive income, in addition to the net profit for the year.

CHANGES IN NET EQUITY

(€ THOUSAND)	31.12.2022
Net equity at year-start	**1,011,210**
Dividends approved and distributed	-224,324
Dividend on AT1 equity instruments	-1,631
Buy-back/disposal of treasury shares	-24,263
Matured IFRS 2 reserve for Remuneration Policies	11,168
Matured IFRS 2 reserves on LTIP	99
Change in valuation reserves	-12,236
Net profit (loss) for the year	226,188
Net equity at year-end	**986,211**
Change	**-24,999**

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of about 12.4 million euros, primarily due to the portfolio of government bonds, for which net reserves amounted to -7.2 million euros compared to +2.0 million euros at the end of the previous year.

The aggregate had an overall negative balance of 12.6 million euros compared to 0.4 million euros at the end of 2021 (-12.2 million euros).

Own funds amounted to 691.7 million euros, with an increase of 15.6 million euros compared to 31 December 2021.

(€ THOUSAND)	31.12.2022
Own funds at year-start	**676,137**
Buy back of treasury shares	-24,263
Reallocation to equity reserve of the previous year's divi-dend	3,537
Dividend payout on equity instruments	-1,631
Regulatory provisions for retained earnings for the year	33,383
IFRS 2 reserve – Bank's stock option and stock grant plans (LTIPs)	11,267
Change in OCI reserves	-7,974
Change in reserves IAS 19	201
Change in goodwill and other intangible assets, net of DTLs	-290
Negative prudential filters and other negative items	1,337
Own funds at year-end	**691,703**
Change	**15,566**

At year-end, the aggregate capital for regulatory purposes recorded 261.9 million euros in excess of the amount required to cover credit, market, and operating risks. Total Capital Ratio (TCR) was 16.9% compared to the minimum requirement of 10.5%.

Capital absorption due to credit risk increased by 15.0 million euros compared to the previous year.

OWN FUNDS AND RATIOS

(€ THOUSAND)	31.12.2022 PHASED-IN	31.12.2021	CHANGE AMOUNT	CHANGE %	31.12.2022 FULLY PHASED
Total Common Equity Tier 1 capital (CET1)	641,703	626,137	15,566	2.5%	637,241
Total Additional Tier 1 capital (AT1)	50,000	50,000	-	-	50,000
Total Own funds	**691,703**	**676,137**	**15,566**	**2.30%**	**687,241**
Credit risk	272,119	257,136	14,983	5.8%	272,542
Market risks	10	26	-16	-61.5%	38
Operational risk	55,336	49,262	6,074	12.3%	55,336
Total own funds absorbed (Pillar I)	**327,465**	**306,424**	**21,041**	**6.9%**	**327,916**
Total SREP minimum requirements (Pillar II)	**429,798**	**402,182**	**27,616**	**6.9%**	**430,390**
Excess over SREP minimum requirements	261,905	273,956	-12,050	-4.4%	256,851
Risk-weighted assets	4,093,313	3,830,300	263,013	6.9%	4,098,950
CET1/Risk-weighted assets	15.7%	16.3%	-0.7%	-4.1%	15.5%
Tier 1/Risk-weighted assets	16.9%	17.7%	-0.8%	-4.3%	16.8%
Own funds/Risk-weighted assets (Total Capital Ratio)	**16.9%**	**17.7%**	**-0.8%**	**-4.3%**	**16.8%**

Treasury shares

At 31 December 2022, the Parent Company, Banca Generali, held 2,809,497 treasury shares, equal to 2.4% of share capital, with a value of 80,139 thousand euros, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

On 21 April 2022, the General Shareholders' Meeting also authorised the repurchase of a maximum of 897,500 treasury shares in service of remuneration plans for Key Personnel for 2022 and the new Long Term Incentive Plan for the three-year period 2022-2024.

The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 1 July 2022, was completed on 7 October 2022 for a total number of treasury shares equal to 24,296 thousand euros.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 307,472 treasury shares, with a value of 8,979 thousand euros, of which 82,684 shares in service of the 2018 LTIP, were also allotted to the Group's employees and Financial Advisors falling within the Group's Key Personnel, as well as to network managers.

During the year, treasury shares showed the following movements:

CHANGES IN TREASURY SHARES

	NO. OF SHARES	VALUE	AVERAGE PRICE	AVERAGE NO. OF SHARES
Amount at year-start	**2,219,469**	**64,822,379**	**29.2**	**2,219,469**
Allotments	-307,472	-8,979,038	29.2	-203,372
Purchases	897,500	24,295,776	27.1	251,158
Amount at year-end (2022)	**2,809,497**	**80,139,116**	**28.5**	**2,267,255**

Pursuant to Article 2357-*ter* of the Italian Civil Code, as amended by Legislative Decree No. 139/2015, and without prejudice to Bank of Italy Circular No. 262/2015, the value of treasury shares was recognised in the Balance Sheet as a reduction to net equity in Item 200 of Liabilities.

Parent Company shares

At 31 December 2022, Banca Generali held 61,854 shares in the Parent Company, Assicurazioni Generali, broken down as follows:

- 45,955 shares, originally acquired for the service of stock-option and with no restrictions;
- 15,899 shares repurchased, in the capacity of fund charged with the repurchase of fractions of Assicurazioni Generali shares from free capital increases and with no restrictions.

In the reporting year, the Parent Company shares remained virtually unchanged. At 31 December 2022, they were measured at fair value in the amount of 1,031 thousand euros. Pursuant to Article 2359-*bis* of the Italian Civil Code, a restricted provision was allocated in relation to the ownership of Parent Company shares.

Performance of Subsidiaries

Performance of BG Fund Management Luxembourg S.A.

BG Fund Management Luxembourg S.A. (hereinafter BGFML) is a company under Luxembourg law specialising in the administration and management of the Sicavs promoted by the Banca Generali Group (Lux IM Sicav and BG Collection Investments[78]) and the Sicav called BG Alternative, reserved for institutional investors.
In March 2020, the management company also acquired delegated management of the Luxembourg Nextam Partners Sicav, which currently only includes a single residual sub-fund.

BGFML ended 2022 with a net profit for the year of 157.7 million euros, down sharply compared to 315.8 million euros reported at the end of the previous year (-158.1 million euros).
The decline was mainly driven by performance fees, which fell by 197.4 million euros to 19.3 million euros, offset by an increase of 8.2 million euros in management fees.
Net banking income amounted to 190.5 million euros (-183.3 million euros on 2021). Operating expenses were 10.2 million euros (+2.2 million euros compared to 31 December 2021), of which 6.1 million euro staff expenses.
The company's net equity amounted to 85.9 million euros, net of a dividend payout of 167.8 million euros, as payment in advance for 2022 and total payment for 2021.
Overall, assets under management at 31 December 2022 amounted to 18,562 million euros, down 2,872 million euros compared to 21,434 million euros at 31 December 2021.

Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended 2022 with a slight net profit and net equity amounting to about 0.9 million euros.
Net banking income amounted to approximately 1.4 million euros and virtually covered operating expenses.
Assets under management totalled 1,334 million euros (1,394 million euros at 31 December 2021).

Performance of BG Valeur S.A.

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

The company ended 2022 with net loss of CHF 135.5 thousand (136.2 thousand euros), calculated based on local GAAP.
Revenues, generated mainly from asset management and advisory services, amounted to approximately CHF 9.0 million, whereas operating expenses totalled CHF 8.6 million (of which CHF 6.7 million staff expenses).
BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled CHF 4.4 million at 31 December 2022.

At 31 December 2022, total assets under management amounted to 887 million euros, down compared to 1,081 million euros at 31 December 2021.

[78] New company name of BG Selection Sicav, effective 22 April 2022.

Performance of BG Suisse S.A.

BG Suisse S.A., a joint-stock company under Swiss law based in Lugano, incorporated by Banca Generali on 8 October 2021 through an initial contribution of CHF 10 million with the aim of creating a new cross-border private service hub able to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services.

To this end, in January 2022, the company filed with the Swiss Financial Market Supervisory Authority (FINMA) an application to obtain the banking licence necessary to operate on the Swiss market, which should be issued in 2023.

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

In 2022, the company — still in its start-up phase — continued its personnel recruitment activity and the development of its technological and operating infrastructure, instrumental to launching the banking activities. BG Suisse S.A. closed the year with a net loss of approximately CHF 6.4 million (6.4 million euros), calculated based on local GAAP.
Operating expenses totalled CHF 6.3 million (of which CHF 3.8 million staff expenses).
BG Suisse S.A.'s net equity recognised in its statutory financial statements stood at CHF 11.6 million at 31 December 2022.

Former Nextam Partners Group

On 20 January 2022, after obtaining prior authorisation by the Bank of Italy, Banca Generali finalised the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group, for a consideration of 1,201 thousand euros.
The residual equity investment of 19.9% was recognised at 0.5 million euros and, in light of the relations between the two companies, classified as an equity investment in an associate.

Following the disposal, the settlement agreements signed in the previous year were executed with some of the previous shareholders of the Nextam Group with a view to identifying the amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to agreeing the termination of the employment relationship between Banca Generali and the main key manager of the acquired group[79], whereas the employment relationship with the other two key managers has been maintained.

Nextam Partners Ltd launched the member's voluntary liquidation procedure on 16 December 2020 and was thus fully inactive as of 2021.
At the end of September, the liquidation procedure was essentially concluded with the payment by the liquidators of a first tranche of the settlement balance of GBP 171 thousand, while just over GBP 8 thousand relating to the residual VAT credit has yet to be recognised, pending clearance from the local tax authorities (HMTC).
As soon as this obligation is fulfilled, the company will be permanently deleted from the local Companies' Register.

[79] At the date of disposal of the interest, a settlement amount of 2.2 million euros was paid to the previous shareholders, compared to 3.4 million euros initially established as earn-out upon acquisition of the Nextam Group. In this regard, it should be noted that at the end of the first half of 2021, Banca Generali had already adjusted the value of the liability recognised on the basis of the variable consideration set in the group acquisition contract in favour of the former owners, amounting to 1.2 million euros, which has now been fully written-off. Furthermore, in June 2022, the Board of Directors of Banca Generali approved a settlement proposal to also define the residual sums payable as an earn-out to the other two Key Managers with whom the employment relationship continues. These agreements provide for writing-off a portion of the agreed variable consideration, for an amount of 1.6 million euros, as a result of the failure to achieve the objectives set by the contract in terms of AUM growth and recognition of the residual amount of 0.7 million euros by way of a settlement. At the end of the first half of 2022, the liability allocated against the variable consideration was therefore further reduced by 1.6 million euros and recognised among provisions for contingencies.

Related Party Transactions

In accordance with Article 2391-bis of the Italian Civil Code, the Consob Regulation containing provisions relating to transactions with related parties[80] and the provisions of Part III, Chapter 11, of Bank of Italy Circular No. 285, as further amended, Banca Generali's Board of Directors approved its "Procedure for Related Party and Connected Party Transactions", which entered into effect on 1 January 2011 and was last updated on 22 June 2021 with effect from 1 July 2021. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, at the Banking Group level, rules on transactions with Banca Generali's related parties and connected parties governing the related investigation, approval, reporting and disclosure activities.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that, in certain cases, the said transactions may be subject to prior approval by the Parent Company, where necessary.

Disclosure on Related Party Transactions

Unusual, atypical or extraordinary transactions

No atypical and/or unusual related party transactions were carried in 2022 that were likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer."

Highly significant transactions

In 2022, no transactions qualifying as "highly significant", non-ordinary transactions, entered into at non-market or non-standard conditions, were carried out that, in accordance with the Procedure for Related Party and Connected Party Transactions, could have given rise to an obligation to publish the related market disclosure document.

Other significant transactions

In 2022, the following transactions were approved that could be qualified as transactions of "low value" (i.e., transactions of amounts exceeding the significance threshold, but below that of highly significant transactions, as defined pursuant to the "Procedure for Related Party and Connected Party Transactions"):

1. on 9 March 2022, the Board of Directors of Banca Generali approved a contract for the outsourcing of services (some of which qualifying as Critical or Important Functions) by the Bank to Generali Operations Service Platform S.r.l., a company subject to the management and coordination of Assicurazioni Generali S.p.A.;
2. on 15 March 2022, Banca Generali's Board of Directors approved an increase in the amount of a secured account overdraft facility in favour of an Executive and her spouse;
3. on 21 April 2022, the Board of Directors of Banca Generali approved an increase in the amount of a line of credit, as part of the "Assieme Agreement on guaranteed credit facilities for Executives of the Assicurazioni Generali Group", in favour of an Executive of the direct parent company Generali Italia;
4. on 23 June 2022, Banca Generali's Board of Directors approved an increase in the amount of a line of credit, as part of the "Assieme Agreement on guaranteed credit facilities for Executives of the Assicurazioni Generali Group", in favour of an Executive of the Parent Company, Assicurazioni Generali;
5. also on 23 June 2022, Banca Generali's Board of Directors approved a line of credit, as part of the "Assieme Agreement on guaranteed credit facilities for Executives of the Assicurazioni Generali Group", to an Executive of Generali Deutschland AG and his spouse;
6. on 28 July 2022, Banca Generali's Board of Directors resolved to approve an office lease agreement for a property located in Ferrara, Corso Giovecca 3, between the Bank (as lessee) and Generali Italia S.p.A. (as lessor, represented for contractual purposes by Generali Real Estate S.p.A. SGR);
7. also on 28 July 2022, Banca Generali's Board of Directors resolved to approve an office lease agreement for a property located in Venice, Corte Maruzzi 105, between the Bank (as lessee) and Generali Italia S.p.A. (as lessor, represented for contractual purposes by Generali Real Estate S.p.A. SGR);

[80] Adopted by Consob by Resolution No. 17221 of 12 March 2010, as further amended.

8. on 4 November 2022, Banca Generali's Board of Directors approved an increase in the amount of a secured account overdraft facility in favour of an Executive of the Parent Company, Assicurazioni Generali;
9. also on 4 November 2022, Banca Generali's Board of Directors approved the renewal of the three-year service and software license agreement for the Contact Center between the Bank and CSE Consorzio Servizi Bancari Soc. Cons. a.r.l. These transactions were approved by the Board of Directors, with a prior non-binding favourable opinion from the Internal Audit and Risk Committee.

Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in 2022 with related parties fall within the Group's ordinary course of business and are usually carried out at arm's length and are, in any case, based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regard these transactions, there were no changes in the situation of related party transactions described in more detail in the Financial Statements at 31 December 2022 that might have a material effect on the financial situation and the results of the Company and the Banking Group.

The developments of ordinary transactions with related parties are presented in the specific section of the Notes and Comments to the Separate and Consolidated Financial Statements at 31 December 2022, along with other information on related party transactions.

Intra-group related party transactions are not included in the above-mentioned disclosure, since they are eliminated upon consolidation.

Proposal for the Distribution of Profits

Shareholders,

In 2022, Banca Generali S.p.A. reported a net profit amounting to 226,187,720 euros. In submitting the Financial Statements for the year ended 31 December 2022 for your approval, we propose allocating the net profit for the year as follows:

Net profit for the year	**226,187,720**
> allocation to retained earnings	**33,382,519**
> allocation per each of the 116,851,637 ordinary shares issued of	
– a dividend of 1.00 euro per share, to be paid in May 2023	116,851,637
– a dividend of 0.65 euros per share, to be paid in February 2024	75,953,564
> for a total of	**192,805,201**

The Dividend Policy for the three years covered by the 2022-2024 Strategic Plan and approved by the Bank's Board of Directors on 14 February 2022 allows for the possibility of proposing to the Shareholders' Meeting that approves the Financial Statements for each year of the plan the distribution of a portion of the net profit reported in each year of the plan, identified as the sum of the two following components:

- a portion calculated at between 70% and 80% of recurring consolidated net profit;
- a portion calculated at between 50% and 100% of non-recurring consolidated net profit.

To this end, the recurring consolidated profit component — as it is already determined and reported on the market with quarterly frequency — consists of: (i) the consolidated net profit for each year, net of certain variable components such as performance fees and the net income from trading of the proprietary portfolio, and (ii) negative and/or positive one-off components not included in the 2022-2024 Strategic Plan.

The actual dividend distribution in the amount indicated was in any event conditional on the maintenance over time of a Total Capital Ratio in excess of the tolerance threshold provided for in the Risk Appetite Framework from time to time.

The Policy also states that the dividend is to be paid in two coupons with different payment and record dates: the first is to be set by the end of the second quarter of the same year in which the Shareholders' Meeting approves the Financial Statements for each year of the plan, and the second by the first quarter of the year after that in which the Financial Statements for each year of the plan are approved.

In this regard, it should be noted that at the end of 2022 the Bank's consolidated net profit amounted to 213.0 million euros, broken down as follows:

- recurring consolidated net profit: 221.2 million euros;
- non-recurring consolidated net loss: -8.2 million euros.

In view of the above, it was decided not to penalise the proposed dividend to be distributed to shareholders due to the portion of non-recurring net profit relating to the resolution of the tax dispute involving adjustments to prior-year taxable income (2014-2018), arising from events that occurred in 2008.

In fact, excluding this item, non-recurring consolidated net profit amounted to 27.2 million euros.

Applying the guidelines of the Dividend Policy to the non-recurring net profit thus adjusted, it is proposed that the shareholders receive a total increased dividend of 16.4 million euros, equal to just under 60% of the adjusted non-recurring component.

It is therefore proposed to the Board of Directors to submit for the approval of the General Shareholders' Meeting the distribution of a dividend calculated on the Bank's net profit for 2022 equal to 1.65 euros per share, made up of: (i) a recurring portion of 1.51 euros and (ii) a portion of 0.14 euros per share related to the adjusted non-recurring net profit.

The proposed dividend provides shareholder remuneration consistent with the Group's sustainable profitability, while also ensuring that the Bank and the Banking Group are adequately capitalised. The above is true both from the perspective of the set of rules known as Basel 3 and the recommendations made by the Bank of Italy and ECB. In fact, the individual and consolidated capital requirements determined on the basis of the content of this proposal are well in excess of the mandatory levels set by Community authorities and the Supervisory Authority.

It should be noted that, if the proposal is approved, **consolidated CET1 ratio and TCR** at 31 December 2022 will amount to **15.7% and 16.9%**, respectively, compared to SREP minimum requirements of 8% and 12.30%, respectively, considering that the additional component of the dividend tied to the sterilisation of the tax component has a very limited impact on capital ratios, estimated at approximately 24 bps.

Pursuant to the Dividend Policy in force, if approved by the General Shareholders' Meeting, the payment will therefore be as follows:

- 1.00 euros per share, ex-date 22 May 2023; record date 23 May 2023, and payment date 24 May 2023;
- 0.65 euros per share, ex-date 19 February 2024; record date 20 February 2024, and payment date 21 February 2024.

The amounts paid will be subject to the ordinary tax regime applicable to dividend distribution.

It should also be noted that any treasury shares the Bank may hold at the record date and outstanding shares for which limits on the distribution of dividends apply under the applicable Remuneration Policies will not be subject to any distributions. The dividends associated with such shares will therefore be allocated to retained earnings.

Lastly, pursuant to Article 6, paragraph 1(a), of Legislative Decree No. 38/2005 currently in force, a portion of net profit for the year corresponding to the capital gains recognised in the Profit and Loss Account, net of the related tax charges and other than those associated with HFT financial instruments and exchange and hedging transactions, based on the application of the fair value criterion, must be allocated to a restricted reserve This reserve is reduced based on the amount of capital gains realised, also through amortisation, or no longer material due to impairment.

At 31 December 2022, the restricted reserve amounted to 1,490,368 euros and must therefore be increased compared to the reserve previously recognised by 158,187.33 euros drawing form the retained earnings reserve, and thus without the need to allocate a portion of the net profit for the year.

Trieste, 8 March 2023

The Board of Directors

Intellectual Capital

Products

In 2022, Banca Generali developed its product range in accordance with the guidelines of its Strategic Plan, responding to the needs emerging from changed market conditions and in line with major market trends, above all sustainability. With regard to the latter, at 31 December 2022 the Bank reported an increase in investments in ESG products, which accounted for 32.2% of total managed solutions. It bears recalling that the reporting scope of ESG products changed at year-end. The analysis was expanded to include all portfolio products falling within the meaning of Articles 8 and 9 of SFDR, whereas the previous reporting scope had exclusively covered the funds pursuant to Articles 8 and 9 of SFDR included in Banca Generali's proprietary platform for ESG solutions.

Asset management

In 2022, Banca Generali continued the process of innovating and seeking solutions suited to meeting its customers' needs, including including sustainability needs.

To provide solutions to market trends and the customers' liquidity management needs, the Bank focused on expanding the Lux IM Luxembourg-based platform, with six new sub-funds under mandate entrusted to important asset management partners.

During the year, the rebranding of the historical BG Selection Sicav — which changed its name to BG Collection Investments — was completed; its range began to be reshaped to meet the specific needs of affluent clients. In addition, new lines of discretionary mandates were launched in response to changed market conditions.

The products of the Luxembourg-based Sicavs managed by BG Fund Management Luxembourg were also developed and revised in 2022, taking into account the growing ESG perspectives and attention to ESG product ranges, bringing the total number of sustainable strategies to 35 (32 within Lux IM and three within BG Collection Investments). The range of portfolio management investment lines, characterised by investment policies that combine the goal of a traditional financial return with social and environmental parameters aligned with the Goals promoted by the United Nations, was further expanded by the addition of the Composite and Composite Plus lines, later renamed Composite ESG 20 and Composite ESG 70, increasing the number of lines that promote environmental or social characteristics to seven.

Mid-June 2022 saw the launch of the **BG Twin Solution**, the remunerated current account linked to an accumulation plan to gradually invest in financial instruments, and the introduction of the initiative to temporarily reduce the minimum mandate thresholds for some BG Solution, BG Solution Special and BG Solution Top multi-line discretionary mandate schemes, so as to provide access to a greater number of customers interested to this type of managed solutions.

BG Collection Investments

As of April 2022, the historic BG Selection Sicav changed into BG Collection Investments, and continued its success as an innovative "fund-of-funds system" under Luxembourg law, with a wide diversification on several levels (instruments, markets, strategies, managers and products).

As of 1 December 2022, 10 sub-funds have been available for active placement, under mandate entrusted to major asset managers with a long track record and differentiated base on their risk profile and equity exposure.

At 31 December 2022, BG Collection Investments had a total of 16 sub-funds, of which 8 managed by BG Fund Management Luxembourg and 8 under mandate entrusted to leading international asset managers. It aims to be an effective instrument to develop the affluent and upper affluent client segment.

Lux IM

Lux IM continues to be a highly innovative and distinctive Sicav both in terms of asset classes and investment themes.

The whole range is structured into six families with specific goals and focus. Specifically, these are:
› the **EQUITY** family, whose goal is to capture the growth trend and which is sub-divided into Global, Specialised-Thematic and Geographical (United States, Europe and Emerging);
› the **BOND** family, whose goal is to seize opportunities and extract value from specialised managers and which is sub-divided by risk level (High, Medium and Low) into Global, Specialised-Thematic, Geographical and Credit;
› the **BALANCED** family, whose goal is to represent the core component of the portfolio while maintaining a moderate risk profile, and which is sub-divided by risk level (Equity max. 30%, Equity max. 30-60% and Equity min. 60%) into Global, Specialised-Thematic and Geographical;
› the **FLEXIBLE** family, whose goal is to manage phases of uncertainty, also with an opportunistic approach, by actively managing the level of exposure to equity markets, is sub-divided into Medium Risk and High Risk;
› the **NON-DIRECTIONAL ALTERNATIVES** family, whose goal is to improve the portfolio's efficiency by adding elements of decorrelation, and which is sub-divided into Medium Risk and Low Risk;
› the **CASH PARKING** family, whose objective is to invest part of cash accounts and/or temporarily invest excess liquidity in order to better manage market timing for portfolio construction.

In 2022, the platform was enhanced with six new strategies under mandate to major international asset managers to better meet the needs of Banca Generali's customers:
› a strategy based on investments in covered bonds and therefore characterised by a low-risk profile;
› a strategy managed with a multi-asset approach and with a major focus on managing volatility and containing drawdowns;
› a global equity strategy managed with a value approach;
› two specialised equity solutions, one focusing on new consumer trends and one with a multi-thematic approach and a focus on technology;
› a flexible strategy that selects quality stocks that comply with the ethical principles of the Catholic Church.

At 31 December 2022, Lux IM had 92 sub-funds, of which 21 managed by BG Fund Management Luxembourg and 71 under mandate entrusted to leading international investment firms.

Open architecture

In line with the aim of constantly improving its level of service, in 2022 the Bank started a review of the funds offered within the open architecture model. Sustainability and the search for new trends were the main guiding elements of the strategy for revising the catalogue, leading to the inclusion of ESG and thematic funds focusing on new generation trends (and high-potential markets).

On the other hand, following the natural increase of asset managers included in the Banca Generali product range as a result of the growth in terms of volumes and AUM in recent years, Banca Generali decided to rationalise its product catalogue, positioning some counterparties in post-sales focusing on fewer players viewed as more significant to the bank for the purposes of its future development goals.

Overall, at 31 December 2022 Banca Generali's retail offer included over 6,000 UCITS, managed by approximately 55 managing companies.

Portfolio management

The process of expanding the range continued in 2022.

Since April BG Solution, BG Solution Top Client and BG Solution Special mandates have included the Dynamic and Dynamic 0-100 lines, management of which is based on a quantitative model that identifies active trends and which is characterised by a high portfolio turnover rate, extensive use of ETFs and an active, dynamic management style.

To take advantage of higher bond yields, with a gradual investment in equity, starting in July three fund-raising periods were opened for the asset management product “Smart Target”, designed to protect capital over ten years through investment in zero-coupon ten-year Italian bonds, and progressive investment in Lux IM equity sub-funds, to a target equity level of approximately 30%.

In October 2022, the portfolio management product range was further expanded to include the three lines:

› Treasury, invested in a diversified bond portfolio, primarily high-quality short-term government and corporate bonds, in view of effective management of corporate customers’ treasury needs;
› Global Bonds, invested in a highly-diversified portfolio of mainly government bonds, selected at the global level, in a period of rising rates;
› Recovery: invested in assets that have deeply discounted market conditions, according to a buy-and-hold approach, to take advantage of the potential recovery of value;
› Balanced Bond: invested for the long term through a diversified asset allocation including equities and bonds, according to an active management approach (benchmark of 70% bonds and 30% equities).

To increase solutions that meet customers’ needs, a commercial initiative to reduce the minimum thresholds per mandate/minimums by line was launched and then extended during the year[81].

In addition, in order to offer customers greater flexibility and increase the ability to offer decorrelation from more traditional investments, and thus greater portfolio risk diversification and potential capacity to consolidate long-term results, the Bank decided to modify its range of asset management services by removing the maximum threshold of 30% allocated to “satellite” lines within BG Solution, BG Solution Top Client and BG Solution Special mandates.

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

Alternative products

In 2022, also given the market conditions and the opportunities generated by the widening of spreads within the corporate bond market recorded in the first half of the year, Banca Generali offered its customers the opportunity to re-subscribe to two target funds previously distributed, namely Muzinich Fixed Maturity 2024 and Muzinich High Yield Bond 2024 Fund.

The distribution of BG Alternative Sicav-SIF, a Luxembourg vehicle promoted by BGFML and operating since 2017, was launched in the second half of 2022 for the Bank’s professional customers only. Specifically, a fund-of-funds under delegated management by UBS Asset Management began to be distributed. It offers access to a portfolio of primarily open, unlisted third-party real estate funds that invest globally in the segment of the real estate sector viewed as being of highest quality (the “core” segment).

With effect from 30 September 2022, BG Alternative Sicav-SIF became BG Private Markets as part of a process of revamping and expanding the product range to include new investment solutions in all alternative asset classes (private equity, private debt, infrastructure and real estate), developed in partnership with the Generali Group and specialised third-party managers recognised at the global level.

With regard to private markets, the distribution of the fund Generali Europe Income Holding (GEIH), promoted by Generali Investments Luxembourg S.A. and managed by Generali Real Estate, continued for Banca Generali’s professional customers only. This is an alternative real-estate fund established in 2015 with a portfolio of over 4.0 billion euros that invests in prime assets located in major European cities and leased to tenants of high standing.

[81] Reduction of minimum thresholds:
- from 250,000 euros to 100,000 euros for some GPM of the Solution Special and Solution Top Client ranges (Relative: Defensive, Income, Moderate, Balanced, Growth, Moderate Global, Global; Dynamic, Dynamic 0-100, Total Return, Active 3, Active 6, Active 9 and Active PLUS);
- for the BG Solution range: reduction of the minimum threshold per mandate from 500,000 euros to 250,000 euros for some GPM (Family Office: Liquid Alternative Equity, Liquid Alternative Multiasset, Beta Defensive Bond, Beta Defensive Equity);
- for the BG Solution Top Client range: introduction of a new minimum investment for GPM Value Approach: 1.5 million euro bond/balanced lines: Euro Bond (vs 4 million euros), Value Conservative, Value Balanced (vs 5 million euros); 0.5 million euro equity lines: Selezione Italia, Global Equity (vs 1 million euros).

Insurance products

With regard to its sustainability-oriented products, and in line with its Strategic Plan, since 7 June Banca Generali has been offering its customers BG Oltre, a whole-life hybrid insurance policy offered mainly to affluent customers, characterised by a small initial minimum investment and the ability to invest in long-term trends relating to sustainability through three internal thematic funds: People, Planet and Digital Transformation. The policy offers the stability of a insurance segregated account for 10% of assets and enables constant monitoring of risk through the modelling of quantitative and qualitative data available to the manager.

The process of revamping the range of third Asset Managers partners included in the investable universe, the hybrid insurance policy, BG Stile Libero continued during the year. This multi-line policy allows up to 40% of the amount of the investment to be allocated to the segregated portfolio, while also taking advantage of the flexibility of investment between the sub-funds of Lux IM and third companies. In addition, in April a commercial initiative was launched to reduce the cost of the LOB III component for two years.

During the year, in order to support net inflows and offer low-risk investment solutions, Banca Generali opened some placement windows for BG Custody, the LOB I traditional policy that invests in the Ri.Attiva BG segregated accounts. The investment was also offered with discounted pricing for the final months of the year to provide an immediate response for investing the considerable cash balances of customers' accounts.

Turning to offerings for HNWI (High-Net-Worth Individual) and UHNWI (Ultra-High-Net-Worth Individual) customers, in 2022, Banca Generali continued to distribute Lux Protection Life, the Generali Luxembourg hybrid private insurance policy designed exclusively for HNWI and UHNWI customers that combines the need for protection with flexibility and customisation and constitutes an efficient succession-planning instrument. In May, the policy was enhanced by expanding both the external funds offered, with the inclusion of new ESG sub-funds, and internal funds offer with the addition of five new profiles managed by Banca Generali. In November, three additional investment profiles were added for dedicated internal funds and the inclusion of a collective internal fund that invests in private markets. Finally, near the end of 2022 a commercial offering was launched that enables customers to reach up to 70% LOB I.

In the fourth quarter of 2022, Banca Generali also concluded a horizontal partnership agreement with First Advisory, a major private insurance broker, for post-sale management of existing policies. This is an additional service available to high-end customers that make it possible to transfer existing policies to Banca Generali and to continue to manage post-sales activity with the Financial Advisor's support. This agreement allows Banca Generali to increase its net inflows and enables its customers to maintain the advantages of the previously subscribed insurance policies.

The reporting period also saw the continuation of the placement of the recurring premium hybrid policy BG Insieme - Progetti di Vita designed to allow customers to celebrate their most important life milestones, thus instilling a strong sense of purpose into investment (e.g., high-school diploma, college graduation, first home purchase, marriage, birth of first child, etc.).

Banking

In order to maintain the high standard of innovation that characterises the entire Banca Generali range, during the year solutions and initiatives were launched to meet the new needs of private-banking customers, generated by a context influenced by, *inter alia*, the sudden increase in interest rates that occurred in the second half of the year. Specifically, the main solutions and/or initiatives concerned:

› **BG Conio**
  In February, the new BG Conio service was released thanks to the partnership with Conio S.r.l., a fintech company that operates in the field of cryptocurrencies as a wallet provider that offers custody, negotiation and reporting, currently with a focus on bitcoins.
  This new service allows customers to buy and sell bitcoins, in total autonomy, directly through their Banca Generali current account using the mobile banking app.

› **Extension of BG Saxo operations for all existing customers**
  - the first half of the year saw the continuation of the programme launched in 2021 to stimulate the upgrade of existing current accounts to the BG Saxo trading platform;
  - in addition, to expand trading offerings, trading in complex product categories such as ETPs and complex bonds was introduced from 1 June through BG Saxo.

› Smart POS

In January, the POS range was renewed with the introduction of technologically advanced terminals, customisable and complete with apps dedicated to the profile (Smart or Premium) chosen by the merchant. They stand out for their small size — they are similar to a smartphone — and can transform from tools for receiving payments to true devices with which to access a wide range of additional services (e.g., daily accounting closures, evaluation of personal positioning compared to competitors in the reference product sector, 7/7 assistance, etc.).

› Pay-by-link initiative

- Banca Generali renewed its commitment, together with its partner Nexi, to support commercial businesses, extending the expiry of the pay-by-link initiative until 31 December 2022.
- Pay by link offers a remote payment receipt service based on the use of links sent by the merchant to the customer. It makes it possible to manage payments without implementing an e-commerce site.

› Nexi Debit Card

- the offer of ancillary current account services has been enhanced with the introduction of an advanced payment instrument, enabled for use with mobile payment devices: the card allows payments via smartphone or smartwatch. Contactless features and the possibility to make e-commerce purchases, the customisation of spending limits and the ability to limit the use of the card for geographical areas or product categories are also guaranteed within the Nexi Pay app. Customers can view their card PIN at any time for 10 seconds, up to 5 times a day by accessing the home banking service and the mobile banking app (as well as the Nexi Pay app). The Nexi Debit card is provided with a free multi-risk policy (medical assistance when travelling, reimbursement in case of theft or loss of luggage or theft of cash withdrawn from ATMs, etc.)

In November 2022, the Bank sent notice of unilateral amendment to current holders of BG debit cards (around 57,000 individuals) to propose that these cards be replaced with the new Nexi Debit card, to be shipped in January 2023. The initiative is aimed at replacing all debit cards in issue, for a total of around 240,000, to provide customers with an advanced payment instrument under the same pricing conditions as apply to BG debit cards. Several waves of mailings are planned, concluding in the first half of 2023. The Bank's decision also arises from compliance with the Mastercard Mandate, with from 1 July 2023 will prevent debit cards from being issued, replaced and renewed within the Maestro payment network.

› Credit card promotional initiatives

- in the first quarter, BG participated in the initiative promoted by its partner Nexi, set to end until the end of the year, involving a prize drawing for customers applying for a new individual or business credit card to incentivise the activation and use of such payment instruments;
- in November, Nexi launched another campaign involving access to discounts for several e-commerce sites for holders of Classic and Prestige credit cards.

› Instant credit transfer service

In March 2022, after some security problems were encountered, the instant credit transfer service was suspended as a precaution. It then resumed in July, with a lower maximum limit on use of the services:

- Daily transaction limit: 5,000 euros;
- Daily transaction limit: 10,000 euros.

› Other initiatives

- From 15 June to 15 December 2022, BG Twin Solution was renewed. This a solution allows customers to gradually invest in the financial markets through an automatic investment plan involving Lux IM funds and that guarantees that the sum subject to the investment plan provides the advantageous return offered by the BG TWIN current account dedicated to the initiative, which differs according to whether this sum consists of an existing balance or new funds transferred to Banca Generali.
- In the first half of 2022 (1 January-30 June), the promotional activity was also extended in the area of the exemption from stamp duty for current and new customers who transfer financial instruments to Banca Generali, in addition to confirming the mechanism for determining the bonus (aimed at rewarding not only the new transfers, but also the assets already included in portfolios). The initiative was renewed in the second half of the year,

with early closure in August when the dedicated funds were exhausted and then reopened for one month starting on 1 September.
- With regard to the mortgage product, the reporting agreement with the Intesa Sanpaolo Group was confirmed.

› **Repurchase agreement initiatives**: in 2022, three initiatives were launched for investing in repurchase agreements with a gross return of 1.50% on an annual basis and a total limit of 385 million euros. The Bank also launched custom initiatives tailored to the specific needs of certain customers for an additional 42 million euros.

Credit Products

› **Real-estate Lombard loan**
Alongside the previous types of Lombard loans, from 22 April 2022 the Banca Generali offer has been enhanced with the real-estate Lombard loan, which allows customers to use the credit granted exclusively to purchase and/or maintain the ownership right on one or more real-estate properties and/or land, constructed and/or planned.
This loan is in addition to the new BG Lombard Immobiliare account, created solely for credit transfer and bank draft transactions for the purchase and/or conservation of real estate and/or land.
As with previous versions of the products, it consists of a credit line composed of line of credit and a linked account. The lender does not rely on the borrower's income or cash flows for repayment, instead lending funds against a pledge of the financial instruments on deposit, a percentage of the market value of which is normally advanced, depending on the type, solvency, currency and negotiability of the instruments.
Its advantages include the opportunity to optimise the return on the assets on deposit, access to additional capital for real-estate needs, without having to liquidate one's assets, and flexible use of the credit facility.

› **Banca Ifis agreement**
In July 2022, a partnership was launched with Banca Ifis to expand corporate advisory offerings in the area of credit services for SMEs, leveraging the products and expertise of a consolidated network of professionals throughout the country.
From a contractual standpoint, the agreement assumes the structure of a referral agreement between Banca Generali and Banca Ifis regarding the following products:
- Factoring: factoring of commercial and tax receivables characterised by a high speed of assessment, personalisation of service and digitalisation of processes;
- SACE/MCC financing: medium-/long-term loans for SMEs backed by a SACE or Mediocredito Centrale guarantee;
- Car leasing: personalised solutions thanks to close collaboration with major automotive industry partners for car, commercial and industrial vehicle leases;
- Tech leasing: operational leasing solutions, with assistance and support throughout the contractual process, focusing on operating and technological assets.

Certificates

In 2022, Banca Generali continued to expand its platform of issuers, optimise costs and pursue innovation of its products and services.

Particular emphasis was dedicated to pre- and post-placement services, which were expanded to include video brochures and secondary market purchasing opportunities available to both Banca Generali's Financial Advisors and customers.

In the first half of 2022, the BG product platform was expanded to include bonds in public offers and private placements. Volumes placed on the primary market in 2022 came to over 700 million euros for certificates and over 200 million euros for bonds. In 2022 BG's HNWI customers continued to show interest in tailor-made solutions in private placement, with 200 million euros placed, amounting to 20% of total volumes in certificates and bonds.

In primary market offerings, it seized all the opportunities created by the market and met a range of customer needs, from defensive solutions such as protected-capital products on ESG indices and conditionally protected-capital strategies based on high coupon yields.

Innovation and Digitalisation to Support the Network, Customers and Business

Services to support the distribution network

Innovation is a fundamental driver to remain competitive on the market and meet the customers' changing needs in order to create value in the long term.

In 2022, within the framework of the advanced advisory service **BG Personal Advisory** several initiatives were carried out to reinforce and further innovate the services offered to Banca Generali customers.

RO4AD, a high-tech wealth management system that monitors advanced advisory portfolios daily, was further expanded with new qualitative suggestions that make it possible to engage in arbitrage between individual financial instruments and/or advise the investment of liquidity, with the goal of creating new opportunities to meet with customers and increase the efficiency of portfolio management.

As part of a process of constant innovation of the instruments available to the distribution network, in 2022 the advanced advisory service BG Personal Advisory also saw an upgrade of its **single administration module** to optimise and further simplify the operational management of portfolios paired with Banca Generali advisory solutions. The changes released in 2022 made it possible to extend the single administration module to shares and bonds (as well as to ETFs), thus allowing management of multiple purchase and sale transactions involving such financial instruments through a single module and with a single signature by the customer (including in fully digital mode), automatically and intelligently orchestrating the execution sequence for individual orders.

The advisory platform BG Personal Advisory was also expanded to include an innovative new business intelligence tool that uses advanced data analysis techniques (semantic text analysis, machine and deep learning, etc.) for automated processing of commercial inputs for Financial Advisors relating to family companies associated with the Bank's customers.

Finally, within the framework of the advanced advisory service BG Personal Advisory the timing of charging customers recurring fees was revised to permit more efficient management of payments associated with the service.

In continuity with the process launched in 2019, Banca Generali also remained committed to reinforcing the advisory range **BG International Advisory**, a service that combines the added value of the investment services offered in Italy by Banca Generali with the opportunity to hold some assets with Cornèr Banca S.A., a Swiss bank authorised to operate in Italy under the freedom to provide services.

The changes made in 2022 involved an **extension of the product catalogue that may be traded as part of the BG International Advisory service to include the UCITS of several major management companies**, making available over 450 UCITS that reinvest profits.

Within the framework of the digital tools available to the distribution network in support of advisory activity, a thorough revamping of **BG Personal Portfolio** was launched in 2022. This tool is dedicated to simulation and analysis of investment solutions capable of supporting traditional valuation metrics of a specific financial nature in the ESG arena, so as to provide customers with an overview of the impacts of their investments on the 17 United Nations Sustainable Development Goals (SDGs).

The new version of BG Personal Portfolio, in addition to aligning the tool to the most innovative user experience trends, also offered major developments in terms of technology and functionality, further increasing the performance of the tool, which can be configured and adapted to suit the specific needs of individual Financial Advisors and their customers.

Among developments affecting BG Personal Portfolio in 2022, mention should also be made of **function changes in support of the traditional approach of a financial nature** (such as the inclusion of the correlation matrix in portfolio analysis, the extension to ten years of the time horizon of back-testing analysis or the introduction of historical market series) and the **ESG approach** (such as the ability to conduct research into financial instruments for ESG contributions as well or to analyse the ESG contribution of individual products for totally personalised time horizons and amounts).

The process of innovation and progressive digitalisation of tools in support of the distribution network also continued in other areas, such as:

- a series of **changes to the Financial Advisor's Portal to enable management** (including in fully digital mode) of requests for personalisation of discretionary mandates and updates of the BG Saxo questionnaire, along with the creation of a new form digitalisation function to manage some types of transactions based on digital signatures with customers simply and quickly. In addition, a series of changes were made to the Financial Advisor's Portal in pursuit of the constant process of innovation and improvement of the functions available to the distribution network (such as the optimisations made to the process for managing succession procedures and the process of upgrading to accounts and securities deposits with BG Saxo RTO service);
- the **launch of the new document search tool** (for forms, contracts, communications, etc.), which can be used to search simply and intuitively for content of interest by entering a few keywords, exploiting advanced natural language understanding and automatic ongoing learning techniques by the engine;
- the **expansion of the range of transactions for which fully digital signatures may be used**, including policy writing operations.

New technologies in service of customers

In line with the 2022-2024 Strategic Plan presented at the beginning of the year, 2022 was a year of **consolidation** of the role of Banca Generali **in the process of digital transformation and enhancement of the digital tools offered to customers** to improve the customer-side user experience and simplify operations in accordance with the highest information technology security standards, while also reinforcing the customer-Financial Advisor relationship.

In 2022, Banca Generali added a new element of innovation by entering the cryptocurrency market. Thanks to the partnership with the fintech company Conio, it expanded the cutting-edge digital services offered contributing to the launch of **BG Conio**. The new service allows customers to buy and sell bitcoins, in total autonomy, directly from their BG current account using the Mobile Banking app. The service, provided by Conio and made available by Banca Generali, allows customers to operate in the cryptocurrency sector while benefiting from a simplified experience, shorter activation times and the security safeguards protecting the bank's mobile services.

Among the digital platforms available to Banca Generali customers, the **Mobile Banking app** is the channel preferred by customers in terms of consultation of their accounts and transactions. In response to increase demand in the digital market, in 2022 a process of upgrading the app was launched to provide customers with the main features most commonly used in home banking, such as the two new digital payment instruments, the simplified F24 tax payment system and special credit transfers for tax relief measures. Changes were also made to the user interface involving the release of a new app background image, displayed on the various panels of the homepage, and designed to raise awareness among customers and introduce them to the world of sustainable investments according to an ESG approach.

The partnership with the provider Nexi was strengthened to provide customers with new services to be used in a fully independent way and on the go using the mobile banking app and home banking. New management tools were thus released for debit, credit and prepaid cards, enabling customers with Nexi cards to download and consult their credit card statements, view the PINs of all their cards to make payments using POS terminals and ATM withdrawals and monitor spending by consulting credit limits and amounts used.

To support customers in the event of need and provide assistance during independent use of digital customer platforms a **new section of the FAQ on home banking and the Mobile Banking app was released**. In this section, all customers can find helpful information concerning: mobile tokens, biometric recognition, digital collaboration, secure codes and much more. In addition, brief videos to be watched at all times and presentations that customers can save to their devices are also available. The page is periodically updated with new subjects in response to support requests from customers and Financial Advisors.

To raise awareness and educate customers to prevent potential fraud attacks during the use of digital applications, during the year significant technical measures were implemented to increase the level of information technology security during the execution of digital payments, such as the instant credit transfer. In order to execute an instant credit transfer transaction, in addition to the customary confirmation via the strong activation active on the customer's profile (mobile token or secure call), all customers must: wait 48 hours from the activation of the service, answer the security questions asked and observe the established daily and monthly maximum limits. In addition, digital communications materials were also published on the sponsorship of the mobile token authentication system (biometric confirmation), which is simpler and faster than secure call (confirmation using an OTP during a call).

In line with previous years and the constant increase in the use of digital instruments by customers of Banca Generali, in 2022 **Digital Collaboration** (the service that allows customers to confirm orders submitted by their Financial Advisors remotely and in a fully digital manner) remains the key element of management of relations between Financial Advisors and customers and has proved a successful service due to an increasingly broad range of investment products and transaction types that may be confirmed simply and quickly using the mobile banking app or home banking. Digital Collaboration is also the digital service that best interprets the Banca Generali's concept of sustainability: during the year, an average of approximately 40,450 transactions were dematerialised a month, for a total amount of 7.4 billion euros.

In 2022, Customer Care, with an operator offered by the Contact Centre to Banca Generali customers, guaranteed optimal service levels. Calls were answered with an average response time of 23 seconds, a further improvement on 2021. Dropped calls were 2.4% on an annual basis, in line with the previous year, and always below the standard KPI of 3%.

As known, customers contact Customer Care for assistance with Internet browsing, for information/assistance relating to passwords and/or access codes, for information and/or transactions involving accounts and support with debit/credit cards.

A group of specialised operators is dedicated exclusively to assistance with the trading platform and management/assistance of BG Saxo Sim customers.

Support to Financial Advisors was managed by the Network Support service.

In 2022, the service received 188,829 inbound calls, up 4.5% on an annual basis, compared to the previous year. Dedicated specialists answered 121,735 inbound calls, whereas 49,676 calls were handled via callback. This feature, launched in 2021, was gradually extended to serve almost all calls, and the number of calls managed increased by 85% on the previous year. The expansion of the use of callback made it possible to reduce response times for inbound calls managed.

The average response time and percentage of dropped calls came to the same levels as in the previous year.

In any event, high-level Financial Advisors are ensured a response time of approximately 40 seconds.

The considerable increase in call volume was influenced by the following factors: an increase in new entries from the network, new products and the release of the related tools and platforms.

CUSTOMER CARE

CUSTOMERS	2022	2021	2020
Total number of calls handled by IVR	392,874	389,528	403,887
Number of calls offered per operator	175,502	181,150	219,017
Response times (seconds)	23''	26"	53''
Percentage of calls dropped per operator	2.40%	2.50%	5.50%

NETWORK SUPPORT CARE

FINANCIAL ADVI-SORS	2022	2021	2020
Total number of calls handled by IVR	277,079	269,348	249,204
Number of calls offered per operator	188,829	180,596	166,913
Response times (seconds)	95''	102''	97''
Percentage of calls dropped per operator	9.20%	9.50%	9.80%

In the case of the Network Support assistance service, response time considers that relating to inbound calls.

For further details regarding the response time for assistance managed in callback mode, refer to the table containing details provided below: despite the increase in callbacks, the average response/callback time remained slightly over 13 minutes, whereas for high-level Financial Advisors the average callback time was slightly over 7 minutes.

FINANCIAL ADVISORS: BREAKDOWN BY MANAGEMENT PROCEDURE

	2022	2021
Inbound calls		
Calls offered	139,113	153,854
Calls answered	121,735	139,244
% of calls dropped/not managed	12.50%	9.50%
Average answer/call-back time	95''	102"
Callback calls		
Calls offered	49,716	26,742
Calls answered	49,676	26,722
% of calls dropped/not managed	0.10%	0.10%
Average answer/call-back time	819''	808"

Internal support processes for company business

Operations

The process of simplifying the operations of key processes that began in previous years continued in 2022, increasing the degree of automation of processing phases, reducing the underlying operating risks and optimising the resources employed. In particular, initiatives related to the digitalisation of forms, which makes it possible to manage some particular customer transaction activities simply and quickly by digital signature, with considerable benefits for the Financial Advisors managing the commercial relationship, and paper dematerialisation relating to the processing of cases by the internal back office, enabling paperless management of activities.

Security

The Security Service function and the BCP has developed various security measures, both in terms of solutions and in terms of awareness and monitoring activities. The main areas of activity aimed at increasing the Bank's security are discussed below.

- **Fraud management:** in 2022 Banca Generali reinforced and perfected the antifraud solution adopted in 2021, i.e. RSA AAoP, an application based on artificial intelligence designed to analyse customer transactions on the basis of historical data. In addition, technical measures were introduced to increase the efficacy and accuracy of the antifraud engine's results. New rules were set for identifying fraudulent transactions and existing rules were perfected. In addition, various rules on instant payments were formulated to ensure customers can operate freely but also that they are duly protected against fraudulent transactions. The above measures eliminated a considerable percentage of the false positives identified by the antifraud engine.

- **Security solutions:** in 2022, the Security and BCP Service continued the process of transforming information technology security by adopting additional measures to reinforce the Bank's security posture. These measures primarily relate to:
  - improving the monitoring and management of security events and incidents (SIEM – Security Information and Event Management, SOC – Security Operations Center e IRT – Incident Response Team);
  - reinforcing the security of endpoints (e.g., encryption, EDR);
  - consolidating the management and protection of data;
  - increasing the awareness of the bank's employees through specific training and workshops (e.g., cloud security for technical experts);
  - identifying the risks associated with critical applications on processes used within the Banca Generali perimeter through two risk assessment campaigns, the Cyber Risk Assessment (CRA) and IT Risk Assessment (ITRA);
  - reinforcing the methods of access and authentication to Banca Generali systems; reinforcing the physical and corporate security strategy.

  Specifically, technical solutions were implemented, such as BitLocker cryptography, external tags for e-mails from outside senders, network access control (NAC), Azure Information Protection (AIP) and multi-factor authentication (MFA) for Office365 for devices used by Banca Generali employees and/or Financial Advisors. Planning for the implementation of measures to improve and further develop existing solutions is currently under way, alongside the introduction of new security measures, such as cloud and remote work security solutions and multi-factor authentication (MFA) measures for VPNs. In addition, the new strategic security plan introduces a series of measures to increase the connection between logical and physical security.
- **Security rules framework:** the process of revising the rules framework are a direct consequence of the implementation of updated security requirements due to projects managed by the Security and BCP Service and the introduction of new activities performed by the Security function. These activities resulted in the revision of processes and procedures for which Security is responsible and the formulation and updating of various rules documents, such as the Security Policy, updated in 2022 and entered into force in September 2022, and the IT Security Circular, approved in April 2022. In 2022, the security regulatory framework was extended to include the following areas:
  - Business Continuity Management: in 2022, the Business Continuity and Disaster Recovery Policy was approved and the Business Continuity Plan was updated;
  - Identity and Access Management: the updated version of the IT User Management and Security Levels Circular is currently being revised, in line with the security measures set by the Parent Company, Assicurazioni Generali;
  - Corporate and Physical Security: policy documents on event security (the Event Security Management Circular) and physical security (Physical Security Management Security) are currently being approved, along with tools for facilitating the assessment of the level of risk associated with an event or a Banca Generali site. An updated version of the Trips and Travel Guidelines is currently being approved. It introduces a platform that assesses the risk associated with trips and travel and the related security measures for each traveller.
- **Security Awareness:** to increase the security awareness of all Banca Generali employees, in recent years the Security and BCP Service developed and implemented an awareness plan. The plan is composed of various activities that aim to provide specific knowledge and expertise and to ensure that fundamental concepts are assimilated to ensure an automatic response to security events. Banca Generali employees participated in two phishing campaigns promoted by the Parent Company in July and December 2022 and an internal Bank campaign (Password Survey) in November 2022.

  Together with the HR function the Security and BCP Service set up a specific course (Security Awareness Workshop) on cyber-security issues and promoted participation in two Security Awareness courses released on the WeLearn platform. Finally, a webinar entitled "Secure Data Management" was organised to raise awareness among Banca Generali personnel on issues of classification, protection and sharing of sensitive information.

Innovation

In line with the process of evolution on which Banca Generali has embarked to become an increasingly "Data-Driven Company", activities relating to implementation and launch of the new Amazon Cloud architecture continued.

Specifically, during 2022 extension of the information dataset available in AWS Cloud was concluded, the Sagemaker Data Analytics environment was prepared, the scope of automated reports available in PowerBI was expanded and, finally, a permanent workshop was set up to ensure greater data autonomy and knowledge for the bank's main structures.

Moreover, a cloud architecture has also been implemented in addition to the existing architecture, resident on Microsoft Azure, the objective of which will be to offer the Bank an experimental environment aimed at the autonomous development of innovative features.

Commercial

On the basis of the results of the project carried out in 2021, three main lines of action for increasing the efficiency of the network assistance model were circulated in 2022:
- **introduction of self services** with the resultant goal of reducing contact centre assistance requests. Current coverage of potential services by already existing self-service channels was analysed, resulting in the identification of new features to be activated in 2023;
- **upgrading of local assistance structures** to include personnel able to provide support regarding highly complex specialised issues and contribute to reducing network response times: the project saw the design of the local support model and the launch of the pilot in Rome;
- **creation of fast-track assistance processes** to shorten response times for assistance requests: the methods of expediting current processes were assessed and the measures to be planned for 2023 were identified.

Administration

In terms of magnitude and significance, it is worth mentioning the following initiatives, requested by the Regulators (automation of BG pricing policy) and proposed by the Parent Company (Group VAT number), respectively:
- automation of Banca Generali's pricing policy through the adoption of Sintea's Galileo platform integrated in the CSE IT system that allows the receipt and evaluation of prices from various providers (Bloomberg, Telekurs, CED Borsa, etc.) to be included in a hierarchical structure of priorities in the supply of the various asset classes; this project was completed, including the operational fine-tuning phase. In 2021, targeted interventions were performed to make the individual phases of the operational process even more efficient;
- adoption of a single VAT number at Assicurazioni Generali Group level with effect from 1 January 2020; this project was completed, including the operational fine-tuning.

Loans

In 2022, all initiatives were aimed at expanding the commercial offering, with the possibility of require new products and partnerships, and in particular:
- Lombard Immobiliare: alongside the previous types of Lombard loans, from 22 April 2022 the Banca Generali offer has been enhanced with the real-estate Lombard loan, which allows customers to use the credit granted exclusively to purchase and/or maintain the ownership right on one or more real-estate properties and/or land, constructed and/or planned;
- Banca Ifis agreement: in July 2022, a partnership was launched with Banca Ifis to expand corporate advisory offerings in the area of credit services for SMEs, leveraging the products and expertise of a consolidated network of professionals throughout the country.

With the aim of increasing the efficiency of internal processes by increasing the degree of automation, reducing operating risks and complying with new laws and regulations, the Bank also added new features to its systems.

Among the changes made to the origination phase, mention should be made to developments relating to the integrated system for managing the electronic lending procedure, and specifically:
- automation of the process of blocking and unblocking pledges;
- automation of the process of certain dating of documentation signed by customers;
- integration of the Decision-Making Authority Questionnaire to automate the identification of the competent decision-maker for lending procedures;
- evolution of the end-to-end platform for managing new credit products/customers.

With regard to **monitoring throughout the ongoing phase**, further measures were taken to ensure ongoing stability of products acquired under pledge from a qualitative standpoint (instrument admissibility), through the integration of operating blocks into the system that prevent the acquisition and/or transfer of inadmissible instruments in pledge relationships.

In addition, in accordance with the Guidelines issued by the European Banking Authority (EBA), **the "proactive" approach to credit management was reinforced** by means of:
- introduction of a strategy model that assesses customers deemed "attractive" through local and sector clusters of reference and the risk level arising from strategic objectives;
- introduction of new KPIs in support of the assessment of creditworthiness, in the origination phase;

- introduction of forward-looking logic in the assessment of creditworthiness;
- introduction of sensitivity analyses designed to assess the impacts of adverse scenarios;
- extension of early warning signs;
- introduction of prioritisation logic in the management of positions (significance of case vs. predictiveness of indicator).

The goal is to ensure high credit quality from origination and prevent risky loans.

Asset management

The main initiatives in the asset management segment in 2022 focused on expanding the range by launching nine new lines to take advantage of the investment opportunities generated by the new market context (increase in sector turnover speed, increase in interest rates, inflation) and the closing of 19 asset management lines in post-sales to optimise the operating activities of management teams.

In addition, an important process of surveying UCITS counterparties was launched and concluded. Through a detailed analysis of open positions at the beginning of the year, conducted in collaboration with the Products Department, financial instruments were disposed for counterparties not deemed suitable and a DDQ initiative was held for active counterparties. On the basis of the new processes governing the approval of new counterparties (Financial Partnership Policy and Investment Process Rules), all authorisation and review procedures were held for active counterparties. Within the framework of the new Fund Selection process, all UCITS in position for asset management schemes (classification by quintiles) were regularised.

Financial Advisor network support activity was intensified, particularly with regard to communication, with the revision of periodic reporting relating to management activity (BG Solution Monthly Focus) and the organisation of meeting opportunities (webinars) for managers to share their perspectives.

Processes for submitting specific customer instructions and personalisation forms were fully automated through the Quiclic platform, with considerable operating advantages for both the network and AM area. The operating risks resulting from the previous manual activity were mitigated.

Legal compliance

In 2022 as well, efforts to bringing organisational processes and the IT system into line with new provisions of law continued. The main changes related to:

- **"IVASS Order No. 111/2021"**: continuation of the compliance update process for the operations of the insurance segment in order to comply with the new IVASS obligations in view of development of systems designed to ensure greater automation and efficiency of controls;
- **EBA Guidelines on the role of the AML Compliance Officer**: updating of the strategic and governance guidelines on anti-money laundering to comply with the new regulations issued by the European Banking Authority (EBA);
- **European provision on the development of sustainable finance** (Regulation EU No. 2019/2088 on sustainability-related disclosures in the financial services sector, Regulation EU No. 2020/852 on the taxonomy of sustainable economic activities, Delegated Directive EU No. 2021/1253 amending Delegated Regulation EU No. 2017/565, Commission Delegated Regulation EU No. 2021/1269 amending Delegated Directive EU No. 2017/593, and all other ESG regulations and laws impacting the Bank's operations): activities were focused on ensuring compliance with existing provisions, continuing the process of formulating operating processes associated with such provisions and formulating subsequent activities as a function of the regulations soon to enter into effect (e.g., ESMA Guidelines on the assessment of suitability);
- **EBA Guidelines on loan origination and monitoring (LOM)**: continuation of the update process, in accordance with the relevant regulatory framework;
- **Revocation by Consob** on 3 February 2022 of **Communication No. 9019104** of 2 March 2009 regarding "The duty of the intermediary fair and transparent behaviour in the distribution of illiquid financial products" and **Communication No. 0097996** of 22 December 2014, "Communication on the distribution of complex financial products to retail customers": analysis of the impacts and resulting inquiries to assess and necessary updates.

During the year, regulatory developments possibly impacting the Bank were monitored, such as the Regulation of the European Parliament and of the Council on markets in crypto-assets (Micar) and the European Commission's Retail Investment Strategy.

Marketing activities

In 2022, Banca Generali developed a series of communication and marketing initiatives to remain constantly close to its customers in a period of major uncertainty, mainly linked to the geopolitical context and the sharp rise in inflation. In addition, the Bank also developed financial education projects to strengthen its positioning as a leader in the investment universe. In this regard, a special section of the corporate website (www.bancagenerali.com/blog) was created with a focus on digital storytelling on the major topic of savings, new developments in this area and the trends that will mark their future, using a simple, clear and direct language. Proximity to communities was also expressed through social channels, which hosted talk dedicated to sustainability with the support of several leading experts in scientific research and innovative projects, who have positively influenced the economy by exploring previously untrodden paths to safeguard the planet and its people. Moreover, the Bank also launched the EduFin 3.0 project, which aims at spreading a positive investment culture among an audience comprised of both younger generations and more mature groups. To this end, Banca Generali collaborated with one of today's most renowned influencer, Marco Montemagno, who developed his content on all main social media platforms.

Brand strategy

Numerous initiatives to support the Bank's vision and mission were launched in line with its private-banking positioning objectives.

For the fourth year, Banca Generali was main partner to Milano Art Week, the week of special art gatherings and events held in Milan, including free admittance to Museo del Novecento, the museum focused on 20th-century Italian art.

Dialogue with universities (CeTIF-UCSC, SDA Bocconi, Politecnico di Milano, Genoa University, Turin University, Sant'Anna Management Institute, Bicocca University, LIUC University in Castel-

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1 Milano ArtWeek
2 Press conference with Marco Montemagno
3 Van Gogh at Palazzo Bonaparte (Rome)

lanza) was also intensified through a series of new partnerships and initiatives focusing on young people as a future source of ideas and projects, in order to build an increasingly informed and responsible new society.

The Bank's values were also disseminated in synergy with the sports world through the organisation of the eleventh edition of Banca Generali's "Un campione per amico" (A Champion for a Friend), the event dedicated to children. Financial education briefs were organised in each stage of the event in collaboration with the FEduF Foundation (funded by ABI, the Italian Banking Association, to promote financial education), and prominence was given to the Generali Group's project "The Human Safety Net".

Media Relations

The year 2022 was filled with events in the relationship between Banca Generali and the media. In the year, the Bank issued 30 institutional press releases (both in Italian and in English), which covered monthly net inflows results, quarterly results, the 2022-2024 Strategic Plan and all main corporate events.

The Chief Executive Officer, the two Deputy General Managers and the main top managers made themselves constantly available to the media in order to increase knowledge of the Bank's distinctive features and help the public understand the main events of general interest.

At the commercial level, on the other hand, communications with the media focused on a constant dialogue on the main product innovations to support customers' wealth protection in a very challenging market context.

Among these, particular attention was paid to the initiatives conveyed through the BG4Real investment solution, which saw the Bank provide an advisory service to the subsidiary 8a+ Investimenti in the selection of investment opportunities to support innovative Italian SMEs or in transactions such as that completed with the company Adore Me. On the other hand, industry media gave ample space to the new products resulting from the restyling of both the Lux IM Sicav range and the new discretionary mandate lines, in which the BG Solution and BG Solution Top Client wrappers have been enriched with six solutions focused on protection. The initiatives carried out locally by the Banca Generali Private network were promptly communicated in the local media, opening windows for dialogue aimed at amplifying the reach especially of social and educational projects.

Banca Generali's commitment to an increasingly sustainability-oriented investment universe was marked by constant communications regarding both the range of ESG investment solutions and the ongoing collaboration with MainStreet Partners. The continuation of the BG4SDGs – Time to Change initiative also falls within the sustainability field. This is a photography project developed together with Stefano Guindani to explore the status of the 17 SDGs of the UN 2030 Agenda. Presented in September 2022, this project analysed 7 SDGs (1, 2, 8, 10, 11, 14 and 17) last year and achieved great media recognition for its unique identity and its innovative features.

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1 Evento O-Fire with Università degli Studi di Milano-Bicocca
2 Un Campione per Amico

Banca Generali's official profiles on Facebook, LinkedIn, Instagram, Twitter and YouTube have been updated daily with information and news regarding all aspects of corporate life. Furthermore, on LinkedIn, the Bank has strengthened its presence also thanks to the direct dialogue developed by its Chief Executive Officer and the two Deputy General Managers.

Communications with customers and the network

During the year, face-to-face communication with Financial Advisors and Customers returned, after the period of restrictions linked to the Covid-19 emergency, enhancing the values of proximity and sharing that are embedded in Banca Generali's DNA: remaining close to professionals and customers, with constant and updated information on business activities and events organised throughout Italy.

In particular, in the first half of the year the commitment focused on conveying and sharing the guidelines and actions planned by the Bank regarding the new three-year Strategic Plan, presented in February to the entire stakeholder community.

With this in mind, a special Roadshow was held in March involving the Bank's entire Financial Advisor network: five subsequent events were organised throughout Italy together with Top Management, dedicated to analysing the growth aspects of the new Plan, at all levels, namely size, profitability and shareholders' remuneration.

A huge focus was given to product innovations, in particular the launch of BG Oltre and BG Collection Investments, as well as all the important technological implementations in the fintech field, including BG Conio, the new feature available on customers' home banking platform for the purchase of Bitcoin, and version 2.0 of BG Personal Portfolio, available to the network for constructing portfolios consistent with customers' risk profiles and objectives.

In September — after a halt of two years — Financial Advisors met in Sardinia at the 2022 Premier League, an event organised so that they could spend a few days together sharing experiences and information on Banca Generali's activities and objectives.

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1 Roadshow

Throughout the year, there was an ongoing commitment to financial education, which saw, in particular, the launch of the EduFin 3.0 initiative: a series of events organised by digital entrepreneur Marco Montemagno with experts from the world of finance, aimed at making all the concepts governing the world of financial markets simple and understandable.

Sustainability continued to be at the centre of communication activities thanks to Stefano Guindani's photographic project: BG4SDGs-Time to Change. Through the digital lens of his camera, the photographer investigated the goals of the UN 2030 Agenda. Again, in the field of sustainability, continuity was given to the cycle of meetings dedicated to the main UN SDGs, through dialogue with leading personalities from the world of culture, science and civil society. The talk shows, transmitted monthly by the "BG Training & Innovation Hub", were recorded and promoted on the Bank's website and social media channels.

With a view to developing an increasingly inclusive and engaging communication plan, Banca Generali's new digital magazine "Protezione e Risparmio" was launched, with weekly insights on current issues and ample space for news relating to social and environmental sustainability. This is a new digital environment that talks about the world of savings, its distinctive features and its changes, to meet everyone's information needs.

The monthly newsletter dedicated to the Financial Advisor network "BG Private Monthly News" has been enriched with a new section on the Bank's local events, providing an update on activities and initiatives through an easy-to-consult calendar.

To combat the increase in the cybercrime phenomenon, a long-term marketing and communication plan dedicated to cybersecurity was implemented, which saw the creation of new tools dedicated to prevention and training, including a targeted e-mail campaign, information and commercial material for all bank branches and operational sites throughout Italy, and a training plan for Financial Advisors[82].

In November, the first event of the "Incontriamoci in Hub" initiative was held, the format in which the Bank's top Managers meet with small groups from the Financial Advisor Network at the Training & Innovation Hub in Milan, to openly discuss all issues related to the profession and business — a concrete way of creating even more cohesion between the Bank and its people.

The Investor Day, which was held on 14 February 2022 at the Generali Tower, was the occasion to present all investors with the guidelines of the 2022-2024 Strategic Plan.

Internal communications

Consolidating internal engagement and the sense of belonging to the BG team by returning to office working thanks to the Next Normal initiatives, promoting the new Strategic Plan, fostering a D&I work environment, maximising knowledge of initiatives and sharing development plans for the future, with a particular focus on sustainability and innovation and with an awareness of the context in which Banca Generali operates: these are the foundations underlying the internal communication activities in 2022.

The year opened with an innovative idea generation initiative, "BG Challenge", which aimed to collaboratively find three concrete answers to the priorities that emerged from the Generali Global Engagement Survey. This initiative led to the development of three projects, namely BG Maps, Welcome to BG and BG Collector, placed at the centre of dedicated communication events, with the direct involvement of the employees who designed them.

Listening to the voice of employees was a key pillar in 2022, so much so that in October the Generali Global Pulse Survey was introduced: a new Generali Group people listening tool that joins the now well-established Generali Global Engagement Survey. The new Survey, which aims to examine specific matters, was presented to employees through a dedicated communication plan that contributed to the achievement of an engagement rate of 86%, up 2% compared to GGES2021.

The main theme of 2022 was the 2022-2024 Strategic Plan, presented in February through a series of videos, news and dedicated initiatives, such as the series of "Strategy Pills" short videos, featuring the Bank's top managers. The cascading of the Strategic Plan's contents was also consolidated at the Employee Meetings.

[82] For further information, see chapter "Human capital: the Distribution Network", section "Training".

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1 InSite
2 Incontriamoci in Hub
3 BG4SDGs-Time to Change
4 Three projects part of BG Challenge
5 The 2022 employees' meeting

The first Employee Meeting was held in June, in Milan and Trieste, and was a special opportunity for face-to-face meetings after two years when these had stopped due to the pandemic. On stage, top managers talked about the Bank's strategy, as well as the new People Strategy. In October, a convention was instead held in hybrid mode, which saw some colleagues physically present, whilst some were connected in live streaming.

The three pillars of the Strategic Plan have also been consolidated through ad-hoc projects and activities carried out for employees. For example, on the InSite portal and BG Lab training platform, all the contents of the EduFin 3.0 project, created in collaboration with Marco Montemagno, were made available, as well as in-depth news on current key issues taken from the Banca Generali Blog "Protezione e Risparmio" (Protection and Savings).

In the field of innovation, Digital Minds[83] was launched in the middle of the year: a structured change management process that aims to enhance six strategic digital skills required to face the digital challenge. The project, which revolves around a series of training activities, was supported by a communication plan and a dedicated app, the Digital Minds App, which made it possible to exploit the potential of gamification.

The BG InSite internal communication portal, with over 178,000 views in the 12 months of 2022, was the main tool for accessing initiatives, activities and communications, as well as utilities and services dedicated to employees. There was also ample space for DEI matters and initiatives, aimed at enhancing Banca Generali's different generations, and a section dedicated to the Next Normal project, supported by ad-hoc communication touchpoints.

The portal also published 12 monthly "Prima Pagina" newsletters dedicated to employees, containing key news about the Bank and the Group. At the end of the year, the new "Benvenuto in BG" (Welcome to BG) newsletter was also launched, presenting the Bank's new recruits through a series of informal videos.

All the communication activities were closely tied to and supported the numerous training initiatives promoted in collaboration with the HR Department and the Business Unit, aiming to maximise engagement and the spread of the strategic messages. Internal communication also amplified the communication initiatives promoted by the Generali Group and the Business Unit.

Ambassadors

The list of ambassadors representing Banca Generali — from skiing and music to cooking — expanded in 2022. Federica Brignone and Guglielmo Bosca were joined by the promising and young Beatrice Sola: these athletes brought the Banca Generali brand to ski slopes all over the world and even beyond. Again in the field of skiing, Martina Vozza, the talented Paralympic skier, was also confirmed among the ambassadors. In particular, Brignone's season saw her compete in the World Cup as the athlete to beat, since she was the holder of the previous year's Cup. This extraordinary success was also at the centre of an ad-hoc advertising campaign in which the Bank wanted to celebrate the success of its historical ambassador and the first Italian skier to win the coveted crystal cup.

Michelin-starred chef Davide Oldani and Conductor Beatrice Venezi, on the other hand, accompanied the Bank in numerous initiatives to promote talent and culture, with a particular focus on two sectors undergoing a strong revival, after being shut down for two years due to the pandemic.

Banca Generali, which has always been attentive to inclusion and to embracing the healthy principles and values related to sport, has also promoted a sports circuit open to all featuring nationwide padel tournaments — the sport of the moment followed by many people —, also with the support of two young talented ambassadors from the Italian national team, Emily Stellato and Lorenzo Di Giovanni.

[83] For further information, see chapter "Human capital: Human Resources", section "People Strategy".

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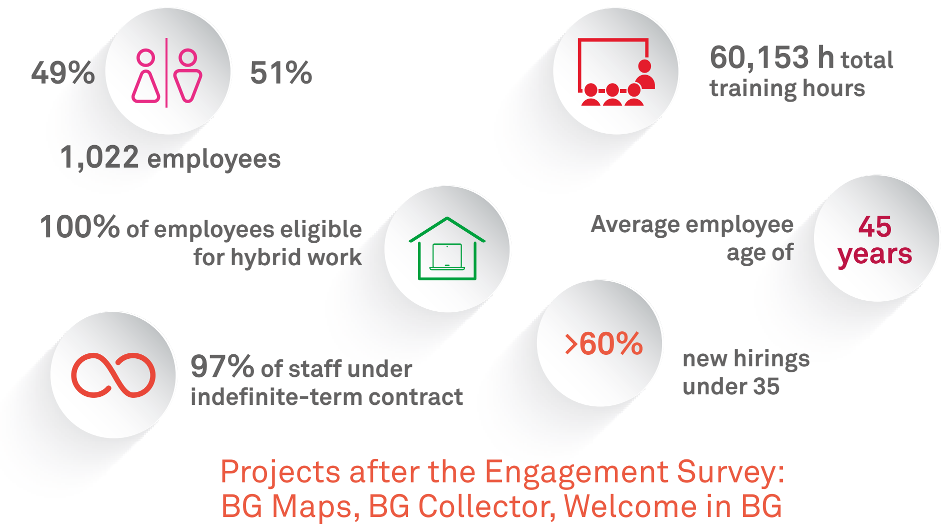
1 Beatrice Venezi
2 Federica Brignone
3 Beatrice Sola
4 Martina Vozza
5 Guglielmo Bosca
6 Davide Oldani
7 Emily Stellato
8 Lorenzo Di Giovanni

Human Capital: Human Resources



The year 2022 was Banca Generali's first year of the new Strategic Plan, which focused on People as a differentiator for achieving the Plan's challenging three-year goals.

Accordingly, in line with its values and the projects carried out in previous years, in 2022 Banca Generali continued to devote close attention to investments in the development, growth and management of its human resources by further consolidating its company culture, founded on shared values, diversity and inclusion promotion and on the need to guarantee the sustainability of the Bank itself in the short, medium and long term.

For the first time in particular, several KPIs relating to the Banking Group's HR management and development policies were made public. The KPIs focus particularly on DEI (diversity, equity and inclusion) matters, young talent enhancement, hybrid working and development of the skills needed for the change defined in the Strategic Plan.

As a result, and consistently with what has been presented to the market, a new **People Strategy** was defined that identifies four priority areas — Culture; Diversity, Equity and Inclusion; Skills; Organisation. This Strategy aims at guaranteeing, on the one hand, the development of a culture based on inclusion and meritocracy and, on the other, the management of new work methods and the development of new competencies, above all with regard to all aspects of digital change.

All the development, training and engagement initiatives that involved the Banking Group's population in 2022 were organised according to these principles.

Specifically, the Banca Generali Group continued to work on the DEI matters as an integral part of the corporate culture, striving to value and recognise the distinctive features of each employee as a strategic lever for value creation.

Uniqueness in terms of age, gender, personality, experience, sexual and emotional orientation, among other things, was the driving force behind the Bank's commitment to providing an inclusive work environment able to support people in best contributing, both at individual and team levels, to achieving the strategic objectives of the Plan.

To turn inclusive policies into action, facilitate work-life balance and build an increasingly fair work environment able to offer equal opportunities to all, based on merit and without discriminations, the Bank defined specific measures such as the activation and implementation of moments devoted to listening to everyone's needs, projects, training initiatives and targeted development paths. Furthermore, DEI values have always been the foundation of all HR processes — from selection, training and management to remuneration and career development policies.

In line with the above, in order to further enhance Human Capital, work on self-empowerment and further boosting job rotation through the job posting channel — which allows every employee to submit his or her candidature for open positions within the Generali Group both for Italian companies and for foreign subsidiaries —, the visibility of vacancies within the Banking Group was increased, thus fostering internal mobility and talent development within the organisation.

Moreover, in 2022 upskilling and reskilling continued through the development of technical and managerial training courses. The use of e-learning platforms and the implementation of virtual classroom activities combined with the return to face-to-face activities made it possible to reach all Banking Group's employees in a widespread and timely manner, confirming the positive trend witnessed also in previous years as regards personnel engagement in training and information activities.

As has been done during the pandemic period, the Bank continued to pay attention not only to the technical-professional development of its people, but also to their private life, in order to best support their work-life balance.

To support the development of a culture based on meritocracy and the enhancement of in-house talent, the Performance Management cycle remained a fundamental pillar. In this first year of the Plan, it brought about the correct cascading of objectives across the entire company population, further confirming itself as a tool for manager-employee dialogue, with a view to continuous development and feedback.

The year 2022 was also the period in which, while the health emergency had partially subsided, the trade union agreement on remote working signed at the end of 2021 was fully implemented. The agreement had introduced the new hybrid working mode, whereby office working and remote working coexist in the management of day-to-day activity and business in general.

This new working model highlighted the need to find a different way of communicating, developing, training and managing human resources. Accordingly, in 2022, an important project started to transition to the new Next Normal model that initially involved the Top Managers and all the People Managers, in order to support this important change of cultural mindset by applying it to the day-by-day work.

In this context, the Banking Group has never stopped paying particular attention to the safety and health of its people. In line with the provisions gradually issued by the Italian government84, it implemented tangible actions for the management of office attendance and events. As in the years of the pandemic, also the post-pandemic context led to the protection of human resources and personal and professional development being identified as two of the main priorities for ensuring business continuity.

In this scenario, the Bank continued to work on the challenges defined in the Strategic Plan, with a view to sustainable growth, accompanied by intense trade union activity, through:

- implementation, through technical roundtables, of the commitments undertaken upon signing of the Supplementary Bargaining Renewal Agreement (CIA) with regard to work-life balance and mortgage, loan and current account concessions;
- finalisation of the Smart Working/Energy Crisis Agreement, which saw the Bank — which has always been sensitive to environmental sustainability and social responsibility issues — adhere to the Generali Group's broad and structured energy-saving plan implemented at the HQ offices, in line with government and EU guidelines.

Again regarding social responsibility, 2022 as well saw the implementation of volunteer activities such as "The Human Safety Net" (THSN), sponsored by the Generali Group, in which employees participate in volunteering initiatives during the working day. In line with the new ways of working, the THSN initiatives were also reviewed and adapted to the new needs, without affecting the passion and involvement of colleagues who have enthusiastically joined the programme.

The year 2022 also ended with the first edition of the Pulse Survey, which aims to gauge the level of engagement of resources more frequently. As for the 2021 Engagement Survey, the 2022 Pulse Survey achieved a high employee response rate, both in terms participation (over 90%) and in terms of engagement score (86%), thus confirming the passion, dedication and sense of belonging of the Banking Group's population.

[84] By way of example: social distancing, use of PPE, flexible working hours, sanitisation of workplace environments.

People Strategy

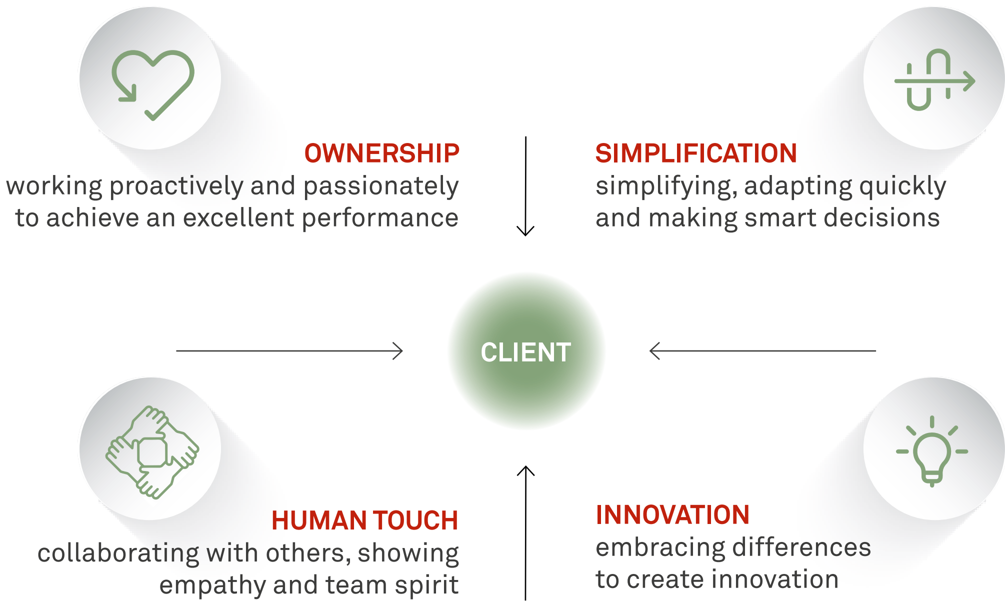
In line with the launch of Banca Generali's new Strategic Plan, presented at the Investor Day held on 14 February 2022, and in accordance with the new business priorities, in 2022 the Bank defined the new BG People Strategy, which sets the Banca Generali Group's priorities and initiatives for the three-year period 2022-2024.

The new BG People Strategy aims to enhance the potential of Banca Generali's people, supporting the new strategy and drawing inspiration from the priorities of the Generali Group and of the Asset and Wealth Management BU. The Strategy is structured along four priority areas, which meet the needs of the Strategic Plan on the one hand, and the new post-pandemic Next Normal environment on the other:
- accelerating the development of a sustainable and meritocratic culture, open to innovation and focused on the centrality of service;
- operating in a working environment that values diversity, ensures equal opportunities and fosters inclusion;
- providing the BG people with the skills needed to facilitate the strategy, with a focus on digital and sustainability;
- enabling the adoption of a sustainable hybrid work model, which combines digital and human relationship, increasingly fostering an effective and efficient organisation.

The behaviours

The Bank's behaviours support the People Strategy on a daily basis and describe how People in the Company conduct their day-by-day activities.

They represent the commitment, as a Group and as individuals, to achieving results, ensuring that all employees can contribute effectively to achieving the Company's objectives.



Based on the four priority areas identified, four pillars have been defined in the 2022-2024 People Strategy:

CULTURE
Promoting a culture based on service quality, innovation, sustainability and meritocracy

DIVERSITY, EQUITY, INCLUSION (DEI)
Enhancing diversity, guaranteeing inclusion and equal opportunities in the work environment

SKILLS
Investing on technical and digital skills to promote the growth of our people

ORGANIZATION
Building an effective organisation that embraces a hybrid work mode, which includes digital and in presence

Culture

Creating a common culture based on the value of People, where each individual feels valued, included and empowered to best face the future. Accordingly, the Bank intends to nurture a work environment that values sustainability, supports people in the new hybrid work mode and is driven by meritocracy in every action. Banca Generali holds a profound conviction that sharing the strategy and the procedures for implementing it is one of the key elements for achieving the goals set in the Strategic Plan e for the Banking Group's sustainable growth.

Work-Life balance, energy and well-being programmes: initiatives dedicated to nutrition, sports and the recovery of mental and physical energy

Banca Generali is engaged in many training initiatives, aimed at pursuing the mental and physical well-being of the employee, not only as a worker but also as a person. Smart webinars are all provided both live and on demand on the internal training platform.

Mental Energy
One-to-one counselling sessions

Nutrition and Sport
Meetings with nutritionist psychologists

Mindfulness
Mindfulness training sessions

Meet The Future
Virtual meetings with business, art and culture experts

The challenges of being parents today
Virtual meetings with a psychologist to face the issues linked to the different phases of development of children and teens

Next Normal and Working Smart

Building on the experience of recent years, Banca Generali supported its population in adopting the Next Normal model based on hybrid, flexible, and sustainable work that maximises people's potential, supports the achievement of strategic ambitions, and generates benefits for all.

The transition to the Next Normal model requires a cultural revolution based on ownership and trust to support sustainable productivity and facilitate the work-life balance.

Banca Generali adopted a series of measures and facilities to improve the work-life balance of its people, such as the training course promoted for People Managers and office employees to consciously approach the Next Normal model.

Training on managerial competencies

MAP2thenew: specific training sessions dedicated to the development of managerial competencies in the New Normal to spread and share a single managerial style

Training for "accompanying"

Working Smart: specific training sessions devoted to the entire company population to accompany them into the New Normal, supporting a new culture of hybrid working

BG Smart Working Guidelines

Focus on the new managerial approach to the Next Normal and subsequent definition and sharing with the People Managers of the **BG Smart Working Guidelines** for best mananging the teams in the new hybrid context. The cascading and sharing project will continue in 2023, with the participation of the entire company population

Digital On-boarding

Implementation of Digital On Boarding sessions dedicated to new employees to provide information and learn about procedures and processes, and the distinctive patterns of behaviour to adopt to become an integral part of the Banca Generali Group.

A coffee with

Meetings open to the entire BG population to learn more about certain Bank areas and projects through "open conversations" with their points of contact and managers, in front of a virtual coffee.

Diversity, Equity & Inclusion

The enhancement of people, diversity promotion and inclusion policies are an essential element of the Bank's People Strategy.

In 2022 as well, the Banca Generali Group reiterated its commitment to **promoting an inclusive culture** through the implementation of initiatives to support a work environment **based on trust, respect and the value of uniqueness**.

Diversity
All that makes us unique and incomparable, including our age, style, gender, cultural background

Equity
The guarantee that the company's processes and programmes enhance the characteristics of each employee

Inclusion
Recognition, understanding, enhancement of resources, by creating a physical and social environment that is fair and welcoming

The workplace **need to be an inclusive**, fair and safe environment, where everyone has access to the same opportunities, feels able to take responsibility, defy bias, and drive transformation by protecting and fostering relationships among colleagues, Financial Advisors, customers, and the community.

In order to promote a culture based on equal treatment between genders and generations, **each HR process** (selection, recruitment, management, career path development and meritocratic approach) has as its driver the **recognition of the value and contribution of each individual**, based on meritocracy and equal opportunities, as evidenced by the achievements made and as reported in the various sections herein.

Diversity

In 2022, the action plans focused on two priorities: **Generations and Gender**.

In fact, these are among the **principles underlying the selection and recruitment processes**, ensuring gender heterogeneity with **at least 25% of female short-listed candidates**, both internal and external (i.e., the gender least represented in the individual selection) and with particular attention also to **under-35 candidates (>60% new hires under 35)**.

In reflecting the diversity of the Company's workforce, **total equality between male and female employees**, particularly at top management level, is preserved and promoted. The Banking Group guarantees equal treatment also in defining career paths and in terms of remuneration (see section "Compensation and Benefits").

Generations

The coexistence of several generations at Banca Generali is considered an asset to be enhanced through mutual collaboration. Everyone has grown up in a social and economic context that has helped to influence their values and characteristics, which guide a different personal and professional approach. Older generations can bring experience, more developed skills, and a strong sense of belonging; younger generations can contribute by showing different dynamism and energy, openness to change and sustainability, and, above all, strong digital confidence.

For the Banca Generali Group, it is important to **create a bridge** between the different **generations** to ensure a **virtuous co-existence between them**, fostering an inclusive culture and the development of talent. The initiatives carried out in this regard in 2022 were:

BG FOREVER YOUNG

June saw the end of the one-year development and training path devoted to a pool of selected young talents and aimed at developing **talent culture while maintaining a high engagement of young people under 35**; particular attention was paid to the activation of a six-month mentoring programme thanks to the valuable support of managers of Banca Generali and the Generali Group.

BGeneration

A series of interactive webinars and talks dedicated to the **four BG generations**, conducted and moderated by representatives of the generation itself, aimed at **raising awareness among the entire corporate population** of the importance of the generational theme, overcome stereotypes and enhance the original contribution of each generation in the Company

BGenerAction

Activities geared towards **listening and analysing** the characteristics of the four generations through **dedicated focus groups**, aimed at collecting and identifying needs and transforming them into initiatives to be carried out in 2023

Gender

In order to enhance female talent and foster the creation of inclusive work environments, a **series of development initiatives** to support empowerment and focused on the Bank's women People Managers were launched in 2022.

BG Impact People

Training for all women People Managers aimed at building and strengthening their own style of leadership, by **creating energy and empowerment**. The course delves into several topics including leadership and archetypal female models, stress management, return to the body and voice.

- Leadership styles and archetypal female models
- Reskilling, upskilling and management of remote teams
- Merit and power
- Leadership and lifecycle
- Stress management and multitasking
- Return to the body and voice

Women Empowerment

Empowerment and "managerial acceleration" to strengthen identity and personal self efficacy. A total of 6 in-presence sessions held from November 2022 to May 2023 for a selected **talent pool of 20 female People Managers**, who also had the possibility to activate individual coaching sessions to concretely define their own development plans.

In support of gender equality and the enhancement of the role of women in society and in the business world, with particular attention also to the new generations, the Bank **signed commitments for the promotion and enhancement of female talent**:

› **Women's Charter - enhancing gender diversity**

The Banca Generali Group is among the signatories of the Charter "Donne in Banca: valorizzare la diversità di genere" (Women in Bank: enhancing gender diversity) promoted by the Italian Banking Association (ABI). In accordance with the principles promoted by the Italian Banking Association, the Bank is committed to enhancing its corporate policies according to the principle of equal opportunities, promoting an inclusive work environment, open to all the values of diversity, strengthening its processes to promote gender equality and full female participation at all levels of the Company.

› **Women&Tech - Association for Women and Technology**

This is a network of companies and people who pool their skills to realise women's potential in innovation with the goal of promoting projects and actions against gender stereotypes and discrimination. The Bank's support has developed through the availability of some female BG Managers in mentoring activities in favour of young professionals, organised by the association.

› **WEPs (Women's Empowerment Principles)**

The Banca Generali Group is a signatory of the Women's Empowerment Principles. These UN principles set out the business guidelines on which to base tangible actions for gender equality and female empowerment. According to these principles, companies commit themselves to promoting gender equality and to ensuring, with transparency, professional development, safety, well-being and health for all women and men workers.

Equity

The Group's ongoing commitment to the **elimination** of the **pay gap** is reflected in an **integrated approach** that includes actions focused on remuneration policies and broader initiatives, which reflect the skills, abilities and professional experience of each employee, thereby ensuring the application of the principle of equal opportunities. The objective is to pursue fair pay without distinction of age, gender, sexual orientation, marital status, religion, language, ethnic or national origin, physical or mental disability, pregnancy, maternity or paternity status including adoptive parent status, personal beliefs, political opinions, trade union membership or activity.

To promote a culture based on equal gender treatment and equal pay, Banca Generali participates in and supports the Generali Group's project aimed at identifying the **Gender Pay Gap**[85] and the **Equal Pay Gap**[86], instrumental to the development of specific measures to mitigate the gaps identified, with the aim of gradually reducing them. The mitigation actions include initiatives aimed at positively influencing gender balance and equal pay, in line with the objectives defined by the Group's strategy and with the promoted values of diversity and inclusion (for further information, see section "Compensation and Benefits").

Inclusion

Spreading an inclusive culture is a key element of the Banca Generali Group's DEI strategy and translates into training, communication and awareness-raising initiatives for all people, at all organisational levels.

The culture of inclusion starts from the top, with the involvement of all the top managers in a **training path and managerial discussion** on **Inclusive Leadership** and the **Next Normal** model, which will be gradually extended to all the other managerial levels (as mentioned in section "Next Normal and Working Smart").

There are also many **listening initiatives** that involve, through dedicated focus groups, the entire corporate population with the aim of understanding their perceptions and needs, providing valuable insights for the definition of Group's inclusion action.

In 2022 as well, the many initiatives carried out in the areas of **well-being and work-life balance**,

[85] Understood as equal treatment in terms of the pay gap between women and men throughout the organisation, regardless of the job.
[86] Understood as equal pay in terms of the pay gap between men and women for the same job or jobs with the same value, calculated using a specific statistic model based on regression.

starting from the recognition of the needs of different population groups, fostered the consolidation of a highly inclusive work environment (for further information, see section “Compensation and Benefits”).

Moreover, as Banca Generali has always considered the **physical safety of its workers** to be a priority, it constantly guarantees **working conditions in a safe, healthy environment**, in accordance with applicable laws on the protection of occupational health and safety.

Group Company buildings are subject to constant checks to ensure compliance regarding **specific architectural constraints** and **the need to provide all employees with suitable workstations**. For instance, at the HQ offices, parking spaces are guaranteed in the immediate vicinity, reserved for differently abled people or employees with significantly reduced motor ability[87], in addition to workstations designed for specific needs (for further information, see section “Health and Safety in the Workplace”).

With regard to disabilities, this year as well, on the occasion of **the International Day of persons with disabilities**, the Banca Generali Group participated in the **Embrace Your Abilities | Be All Of You** initiative, a webinar that, thanks also to the testimony of a differently abled basket player, made it possible to discuss the theme of disability.

Skills

Banca Generali provides people with the knowledge and tools they need to continue to grow and succeed in the new digital environment, supporting strategic business priorities in a sustainable way, through upskilling and reskilling, with a focus on digital, technical, business and behavioural skills.

Digital Minds – Digital and Innovation Transformation Programme: competence mapping, training and participation in specific projects

Digital skills are and will be key to achieving new business challenges, and to this end the Banca Generali Group’s entire population will be involved in a programme aimed at developing and strengthening digital skills in the three-year period 2022-2024: *Digital Minds*.

The project started with the Digital Awareness Survey, a self-assessment of defined core competencies, as a result of which each employee received a personalized report describing their profile. At the end of the mapping phase, the training across the six competencies follows (AI, blockchain, cyber security, advanced analytics, fintech, experience design).

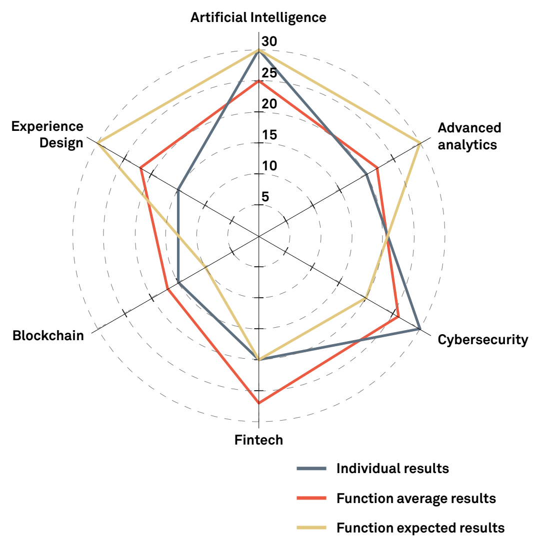
Training will continue throughout to 2024, and digital innovation projects will be defined and implemented for the benefit of all structures.

Digital Minds

Self-Assessment on 6 key digital competencies: IA, Blockchain, Cybersecurity, Advanced Analytics, Fintech. Experience Design.

Personalised report (Investigator, Explorer, Innovator) and representation of one’s own profile with respect of one’s own function..

Training on the 6 digital competencies, based on the role and profile identified, and **Digital Projects**.



[87] Including temporary disability or on the indication of the competent company's physician.

Sustainability insights at Banca Generali

Sustainability is one of the three pillars of the 2022-2024 Strategic Plan and, in line with its Vision and Mission, Banca Generali set for itself tangible and ambitious sustainability targets.

To support the achievement of these objectives, a path has been structured, dedicated to all employees, to raise awareness of ESG world called *Banca Generali and Sustainability*. This initiative focused on topics such as sustainable finance, sustainable investments, Banca Generali's environmental commitment and the Bank's ESG initiatives, to name but a few.

Key features

- The percentage of employees involved in initiatives linked to **digital and/or sustainability-related topics was in line with the three-year target of 70%**.
- At 31 December 2022, **99%** of people were involved in **digital training courses** and **46% in ESG training activities**. The Bank's initiatives in these two field will continue throughout the 2023-2024 period.
- **Specific Projects:** in 2022, around **one third of human resources** was involved in **specific digital, innovation and/or ESG projects**.

Organisation

To support an agile, effective and efficient work environment, where people can work at their best, Banca Generali has planned an **organisational review in line with the Strategic Plan** through, on the one hand, the implementation of new ways of working and collaboration and, on the other, the introduction of tools and initiatives to make interaction, knowledge exchange and professional enrichment more flexible and agile.

Cross functional projects

To strengthen the cross-cutting relationships between the different structures of the Banca Generali Group and to pool the experience and expertise of different organisational functions, thereby ensuring innovation from different mindsets and enabling shared results to be achieved, within the activities provided for in the People Strategy, particular importance is given to cross-functional projects.

Among these projects, the organisation's **micro-internships** are particularly interesting. The Banca Generali Group's employee can activate micro-internship programmes with other corporate functions within their development plan.

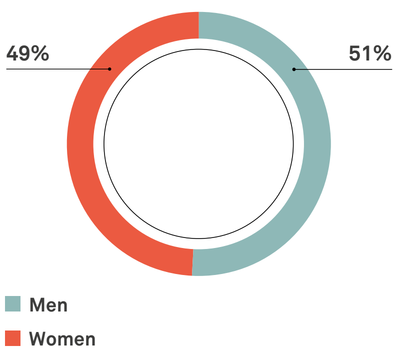
The programme is aimed at:
- breaking down the boundaries between functions in favour of a broader cross-functional perspective;
- improving knowledge among teams and understanding of activities in the different business areas;
- gathering new suggestions to improve the effectiveness of processes and activities;
- encouraging dialogue between employees at different facilities.

Next Normal: process revision for a new hybrid work model

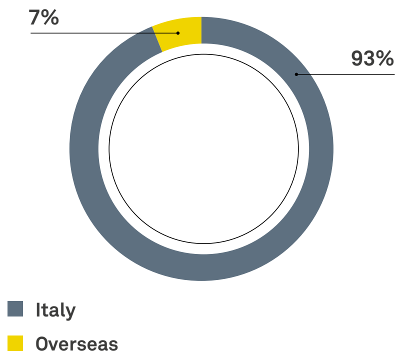
To seize all the opportunities offered by the Next Normal model, the Bank moves towards a hybrid work model, in which the Banca Generali Group's people will have more flexibility, greater accountability in the achievement of results and a better work-life balance. This will also be possible by improving employees' digital experience, which will allow them to manage their work seamlessly, even remotely, ensuring results and People engagement.

Number and Type[88]

EMPLOYEES BY GENDER



EMPLOYEES
BY GEOGRAPHICAL AREA



EMPLOYEES BY TYPE OF CONTRACT AND GENDER

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOM-EN	MEN	TOTAL
Indefinite-term contract	488	503	**991**	464	485	**949**	456	469	**925**
Fixed-term contract	14	17	**31**	19	18	**37**	14	23	**37**
Total employees	**502**	**520**	**1,022**	**483**	**503**	**986**	**470**	**492**	**962**

Following the internationalisation projects launched in previous years, the number of employees reported a net increase of 36 compared to 2021.

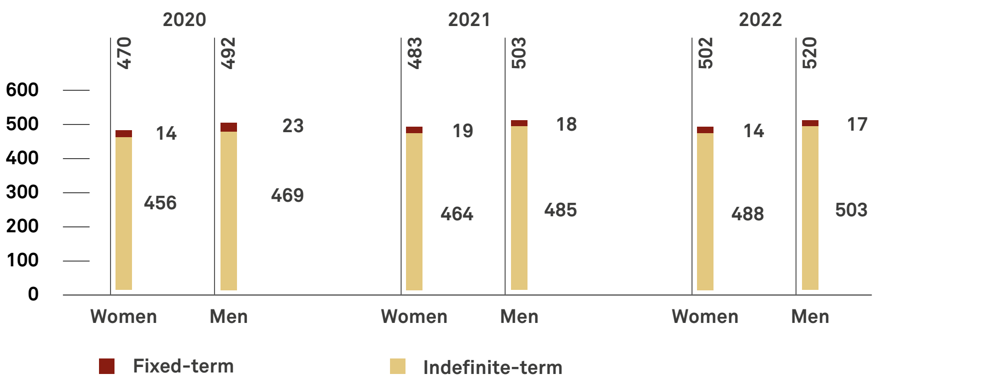
In detail, at the end of 2022 the number of indefinite-term employees rose by 42 compared to 2021, whereas the number of fixed-term employees declined by 6.

Headcount reported an overall net increase in the 2020-2022 of 60, confirming the Banking Group's commitment to strengthening and consolidating indefinite-term employees. The increase also includes 49 contracts transformed from fixed- to indefinite-term (of which 38 in 2022 and 11 in 2021), in order to both cover new positions and to replace staff who have left previously. Where possible, the Banking Group's policy is geared towards strengthening employment relationships with a view to enhancing the potential of young people and maintaining an innovative mindset.

In order to enable young people to reach their potential and quickly acquire more technical skills, they are also supported by individual and collective development paths and high-level training courses offered by the Bank.

[88] The number of employees is calculated based on the Headcount (HC) methodology and data presented refers to 31 December of each year (YE).

EMPLOYEES BY TYPE OF CONTRACT AND GENDER



The percentage of workforce under indefinite-term contract at year-end 2022 was 97%, up compared to previous years (96% in 2021 and 2020).

EMPLOYEES BY TYPE OF CONTRACT AND GEOGRAPHICAL AREA – HC YE

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL
Indefinite-term contract	918	73	**991**	886	63	**949**	872	53	**925**
Fixed-term contract	29	2	**31**	36	1	**37**	37	-	**37**
Total employ-ees	**947**	**75**	**1,022**	**922**	**64**	**986**	**909**	**53**	**962**

93% of the Banking Group's employees worked within the Italian territory, whilst the remaining 7% was based in Luxembourg and Switzerland[89] (6% in 2021 and 2020).

EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Full-time	455	518	973	432	498	930	418	487	905
Part-time	47	2	49	51	5	56	52	5	57
Total employees	**502**	**520**	**1,022**	**483**	**503**	**986**	**470**	**492**	**962**

Part-time employees accounted for 5% of the total (6% in 2021 and 2020). Those choosing to work part-time are mainly employees with specific physical needs.

EMPLOYEES BY TYPE OF EMPLOYMENT AND GEOGRAPHICAL AREA

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL
Full-time	901	72	**973**	872	58	**930**	858	47	**905**
Part-time	46	3	**49**	50	6	**56**	51	6	**57**
Total employees	**947**	**75**	**1,022**	**922**	**64**	**986**	**909**	**53**	**962**

[89] Employees based in Italy in 2022 include one employee who was hired in Italy under an indefinite-term contract and then seconded to Luxembourg from 2021 to 2022.

EMPLOYEES BY PROFESSIONAL POSITION AND GENDER: BANCA GENERALI S.P.A.

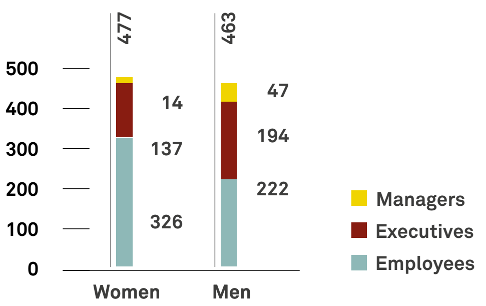
	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Full-time	432	462	**894**	412	452	**864**	397	449	**846**
Part-time	45	1	**46**	49	1	**50**	50	1	**51**
Total employees	**477**	**463**	**940**	**461**	**453**	**914**	**447**	**450**	**897**

EMPLOYEES BY PROFESSIONAL POSITION AND GENDER

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	18	55	**73**	16	51	**67**	15	50	**65**
Executives	141	220	**361**	131	206	**337**	118	203	**321**
Employees	343	245	**588**	336	246	**582**	337	239	**576**
Total	**502**	**520**	**1,022**	**483**	**503**	**986**	**470**	**492**	**962**
Percentage	**49%**	**51%**	**100%**	**49%**	**51%**	**100%**	**49%**	**51%**	**100%**

The Group's ongoing commitment to eliminating the pay gap is reflected in an integrated approach that includes measures focused on remuneration policies (presented in section " "Compensation and Benefits") and broader initiatives, aimed at providing effective support to women in accessing career opportunities and in their career paths. This commitment is confirmed by the percentage of women who serve in positions of responsibility (Managers and Executives), which rose to 37%, compared to 36% in 2021 and 34% in 2020. 68% the Employee category is made up of women, down slightly compared to 2021 (70%) and 2020 (72%).

EMPLOYEES BY GENDER AND PROFESSIONAL POSITION



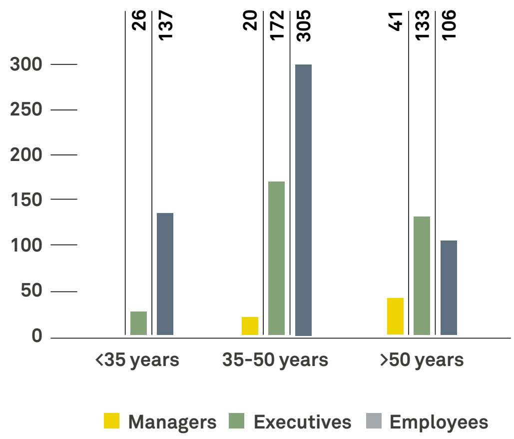
EMPLOYEE BY PROFESSIONAL POSITION AND AGE[90]

	31.12.2022 (HC YE)				31.12.2021 (HC YE)				31.12.2020 (HC YE)			
	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL
Managers	-	24	49	**73**	1	24	42	**67**	-	22	43	**65**
Executives	27	190	144	**361**	22	175	140	**337**	19	174	128	**321**
Employees	155	321	112	**588**	145	342	95	**582**	149	344	83	**576**
Total	**182**	**535**	**305**	**1,022**	**168**	**542**	**277**	**986**	**168**	**540**	**254**	**962**
Percentage	**18%**	**52%**	**30%**	**100%**	**17%**	**55%**	**28%**	**100%**	**17%**	**56%**	**26%**	**100%**

[90] In representing the distribution of staff by age group, it was chosen to set the first threshold at 35 years instead of 30, as had been done in previous Annual Integrated Reports. This decision was made with a view to developing an as consistent as possible disclosure with the objectives defined in the Bank's Strategic Plan (and therefore, those disclosed to the market and investors), including the target of at least 50% of new recruits made up of under-35 professionals.

At year-end, workforce's average age was 45 (Managers' average age was 53, that of Executives was 48, whereas that of Employees was 42).

EMPLOYEES BY AGE AND PROFESSIONAL POSITION



PROTECTED CLASSES BY PROFESSIONAL POSITION AND GENDER[91]

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	-	**-**	1	-	**1**	1	-	**1**
Executives	2	3	**5**	2	3	**5**	2	2	**4**
Employees	24	19	**43**	24	20	**44**	24	20	**44**
Total	**26**	**22**	**48**	**27**	**23**	**50**	**27**	**22**	**49**
Percentage	**54%**	**46%**	**100%**	**54%**	**46%**	**100%**	**55%**	**45%**	**100%**

PROTECTED CATEGORIES BY PROFESSIONAL POSITION AND GENDER[92]: BANCA GENERALI S.P.A.

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	-	**-**	1	-	**1**	1	-	**1**
Executives	2	3	**5**	2	3	**5**	2	2	**4**
Employees	24	19	**43**	24	20	**44**	24	20	**44**
Total	**26**	**22**	**48**	**27**	**23**	**50**	**27**	**22**	**49**
Percentage	**54%**	**46%**	**100%**	**54%**	**46%**	**100%**	**55%**	**45%**	**100%**

The Banca Generali Group will continue to focus on the enhancement of human resources, attention and commitment towards collaborators, respect for human dignity, freedom and equality, and equal opportunity in the workplace and on career paths, without any kind of discrimination.

According to this approach, any confirmed episodes of discrimination could give rise to disciplinary charges and penalties. However, in 2022 there were no such events or circumstances to report.

[91] The figures provided in the table are consistent with the criteria adopted when preparing the reports to the competent bodies. The "protected categories" include all staff with disabilities and employees featured on the list of protected categories.
[92] The figures provided in the table are consistent with the criteria adopted when preparing the reports to the competent bodies. The "protected categories" include all staff with disabilities and employees featured on the list of protected categories.

Finally, in line with the aforementioned principles of inclusion and gender equality, the Banca Generali Group ensures full respect of fundamental human rights, in accordance with its internal Policies. In light of the nature of the Company's business and the location of the operations undertaken, no transactions subject to auditing or human right impact assessment were performed during the period.

To carry out its activities, the Banking Group sometimes uses temporary staff to deal with peak workloads or specific projects.

EMPLOYEES WITH A ZERO-HOUR CONTRACT BY GEOGRAPHICAL AREA

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL
Temporary contracts	-	1	**1**	4	1	**5**	-	2	**2**

EMPLOYEES WITH A ZERO-HOUR CONTRACT BY GENDER

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Temporary contracts	1	-	**1**	1	4	**5**	2	-	**2**

With reference to staff turnover, the tables below show the changes in onboarding and offborading employees and the related percentage rates.

ITALY – 2022 TURNOVER

	ITALY								
	WOMEN				MEN				
2022	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Number of employees	86	271	125	**482**	78	231	156	**465**	**947**
No. of hirings	35	6	-	**41**	35	10	5	**50**	**91**
No. of terminations	9	5	12	**26**	25	7	9	**41**	**67**
Percentage of hirings [93]	41%	2%	-	**9%**	45%	4%	3%	**11%**	**10%**
Turnover rate[94]	10%	2%	10%	**5%**	32%	3%	6%	**9%**	**7%**

ITALY – 2021 TURNOVER

	ITALY								
	WOMEN				MEN				
2021	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Number of employees	70	282	115	**467**	83	226	146	**455**	**922**
No. of hirings	29	8	1	**38**	37	4	1	**42**	**80**
No. of terminations	18	4	5	**27**	26	6	7	**39**	**66**
Percentage of hirings	41%	3%	1%	**8%**	45%	2%	1%	**9%**	**9%**
Turnover rate	26%	1%	4%	**6%**	31%	3%	5%	**9%**	**7%**

[93] The hiring rate in this table is calculated as the ratio of newly-hired personnel to total personnel at the end of the reporting year.
[94] The turnover rate is calculated as the ratio of terminations to total headcount at the end of the reporting year.

ITALY – 2020 TURNOVER

	ITALY								
	WOMEN				MEN				
2020	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Number of employees	71	282	103	**456**	86	231	136	**453**	**909**
No. of hirings	31	5	1	**37**	44	7	1	**52**	**89**
No. of terminations	19	10	3	**32**	25	7	6	**38**	**70**
Percentage of hirings	44%	2%	1%	**8%**	51%	3%	1%	**11%**	**10%**
Turnover rate	27%	4%	3%	**7%**	29%	3%	4%	**8%**	**8%**

ABROAD – 2022 TURNOVER

	ABROAD								
	WOMEN				MEN				
2022	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Number of employees	5	7	8	**20**	13	26	16	**55**	**75**
No. of hirings	2	2	3	**7**	5	5	7	**17**	**24**
No. of terminations	-	1	2	**3**	2	5	2	**9**	**12**
Percentage of hirings	40%	29%	38%	**35%**	38%	19%	44%	**31%**	**32%**
Turnover rate	-	14%	25%	**15%**	15%	19%	13%	**16%**	**16%**

ABROAD – 2021 TURNOVER

	ABROAD								
	WOMEN				MEN				
2021	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Number of employees	4	6	6	**16**	11	27	10	**48**	**64**
No. of hirings	1	2	1	**4**	6	3	1	**10**	**14**
No. of terminations	1	1	-	**2**	1	-	1	**2**	**4**
Percentage of hirings	25%	33%	17%	**25%**	55%	11%	10%	**21%**	**22%**
Turnover rate	25%	17%	-	**13%**	9%	-	10%	**4%**	**6%**

ABROAD – 2020 TURNOVER

	ABROAD								
	WOMEN				MEN				
2020	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Number of employees	5	4	5	**14**	6	23	10	**39**	**53**
No. of hirings	1	-	-	**1**	1	1	-	**2**	**3**
No. of terminations	1	2	-	**3**	2	2	3	**7**	**10**
Percentage of hirings	20%	-	-	**7%**	17%	4%	-	**5%**	**6%**
Turnover rate	20%	50%	-	**21%**	33%	9%	30%	**18%**	**19%**

It should be noted that turnover figures include not only hirings and terminations for fixed-term contracts (including replacements for maternity leaves), but also transfers to and from other companies within the Generali Group.

In 2022, the Banca Generali Group's hiring ratio was 11%, up compared to previous years (10% in 2021 and 2020).

Testifying to the Banking Group's willingness to pursue sustainable growth by investing especially on younger generations, the highest rate of new recruits was reported for personnel aged under 35 (67%), followed by personnel aged between 35 and 50 (20%).

Regarding the sustainability-related areas for intervention envisaged in the **2022-2024 Strategic Plan**, it should be noted that the expectation is for more than 50% of new **hires to be in the under-35 age group**. Considering exclusively the number of hires from the market made in 2022 (110 overall[95]), with the exception of the resources hired to replace staff absent for various leave, as these tend to remain in the workforce only for a short period of time (11 overall), the number of hires was 99, of which 64 related to personnel under the age of 35. The rate amounted therefore to **65%**.

In 2022, 42% of hirings were women; of these, 77% were under 35.

The rate of new hires shows how the Banking Group has been able to adapt to the new operating methods adopted during and after the health emergency. With a view to continuous improvement and the pursuit of excellence, in 2022 the practice of carrying out first interviews remotely through the use of digital channels was maintained in the selection process. The consolidation of this process into the selection procedure made it possible to be faster and to be able to scrutinise a greater number of candidates with a structured interview, thus achieving highly qualified selection shortlists.

In the Talent Acquisition processes for under-35 professionals, the Bank applies several tools to ensure brand visibility and appeal: dedicated events specifically developed through joint ventures and sponsorships, such as EduFin 3.0, a financial education project developed in collaboration with Marco Montemagno, a renowned influencer who has ensured brand visibility on major social networks or the participation as sponsor in the "Sustainable Investment Challenge 2022" event, held at Politecnico di Milano. This was in addition to the social network channels (e.g., LinkedIn) that the Top Managers used to disseminate business content. Initiatives such as those described above allow Banca Generali to be recognised as a dynamic brand, which is digitally oriented and projected into the future, attracting new generations.

In addition, the Bank also attended the Career Days at the main Italian universities in collaboration with the other Group companies so as to maintain a direct dialogue with young talent.

Furthermore, to ensure speed, focus on content and rapid feedback to candidates, a highly digitised candidate selection process was implemented, which provides for the first contacts to be made through digital collaboration and assessment platforms, fully in virtual mode.

With regard to terminations, 37% of them related to women (41% in 2021 and 44% in 2020). 48% of the women who left employment were over 50. It should be noted that terminations included 2 resources (1 man and 1 woman), who were excluded from the Banking Group's scope in January 2022 following the disposal by Banca Generali S.p.A. of the controlling stake in Nextam SIM to third-party investors.

Training and Development of Human Capital: the Continuous Growth of Skills

60,153
TRAINING HOURS
(**+9.1%** VS 2021)

2022 was once again characterised by the central role of the People who contribute, day after day, to Banca Generali's successes.

Banca Generali promotes training activities for its people as a fundamental element to ensure their constant development. Training programmes are dedicated and reserved to the entire company population (including part-time employees, employees with fixed-term contracts, interns).

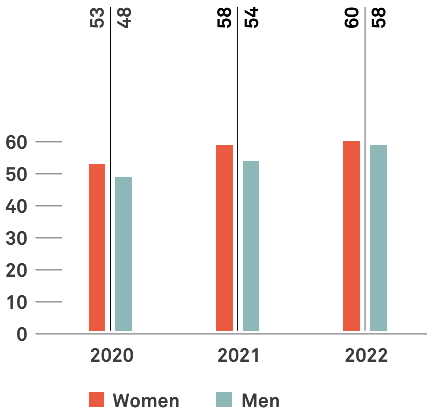
Paths have therefore been implemented to encourage the evolution of talent, the enhancement of passions and personal attitudes and the development of new skills.

[95] As mentioned above, out of the 115 hirings made overall and reported in the tables, 5 were intra-group hirings.

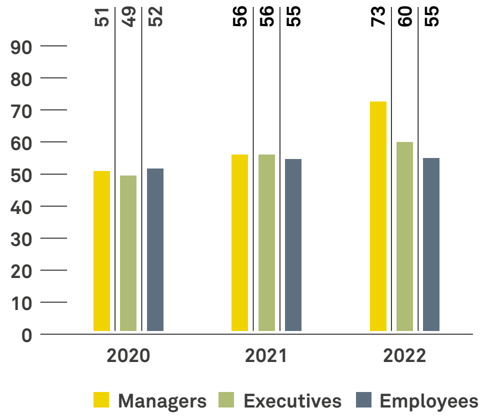
In 2022, a total of 60,153 training hours were provided (55,145 in 2021 and 48,805 in 2020), of which 1,044 hours were targeted to young interns.

In line with the previous years' trend, the amount of average training hours received by each employee increased to reach 59 in 2022.

AVERAGE TRAINING HOURS PROVIDED



AVERAGE TRAINING HOURS PER PROFESSIONAL POSITION



AVERAGE TRAINING HOURS BY GENDER AND TYPE OF EMPLOYMENT[96]

	31.12.2022	31.12.2021	31.12.2020
Average training hours by employee	59	56	51
Average training hours by woman	60	58	53
Average training hours by man	58	54	48
Average training hours by Manager	73	56	51
Average training hours by Executive	60	56	49
Average training hours by Employee	55	55	52

These figures bear witness to the focus by the Bank on issues relating to development and continuous updates of employees' technical and managerial skills, preserving conviviality and developing a strong sense of belonging to the Banking Group, stimulating individuals' desire to grow and fostering the creation of a positive work environment marked by high engagement, facilitating relationships of trust and increasing people engagement.

Training, professional updating and exchange of knowledge are cornerstones of change and development: in addition to supporting the new Next Normal hybrid way of working — achieved through specific training for both People Managers and employees — the digital skills development project — structured with Digital Minds — as well as well-being initiatives and numerous awareness activities for the population on DEI issues, the Bank provides rolling training courses and initiatives involving the entire population throughout the year.

[96] The 2022 consolidation scope included the whole Banca Generali Group.

The year 2022 thus saw a continuation of the training initiatives that are now essential for the constant growth of the skills of the entire population.

- **Regulatory/Safety Training**, to make the Bank sustainable in the long-term and protect its employees and the organisation.
  Training and updating activities on regulatory issues continued throughout 2022. The activities of this cluster included the certifications (e.g., annual MIFID II certification) and training (initial training or updating), related to both legal and security matters.
- **Training to develop technical skills**, to continue to ensure a widespread technical leadership within the Organisation and competitive on the market.
  The focus of 2022 was on the training courses dedicated to the mass introduction of the Power BI tool, linked to data representation and analysis, and to the introduction of RPA systems, used to automate the performance of repetitive operational functions in work, in order to accelerate digital transformation in Banca Generali.
- **Training aimed at developing managerial and behavioural skills**, to support people in the major strategic changes and build a unique managerial style.
  In 2022 as well, during the performance management process, the entire Banking Group population enjoyed access to a dedicated training and development catalogue, “Development Linked to Performance”, based on the organisation’s strategic needs and aimed at defining annual individual development plans (IDPs).

Training and Development of Human Capital: Procedure for Evaluating Human Resources

A company’s success is based on constant development of the people that comprise it. The Banca Generali Group has a long track record of performance management, which has always been a key element of the relationship of trust between staff and their managers.

The Group Performance Management (GPM) seeks to involve and motivate all Banca Generali employees to achieve important objectives, promoting constant professional development and a culture of excellent performance. The initiative also seeks to ensure that all employees receive structured feedback on their performances and are able to formulate individual professional development plans through transparent, open dialogue.

The process, which was managed remotely also in 2022, consists of 4 different phases:
- **Performance Appraisal:** the phase of assessment of overall performance.
- **Feedback Dialogue:** a structured meeting between employees and their managers during which the focus is on the results achieved and individual strengths and areas of improvement. In addition to feedback upon that occasion, the constant feedback provided over the year is very important.
- **Individual Development Plan (IDP):** a formal document in which specific development actions are defined. To support the definition of the IDP, the Catalogue “Development Linked to Performance” is available, which offers training and development tools.
- **Goal Setting:** the goals for the following year are set.

This process, already trialled in previous years within the Parent Company Banca Generali and Generfid, has also been recently introduced for BGFML employees.

In 2022, 99% of eligible employees received a performance evaluation (see the comment in the next table), confirming the interest of People Managers and all employees in the process, creating greater closeness and trust.

% OF EMPLOYEES WHO UNDERWENT A PERFORMANCE ASSESSMENT[97]

	31.12.2022		31.12.2021		31.12.2020	
	WOMEN (%)	MEN (%)	WOMEN (%)	MEN (%)	WOM-EN (%)	MEN (%)
Managers	100%	100%	92%	93%	92%	97%
Executives	95%	99%	97%	99%	99%	99%
Employees	100%	100%	99%	100%	99%	99%
Total	**99%**	**100%**	**99%**	**99%**	**99%**	**99%**

IN 2022
99% OF ELIGIBLE EMPLOYEES
RECEIVED A PERFORMANCE ASSESSMENT

Talent development and growth is also promoted and supported through participation in Development Center projects organised at the local level and the level of the Generali Group, allowing the Banca Generali Banking Group's people to become aware of and look towards broader, more international and more complex roles. In order to further accelerate meritocracy, along with a sustainable approach to develop people within the company, the tool is useful in working in the management pipeline, discovering new talent and supporting constant personal growth.

Engagement

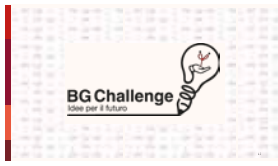
In 2021, **Generali Global Engagement Survey** (GGES21) reached its fourth edition. It is a valuable tool for active listening and a major source of useful inputs for setting up new improvement plans and practical actions, starting with the feedback of BG Group people.

Thanks to the findings of the Survey, Banca Generali wants to accelerate towards excellence by leveraging its strengths and promptly addressing opportunities for improvement. The three key areas of action identified by the 2021 Global Engagement Survey had been:

- **Digitalisation:** Strengthening digital/innovation competencies, including through the implementation of innovative tools;
- **Efficiency:** Improving processes, streamlining bureaucracy and defining priorities;
- **Next Normal:** Supporting People Managers and Employees with the new hybrid way of working.

In the first few months of 2022, there were two initiatives connected to the last edition of GGES2021 that involved the entire population:

- **cascading** activity in all the Bank's structures with active discussion in each structure on what emerged and the definition of actions at team level;
- the "**BG Challenge**" initiative in which employees were able to submit ideas to support the defined priorities.



Of the 18 ideas presented, the best 3 were decided with a vote by all employees:

- **BG Maps**: creation of a dynamic organisation chart that provides an updated view on the allocation and tasks of resources within the organisation;
- **BG Collector**: implementation of a digital "ideas box" in which each employee can propose ideas for raising operational efficiency against bureaucracy and in favour of smarter operations;
- **Welcome to BG**: presentation of new hires to the rest of the company population, through the creation of a dedicated monthly communication that contains personalised presentation videos.

The post engagement survey actions defined are currently being designed for subsequent implementation.

One of the initiatives and occasions for contact with employees to constantly measure People's engagement was **the first Pulse Survey** held in October 2022. This is a more streamlined survey aimed at understanding how people are within the organisation, especially in this historic moment of cultural change when new hybrid ways of working are adopted.

[97] In line with the approach taken in 2019, the percentage is calculated on the employees of Banca Generali, Generfid and BG FML actually involved in the skills assessment process: employees with indefinite-term contract as of 31 January 2022 and employed for at least six months. Maternity leaves and long absences are not included.

The Pulse Survey reported an engagement score of 86% for the Banca Generali Group (+2% compared to GGES2021), an important figure that testifies to People's high sense of belonging in Banca Generali.

A cascading activity will follow in 2023 to tell the whole population about the new areas of improvement identified and the strengths that support engagement.

Compensations and Benefits

Remuneration

The **Banca Generali Banking Group's Remuneration and Incentive Policy** has been defined with the aim of attracting, motivating and enhancing all individuals with the professional qualities required by the Group's activities. Incentive systems are based on the principles of fairness, equity and meritocracy.

Banca Generali Group's Policy, a key tool for the Group's strategy, is aimed at ensuring the best possible alignment of the interests of the Banking Group's Shareholders and personnel, through careful risk management and the consistent pursuit of long-term strategies.

It is believed that the annual formulation of adequate remuneration and incentive mechanisms for the Bank's directors and personnel may foster competitiveness, effective governance of the Banking Group and the achievement of the objectives outlined in the Strategic Plan, with a particular focus on sustainability as an essential element of the pursuit of objectives.

Remuneration strategy must be imperatively defined in line with the following factors:
- the mission of the Banking Group;
- the values of the Banking Group, and more specifically, responsibility, reliability, commitment;
- the Banking Group's governance, namely the corporate/organisational model and internal regulatory framework orienting all business operations towards thorough, ongoing compliance with regulations;
- the strategy adopted, whose priorities include sustainability and people enhancement.

Accordingly, one of the primary objectives of the remuneration policy is to adequately reward sustainable performance.

In practical terms, the sustainability of remuneration mechanisms features:
- predetermined governance mechanisms involving a variety of bodies, functions and persons to ensure structured, controlled and verifiable ex post processes;
- overall remuneration balanced between fixed and variable portion (pay mix) depending on the company role, which does not lead to risky and short-term oriented behaviour, complemented by forms of corporate welfare aimed at the needs and well-being of employees and their families;
- an ongoing commitment to provide a fair level of pay that reflects the skills, abilities and professional experience of each employee, thus ensuring application of the equal opportunities principle, with the objective to pursue equal pay without distinction of age, gender, sexual orientation, marital status, religion, language, ethnic or national origin, physical or mental disability, pregnancy, maternity or paternity status including adoptive status, personal beliefs, political opinions, membership or trade union activity;
- a structure of short- and long-term incentives based on risk-adjusted indicators aligned with the Risk Appetite Framework, with a view to business continuity and long-term sustainability of results that combine balanced and flexible growth in the belief that ethics and profit should not be in conflict;
- integration of sustainability in the Group's business and financial strategies in the short and long term;
- variable remuneration caps;
- constant verification of the positioning of the remuneration package of resources with respect to the reference market, also with the collaboration of specialist advisors;
- individual performance assessed in a clear and transparent manner, on a meritocratic basis and according to the equal opportunities principle, enhancing the talent and professional and personal growth of all Group employees;
- deferral and payment of variable remuneration over a long-term horizon, including share-based payments to link incentives to long-term value creation;
- ex ante and ex post risk adjustment, through malus and claw-back remuneration mechanisms;

- predetermined and transparent procedures for the treatment attributable if the employment relationship is terminated with predefined caps in terms of maximum monthly payments to be assigned;
- transparent reporting.

The medium-/long-term incentive plans — reserved for the Chief Executive Officer/General Manager, some Managers with Strategic Responsibilities and other managers identified by virtue of the significance of their roles — are one of the tools aimed at remunerating and reflecting the Group's medium-/long-term objectives, prepared in coordination with the Generali Group's objectives, to be paid fully in shares of the Bank.

The Balanced Scorecards (BSC) of the Chief Executive Officer and the other senior figures (strategic managers and Key Personnel heading up the main lines of activity, including CEOs/GMs of the main relevant subsidiaries) are defined both on the basis of financial and ESG sustainability indicators to be assessed over the annual period.

The Banca Generali Banking Group's Remuneration and Incentive Policy has been drawn up with a view to ensuring contemporaneous compliance with the provisions governing remuneration policies within the banking industry (Bank of Italy's Provisions in force from time to time), the regulations applicable to issuers (Consob Resolution No. 11971 of 14 May 1999, as subsequently amended) and the Corporate Governance Code for Listed Companies.

The Human Resources Department plays a coordinating role in defining the Banking Group's remuneration and incentive policies, coordinates the processes of selecting, integrating and developing resources through appropriate processes that enhance resources and retain talents, increasing the sense of belonging to the Group and ensuring flexibility and timeliness in covering key roles. It also ensures that all its employees are treated without distinction or exclusion, including in terms of remuneration, supplementary pension schemes and benefits.

As the Parent Company, Banca Generali prepares the Remuneration and Incentive Policy document for the entire Banking Group, ensures that it is appropriate overall and verifies that it is properly applied, while taking due account of the characteristics of each Group company, in accordance with the legal, market and sector context in which the subsidiaries operate.

In order to comply with and adopt directly applicable sector/country legislation, individual Group companies may draw up a separate Remuneration Policy, provided that they duly implement the guidelines set by the Bank.

The **Report on Remuneration Policy and Payments** illustrates all the related details.

In particular, the Report is divided into two sections:
- The first concerns the Remuneration Policy set by the Bank for the Banking Group and the procedures for adopting and implementing such Policy, with regard to:
  - company bodies;
  - the Group's employees and contractors, with a particular focus on the Banking Group's Managers with Strategic Responsibilities and Key Personnel.
- The second section provides individual and aggregate quantitative information, by role and function, relating to the application of the Remuneration Policy.

Banca Generali attaches great importance to annual analysis of the outcomes of shareholders' meeting votes and the opinions of the main addressees of its Remuneration Policy in pursuit of constant improvement in the adoption of market best practices by gradually incorporating feedback from shareholders, investors and proxy advisors.

The results of the vote at the Shareholders' Meeting always provides the Bank with a valuable point of reference for assessing its policies and is analysed within the framework of overall governance that characterises the Company's remuneration and incentive policies and systems.

The Banking Group's Remuneration and Incentive Policy is approved on an annual basis by the General Shareholders' Meeting. In its capacity of body with strategic oversight function, the Board of Directors drafts, resolves upon and submits the Banking Group's Remuneration and Incentive Policy to the Shareholders' Meeting and reviews it at least annually, and is responsible for the proper implementation of that same Policy. Banca Generali has instituted a Remuneration Committee within the Board of Directors. The Remuneration Committee is tasked with assisting the Board of

Directors in laying down Company's policies in respect of the determination of the remuneration of the Company's Key Personnel holding the highest offices and those responsible for control functions. The above-mentioned Committee is currently composed of three non-executive, independent members of the Board of Directors, and is responsible for advising and making recommendations to the Board of Directors on matters pertaining to remuneration.

The remuneration patterns are monitored, taking due account of trends recorded both internally and on the reference markets and of the fixed and variable remuneration components, availing, for key managers and professionals, of the service of external independent consultancy firms (for 2022, Mercer Italia and Morrow Sodali).

More specifically:
› with regard to Key Personnel, specific analyses in relation to a group of peers, determined on the basis of Banca Generali's profile, are carried out, including upon request by the Remuneration Committee;
› the ABI's annual industry-wide study is used for all other personnel.

With reference to job grading, a model incorporating Willis Towers Watson job levelling methodology is currently applied.

In 2022, the ratio of the total annual remuneration[98] of the Chief Executive Officer and General Manager to the median total annual remuneration[98] of all employees (excluded the said person) was 34.40.

The ratio of the percentage increase of the total annual remuneration[98] of the Chief Executive Officer and General Manager to the percentage increase of the median total annual remuneration[98] of all employees (excluded the said person) was 2,97.

As anticipated, the Remuneration Policy reflects principles of neutrality to ensure equal treatment regardless of gender, as well as any other form of diversity, basing the evaluation and remuneration criteria exclusively on merit and professional skills.

RATIO OF REMUNERATION OF WOMEN TO THAT OF MEN[99]

	31.12.2022			31.12.2021			31.12.2020[100]		
	ITALY	LUXEMBOURG	SWITZERLAND	ITALY	LUXEMBOURG	SWITZERLAND[101]	ITALY	LUXEMBOURG	SWITZERLAND
Managers	0.73	1.51	0.73	0.71	1.56	0.93	0.81	1.59	0.91
Executives	0.79	1.28	0.72	0.77	1.20	0.72	0.76	1.08	0.78
Employees	0.97	0.85	0.92	0.96	0.84	1.12	0.97	0.69	1.02

Total remuneration of women managers is lower than that of men because key strategic responsibility positions are chiefly held by men.

Among executives, the total remuneration of men is greater than that of women because this category includes most of sales personnel and asset managers — mainly men — who benefit from a MBO bonus system or is linked to commercial objectives.

Among employees, the gap in Italy between the total remuneration of women and that of men is due to the presence of part-time contracts (almost fully related to women).

98 Remuneration was calculated based on the provisions of GRI 2-21 and therefore taking into account the compensation received in the year of reference in terms of variable and fixed remuneration, the latter including also the share-based component. The calculation considers all employees, regardless of their percentage of employment, who were in service for all the 12 months of the years examined, excluding therefore employee turnover and employees who were absent in the periods under review due to maternity or other leaves.
99 Annual amount paid to employees, which includes the amount established by the national collective labour agreement (gross of any deductions for leaves) and supplementary agreement, in addition to any other types of additional remuneration, such as seniority of service, overtime, bonuses, allowances and further benefits.
100 Data related to the UK are not presented as workforce included only one employee at year-end 2020.
101 Figures referring to BG Suisse — a newly incorporated company whose corporate processes were still in the start-up phase at 31 December 2021 — are excluded.

In Luxembourg, differently than in Italy and Switzerland, for the category of managers and executives, the ratio is influenced by the component of female personnel with strategic responsibility.

In order to promote a culture based on gender equality and equal pay, Banca Generali participates in and supports the Generali Group in the project designed to verify the Gender Pay Gap[102] and the Equal Pay Gap[103], prior to developing specific actions to mitigate the gaps identified, with the aim of progressively reducing the gaps observed. These actions include initiatives designed to have a positive impact on gender balance and pay equity, both at local level and in relation to the Group's strategy on diversity, equity and inclusion.

The Gender Pay Gap analysis is performed also taking into account the industry regulations in force and the Bank of Italy's provisions.

In this regard, as part of the periodical policies' review, the Board of Directors, with the support of the Remuneration Committee, analyses the gender-neutrality of the Remuneration Policy and verifies the gender pay gap and its performance over time.

For further information, reference should be made to the Report on Remuneration Policy and Payments.

We SHARE

With the aim of promoting a culture of ownership and empowerment and fostering staff loyalty in line with the remuneration policy, 2019 saw Banca Generali take part in We SHARE, the share ownership plan launched by the Generali Group with the aim of promoting alignment with the strategic objectives and the participation of all people in the value creation process.

The Plan ended on 31 October 2022 with an average monthly final price of Generali shares lower than the price defined at the Plan's launch. This outcome, mainly due to the deterioration of the general macroeconomic scenario, had significant repercussions on the entire market, despite the fact that the Generali Group demonstrated its solidity and resilience in terms of results, with the achievement of the objectives of its strategic plan.

Based on the provisions of the Plan's regulations and timing, the Plan ceased to have effect without giving rise to the free allocation of shares and participants were refunded their individual contribution, according to the protection mechanism provided.

Benefits & Welfare

All employees of the companies Banca Generali, Generfid and BGFML — regardless of their classification and contract type — enjoy a series of benefits, the cost of which is normally fully borne by the Company. The benefits offered relate to numerous aspects of welfare and, owing to their completeness and widespread adoption, **make the Group a best practice** both within and outside the financial sectors:

- **healthcare:** this provides reimbursements for various cases of health expenses (large procedures, hospitalisation, dental expenses, specialist examinations and treatments, oncology expenses, etc.) incurred by employees or their dependent family members and, in certain situations, by other family members;
- **supplementary pensions:** through a contribution provided by the Company, employees can create a private pension position (also made possible by the Generali Group's Pension Funds), designed to supplement their government pension. This mechanism also makes it possible for employees to meet major personal needs (such as purchase of a first home or extraordinary healthcare expenses), by applying for specific advances, including during the contribution phase;
- **economic indemnity for death, permanent total disability and dread disease:** this is an extremely important social protection mechanism through which the company, in the most serious cases that may affect its employees and thus their families, provides significant sums calculated according to the employee's age, remuneration (basic pay and seniority increases) and family composition;

[102] Understood as equal treatment in terms of the pay gap between women and men throughout the organisation, regardless of the job.
[103] Understood as equal treatment in terms of the pay gap between women and men for the same position, or equal value positions calculated with a specific statistical model based on regression.

- **professional accident policy:** this mechanism, which is designed to cover cases of death and permanent total disability, also represents a fundamental tool for protecting both employees and their families;
- **Welfare option for the company bonus:** thanks to the opportunities offered by recent legislation, since 2016 (for middle managers and white-collar employees of Banca Generali S.p.A. and Generfid S.p.A.) it has been possible to “convert” the company cash bonus into welfare, thereby creating the so-called ‘welfare credit’. As of 2019, through the introduction of the STAIBENEFIT Portal by Generali Welion, designed like an e-commerce site, employees enjoy access to an extremely wide range of well-being and wellness goods and services (flexible benefits). In 2022, this option was confirmed and presented to employees via several online welfare days sessions designed to inform and raise their awareness of the possible advantages, including the option to carry forward the welfare credit without a pre-set time limit;
- **“Pure” welfare:** Banca Generali and Generfid indefinite-term employees receive annual one-off amounts (differing for executives and other personnel) to be used through the Welfare Portal for the reimbursement and/or purchase of the services described above. The carry forward principle also applies to these amounts;
- **Employee mortgage renegotiation option:** an extraordinary initiative designed to mitigate the impacts of rising mortgage interest rates.

In order to enhance employees’ knowledge of the benefits due to them, thus creating and strengthening the sense of belonging and engagement with the Company, the **STAIBENEFIT portal has significantly expanded its functionality**.

Through STAIBENEFIT each employee can view the benefits due, presented in an integrated mode according to the following classification:
- *Core benefits:* due under the CCNL (National Collective Labour Agreement), the company supplementary contract or unilateral company regulations;
- *Flexible benefits:* welfare credit deriving from the conversion of the company bonus or available as pure UT welfare;
- *Conventions:* discounts/concessions normally provided for all employees under commercial agreements entered into by the Generali Group or by individual companies.

All employees employed under an indefinite-term contract — and with at least one year’s seniority for BG FML staff — also have access to preferential-rate loans and financing.

Two **training sessions** were also planned, on the occasion of the company bonus payout alongside the possibility of a welfare option, to inform all employees wishing to subscribe about the implications of the welfare option choice and to present the portal’s potential and functions.

Work-life balance

During 2022, people and their well-being continued to be central also in terms of work-life balance. The so-called Smart Working Next Normal, introduced with an agreement signed in October 2021 and starting from April 2022 (end of the state of emergency), has actually been recognised as an opportunity for increasing employee satisfaction and improving awareness of the importance of work-life balance. In the year, **all employees falling within the eligible corporate functions** (all functions in Italy with the exception of front-end functions operating with customers and logistics support functions) **signed the agreement and used this new work model, in line with** the sustainability targets identified in the **2022-2024 Strategic Plan**.

IN 2022
824 EMPLOYEES
WORKING REMOTELY

750 EMPLOYEES
JOINED THE
SMART WORKING NEW NORMAL
CAMPAIGN

The ‘Smart Working Next Normal’ model is intended as a new approach to the way of working and is based on **a “hybrid” model of work organisation** concept for employees and middle managers, based on the voluntary choice of the employee (formalised by individual agreement) to work remotely[104] up to a maximum of 3 days a week and 10 days a month[105], according to a planned schedule defined precisely and in a timely manner by the employee’s own manager.

Other fundamental aspects of the Next Next Normal agreement concern:
- **the right to disconnect** which, for example, is made explicit by restricting meetings to the 9.00-18.00 time slot, excluding lunch breaks;

[104] At the normal home or other location agreed with the manager.
[105] Taking into account also the specific provisions on the subject contained in the CCNL for the Credit sector.

- **the provision of meal vouchers even on remote working days** (this is an improvement on the provisions of the CCNL for the Credit sector);
- **a one-off bonus of 300 euros gross per annum**.

In addition, in order to give the utmost importance to the issue of work-life balance, the agreement states that, in the event of particular personal/family circumstances, the employee may request from the Company a different smart working arrangement to the daily limits indicated above.

Again in the work-life balance area, **benefits linked to reduced hours** continued **to meet the needs of employees or their families** such as, for example, the birth or adoption of children. Personnel returning after a long absence can, in fact, access a number of ad-hoc benefits aimed primarily at employees who have taken parental leave, who may request to their full-time contract to part-time (for an overall period until the child's seventh birthday).

Banca Generali also recognises the importance of the "**hour bank**". Beside the right to take periods of leave as set forth by law, it entitles all employees to paid leave for health reasons and at their discretion, in addition to the mandatory maternity and parental leaves.

The work-life balance initiatives that also deserve mention are **flexible start times** in all non front-office functions and the ongoing search for shared solutions at trade union level with regards to working hours. During 2022, negotiations were also held with the trade unions, and an agreement is expected to be signed at the beginning of 2023, for the renewal of the Company Supplementary Contract with the desire to introduce important innovations on the issues of **time flexibility**, additional **leave** for employees and **part-time contracts** granting procedures.

Banca Generali employees can also benefit, for the use of **childcare facilities both within the Company and private facilities with which the latter entered into special agreements**, of the favourable terms applied to Generali Group staff, including discounted rates, as well as the payment by the Company of annual subscription fees.

Lastly, Banca Generali is committed to the payment of full salary, supplementing the benefits paid by Italian national security institute (INPS), in the event of early maternity leave prescribed by the competent public authorities.

Among the initiatives dedicated to employees, with a view to enhancing generational change in favour of the Bank's long-term sustainability, the company allows workers who are less than 5 years away from retirement and who explicitly request it, the possibility of leaving the company early.

Industrial and Trade Union Relations

Banca Generali always observes trade union rights and freedom, with regard to both corporate and local unions and the rights of individual employees.

At the end of 2022, the rate of trade union membership[106] for the Banking Group was 32% (32% in 2021 and 33% in 2020).

93% of employees is subject to social and national legislation and the provisions of the National Collective Labour Agreement (CCNL) for the credit sector or for credit Managers. The sole exceptions are the employees of BGFML, BG Valeur S.A. and BG Suisse S.A., to whom the local legislation applies.

The National Collective Labour Agreement provides a well-structured system of union relations to be activated in the form of information-gathering, consultation or bargaining meetings, in order to allow trade unions to carry out their role in the Company.

In 2022, the **commitments were met** to addressing, through technical roundtables, the issues of work-life balance and mortgage, loan and current account concessions, as provided for by the Supplementary Company Bargaining Renewal Agreement (CIA) signed at the end of 2021. With regard to the latter point, further improvements to the previous provisions were identified, resulting in the **side agreement** signed on **12 July 2022** that provides, with effect from 1 December, for **new and improved** conditions:

[106] Employees registered with unions vs the total workforce in Italy.

- **Current account at favourable** terms for all employees
- **Employee home mortgage**: subsidised loan for purchase and renovation of one's home
- **Personal loans and mortgages** at favourable conditions

These provisions are intended to benefit the employees of Banca Generali and Generfid and may also be extended to employees of other Banca Generali subsidiaries whose employees have employment relationships pursuant to Italian legislation and collective bargaining.

All arrangements introduced with the agreements signed on 25 October and 2 November 2021 remained valid, namely:

- **Company bonus for the years 2021-2023;**
- **One-off welfare payment 2022-2024**
- **Meal vouchers**

- **Supplementary pensions**
- **Health insurance**
- **Indemnity for death, permanent total disability and dread disease**
- **Accident policy for occupational risks**

Without prejudice to specific dates of entry into force, the CIA expires in its entirety on 30 June 2024 but provision is made for its automatic annual extension unless cancelled in a timely manner by one of the Parties.

Since it is the result of collective bargaining, it applies to all employees in the professional area category (white collars) and to executives. The only exceptions concern employees with fixed-term contracts, who cannot access the benefits regarding first home mortgages, personal loans, as well as one-off welfare payments.

To cope with the energy crisis, Banca Generali — which has always been sensitive to **environmental sustainability** and **social responsibility** issues — has subscribed to the extensive and structured energy saving plan launched by the Generali Group at HQ offices (**Smart Working/ Energy Crisis Agreement**) in line with government and EU guidelines. In this complex scenario, the individual planning of remote work days underwent a change. The provisions included identifying **periods** when HQ offices are **closed** (on Fridays and around long holiday breaks). With a view to guaranteeing business operational continuity, the Company undertook to ensure that a nearby office was available close to the HQ offices subject to temporary closure, so as to allow those unable to work remotely from home to choose the mode and the place where the work could be temporarily carried out.

Furthermore, in order not to burden employees' household organisation, the Company undertook to keep the company childcare facilities open and functioning and guaranteed, in line with the provisions of Law No. 142 of 21 September 2022, converting Decree Law No. 115 of 9 August 2022, that, up to 31 December 2022 (subject to further extension) working parents with at least one child under the age of 14 could on request work remotely all five days of the work week, provided that this mode was compatible with the tasks performed and provided that the family unit included no other parent benefiting from income support in the event of job suspension or termination or that there is no non-working parent.

In addition to these absolutely key issues, trade union relations have also developed through the following meetings provided for by law or by the National Collective Labour Agreement for the Credit sector:

- **annual meeting pursuant to Article 12 of the National Collective Labour Agreement for the Credit sector**, relating to strategic perspectives (balance sheet and business data) and the HR structural profile, in which aggregate information on staff, entry/exit dynamics, professio-

nal and career growth and training were shared;
- **meeting on the payout of the company bonus for the 2021 financial year (paid in June 2022):** on this occasion, the unit amounts by job classification level were precisely identified and the welfare option was confirmed at both the 50% and 100% rates for 2022 as well, ensuring a flexible approach regarding the specific needs of employees;
- in September 2022, the **Biennial Report on Equal Opportunity 2020-2021** (regarding the parent company Banca Generali S.p.A.) was prepared and forwarded to the Italian Ministry of Labour and Social Policies and to trade unions. This is an important mandatory document required by the law that provides detailed information on the number of employees, professional roles, type of employment, employment dynamics (hiring/terminations), also subdivided by gender. The 2022 edition featured a revamped content, in particular regarding female employment and company inclusion policies;
- moreover, in implementation of the National Collective Labour Agreement, the activity of Fondazione **Prosolidar**, which is involved in solidarity projects at an international level, was promoted, and saw the participation of more than half of employees.

Health and Safety in the Workplace

Ordinary management

In considering the physical safety of its workers to be a priority, Banca Generali constantly guarantees working conditions in a safe, healthy environment, in accordance with occupational health and safety legislation in force and in compliance with all specific legal requirements applicable to Italian companies.

The necessary provisions are constantly applied with the specific support of a team of professionals from a third-party firm — which carries out its activities by collaborating with the Generali Group so that procedures/methods/rules are uniformly applied — appointed to the role by Banca Generali with the signing of an outsourcing contract for safety issues.

The activities of the firm appointed to the task by Banca Generali are constantly monitored through specific SLAs[107]/KPIs, as part of the duties of the company Head of the Prevention and Protection Service (RSPP) and the person responsible for health surveillance.

As mentioned above, Group company buildings are subject to constant checks to ensure compliance regarding specific architectural constraints and the need to provide all employees with suitable workstations. For instance, in HQ offices parking spaces are guaranteed in the immediate vicinity reserved for differently abled people or employees with significantly reduced motor ability[108], in addition to workstations designed for specific needs.

To ensure and define the necessary processes for hazard identification, risk assessment and accident investigation, the **main risks indicated in Legislative Decree No. 81/08 have been defined and evaluated** (as explained in detail below).

In areas at risk of attacks, specific crime prevention measures and deterrents are implemented, such as access control systems, alarms and video surveillance at the Milan and Trieste offices. The banking branches have also implemented active and passive security systems (interblocking entrance doors, cash in-out) and organisational measures including devices to protect deposits, safes, keys, systems, security and emergency equipment.

In terms of the processes available to workers to report any hazards or dangerous situations at work, the circular "Management of obligations in the field of health and safety at work" specifies that there are personnel responsible for reporting to the employer or delegated managers any hazardous conditions or a failure to apply legislation and, that, if a worker is involved in a near-accident or missed accident, he or she can immediately notify HR, the personnel in charge and the Prevention and Protection Service (SPP) in writing, specifying what happened (dynamics of the event, place and time and elements that prevented the event from developing into an accident or incident).

Banca Generali is a member of the **OS.SI.F. – Associazione per lo sviluppo dell'Osservatorio dell'ABI sulla sicurezza fisica** whose activities include liaising with the Prefecture to promote useful initiatives to prevent and combat any form of criminal activity against banks and customers.

[107] Service Level Agreements.
[108] Including temporary disability or on the indication of the competent company's physician.

In this regard, it should be noted that the Bank has signed specific **Protocols of Understanding between the Italian Banking Association and the individual Prefectures** in the provinces where the Bank's branches are located. The Protocol's main contents provide for Banca Generali to play an active role in reporting the particular risk situations to the competent Police forces (e.g., serious and unforeseeable shortcomings in the security measures, suspicious movements of people inside and outside bank premises, exceptional aggravations of risk); they also require the Bank to equip each branch with at least 5 security measures, always including, without exception, video-recording and a delayed-opening safe custody device or timed cash dispensing device, as well as other minimum measures indicated in the Protocol itself.

In order to always ensure a rapid response, the head offices in Milan, the operating office in Trieste and the Private Banking Centres with more than 10 employees, have their respective **emergency teams** formed of colleagues with training on first aid and fire safety (training differs on the basis of the type of fire risk), as well as on the use of semi-automatic defibrillator (Milan and Trieste offices). Staff working in the branches (whether with one or more employees) and private offices nationwide are also emergency-trained (first aid course and fire safety course).

In 2022, all personnel eligible for health supervision (i.e., "exposed" personnel, including employees regardless of their professional role, interns and temporary workers) underwent **medical health examinations** according to the protocol established in current legislation for the associated company risk group. In total, 375 medical examinations were carried out (189 men and 186 women), involving 19 different offices throughout Italy, in addition to the HQ offices in Milan and Trieste: 208 employees in Milan, 113 in Trieste and 54 in other cities were examined. In addition to periodic examinations due in 2022 and first examinations for new recruits, this figure also includes examinations performed by the company physician, both when specifically requested by the employee109 and upon changing assignments, returning from a period of absence for illness or injury of more than 60 days or absence due to Covid-19 related hospitalisation or in case of reasonable adjustment for differently abled employees, in accordance with the law. In line with previous years, the results showed clearly that most staff were fit to work without any limitations and/or special precautions.

Specific workstation safeguards[110] are provided to employees by the Company, which in turn ensures that the organisational prescriptions certified by the company physician are observed and raises the manager's awareness on the health prescriptions.

Employees at the Trieste, Mogliano, Milan, Turin, and Rome offices enjoy access, during working hours, to the services in the **multipurpose nursing centres** set up by the Generali Group: in 2022, all employees were again offered the opportunity to receive a flu shot free of charge at the company offices or in any medical/healthcare centre collaborating with Welion, therefore covering all Italy.

The Banca Generali Group is constantly committed to updates and new training on issues relating to the protection of health and safety in the workplace in order to keep risk factors to a minimum. Training programmes and updates continued throughout 2022 via virtual classrooms and/or in e-learning mode, for the courses available on the online platforms. All employees are constantly trained and kept abreast of risk prevention, laws and regulations, and recommended procedures in the case of a fire or other emergency through information materials (available on the corporate Intranet). Specific training is provided on an ongoing basis, at the intervals established by regulations, for the roles specifically indicated in Legislative Decree No. 81/2008 and identified within the Company (Executives, Safety Supervisors, Emergency Team Members, Members of the Prevention and Protection Service and Workers' Safety Representatives).

In 2022, a total of:

- 4 accidents occurred in Italy, of which 3 on the road, involving 1 women and 3 men, and
- 1 accident on the road occurred in Switzerland, involving a man.

None of these accidents caused death, serious or permanent injury, or an occupational illness to the employees involved.

The rate of recordable workplace accidents[111] was 0.61 (1.24[112] in 2021 and 0.63 in 2020).

[109] Exclusion from the task of emergency worker, checking vulnerability status for return to office working, checking specific conditions for granting/renewal of part-time working or for the supply of special devices.
[110] Based on prescriptions by the company physician following a health check-up.
[111] The rate of recordable accidents is calculated as follows: (Recordable workplace accidents/worked hours) x 1,000,000.
[112] The indicators provided were calculated with reference to the entire Banking Group, except for the newly incorporated BG Suisse — a company whose corporate processes were still in the start-up phase at 31 December 2021.

According to the provisions of Article 15 of Legislative Decree No. 81/08, Banca Generali adopts the following measures to protect the occupational health and safety of its workers:

› assessment of all health and safety risks;
› prevention planning, aimed at a set of actions that integrate the Company's technical production conditions, as well as the influence of environmental factors and work organisation, into the prevention process in a coherent manner;
› the elimination of risks and, where this is not possible, their minimisation in relation to knowledge acquired based on technical progress;
› compliance with ergonomic principles in work organisation, workstation design, choice of equipment and definition of working and production methods, particularly in order to reduce the health effects of monotonous and repetitive work;
› reducing risks at source;
› replacing what is hazardous with what is not, or is less hazardous;
› limiting to a minimum the number of workers who are, or may be, exposed to the risk;
› the limited use of chemical, physical and biological agents in the workplace;
› the priority of collective protection measures over individual protection measures;
› health checks for workers;
› removing workers from exposure to the risk for health reasons specific to them and their transfer, where possible, to another job;
› adequate information and training for workers, managers and supervisors;
› appropriate information and training for workers' safety representatives;
› appropriate instructions for workers;
› participation and consultation of workers and workers' safety representatives;
› planning measures deemed appropriate to ensure the improvement of safety levels over time, also through the adoption of codes of conduct and good practices;
› emergency measures to be implemented in the event of first aid, firefighting, evacuation of workers and serious and immediate danger;
› the use of warning and safety signage;
› the regular maintenance of environments, equipment, installations, with particular regard to safety devices in accordance with the manufacturer's instructions.

These measures are supplemented and implemented also through the additional actions adopted and implemented by the Company pursuant to Articles 18 and 30, summarised as follows:

› Generali Group's Code of Ethics;
› Generali Group's Code of Conduct;
› Corporate H&S procedures.

Internal circulars ("Management of obligations in the field of health and safety at work") also define all the specific procedures to be adopted for managing all aspects envisaged on the matter.

Banca Generali provides a structured process to carry out hazard identification and risk assessment. More specifically:

› risk assessment identifies, measures and weights risk;
› risk identification is the phase that looks for, identifies and describes the risk;
› measurement places a value on the extent of the risk;
› weighting compares and measures risk against specific criteria.

The methodology used for the "qualitative P x D" (Probability x Damage) risk assessment allows the concept of risk to be represented in a synthetic and direct way and provides good comparability between different risks. It takes place by associating each risk with the probability of occurrence of an accident (P), caused by a source, and an expected magnitude of resulting damage (D). Multiplying the probability and damage values gives certain scores that correspond to different modes of intervention. Downstream this risk assessment activity, the processes for identifying prevention and protection measures are activated based on the ALARA (As Low As Reasonably Achievable) approach and an improvement programme is defined that takes into account the intervention priorities resulting from the risk level identified and establishes timing and responsibilities.

The Company monitors the accident trend in order to identify possible prevention and protection measures and consequently supplement the risk assessment document. The data have been organised by highlighting the two main types of accidents, namely those occurring on the road (home-work travel) and those occurring in the workplace, in order to better describe the specific risk for the different homogeneous and transversal groups.

The annual data collected show that there were no cases of death, permanent disability or occupational diseases and that almost all accidents did not occur at work or in the workplace but on the road[113].

[113] The recurrent causes of accidents occurring in the workplace or on the road are constituted by:

- driving vehicles (car, motorbike, scooter, bicycle);
- slipping to the ground by falling or tripping;
- going up and down stairs;
- other causes not covered by the above.

The Occupational Medicine Medical Coordinator (MCC) and the Occupational Medicine Physicians (MC) aim to protect workers' health and promote a safe working environment. They perform different functions to help identify and eliminate hazards and minimise risks, namely risk assessment, advice, health surveillance and management of occupational disease cases.

At least once a year, the employer convenes a meeting, which in accordance with the provisions of Article 35 of Legislative Decree No. 81/08 is attended by the Head of the Prevention and Protection Service (RSPP), the Occupational Medicine Medical Coordinator (MCC), the Workers' Safety Representatives (RLS) and workers, who are consulted and their requests considered relating: to the Risk Assessment Document (DVR); trends in occupational accidents and diseases and health surveillance; the selection criteria, technical characteristics and effectiveness of individual protection devices, and information and training programmes for managers, health supervisors and workers for the safety and protection of their health.

The Risk Assessment Document currently in force was drawn up on 1 October 2021 and is in its sixth revision. The latest revision was carried out following the appointment of the new Head of the Prevention and Protection Service (RSPP) and the new Health Surveillance Manager. An update of the Risk Assessment Document is planned following a number of regulatory updates provided for by Legislative Decree No. 146/2021 and the election of the Workers' Safety Representatives (RLS).

The approach taken to avoid and mitigate significant negative impacts on occupational health and safety directly related to Banca Generali's operations, products or services through commercial relationships is known as Corporate Social Responsibility (CSR). In general, CSR is based on the consideration that Banca Generali has a responsibility towards society and the environment in which it operates, and that it must take this into account in its activities and decisions. In the field of occupational health and safety, this means that the Company must take measures to protect workers and minimise the risks associated with their activities, products or services.

To adopt a CSR approach to occupational health and safety, Banca Generali can:
- identify the hazards and risks associated with the activities and assess the impact they may have on the health and safety of workers and the community;
- take preventive measures to protect workers and minimise the risks associated with activities, products or services;
- communicate workplace health and safety information in a transparent manner, for example, by publishing annual CSR reports or providing information on risks and how risks are managed;
- collaborate with suppliers and business partners to promote occupational health and safety and share best practices;
- provide for the implementation of occupational health and safety management systems to monitor and evaluate the effectiveness of the preventive measures adopted;
- comply with local laws and regulations on occupational health and safety.

By following these steps, Banca Generali confirms its social responsibility towards the health and safety of workers and the community, and helps to create a safer and healthier working environment.

No specific training courses on serious diseases have been planned, but the risk assessment regarding workers' exposure to asbestos, biological agents, legionella, radon, atex, electromagnetic fields, physical risks and chemical risks is regularly updated. Data on workers' exposure to health and safety risks are summarised in the Risk Assessment Document. They did not evidence high or medium risk levels.

Management of Covid-19 health emergency

According to the principle that people's health has been and always remains the Company's priority and in keeping with the principle of prudence that allowed, over time, people to be protected effectively, up to the end of the health emergency on 31 March 2022, given how the pandemic situation evolved also regarding the variants and trend in infections, the rules set out in the company protocol "**Our commitment for returning in safety**" have been gradually updated, also in relation to the regulatory provisions issued by the Decree Laws and Ministerial Circulars.

Exceptional anti-Covid 19 prevention measures have been evaluated, marked by a greater level of restriction for the months when this was necessary, ensuring full operation as far as possible [e.g.,: working in the office only if deemed necessary and justified by proven business needs, weekly swab test for those working face to face, maximum capacity per building, swab test for return to work following contact and a positive test result, GreenPass (vaccination certificate with two or three doses) according to the provisions of the law with formal appointment of those responsible for checks, mask-wearing and distancing, specific travel rules, extended entry and exit times].

All the measures undertaken succeeded in ensuring business continuity and efficiently managing operations.

Since 1 April 2022, office working was resumed with the new hybrid mode. To best support the new way of working together, the **Employee UP** (used in 2022 to carry out medical triage and check-in for entry — mandatory for access to all company premises) was used both to request authorisation for remote work days, and to plan the days working in the office through the new Next Normal Planner feature (enabled for the Milan and Trieste offices).

Remote working, both to cope with the emergency and in its final application, was always accompanied by flexible arrangements for categories of people at greater risk (fragile individuals, pregnant women, parents of children under 14, specific cases of derogation as per Article 5 of the Next Norma Agreement). In addition, during all phases of the current health emergency People Care initiatives and a targeted internal communication plan were implemented, in order to provide clarity about the different phases in view of a return to work and to best support the level of energy and engagement of resources.

To facilitate the process of worker participation, the Workers' Safety Representatives and the Social and Healthcare Officers (OOSS) were always consulted through meetings on the Teams platform, in order to communicate news or updates on Safety in a timely manner.

The Europ Assistance Italy Covid-19 Help Line remained available to all employees and their family members to provide information, guidance and any medical and psychological assistance.

The aforementioned rules and provisions are disseminated from time to time to all Banking Group companies that operate outside Italy and that therefore comply with the procedures in force in their country and with the applicable local legislation.

Litigation management

There were four disputes running in 2022 with regard to employment positions: the first consisted of recovering an amount due to the Company by a former employee; the second was an court litigation relating to the appeal filed against the employment termination applied following disciplinary procedures; and the other two were out-of-court disputes initiated by the employees of the consortia founded by Financial Advisors within the Banca Generali Network and relating to alleged rights claimed towards Banca Generali. One of the latter disputes was settled following agreement between a worker and the employer (Consorzio dei Consulenti Finanziari) with waiver of any and all claims, including towards Banca Generali, which had answered to the offence notified by rejecting the acknowledgement of any employment relationship.

At 31 December 2022, there were therefore three disputes underway regarding employment relationships.

With regard to the management of court and out-of-court litigation (against the Company or to be initiated) regarding this matter, all specific activities implemented following reporting are regulated by the disputes and complaints organisational procedure. The HR Department is involved constantly in the event of litigation regarding this matter, to ensure that the context of the dispute is reconstructed correctly.

Banca Generali uses leading expert firms for the judicial management of such disputes and to provide an objective assessment of the complaints and the Bank's position.

If it appears that the content of the complaints made by former employees cannot be opposed, the option of a settlement agreement is always taken into consideration as a matter of good practice instead of ineffective and more expensive legal proceedings.

At quarterly intervals, the Board of Directors is given an overall report on the Company's litigation and complaints status. Upon presentation of this report, proposals are put forward for risk provisions to be set aside and for the write-down of receivables recognised in the financial statements for litigation positions, so as to ensure that the risks connected with the litigation and/or the non-recoverability of receivables are adequately covered.

Human Capital: the Distribution Network

20% 80%

2,204 Financial Advisors (Assoreti scope)

133,072 total training hours (average of 61 training hours per employee)

€ 2.6 million euros per-capita net inflows

AUM medio

€ 37.3 million euros managed on average by each Financial Advisor

ESG

23% of Financial Advisors provided with advanced ESG training

Features, Size and Composition

The quality and efficiency of the sales network determine the customer satisfaction level. Since they work in a sector where reputation is the most valuable asset, Financial Advisors play a very delicate role. The range of products and services, supported by advice from qualified professionals, places Affluent and Private customers[114] at the heart of Banca Generali's mission.

Therefore, the Bank dedicates the utmost attention to the selection of its distribution network's Financial Advisors and to their subsequent personal and professional development, supported by the use of the most modern technology and the multi-channel platform.

Over the years, Banca Generali's distribution network evolved through both the aggregation of various networks of Financial Advisors and private banks, and the gradual recruitment of highly-skilled professionals on the financial services distribution market, drawn by the Bank's business model.

Composition

The Banca Generali's distribution network is entirely based in Italy and consists of two categories of collaborators:

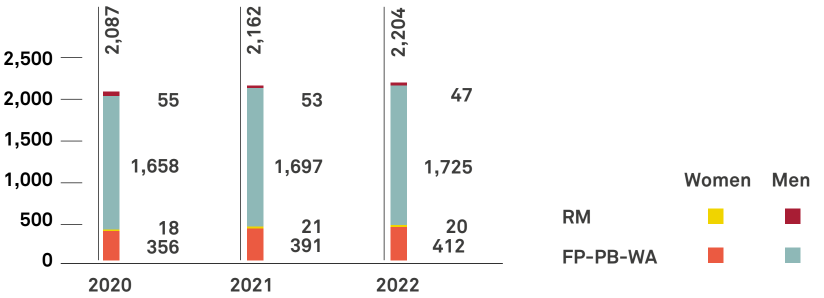
- the Private Bankers (PBs), the Financial Planners (FPs) and the Wealth Advisors (WAs); they collaborate with the Company as freelance professionals;
- the Relationship Managers (RMs), who are company employees.

FINANCIAL ADVISORS BY GENDER

	31.12.2022			31.12.2021			31.12.2020		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
FPs-PBs-WAs	412	1,725	**2,137**	391	1,697	**2,088**	356	1,658	**2,014**
RMs	20	47	**67**	21	53	**74**	18	55	**73**
Total Financial Advisors	**432**	**1,772**	**2,204**	**412**	**1750**	**2162**	**374**	**1,713**	**2,087**

[114] These categories identify the customers who have advanced needs due to the size and quality of their wealth.

FINANCIAL ADVISORS BY CATEGORY



At Assoreti[115] system level, the number of Financial Advisors operating in the main companies surveyed increased by about 2% in 2022, from 22,257 Financial Advisors recorded at the end of 2021 to 22,769 at the end of 2022. In detail, Banca Generali owns one of the most important FA distribution networks in Italy: at 31 December 2022, its network included 2,204 Financial Advisors and Relationship Managers, with an increase of 42 compared to the same period of 2021 (+1.9%). This improvement was mainly due to the recruiting activity performed in 2022, which led to the hiring of 93 new professionals with sound experience in the sector. This increase allowed Banca Generali to confirm its fifth place within the Assoreti market, with a market share of 9.7%.

The increase in the number of Financial Advisors operating within the network and Banca Generali's leadership within the Assoreti market, both in terms of net inflows and per-capita AUM, can also be seen as a clear sign of the improvement in network quality.

The female presence in Banca Generali's commercial network increased steadily (both in absolute and percentage terms) and accounted for about 20% of total. Overall, the number of women choosing financial advisory as a professional field has sharply increased in recent years, with a significant part of them coming from the traditional banking world.

The low turnover rate is due to the network's high retention level (as illustrated by the average length of service) and Banca Generali's attractive proposal compared to the market.

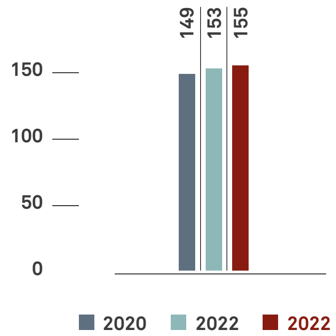
CUSTOMERS' ASSETS

	2022	2021	2020	CHANGE % 2021-2020	CHANGE % 2021-2022
Average No. of customers per FA	155	153	149	+2.7%	+1.3%
Average assets per FA (€ million)	37.3	39.2	35.1	+11.5%	-4.8%
Average net inflows per FA (€ million)	2.6	3.6	2.8	+26.5%	-27.2%

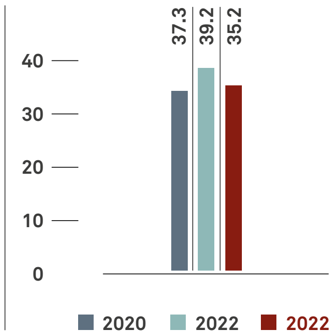
In 2022, Banca Generali's per-capita net inflows amounted to 2.6 million euros, 35% above the industry's average (1.9 million euros). Per-capita net inflows of managed and insurance products (approximately 0.5 million euros) was below market average (0.7 million euros) by 25%. The per-capita average asset figure stood at the top of the market as well, with a value 21% higher than the average figure reported (37.3 million euros as against a market average of 30.7 million euros).

[115] For a consistent analysis, the 2022-2021 comparison, data does not include Azimut in the 2021 and 2022 scope, as it was excluded from the Assoreti scope as of November 2022.

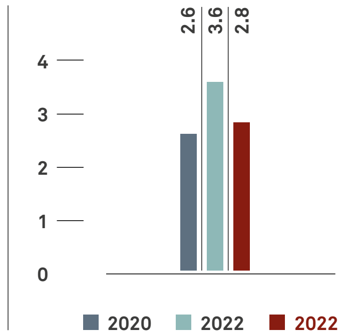
AVERAGE NO. OF CUSTOMERS PER FINANCIAL ADVISOR



AVERAGE ASSETS PER FINANCIAL ADVISOR (€ MILLION)



AVERAGE NET INFLOWS PER FINANCIAL ADVISOR (€ MILLION)



NUMBER OF FINANCIAL ADVISORS BY AGE

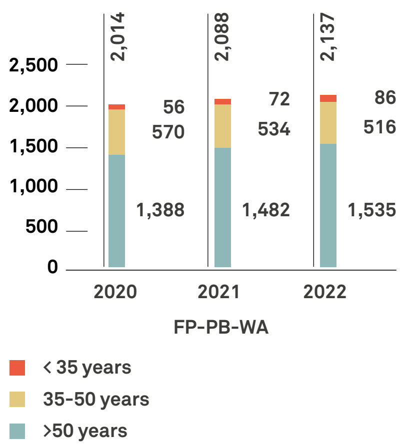
	31.12.2022				31.12.2021				31.12.2020			
	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL
FPs-PBs-WAs	86	516	1,535	**2,137**	72	534	1,482	**2,088**	56	570	1,388	**2,014**
RMs	2	22	43	**67**	5	24	45	**74**	4	25	44	**73**
Total Financial Advisors	**88**	**538**	**1,578**	**2,204**	**77**	**558**	**1,527**	**2,162**	**60**	**595**	**1,432**	**2,087**
Percentage	**4%**	**24%**	**72%**	**100%**	**4%**	**26%**	**71%**	**100%**	**3%**	**29%**	**69%**	**100%**

AVERAGE AGE AND LENGTH OF SERVICE OF FINANCIAL ADVISORS

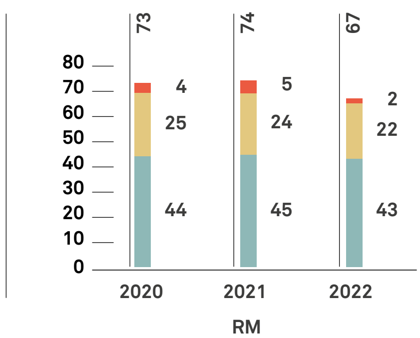
				AVERAGE AGE (YEARS)			AVERAGE LENGTH OF SERVICE (YEARS)		
FPS-PBS-WAS	RMS	TOTAL	% WOMEN	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
2,137	67	**2,204**	20%	55.0	52.4	**54.5**	13.4	10.1	**12.7**

The average length of service was about 12.7 years. This figure — also in light of the Bank's "young age" — bears further witness to the network's stability in terms of high retention rate and low turnover rate.

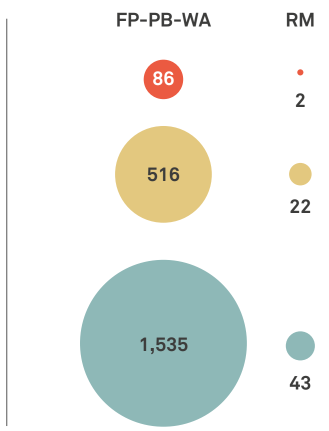
FPs-PBs-WAs BY AGE BRACKET



RMS BY AGE BRACKET



FAS BY AGE BRACKET - 2021



Network's Organisational Structure

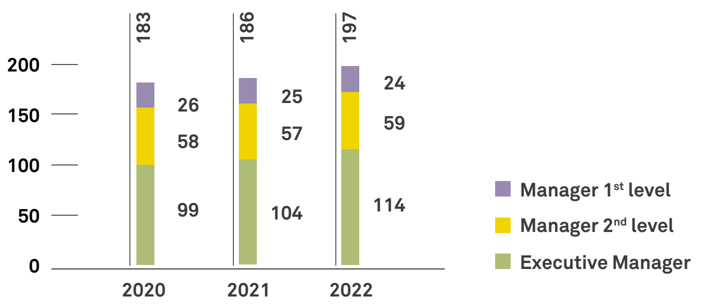
Banca Generali's network management structure is one of its distribution network's strengths and reflects the merit-based career development offered. Managers, narrowly defined[116] account for about 4% of the total network.

Compared to the previous year, in 2022 the number of such managers remained stable over time with respect to the total number of Financial Advisors, which instead increased as a result of the recruitment of professionals exclusively tasked with customers relationships.

DISTRIBUTION NETWORK'S ORGANISATIONAL STRUCTURE

	2022	2021	2020
1st level Managers	24	25	26
2nd level Managers	59	57	58
Executive managers	114	104	99
Financial Advisors	2,007	1,976	1,904

STRUTTURA DELLA RETE DISTRIBUTIVA



Multi-channel nature of the service

Banca Generali's network stands out for its broad distribution throughout Italy, supported by 219 local structures (Bank branches and FA offices). In accordance with the distribution of Italian population's wealth, Financial Advisors were more concentrated in the regions of Central-Northern Italy.

Banca Generali has 48 bank branches that ensure customers in main urban centres enjoy direct access to key banking services. Bank branches also host employed Private Bankers (Relationship Managers), who assist private-banking clients alongside the other Financial Advisors. In addition to the bank branches, there are 171 offices that are home to the network's administrative, training and informational activity and represent another possible point of reference for customers.

Financial Advisors generally engage in typical off-premises activity directly at the customers' residence. Moreover, the multi-channel approach is also complemented by online and call-centre services.

NUMBER OF BRANCHES AND OFFICES

	BRANCHES	OFFICES	TOTAL
Total	**48**	**171**	**219**

116 1st and 2nd Level managers, i.e., those who perform roles of administration and coordination of the collaborators dedicated solely to customer relations.

Sales Policies and Incentives

Sales policies

Customer satisfaction is pursued by applying high quality standards both to the personnel in charge of customer relations and the products and services offered, and by constantly adjusting those products and services to suit new needs and expectations.

The Bank pays constant attention to improving its internal procedures and developing sophisticated information technology. Tools such as the electronic signature and digital collaboration enable the sales network to complete contractual tasks without using paper media.

Dedicated communication tools are available to support the work of Financial Advisors. These include websites, the Intranet, periodic publications and circular letters containing behavioural directives for performing the work, with a particular focus on legislation relating to financial brokerage (adequacy principle).

Reference is also made to Banca Generali's Internal Code of Conduct, requesting the networks to apply the principles set forth in the Code. Sales departments also monitor the application of guidelines, periodically supporting Financial Advisors in verifying that business is conducted in accordance with laws and regulations.

Contractual relations and communications with customers must be guided by the principles of integrity, honesty, professionalism, transparency and cooperation in the search for the solutions best suited to their needs. The information provided during pre-contractual negotiations must be complete, transparent and comprehensible to allow the customer to make informed choices based on the awareness of costs and possible risks, as well as on the quality of the products and services offered. In addition, pursuant to Regulation (EU) 2019/2088 SFDR, sustainable products and services include additional information aimed at informing the investor about the integration of sustainability characteristics or objectives, as well as the management of ESG risks and their impacts.

To this end, a scrupulous, thorough application of the MiFID 2 rules involving the completion of informational questionnaires and the systematic, automated assessment of the proposed solutions provide the guidelines for the brokerage and advisory services rendered by the network.

In this context, surveying properly and thoroughly the customer's expectations and characteristics is crucial to formulating a proposal that is adequate to the requirements reported and the needs expressed. In order to support the entire sales network, the advanced BG Personal Advisory model is available: it extends customer advice service to include all the customer's wealth (financial and real-estate), with the aim of maximising income performance, protection, succession issues, taxation and so forth. Following the release of the platform to the sales network, this model was further developed throughout the years, with the aim of increasing knowledge of the customer in terms of total assets, family situation and risk appetite, so as to offer an integrated, balanced approach to manage customers' assets and risks. In 2022, net inflows from BG Personal Advisory advance service amounted to 940 million euros. At the end of 2022, BGPA assets stood at 7,387 million euros.

Financial Advisors act in an objective and balanced manner in dealing with prospects and prevent personal gain from influencing their conduct or independent judgement. HQ structures tasked with sales network management not only asses sales activity in the field, but are also responsible for conducting timely reviews of complaints from customers as part of their ordinary operational support duties and sample-based inspections. Where necessary, such as when complaints have been received, recommendations concerning the conduct in which to engage are reiterated to individual collaborators and responsible managerial structures. Agency agreements contain clauses allowing them to be terminated in cases of irregularities or breaches of rules of conduct, laws or regulations.

Incentives and development

The recognition of individual contributions to a company's success is a fundamental part of solid personnel relations.

The incentive programmes, which in the industry are typically a critical factor, do not make any reference to the placement of specific products, but rather, reward the ability of those involved in increasing the scope of offerings in general terms, for example by acquiring new prospects or developing existing customers. The disbursement of incentives is contingent upon the satisfaction of the general requirements of professionalism, propriety, containment of risks and diversification of investments. These are in addition to specific prerequisites, such as not being subject to disciplinary measures and the achievement by the Bank of certain capital thresholds, in the interest of safeguarding more general consistency between individual and collective results.

Training

In a visibly complex context and within a constantly evolving legal framework, training is a key driver for the development and professional growth of the commercial network. The end of the Covid-19 pandemic emergency enabled the training provision to be changed once again: online activities were combined with face-to-face classroom training in order to ensure and increase the quality of the training offer, albeit in conditions still dominated by an element of uncertainty and impermanence.

The resumption of classroom training saw the participation of groups of Financial Advisors from all geographical areas. Most of the face-to-face training was held at the **Training & Innovation Hub** in Milan, in addition to a number of courses organised locally.

The **BG Lab training platform**, a real hub of online training, saw the continuation of the creation of dedicated training content that was increasingly digital and personalised, with a view to integrating live training and training through multimedia content made available to Financial Advisors.

1

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1-3 Training & Innovation Hub in Milan

Training programmes are organised based on two main areas:

› **managerial and relationship management training**, in support of the role of Financial Advisors and for developing the skills and behaviour that set them apart from the rest of the market;
› **high-profile technical/commercial and institutional training**, which takes account of the customers' evolving needs over time and the regulatory developments.

Managerial training

it has been structured so as to consolidate the leadership of the various managerial figures, guiding them through training programmes aimed at ensuring their ongoing development and reinforcing their knowledge, competencies and behaviour.

Relational Programme Schedule – My Webinar	With the aim of staying always close to the Network in the current delicate context, the My Webinar relational training schedule continued in line with prior years. The training schedule is dedicate to the entire Network and is structured into three sessions, each lasting one hour and a half. Together with distinguished ambassadors, it intends to delve into the world of storytelling, conceived both as a sales and a leadership tool. This schedule is a training opportunity to reflect together with Financial Advisors on the importance of preparation, training and the art of storytelling as tools to best express potential and develop every communication and relationship process.
Training course for new recruits, BG New Generation	This new excellent training course, aimed at young people newly recruited to Banca Generali, is designed with the aim of helping new Financial Advisors understand the most important dynamics of managing commercial negotiations, learn about BG tools and services and support them in developing their professionalism. The course provided for three days in the classroom and an online session with videos dedicated to an in-depth analysis of BG tools with the aim of strengthening relational skills and basic sales competencies for effective management of the relationship of trust with customers.
The role of the Financial Advisor in the current context	To help Financial Advisors fully understand the added value of BG Personal Advisory, the in-person training course "The role of the Financial Advisor in the current context" was launched. This one-day in-person training course aims at helping Financial Advisors become aware and analyse the current context of change and fully understand their role, overcoming possible responses and resistance to new situations. Key topics analysed include the development of effective behaviours and training on the management of customer complaints related to the current context.
Managerial development programmes	The enhancement of the management team, consisting of Area Managers, Deputy and District Managers, and Executive Managers for some areas, continued this year as well with personalised team coaching courses aimed at supporting the persons in question in the development and implementation of their teams' professional growth plans.
D-Training DAY	In 2022, the D-Training DAY was launched: a new recurring event dedicated to all Deputy and District Managers in the managerial structure, hosted at the Training & Innovation Hub in Milan. It consists of a day dedicated to training, discussion and presentation of new strategic projects that involved the managers and their related teams during the year. This year's initiatives focused on the technical and commercial aspects of the new products being launched, with a view to further developing the solutions offered and the Corporate segment. The D-Training DAY was also the opportunity to meet other Banca Generali colleagues responsible for various projects.

Commercial training

It is focused on product and service themes to reinforce the network's authoritativeness and reliability and its ability to provide a holistic advisory service to meet customers' needs.

Fintech Programme Schedule, Products and Services	In order to help Financial Advisors understand the tools at their disposal, two fintech training schedules (one per semester) were organised, open to the entire Network, with a focus on new developments and the use of the digital tools, on several innovative and/or supporting products and on Banca Generali's advanced services. The first schedule, which included 13 live meetings during the first half of the year, saw a high level of participation that reached peaks of more than 500 Financial Advisors connected simultaneously. The training schedule completed in the second half of the year, consisting of 8 live meetings, also saw a high level of participation that reached peaks of more than 600 connections. The most important innovation of the fintech schedule was the involvement, through a survey delivered to the entire Network, of Financial Advisors in defining the most useful topics and issues to be covered. The Bank's experts specialised in each topic were involved in both schedules and top managers were also involved in specific circumstances.
The added value of Advanced Advisory	In 2022, considerable emphasis was placed on BG Personal Advisor. In the first half of the year, the training took place through webinars lasting about 2 hours, dedicated to a number of selected Financial Advisors, for each area, which covered in detail the main aspects of the value proposition, the services offered and BG Advanced Personal Advisory's pricing model. In the second half of the year, also due to the feedback received from the Network, the course continued in the classroom, with a full day within the Training & Innovation Hub, in which the same aspects and topics were analysed further, considering the time available to each speaker attending the classroom sessions. In this case as well, training sessions were dedicated to selected Financial Advisors, for each area. The Heads of the most relevant Departments and Services in the Advanced Advisory area were involved as speakers.
ESG Advanced training: **1) EFPA ESG Advisor certification** **2) "Parlare Bene della Sostenibilità" training sessions**	The advanced training focus on sustainability continued in 2022, reaching 23% of the ESG advanced training target with regard to the Network. 1) In particular, the third and fourth editions of the training course carried out exclusively with MIP (Business School of Politecnico di Milano) and aimed at EFPA ESG Advisor certification took place. The highly prestigious programme was an opportunity for some selected Financial Advisors to increasingly improve their dialogue with customers on ESG matters, incorporating the range of sustainable solutions into their offer. Each course edition included 12 virtual modules each of 2 hours, held by MIP teachers with extensive ESG expertise, and delved into the topic of sustainability in all its main aspects (regulatory and scenario context, strategic relevance, taxonomy of tools, management strategies). The four course editions organised up to now, between 2021 and 2022, involved and trained 192 Financial Advisors overall. 2) In order to support the development of advanced training on the world of sustainability within the Bank, 17 training classrooms were also developed in collaboration with Mainstreet Partners involving selected Financial Advisors to consolidate ESG knowledge and skills. Training sessions involved a total of 335 Financial Advisors to date.
On-demand classrooms	In addition to the pre-set training plan, a number of on-demand virtual classrooms were created to address specific needs that emerged during the year. In particular, a number of training initiatives were completed regarding topics such as cryptocurrencies, credit services to SMEs, initiatives concerning short and medium-term investments, scenario analyses and solutions to be adopted.

The mandatory training provided in 2022 included professional refresher courses for all Financial Advisors on MiFID 2 compliance. 2022 also featured the design of a quality programme not only to ensure compliance with the provisions of current legislation, but also to enhance the Financial Advisors's professionalism through online courses on the BG Lab training platform.

The training programme, hosted in collaboration with expert teachers from prestigious partners, included a set of e-learning courses lasting a total of at least 30 hours, with a final test at the end of each training module. In line with the Bank's Strategic Plan, within the framework of the annual training refresher courses, all Financial Advisors took at least two mandatory courses on **ESG matters**, one on ESG regulatory updates and the other on responsible investment and the 17 SDGs of the United Nations.

After successfully attending all MiFID 2 courses, the Financial Advisor received a certification to provide the advisory service in 2023.

In line with the provisions of the Institute for the Supervision of Insurance (IVASS), the professional updating of the entire network was also completed, through the delivery of e-learning courses within the BG Lab digital channel, lasting a total of at least 30 hours. Topics such as new insurance products and the life insurance market in Italy were addressed, with a particular focus on the issue of **cybersecurity**, i.e., IT security and data protection, which falls within one of the areas of Annex 6 to IVASS Regulation No. 40.

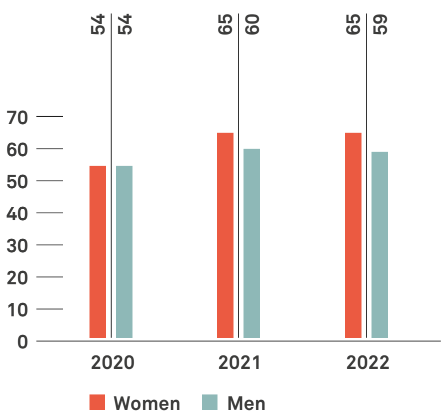
In collaboration with the Anti-Money Laundering Service, this year again the three-year training course (2022-2024) was organised with a focus on the main risks relating to money-laundering and financing of terrorism, in addition to the preventive control measures implemented by the Bank: a programme dedicated to the entire network and provided in the form of 1.5-hour live webinars, run by authoritative teachers who focused primarily on examining real-world cases.

In addition, the online course "**Il mondo del credito**" (The world of credit) was made available to the entire Network with the aim of spreading the credit culture, thereby complying with the contents of the EBA Guidelines on loan origination and monitoring.

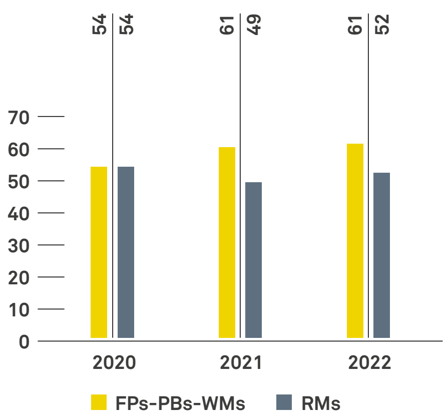
The 2-hour online course on Italian Law No. 231 on the administrative responsibility of entities was again made available this year, within the mandatory training plan provided for the Network. At 31 December 2022, the course was attended by 2,118 Financial Advisors, accounting for over 99% of all Network, made up of 2,137 Financial Advisors (at 31 December 2022, only 8 Financial Advisors who had been working for the Company for over six months did not attended the course).

2022 saw also the resumption of the "**Welcome Program**" project, dedicated to all Financial Advisors entering the Banca Generali world for the first time. This project includes two face-to-face days within the Training & Innovation Hub in Milan, designed so that new Financial Advisors can get to know the Heads of the main Departments, who are there to talk about the universe of services, products and solutions offered by the Bank, and oversee the needs of customers even more effectively.

AVERAGE TRAINING HOURS PROVIDED TO THE DISTRIBUTION NETWORK



AVERAGE TRAINING HOURS BY TYPE OF FINANCIAL ADVISORS



AVERAGE TRAINING HOURS PROVIDED TO FINANCIAL ADVISORS

AVERAGE TRAINING HOURS	31.12.2022	31.12.2021	31.12.2020
Total training hours provided to Financial Advisors	133,072	131,867	112,771
Total FAs	2,204	2,162	2,087
Average training hours by FA	**60.38**	**60.99**	**54.03**
Total training hours provided to female FAs	28,277	26,923	20,339
Total female FAs	432	412	374
Average training hours by female FA	**65.46**	**65.35**	**54.38**
Total training hours provided to male FAs	104,795	104,944	92,432
Total male FAs	1,772	1,750	1,713
Average training hours by male FA	**59.14**	**59.97**	**53.96**
Total training hours provided to FAs (PBs-FPs/WMs)	129,605	128,193	108,819
Total FAs	2,137	2,087	2,014
Average training hours provided to FAs	**60.65**	**61.42**	**54.03**
Total training hours provided to RMs	3,467	3,674	3,952
Total RMs	67	75	73
Average training hours by RM	**51.75**	**48.99**	**54.14**

Total training hours in 2022 amounted to 133,072, increasing slightly compared to 2021. Average training hours by Financial Advisor were more than 60, provided both through classroom sessions and online activities, in compliance with the new guidelines disseminated in the year for containing the Covid-19 health emergency.

Dialogue with the Sales Networks

At Banca Generali, the 2022 marked a return to normalcy, with the resumption of in-presence meetings and conferences. The Bank however continued to take advantage of the benefits that digitalisation has brought over the last two years, enabling it to combine the opportunities of face-to-face sessions with the convenience of remote meetings.

As in the past, the main occasions and opportunities for dialogue were the monthly meetings (held in-presence as of April) between the first line managers and top managers of Banca Generali, in which the news and most relevant updates of all ongoing projects were gradually presented.

In the first half of 2022, the Roadshow also took place with the physical participation of the entire Network. It presented the Strategic Plan for the three-year period 2022-2024, which once again underlines how the Bank's objectives are the continuous improvement of the Financial Advisor experience and the quality of the service offered to customers.

As in previous years, Banca Generali continued to organise numerous focus groups dedicated to the most important commercial issues, carried out both physically and remotely, so as to gather the opinions of the best Financial Advisors.

As mentioned above, the return of face-to-face training sessions (allowing, where possible, a parallel use of technology during in-depth webinars created ad-hoc) allowed a high and fruitful level of interaction and engagement to be maintained.

In addition, in September 2022, after two years, the annual Premier League training event was held again, involving the Banca Generali Network's best Financial Advisors — a unique opportunity to further strengthen the Group's spirit of cohesion and receive a preview of the innovations coming.

In addition, a new initiative was launched for the Network's Financial Advisors and Top Managers to meet and listen at the Training & Innovation Hub in Milan, with the aim of discussing the challenges of the present and the future: a proposal to share and address in practical terms the core issues to be developed and improved, as well as a moment for considering any ideas emerging from customer needs.

In addition, as happens every year, one of the most prestigious institutions in the sector carried out a survey in which Financial Advisors confirmed the appreciation and excellence of the Bank and the Group.

Litigation Management

With reference to the agency relationship of Banca Generali's Financial Advisors authorised to make off-premises offers, in 2022 there were 55 disputes underway (37 in 2021 and 41 in 2020), each involving legal proceedings. Disputes pertained exclusively to agency contracts that have been terminated and mainly entailed financial issues related to the termination of the relationship. In 2022, four positions were archived. Therefore, at 31 December 2022 the litigation relating to the Financial Advisor agency relationship consists of 51 outstanding disputes.

To know more about litigation management see section “Human Capital: Human Resources”, “Litigation management”.

Relationship Capital: Suppliers

1,499 suppliers

NEW

33 new qualified suppliers

€

135,825 thousand euros in purchases

84.16% of the procurement value towards Italian suppliers

In 2022, the Banca Generali Group engaged in **dealings with 1,499 suppliers**, generating a total value of 135.825 million euros, broken down as follows:

- 114.316 million euros (**84.16% of total**) **referring to Italian suppliers**;
- 21.509 million euros (15.84% of total) referring to foreign suppliers.

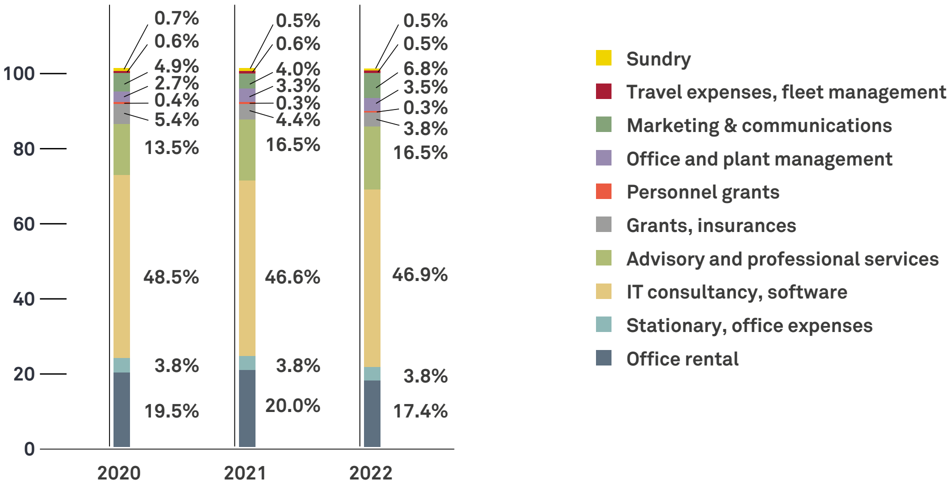
Banca Generali offers its suppliers a standard payment term of 60 days from invoice date, accepting changes should the conditions apply. Special payment terms in line with market conditions are agreed for certain supplies (e.g., rentals).

In accordance with the provisions of the Growth Decree (Law No. 58 of 28 June 2019) and, particularly, Article 7-ter of Legislative Decree No. 231/2002 on combating late payments in commercial transactions, it should be noted that an analysis of transactions carried out by Banca Generali in the reporting year showed that 40 days was the average time for payments to its suppliers (in line with 2021). The very few delays recorded were generally contained (6 calendar days as in 2021) and almost exclusively linked to the fact that the Bank prepares payment flows on a weekly basis. The subsidiaries were also involved in the focus on meeting payment deadlines.

BREAKDOWN OF SUPPLIERS BY TYPE OF SUPPLY AND % VALUE OF THE SUPPLY

	2022	2021	2020
Number of suppliers	**1,499**	**1,494**	**1,464**
Expenditure/suppliers (€ thousand)	**135,825**	**117,528**	**106,956**
Office rental	17.4%	20.0%	19.5%
Stationery, office expenses	3.8%	3.8%	3.8%
IT consultancy, software	46.9%	46.6%	48.5%
Advisory and professional services	16.5%	16.5%	13.5%
Grants, insurance	3.8%	4.4%	5.4%
Personnel grants	0.3%	0.3%	0.4%
Office and plant management	3.5%	3.3%	2.7%
Hardware, infrastructure costs	-	-	-
Marketing & communications	6.8%	4.0%	4.9%
Travel expenses, fleet management	0.5%	0.6%	0.6%
Sundry	0.5%	0.5%	0.7%

SUPPLIERS BY VALUE OF THE SUPPLY



Banca Generali develops contractual relationships only with qualified suppliers, i.e., whose credentials are such as to provide it with a good degree of reliability and efficiency: the creation of a long-lasting and mutually beneficial network of relationships is a strategic objective and a source of competitive success since it allows product and service quality to be kept high at all times.

Lastly, regarding IT suppliers, Banca Generali prefers those who meet the best international standards. In fact, its main IT suppliers, CSE and GOSP, meet the requirements of standard ISO 27001:2005 to protect information resources. The project for implementing activities aimed at ensuring compliance with the EU DORA (Digital Operational Resilience Act) Regulation was launched in 2022, with expected application as of 2024. The regulation defines a holistic and comprehensive approach to end-to-end ICT and cyber risk management, establishing operational and governance activities for security and ICT, as well as supplier management, for all the financial service sectors. The DORA Regulation also intends to improve and simplify the management of ICT and cyber risks and requires in-depth interpretative analyses from a regulatory point of view of the impacts introduced with respect to the various topics covered and the regulations in force.

In line with the criteria defined by the Generali Group, the Bank asks its contractual partners to align themselves with its management policies when carrying out their own activity and to ensure that they are observed at all levels of the supply chain.

In an increasingly complex operating context, in 2022 as well Banca Generali continued the process of improving the efficiency of active suppliers:

- on the one hand, by supporting a network of lasting and mutually satisfactory relationships with qualified contractual partners and promoting dialogue with the latter;
- on the other hand, by developing an increasingly automatised supply management process and encouraging the use of digital tools (e.g. favouring the digital archiving of contracts).

With a view to continuous improvement, outsourcing services were constantly monitored, with particular attention to the maintenance of an adequate service quality.

The procurement process is governed by the specific and constantly updated internal regulation that provides the guidelines for proper purchasing management and for supplier selection and supply contract award procedures. A special procedure is also envisaged not only for related party transactions and transactions involving a potential conflict of interest, but also for supplies qualifying as outsourced activities/services, pursuant to applicable legislation.

During 2022, the internal regulations were supplemented with the aim of further strengthening the formalisation of contracts with third parties and minimising legal and non-compliance risks, which can typically translate into compensation arising from contractual liability and also into sanctions, financial losses and reputational damage resulting from the breach of self-regulatory and external rules.

For each purchase, Banca Generali requests and compares several offers through an appropriate evaluation and selection process involving suppliers considered to be suitable (qualified) and a special scoring system defined in concert with the Generali Group. The qualification system takes account of financial data, risk assessment and quality analysis of the goods/services supplied. In order to mitigate risks, regular checks and audits are performed allowing to record and automatically update any changes that may affect the outcome of the qualification and evaluation of the supplier concerned.

The process of selecting suppliers is based on clear, well-defined and non-discriminatory procedures, through the exclusive use of objective, documentable and transparent parameters tied to the quality of the products and services offered. For purchases over 40,000 euros excluding VAT, it is provided for that at least three qualified suppliers are involved in the selection process and their offers are examined so as to identify the most advantageous source in terms of total purchase cost, quality, delivery times and service performance.

In 2022, 33 new relevant suppliers[117] were selected that, as they met the criteria established, were accordingly included in the 'List of Qualified Suppliers'. To ensure that the qualification process was completed correctly, were asked to undertake the commitment to act in accordance with the Generali Group's policies on ethics, integrity, fairness, transparency and impartiality, as well as on environmental and social matters.

In any event, suppliers are excluded and/or suspended if they fall within one of the following categories:

a) bankruptcy, compulsory liquidation, composition with creditors and all procedures aimed at securing an official declaration of such situations;
b) procedures for applying preventive measures or judgements against the supplier's owners/senior management;
c) cases of serious error or gross negligence, evidenced in any way by the Generali Group and committed in the provision of previously awarded services or in the conduct of professional activity;
d) violation of tax obligations according to the laws of the country of residence and/or non-payment of employee salaries and social security charges;
e) failure to honour payment obligations to tax authorities and pensions bodies;
f) violations of the principles indicated in the **Ethical Code for Suppliers of the Generali Group** and/or failure to meet the so-called "minimum obligatory sustainability requirements";
g) legal actions and/or judicial proceedings brought by the supplier against the Generali Group;
h) any other conditions imposed by the Group or Local Compliance office.

In order to reduce the risks, regular controls and checks are in place for all suppliers, even those not included in the full qualification process which is, by contrast, mandatory for relevant suppliers.

Without prejudice to the primary need to meet the requesting office's requirements, and without running any type of supplier-related risk[118], the founding principle for selecting and choosing the supplier is to ensure the best economic supply conditions, through competition between several qualified suppliers and in full compliance with the Internal Code of Conduct adopted by the Bank.

The Sustainability Policy defines the objectives and undertakings that guide the Group's choices and actions, including procurement, in order to make a positive contribution to sustainable development. Accordingly, preference is given to suppliers with social responsibility policies that adopt ecological criteria (e.g. use of green technologies and procedures). In line with the Ethical Code for Suppliers of the Generali Group, which states the general principles that must underlie fruitful relationships with contractual partners, the Bank is however committed to increasingly integrating ESG matters in the supply process.

117 'Relevant supplier' refers to a supplier whose activities with the Banking Group has an estimated value of over 150,000 euros per year.
118 e.g., defect levels, delays, non-compliance, indirect damages, conflict situations, breaches of legislative obligations.

Relationship Capital: Customers

341,732 customers
(+3% vs 2021)

AUM
82.2 billion euros
(Assoreti scope)

22.5% of customers
with at least 4 products

Banca Generali intends to use its own service model and commercial offer to meet its customers' investment needs fully, adopting multiple technical resources and identifying, through its Financial Advisors and with the support of specially developed IT procedures, the most suitable solutions for each customer. In order to achieve this objective, the Group's strategy is to adopt a holistic advisory approach to propose a wide range of financial, banking and insurance solutions, services and products, which can be subdivided as follows:

- **asset management** products, which allow Banca Generali to offer its customers a full range of investment solutions based on the open-architecture model and featuring flexibility and personalisation, so as to meet the different needs and requirements, in terms of financial planning objectives, risk tolerance and asset allocation;
- the **insurance** product range offer, which is concentrated on Life and Pension Insurance, meeting protection and planning goals for generational transfer;
- **banking services and AUC solutions**, which provide access to a complete range of cross-border products (current accounts, services and payment tools) and investment products (security deposit and trading of securities and loans).

Considering that for the commercial offer to be developed properly it is necessary, on the one hand, to identify the needs of customers and homogeneous groups of target customers and, on the other, to study the features of each new product and analyse its suitability for meeting the needs identified, Banca Generali has developed a well-structured process for studying, constructing and launching new products.

The following factors are particularly important for purposes of identifying customer features and investment needs:

- the type of customer (retail, professional, qualified counterparty);
- customers' knowledge and experience;
- customers' financial situation and ability to sustain losses;
- customers' risk tolerance;
- customers' objectives and needs (protection/growth/income/time horizon, specific needs);
- preference for sustainable products.

In order to evaluate the suitability of the products distributed to meet the relevant investment needs, a direct knowledge of customers is essential, and in particular their knowledge and experience of products, their financial situation and their investment objectives. This information serves to give every customer a financial profile, which allows to check the investor's capacity to understand the nature and features of the product and assess its adequacy and appropriateness, through a specially developed IT support procedure. In particular, the factors contributing to the adequacy assessment are the customer's financial profile, the risk profile of the product, the risk profile of the portfolio, the frequency of the number of transactions within a given period of time and the dimensional relevance of the transaction with respect to the Customer's portfolio, in addition to the concentration of financial instruments by security issuers as far as AUC solutions/products are concerned. Moreover, in the event of a transaction recommended to a retail customer that concerns illiquid and/or complex financial products, specific enhanced safeguards are envisaged to protect the investor. The Bank's adequacy assessment also implies to verify that customers' sustainability preference is consistent with the ESG score of the financial product to be acquired.

Clientele Characteristics

Knowledge of individual customers is based on the direct relationship they build with the Financial Advisors, as well as on trend analysis and indicators transversal to all clients.

In 2022, despite a very challenging market context, Banca Generali succeeded in increasing the number of its customers from 331,646 to 341,732 (+3%).

NUMBER OF CUSTOMERS AND AUM

	2020	2021	2022	CHANGE %
Number of customers	311,947	331,646	341,732	3.0%
AUM (€ billion)	73.3	84.5	82.2	-2.9%

Breaking customers down by gender, 53% were men and 43% were women. There was a slight decrease among Generation X customers (35-50 years of age), whereas the number of those over 70, who represent the customers with higher levels of income and assets, remained unchanged.

BREAKDOWN OF CUSTOMERS BY GENDER

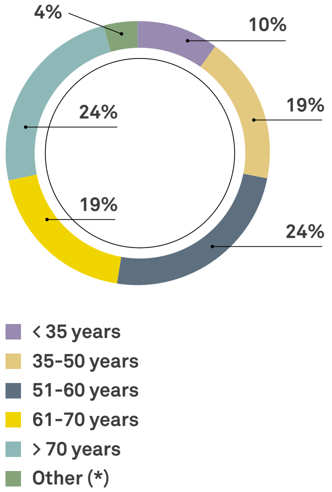
	% 2020	% 2021	% 2022
Women	43%	43%	43%
Men	53%	53%	53%
Other (*)	4%	4%	4%
Overall total	**100%**	**100%**	**100%**

(*) The category "Other" includes all the customers that cannot be classified by gender (i.e., legal entities, clients with trustee mandates, etc.).

BREAKDOWN OF CUSTOMERS BY AGE BRACKET

AGE	2020	2021	2022
Up to 35	10%	10%	10%
35-50	20%	19%	18%
50-60	24%	24%	24%
60-70	18%	19%	19%
Over 70	24%	24%	24%
Other (*)	4%	4%	4%
Overall total	**100%**	**100%**	**100%**

(*) The category "Other" includes all the customers that cannot be classified by age (i.e., legal entities, clients with trustee mandates, etc.).



(*) Clients that cannot be classified by age (i.e., legal entities, clients with trustee mandates, etc.).

The geographical distribution of customers shows their concentration in Northern Italy (about 62% of the total).

BREAKDOWN OF CUSTOMERS BY GEOGRAPHICAL AREA

GEOGRAPHICAL AREA	% 2020	% 2021	% 2022
Abroad	1%	1%	1%
Centre	19%	19%	19%
Islands	3%	3%	3%
North-east	31%	31%	31%
North-west	31%	31%	32%
South	15%	15%	15%
Overall total	**100%**	**100%**	**100%**

Customers Relations

In line with the provisions set forth in the Code of Ethics of the Generali Group, the principles guiding customer relations are:
- conducting business in compliance with the law, internal regulations and professional ethics;
- promoting the culture of sustainability in all of its spheres of influence to contribute concretely to economic and social development based on environmental protection and respect for fundamental human rights and labour;
- processing personal data in a manner respectful of data protection rights, while ensuring it is inaccessible to third parties, except for fully justified reasons or in the presence of a specific external mandate;
- avoiding any conflicts of interest and, where it is not possible to do so, managing them in such a way as not to result in harm to the Bank or its customers;
- guaranteeing free competition, a fundamental factor for the development of company business and results;
- providing comprehensive and accurate financial disclosures, as well as information on products and services, so that customers can make informed decisions;
- combating all forms of bribery and corruption;
- opposing any conduct that could be intended as supportive of money laundering and financing of terrorism;
- pursuing customer satisfaction — a key factor to the Bank's strategic vision.

Dialogue with customers and customer satisfaction

Regular monitoring of customer satisfaction is a key factor in Banca Generali's strategic vision and is implemented through the use of specific indicators. When 2022 data are compared with the prior years' data, it can be seen that the retention rate has remained virtually the same, as has the average length of the contractual relationship, which is 11 years 5 months.

Customers' perception of the financial services offered by the Bank improved: whereas the number of single-product customers gradually declined, the number of customers with at least four products increased gradually.

CUSTOMER SATISFACTION

	NO. PRODUCTS	2020	2021	2022
Customer retention rate		96.3%	95.9%	95.6
Average duration of the agreement*		11 years and 3 months	11 years and 4 months	11 years and 5 months
Cross selling	1	38.6%	37.4%	36.60%
	2-3	40.1%	40.9%	40.9%
	4+	21.3%	21.7%	22.5%

(*) The figures refer to persons who have been Banca Generali customers for at least one year.

In the first few months of 2022, due to the residual effects of the pandemic, the number of initiatives organised by the Banca Generali network nationwide were inevitably limited. Starting from the second half of the year, thanks to a better health context it was possible to organise again physical events in compliance with all the protection and prevention measures in force.

In this context, the network took action nationwide organising over 250 initiatives, almost double compared to the previous year, reaching about 5,000 customers in compliance with the precautionary measures defined.

Most of the activities focused on financial issues and aimed to further examine the evolution of macroeconomic scenarios, the financial market situation and the related pandemic crisis, inflation, geopolitical balances, market volatility, sustainable economy and innovations and solutions in investment choices.

From a cultural point of view, ample room was given to promote concerts and art exhibitions, all in partnership with prestigious asset management firms.

There was also an increase in ESG initiatives: Financial Advisors organised and sponsored about twenty meetings focused on topics such as sustainable investments, green transition, fight against climate change and responsible communication.

The network also took action in the charity field, supporting about ten Italian associations. Such initiatives include fundraising for the care of children with chronic diseases, disabilities or genetic diseases, donations to support school education in the Third World and cancer departments, as well as charitable and philanthropic donations.

Management of disputes and complaints

Banca Generali's Litigations and Complaints Service receives customer complaints regarding both investments services and banking products and services. Customers may lodge complaints in writing by post, fax, telegram, e-mail, certified electronic mail or by hand-delivered letter addressed to the branches, private centres, as well as representatives or other offices of the Bank.

Complaints received are managed in compliance with applicable laws and regulations. In addition to becoming a member of Conciliatore Bancario Finanziario (Italian financial-banking Ombudsman)[119], which offers out-of-court dispute resolution procedures, the Bank adopted an internal disputes and complaints policy and an organisational procedure aimed at identifying the activities involved in handling complaints, from recording them in a dedicated database to sending the letter of response.

Complaints are logged based on the category to which they belong. In particular, it can be noted that:

- banking complaints[120] provide for a 60-day processing time limit. With regard to payment services, the Bank must answer within 15 business days from receipt;
- financial complaints[121] provide for a 90-day processing time limit when the complaint concerns questions outside the scope of the Banking and Financial Ombudsman, and a 60-day limit if the complaint refers to disputes for which an appeal could be brought before the financial-banking Ombudsman;
- insurance complaints[122] provide for a 45-day processing time limit.

The organisational procedure also identifies the activities involved in dispute management. This phase normally develops as the result of the complaints received being rejected.

For further details on the management of disputes, reference should be made to paragraph "Litigation Management" in the chapter "Human Capital: Human Resources"

Clientele protection

Wealth protection

Protecting customer wealth remains a priority objective for Banca Generali and is a central element of its growth strategy: the Bank has placed sustainability at the centre of its operations, which requires tangible actions to be fully realised. In a context of increasing complexity, given the persisting elements of uncertainty and instability, Banca Generali considers it a priority and necessary to provide its customers with wealth protection and investment planning solutions.

This premise is the basis of the model for developing the dedicated services and specific solutions offered, which in 2022 made use of the following contributions and improvements:

- the range of insurance solutions was expanded to introduce several products issued by the Generali Group, including the **Stile Libero** range, hybrid insurance policies to be personalised ba-

[119] Association for Alternative Dispute Resolution (ADR) focusing specifically on banking, financial and corporate matters.
[120] Complaints concerning any malfunction, complaint, omission, expression of dissatisfaction or objection regarding the Bank's operations related to banking or financial services as identified in Title VI, Chapter I, of Legislative Decree No. 385/93 (TUB – Consolidated Law on Banking), also regarding to transparency matters, presented in writing by subject who can be uniquely identified.
[121] Complaints concerning any malfunction, complaint, omission, expression of dissatisfaction or objection regarding the Bank's operations related to investment services and activities and ancillary services as identified in Part I, Article 1, of Legislative De-cree No. 58/1998 (TUF – Consolidated Law on Finance).
[122] Complaints concerning any malfunction, complaint, omission, expression of dissatisfaction or objection regarding the Bank's operations related to insurance contracts and services falling within the scope of the IVASS pursuant to Article 4, paragraph 1, of ISVAP Regulation No. 24/2008.

sed on customers' characteristics and risk and investment profile. In particular, the structure consists of three lines that may be combined with a part of the segregated account scheme and over 900 Sicavs and ETF funds. Solutions can be further customised with: i) a disinvestment or coupon plan (for an income stream over time); ii) a planned switch between the segregated account scheme and active management or progressive investment plan (for a gradual change in the investment mix or investment out spread over time in order to reduce volatility of the underlying); and iii) the option for the benefit to be paid on death according to a scheduled plan of partial redemptions;

› alongside traditional products, since 2020 Banca Generali has been also placing **Lux Protection Life,** a Luxembourg-based hybrid private insurance policy issued by Generali Luxembourg, which combines the typical benefits and features of insurance solutions with: i) the option to protect the premium paid on the policyholder's death and ii) the additional protection represented by the reference regulatory context, which is one of the most protection-oriented in Europe. Lux Protection Life allows widely diversified portfolios to be built, in line with the specific risk profile of each individual customer: in fact, there are available approximately 550 UCITS and ETFs from amongst the market's best asset managers, including the Lux IM and BG Private Markets range, a vast selection of ESG strategies and 19 dedicated internal funds, diversified in terms of risk, manager and geographical focus, as well as an internal collective fund that invests in private markets with a liquidity guarantee offered by the company;

› to constantly expand the insurance solutions offered, in June 2022 Banca Generali made available to its customers BG Oltre, a hybrid insurance policy, geared towards affluent clients, characterised by a moderate initial minimum investment and the ability to invest in large themes relating to sustainability through three internal thematic funds, namely "People", "Planet" and "Digital Transformation". The policy offers the stability of a segregated portfolio for 10% of assets and enables constant monitoring of risk through the modelling of quantitative and qualitative data available to the asset manager;

› the placement of **BG Insieme - Progetti di Vita** continued: a recurring premium hybrid policy that allows to invest gradually, thus turning volatility into an opportunity, and to define investment with the goal of celebrating important milestones in the lives of customers and their loved ones (e.g., diploma, degree, first home purchase, marriage). This product includes relevant insurance covers to protect their savings plans, which take over and accompany the project until its natural conclusion if unforeseen life events prevent the client from completing what has been planned;

› in the area of financial advisory services, flexible model portfolios were developed, in order to support customers in their approach to financial markets also in a context characterised by a high degree of uncertainty and volatility;

› access to — as an indirect, yet equally effective form of protection — the planning tool known as Family Protection, available within the BGPA platform, which Financial Advisors can use to reconstruct the customer's entire portfolio of financial, real estate, business or other valuable assets, in order to offer specific, in-depth advice, also with support from the specialist in-house structure for the most complex cases. The platform can be used to analyse portfolio composition, plan allocation and assess tax impact and cost of holding. The procedure can then highlight donations made, designations as policy beneficiary and liabilities associated with the inherited estate, in order to simulate the allocations desired by the customer, assessing whether they are consistent with mandatory inheritance laws and the weight of tax liabilities;

› the **collaboration with some of the leading Italian professional firms operating in the sector of asset protection, planning and management of wealth transmission, corporate reorganisation** continued; this dedicated offer enables Banca Generali to provide its customers with the best professional expertise existing nationwide for all matters regarding wealth protection in general, generational transfer and the definition of an optimal corporate governance, instrumental to ensuring stability and ability to govern both during phases of growth and generational transfers, as well as in the event of extraordinary transactions;

› moreover, Banca Generali is proud to **support, for the fourth year running, the observatory on the governance of unlisted companies**, curated by SDA Bocconi and in partnership con PWC, which studies the ownership and control structures of the major Italian companies (more than 6,100 companies with a turnover exceeding 50 million euros) and provides an annual report indicating the best governance methods in relation to economic results, with the aim of offering customers sound statistical support in identifying best practice depending on whether the form of participation in the company or the company's governance and operation rules are being examined;

› **the ongoing training of Financial Advisors, through sessions dedicated to further analysing wealth protection concepts and developing the ability to identify the latent or manifest needs expressed by customers**; in this sense, the Bank exploited the possibility to organised again face-to-face meetings so as to examine in a more efficient way the most interesting and current topics and ensure that the commercial network was able to be close to customers with practical and tangible answers (see section "Training" in chapter "Human capital: Human Resources");

- **the Bank provided access to a service for filing estate tax returns in partnership with a leading financial services firm to allow estate assets held with the Bank to be released more quickly**, thereby preventing assets from being frozen pending the preparation of a consolidated inheritance return, which inevitably entails much longer timescales, and is thus exposed to market volatility, in order to support heirs at a time that is inherently critical due to the death of a family member;
- **the Bank improved the process of managing inheritance, transitioning from a paper-only approach to integrated electronic management**, which allows remote entry of documents by Financial Advisors, validation by central departments, generation of the pertinent case loads for the offices involved and tracking of activities. Thanks to the conversion of the process to electronic form, average case handling times (excluding the 10% longest inheritance cases with anomalies, complexity or disputes between heirs) was estimated to have reduced by over 30%, with a trend towards further improvement.

Data protection

Banca Generali considers safeguarding its information assets as fundamental to protecting its business and its relation of trust with its customers.

For Banca Generali, proper management of the privacy of the parties with whom it has relationships (whether customers, collaborators or third parties) in compliance with external regulations means intending to contribute to generating a positive impact in the short and long term by ensuring the protection of data integrity, as well as its processing in line with the data provider's intentions.

With regard to the initiatives suitable for containing potential violations of personal data, Generali has adopted the following main control measures:

- adoption of policies on data protection, IT security and strategic direction on the matter of information communication technology (ICT);
- the use of specific systems and tools such as firewalls and antimalware and antivirus programmes, etc.;
- the provision of specific training courses for employees and network collaborators;
- the periodic revision of the control measures adopted in accordance with industry legislation;
- the constant assessment of the risks associated with the new personal data processing methods introduced by the Company;
- initiatives to raise the awareness of personnel and customers on data protection and security to prevent any attempt of fraud by third parties.

Banca Generali has adopted the principles defined in the data protection legislation in force, in line with the **General Data Protection Regulation (GDPR)**, integrating the provisions contained therein into its internal rules.

A **Data Protection Officer (DPO)** has been appointed within the Company and tasked with overseeing the processing and protection of personal data. In addition, the **Compliance Function**, which serves as a second-tier check, is also involved in monitoring and assessing the risk of non-compliance in this regard.

In 2022, three complaints were made with regard to Banca Generali, as a result of which there was no need to compensate the interested parties.

In the same period, a limited case of data breach regarding customer data was recorded. The event involved two operating sites, which were subjected to attempted fraud by alleged technical assistance service employees belonging to Banca Generali; in essence, these persons requested remote access so that they could view a number of computer monitors in service at the two operating sites. As a result of the findings, Banca Generali activated the appropriate communication channels in respect of the Data Protection Authority and provided appropriate recommendations to the entire company population to keep a keen watch for similar phenomena.

With reference to the notification sent to Banca Generali by the Data Protection Authority in 2021, concerning an alleged breach of data protection legislation by Nextam Partners SGR S.p.A. in relation to the whistleblowing application, in June 2022 the said Authority notified that the proceedings were closed as an exhaustive response was provided by Banca Generali.

In addition, with effect from 2019, Banca Generali implemented a framework for constantly monitoring the potential risk of fraud against the Banking Group and its customers in order to ensure the efficacy of the system for preventing and managing this phenomenon and pursuing the following aspects of social responsibility:

- protecting the solidity and profitability of the Banking Group and the brand's reputation;
- transparency in management of the business and the adequacy of the governance structures and Internal Control System;
- protecting customers' assets and data against possible internal and/or external fraud (cyber-attacks);
- responsible remuneration and incentives for employees.

1-4 Concerto of Beatice Venezi in Rome, Recco, Genoa and Naples
2-6 "Un salvadanaio per Amico" (A Moneybox for a Friend) project with Italian schools

Relationship Capital: Initiatives in Support of Local Communities

The year 2022 saw the resumption of face-to-face events, the driving force behind being together and consolidating relationships with the community at local level, generating a shared well-being from common experiences and human relationships. Several projects were carried out extensively throughout Italy, which embraced sports, art, financial education, without ever neglecting the importance of sustainability and constant support to the community.

The financial education and sustainability meetings with schools as part of the "Un salvadanaio per Amico" (A Moneybox for a Friend) project were conducted in hybrid mode, with the attendance of a Banca Generali manager in schools and FEduF tutors and office colleagues connected via Teams, allowing more than 1,700 children in 17 different cities to be reached. The lessons were extended to secondary and high schools during 2022.

The focus of the events was on sustainability and sustainable savings, represented by the LEO mascot, a lion created by employees' children. In addition, the children who participated in the individual meetings created a moneybox with recycled material to learn about the importance of saving and reusing certain materials, as the basis of the circular economy.

In addition to these lessons, over 5,000 children from 10 Italian cities also participated in the "Un Campione per Amico" (A Champion for a Friend) sports event: they were able to enjoy an experience with sports champions and learn the fundamentals of financial education. Several local meetings were organised to raise awareness through conferences and roundtables moderated by Banca Generali's partners on ESG matters, from Milan to Rome, from Macerata to Bari. Each meeting was attended by 50-60 people, who examined the ESG matters related to the Bank's investments

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1 Banca Generali sponsor of Mille Miglia
2 The protagonists of "Un Campione per Amico"
4 Conference moderated by Banca Generali's partners on ESG issues
5 It's Padel Time with stages in Milan, Florence, Busto Arsizio, Treviso, Lecce, Rome and Cagliari

and were able to dialogue with industry representatives who answered their numerous questions. Even the choice of the location was in line with sustainability principles, such as, for example, the conference organised in Pollenza inside a Papal residence transformed into a biodynamic company that produces wines.

At the end of the roundtable, which was also attended by entrepreneurs who have invested in sustainability and have innovated their products, all the guests (over 100) stopped for dinner, thus opening up further discussion opportunities.

Sport as a conviviality moment has helped strengthen Banca Generali's presence throughout Italy, with the creation of the "It's Padel Time" circuit. Eight different stages allowed customers and Financial Advisors to challenge each other on the padel courts. The cities of Milan, Florence, Busto Arsizio, Treviso, Lecce, Rome and Cagliari were the settings for this wonderful event, which ended with a padel clinic and a grand final in Milan, in the presence of ambassadors Lorenzo di Giovanni and Emily Stellato, national champions and young player of an inclusive sport open to all.

As major exhibitions started to reopen, the Bank's customers have been guests of exclusive exhibitions behind closed doors, with dedicated guides and art historians, starting with Monet in Genoa and extending to Van Gogh at Palazzo Bonaparte in Rome.

Through the renewed sponsorship of ambassador Beatrice Venezi, it was possible to experience the magic of exciting concerts in the most beautiful Italian theatres: the Carlo Felice theatre in Genoa, the Belvedere Luigi Tenco theatre in Recco, the Teatro del Giglio in Lucca, the Teatro Argentina in Rome, the Teatro Mercadante in Naples, ending up in the splendid La Fenice theatre in Venice for an unforgettable evening.

Collaborations with universities continued: on 29 November, the first annual report of the O-Fire Observatory was presented in collaboration with Milan Bicocca University on the topics covered by the EU Taxonomy and its implications for the industrial and financial sectors.

The agreement with Politecnico di Milano for the launch of the 2021 Blockchain & Distributed Ledger Observatory was renewed. This Observatory aims at developing analyses and research to help understand blockchain and distributed ledger technologies and the opportunities they generate. The research also seeks to be a benchmark for companies aiming to keep up to date with these issues and be aware of market developments.

The Bank also forged ahead its collaborations with Bocconi University to organise local events on good governance, and with LIUC and Cattolica University of Milan.

Always close to the community and to the people who work on the front line every day nationwide, Banca Generali supported a series of initiatives aimed at less fortunate children staying in different hospitals or in the CasaFamiglia communities, giving them an Easter thought or a toy and supporting their various daily activities.

Banca Generali has been close to art in its various forms, providing its guests with moments of leisure. Several initiatives have been developed throughout Italy together with Financial Advisors and their customers.

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1-2 Two moments with Kyle Hines at Olimpia Armani Milano

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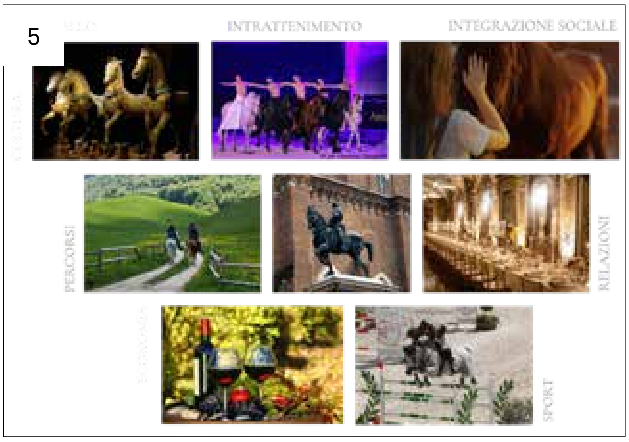

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1 Padel Clinic during “It’s Padel Time” step
2 Monet as protagonist of Genoa exposition
3-4 PianetaTerra in Piazza, with Chiara Chiusano (Capri)
5 Cavalli in Villa
6 The international piano competitione Rina Sala Gallo
7 Perugino’s fresco renovated in Perugia
8 Specchi, 40 years of jazz in Portogruaro

Relational Capital: Banca Generali's Memberships

ASSOCIATION	DESCRIPTION	NATURE OF ENGAGEMENT
ABI – Associazione Bancaria Italiana (Italian Banking Association)	ABI is a non-profit banking association, whose purpose is to represent and defend the interests of its member banks and financial intermediaries. Its main activities include the development of studies and debates on banking issues and the provisions of information and technical assistance to its member banks.	The CEO and General Manager of Banca Generali sits on ABI's Board of Directors
ABI Lab	ABI Lab is the Centre of Research and Innovation for Banks sponsored by ABI (the Italian Banking Association) with a view to encouraging dialogue and exchange of information between banks and ICT and energy partners	Banca Generali is among the 122 organisations — banks and financial intermediaries — that stand out for their "Passion for Innovation".
AIPB – Associazione Italiana Private Banking (Italian Private Banking Association)	Founded in 2004, the Italian Private Banking Association is an association which brings together the main national and international operators of Private Banking, Universities, Research centres, Service companies, Industry Associations, Tax and Legal firms.	Banca Generali's Deputy General Manager is AIPB President
Assogestioni	Assogestioni, the Italian association of asset managers, represents the majority of Italian and foreign asset management companies operating in Italy, as well as banks and insurance companies active in the individual and collective asset management	The Asset & Wealth Management CEO of Generali Assicurazioni is President of Assogestioni
Assoreti –Associazione Nazionale delle Società di Collocamento di Prodotti Finanziari e di Servizi di Investimento (Italian National Association of Financial Products and Investment Services Placing Firms)	Assoreti is the Italian association of banks and investment firms which provide investment advice service.	The CEO and General Manager of Banca Generali sits on Assoreti's Board of Directors
Assosim – Associazione Intermediari Mercati Finanziari (Italian Association of Financial Intermediaries)	Assosim carries out research and training activities and represents its members in debates promoted by Consob and the Bank of Italy on regulatory and financial issues.	
ECGI (European Corporate Governance Institute)	Founded in 2022, the ECGI is an international scientific non-profit association providing a forum for debate and dialogue between academics, legislators and practitioners, focusing on major corporate governance issues. Its primary role is to disseminate leading research on corporate governance.	Banca Generali is an institutional member of ECGI
Etica News/E.T. Group	ET.Group represents a unique case in the field of journalism and research on sustainability issues. The purpose of the project is to create a publishing world based on the specialisation of its journalistic skills and research activity in an innovative field such as sustainability, studied and monitored from the corporate and financial standpoints.	Banca Generali participated in the ESG Business Conference held on 15 June 2022 (General Counsel) and in Salone SRI held on 15 November 2022, conference "SFDR: le reti alle prese con l'ultratrasparenza (e l'ultraresponsabilità)" [*SFDR: how networks manage ultratransparency — and ultraresponsibility*].
Banca Generali is partner of ESG Governance LAB.		
FITD – Fondo Interbancario di tutela depositi (Interbank Deposit Protection Fund)	FITD is a mandatory consortium, originally established on a voluntary basis, created for the purpose of guaranteeing the depositors of member banks in case of default.	
Fondo Nazionale di Garanzia (Italian National Compensation Fund)	The National Compensation Fund, whose members are financial intermediaries, is an institution with legal personality under private law and autonomous capital established in 1991 and later recognised as a compensation scheme. The aim of the Fund is to guarantee a compensation to the investor clients of the members in case of compulsory administrative liquidation, bankruptcy or composition with creditors involving the abovementioned parties.	

ASSOCIATION	DESCRIPTION	NATURE OF ENGAGEMENT
Forum per la Finanza Sostenibile (Italian Sustainable Investment Forum)	Italian Sustainable Investment Forum is a non-profit association founded in 2001 with the aim of encouraging the inclusion of environmental, social and governance criteria (ESG) in financial products and processes.	Banca Generali is an ordinary member of Italian Sustainable Investment Forum.
ICMA (International Capital Market Association)	The ICMA is the self-regulatory body which represents financial institutions active in the capital markets.	
PRI (Principles for Responsible Investments)	The Principles for Responsible Investments were launched in 2006 with the intention of fostering the spread of sustainable and responsible investment among institutional investors.	Banca Generali is a single-consolidated group and investment manager signatory
Pri.Banks – Associazione Nazionale Banche Private (Italian National Private Banks Association)	Pri.Banks was established in 1954 to represent banks with exclusively private ownership, in a context where banks were predominantly state-owned.	Deputy General Manager of Banca Generali sits on Pri.Banks' Board of Directors
AIFI – Associazione italiana del Private Equity, Venture Capital e Private Debt (Italian Association of Private Equity, Venture Capital and Private Debt)	The Italian Private Equity, Venture Capital and Private Debt Association was founded in order to promote, develop and institutionally represent private equity and venture capital activity in Italy.	Partnership to establish O-Fire (Observa-tory on Impact Finance and its Economic Implications)
FEduF – Fondazione per l'educazione finanziaria e al risparmio (Foundation for Financial Education and Saving)	The Foundation, established by the Italian Banking Association (ABI), is a legal entity under private law, non-profit, which pursues purposes of social utility by promoting Financial Education, in the broader concept of Education to conscious and active Economic Citizenship, to develop and disseminate financial and economic knowledge.	Collaboration with Banca Generali for "Un Salvadanaio per Amico" (A Moneybox for a Friend).
Women & Technologies Association	Founded in 1999 as a CSR project, in 2009 the initiative became an association shared by a network of companies and people whose mission is to value female talent in technology, innovation and scientific research, promoting projects and actions aimed at combating gender stereotypes and discrimination, contributing to the orientation of young people towards the professions of the future and towards sustainable business models.	Banca Generali is a member of the Women & Technologies Association
Valore D	Valore D is an Italian association committed to promoting gender balance and an inclusive culture in organisations and across the country. It promotes diversity, talent and women's leadership for an inclusive culture to foster companies and country growth.	Generali Assicurazioni is a member of Valore D and Banca Generali has therefore access to the association's initiatives.
Conciliatore Bancario Finanziario (Italian financial-banking Ombudsman)	A non-profit association specialised in financial and corporate banking disputes.	
CDP (formerly Carbon Disclosure Project)	CDP is an international non-profit organisation aimed at understanding the potential impacts of climate change on shareholder value.	
CeTIF – Centro di Ricerca su Tecnologie, Innovazione e Servizi Finanziari (Research Center on Technologies, Innovation and Financial Services) – Cattolica University of Milan	The CeTIF has been carrying out studies and promoting research since 1990 on the strategic and organisational change in the financial, banking and insurance sectors.	Active participation in Digital Wealth Management HUB (e.g., event "Il valore ESG nel settore del Wealth management" [The ESG value in the wealth management sector] in June 2022)

Natural Capital

Scope 1 emissions: -10% vs 2019
(equal 363 tCO_{2eq})
Scope 2 emissions: -15% vs 2019
(equal 188 tCO_{2eq})
Scope 2 emissions: -10% vs 2019
(equal 452 tCO_{2eq})

100% of the electrical power purchased comes from renewable sources

Investment Carbon Footprint:
-42% compared to the 2019 baseline 2019
(equal 63 tCO_{2eq}/Eur mln)

51% of white paper is green and certified

>95%
recycling index obtained following the eco-friendly renovation

Safeguarding the environment as a primary good is one of the values pursued by Banca Generali, which is committed to directing its decisions in such a way as to ensure consistency between its activities and the environmental requirements, while taking on an active role in shaping a sustainable future.

Environmental Policies

Banca Generali's Internal Code of Conduct, drawn up in compliance with the principles contained in the Generali Group's Code of Conduct, states explicitly that economic and social development should be based not only on respect for fundamental human and labour rights, but also on environmental protection, to which Banca Generali contributes by fostering a reduction of the direct and indirect environmental impacts associated with its value chain, first and foremost with investments.

To this regard, in 2018 Banca Generali's Board of Directors adopted the Policy for the Environment and Climate, which identifies the guiding principles by which the strategies and goals of environmental management must abide.

In line with 2020, Banca Generali adopted a Sustainability Policy[123], which outlines the procedure for identifying, assessing and managing the risks and opportunities connected with Environmental, Social and Governance (ESG) factors, in keeping with the sustainability model defined in the Charter of Sustainability Commitments.

The topic of environmental impact and climate challenges was classified as material by several stakeholders. In assessing environmental aspects, Banca Generali takes also into account the quality and functioning of the environment and natural systems, in addition to other elements, including:

- greenhouse effect and climate change;
- the availability of natural resources, including energy and water;
- changes in the use of soil and urbanisation;
- quality of the air, water and soil;
- the production and management of waste;
- the protection of natural habitats and biodiversity.

In recent years, Banca Generali has also embarked on a process of gradually integrating ESG factors into its risk framework, focusing in particular to climate risks: this process falls within a path that aims to promote and raise the awareness of its people about a responsible business model and the reduction of direct and indirect environmental impacts[124]. In fact, the Bank pays attention to environmental protection also in the context of procurement processes, as explicitly stated in the

[123] For further information, reference should be made to section "Sustainability Policy" in "Strategic Focus on Sustainability".
[124] For further details, reference should be made to section "Mapping of Banca Generali's ESG positioning".

Ethical Code for Suppliers of the Generali Group adopted by Banca Generali's Board of Directors: suppliers are expressly required to reduce the impacts of their activities through an efficient use of natural resources, preference for energy from renewable sources, proper disposal of waste and reduction of greenhouse gas emissions. To ensure that these requirements are met, suppliers are subject to monitoring processes that also assess the related risk profiles.

The Environmental Management System (EMS), based on the ISO 14001 standard, is the tool that Banca Generali uses to manage the environmental impacts linked to operations, in line with the provisions set forth in its Sustainability Policy.

With the launch of the 2022-2024 Strategic Plan, Banca Generali also confirmed and strengthened its commitment to the environment, defining a number of targets relating to climate change aimed at achieving net zero emissions by 2040, in line with its Responsible Investment Policy and the internal ESG regulatory framework adopted[125].

The following have been identified as areas in which to take action:

- **company building and facility management**, which increasingly occurs by combining constant improvement of the operational comfort of personnel with the efficient use of natural resources. The following are pursued with the aim of minimising adverse impacts on the environment:
  - reduced consumption of electrical power, water and paper;
  - more efficient management of waste, with an increase in waste sorting;
  - a reduction in ambient temperature that still ensures thermal comfort for employees, but which can at the same time limit consumption and emissions. Specifically, winter temperature is set at 19°C +2°C (previously 20°C +2°C) and summer temperature set at 26°C (previous range: 23°C – 27°C);
  - ban on the use of hot water for sanitary application in HQ buildings that, although representing a modest inconvenience, has non-negligible benefits in terms of energy saving;
- the consolidation of the "Next Normal" model, which is a tool having a dual value, as, on the one hand, it impacts work-life balance and, on the other, it substantially reduces the average attendance at the Milan and Trieste offices (44% and 52%, respectively), thus ensuring a tangible reduction in consumption inside the buildings, in addition to limiting people's use of their own vehicles to reach the workplace;
- limiting office opening: since 11 November, HQ office buildings have been closed on Fridays and on 27, 28, 29 December, reaching 11 days closure overall. This innovation will bring even more visible results in 2023, given that it will be adopted from January to March, from June to September, throughout the month of August and on several additional days, reaching a total of about 62 days over the 12-month period;
- **sustainable renovation**, as, in addition to monitoring and actively controlling its consumption, the Bank consolidated a sustainable approach in developing its local logistics network — a process that involves renovating and fitting out the bank branches and Financial Advisors' offices. As these have a potential significant impact on the environment, Banca Generali has set itself the goal of approaching renovations with drivers typical of sustainable architecture, in other words, ensuring a lower environmental impact in favour of energy efficiency and improvement of health and comfort, through:
  - a constantly evolving new mindset focused on 'people', 'buildings' and the 'environment', based on ongoing research, analysis and an innovative design approach;
  - building materials that meet environmental and economic sustainability and recyclability criteria.

  All these principles are contained in a technical specification document that condenses the information relating to the materials used to carry out the renovation and/or fitting out;
- the **corporate mobility management**, governed by the Group's Travel Policy, that, in pursuit of sustainable management of the business travel needs of administrative personnel, envisages:
  - containment of travel through increasing use of audio and video conferencing, e-learning training courses, etc.;
  - preference for the use of public or collective transport (company shuttle buses, car pooling, etc.);
  - introduction of the "new ways of working" concept, i.e., the option of working remotely (generally from home).

[125] For further information, see section "Carbon footprint of Group investment processes".

Banca Generali is aware that it can pay attention to environmental issues also through its stakeholders. In particular, the Bank can exert its influence in the relationships with its suppliers (procurement ecology), customers (product ecology) and issuers (investment ecology):

- **procurement ecology:** to ensure the integrity of its supply chains, Banca Generali has established, in line with the Generali Group's provisions, operational mechanisms (e.g., penalty clauses that, in the event of a breach, may result in the termination of the contracts) intended to ensure compliance by all suppliers and their procurement chains with applicable legislation on occupational health and safety and environmental protection, as well as with the Group's ethical principles;
- **product ecology:** to encourage the adoption of environmentally friendly behaviour by its existing or prospect customers, the Bank has built an ESG offer model and has set up appropriate information and awareness-raising actions[126];
- **investment ecology:** Banca Generali has adopted an investment policy and laid down ethical guidelines that seek to prevent the risk of supporting companies involved in severe damage to the environment by investing in them.

The following table shows the Bank's environmental data, whose reporting scope does not include:

- the bank branches, excluded due to the marginal extent of their consumption;
- the Financial Advisor offices (operations sites), since these are local logistics facilities over which the Bank does not exercise complete financial and operational control and to which it applies various management models and cost allocation/apportionment models.

Consumption

The year 2022 confirmed a slight yet gradual decline in electrical power consumption as a result of the measures the Bank adopted to combat and contain the spread of Covid-19 in the work environment, first and foremost the extensive use of home working.

Electrical power, natural gas and heat from district heating

PERFORMANCE 2022:
11,374 GJ
TOTAL ENERGY CONSUMPTION
(13,231 GJ IN 2021)

23.4 GJ
PER CAPITA CONSUMPTION

In 2022, Banca Generali consumed a total of 11,374 GJ of energy. Energy consumption chiefly consists of electrical power consumption: the two offices involved in the Environmental Management System reported an overall consumption of 1,621,753 kWh (-22% compared to 2019), with a per-capita consumption of 2,117 kWh (-32% compared to 2019).

All the electrical power consumed is derived from renewable sources. The Milan office, located in the Generali Hadid Tower, is also connected to a district heating network that supplies hot water for space heating and sanitary applications. With regard to the district heating system, in 2022 Banca Generali consumed 605,100 kWh (-2.77% compared to 2019), with a per-capita consumption of 1,387 kWh (-21% compared to 2019).

Overall gas consumption amounted to 87,252 Sm3 (-19% compared to 2019), with a per-capita consumption of 264 Sm3 (-22% compared to 2019).

At the site in Trieste, natural gas is used both for heating and for air-conditioning in the summer season (using again a chilled beams system). Gas consumption reduction was also attributable to the interventions to replace the external windows carried out in 2020 and 2021.

[126] For further information, see chapter "Intellectual Capital".

2022 PERFORMANCE

TYPE	2019[127] CONSUMPTION (GJ)	2020 CONSUMPTION (GJ)	2021 CONSUMPTION (GJ)	2022 CONSUMPTION (GJ)	% CHANGE 2022-2021	% CHANGE 2022-2019	2020 PER-CAPITA CONSUMPTION (GJ)	2021 PER-CAPITA CONSUMPTION (GJ)	2022 PER-CAPITA CONSUMPTION (GJ)
Electrical power	7,523	6,380	6,053	5,838	-3.55	-22.40%	8.91	8.25	8
Natural gas	3,705	4,075	4,049	3,361	-26.13%	-19.26%	12.70	12.46	10
Heat (district heating)	2,240	3,181	3,124	2,178	-30.26%	-2.77%	8.05	7.64	5
Diesel oil for engine-generators	n.a.	20	6	7.13	+0.02%	n.a.	0.03	0.01	0.4

Paper

Paper is the material most used in the banking sector. To reduce its consumption, Banca Generali has consolidated the following measures:

- electronic archiving and dematerialisation of documents;
- use of e-mail and messaging in communications between companies, branches, Financial Advisor offices and customers;
- introduction of Banca Generali Digital Collaboration, whereby Financial Advisors can send their investment proposals to customers, who in turn can review and redefine their investment decisions, with the possibility to confirm the instructions digitally without using paper/print material;
- activation, for clients who use the home banking services, of the Doc@online function, which can be used for the digital transmission of all communications from the Bank (e.g., account statements, term sheets, accounting documents, information memoranda, etc.).

PERFORMANCE 2022:
38 quintals
PAPER CONSUMPTION
(115 QUINTALS IN 2022)
(-86% VS 2019)

5 kg
PER CAPITA CONSUMPTION

Where possible, Banca Generali buys material with a lower unit weight than normal in order to contain the weight of the paper consumed. In addition, Banca Generali promotes the purchase of low environmental-impact stationery and toner cartridges (e.g., pens with water-based, solvent-free ink, pencils made of wood from sustainably managed forests, toner cartridges that are remanufactured or produced with recycled material).

2022 PERFORMANCE

2019 PAPER CONSUMPTION (QUINTALS)	2020 PAPER CONSUMPTION (QUINTALS)	2021 PAPER CONSUMPTION (QUINTALS)	2022 PAPER CONSUMPTION (QUINTALS)	% CHANGE 2022-2021	% CHANGE 2022-2019	2020 PER-CAPITA PAPER CONSUMPTION (QUINTALS)	2021 PER-CAPITA PAPER CONSUMPTION (QUINTALS)	2022 PER-CAPITA PAPER CONSUMPTION (QUINTALS)
267	64	115	38	-67%	-86%	0.10	0.16	0.05

In this case again, the extensive use of remote working contributed to significantly reduce paper consumption in the offices included in the EMS compared to 2019, which was the year before the outbreak of the Covid-19 pandemic in Italy.

Water

Banca Generali considers water to be an important resource and is committed to using it sparingly in all the Group's offices. Water is used primarily for the purposes of hygiene and sanitation and to supply the heating and air-conditioning systems. At the Milan office, aquifer water is used, drawn from deep below ground, which has the advantage of being naturally purified by its passage through the permeable layers of the terrain. In this case, the water is pressurised and used directly for the hydrant network for cleaning, toilets and humidifiers. At the Trieste offices, almost all the water that is consumed comes from municipal or state mains.

PERFORMANCE 2022:
7,083 m^3
WATER CONSUMPTION
(3,883 M^3 IN 2022)
(-16% VS 2019)

9.25 m^3
PER CAPITA CONSUMPTION

[127] It should be noted that the year 2019 has been set as the baseline for the quantitative data presented in this chapter.

2022 PERFORMANCE:

2019 WATER CONSUMPTION (M^3)	2020 WATER CONSUMPTION (M^3)	2021 WATER CONSUMPTION (M^3)	2022 WATER CONSUMPTION (M^3)	% CHANGE 2022-2021	% CHANGE 2022-2019	2020 PER-CAPITA WATER CONSUMPTION (M^3)	2021 PER-CAPITA WATER CONSUMPTION (M^3)	2022 PER-CAPITA WATER CONSUMPTION (M^3)
8,412	5,045	3,883	7,083	+82%	-16%	7.04	5.29	9.25

In this regard as well, the extensive use of remote working contributed to the reduction of water consumption in the offices included in the EMS compared to 2019, which was the year before the outbreak of the Covid-19 pandemic in Italy.

Waste

PERFORMANCE 2022:

174.8 quintals

OF WASTE GENERATED
(78.6 QUINTALS IN 2021)

23 kg

OF PER CAPITA WASTE GENERATED

Banca Generali conducted a number of campaigns to raise awareness amongst its employees of the issue of proper waste management and sorting. Each corporate site has separate waste containers for paper and cardboard (which represent the highest portion of waste generated by the Bank), plastic, glass and aluminium.

A high level of care is also taken in the correct disposal of waste that is most hazardous or harmful for the environment, such as IT products and toner cartridges. In detail, IT waste made up of obsolete electronic equipment is returned to the suppliers or sent to specialised plants handling the disposal and recycling of reusable parts. Similarly, most exhausted toner cartridges are returned to the supplier to be recycled or remanufactured, whilst the rest are disposed of in accordance with regulations.

Hazardous waste (e.g., fluorescent tubes, batteries, etc.) is just a small portion of all the waste produced by Banca Generali and is disposed of using specialist firms. Banca Generali tracks the hazardous waste it generates in specific registers, as required by applicable legislation. Banca Generali also focuses closely on the three Rs (reduce, reuse and recycle) for long-term assets, above all in logistics processes involving the closing, transfer or restyling of branches or agency offices.

In such cases, it proceeds by considering the following management methods (reported in decreasing order of priority of action):
1. potential reuse of the asset in the new location or at other properties, considering the cost-effectiveness of recovery and the aesthetic/functional result;
2. involvement, through network managerial structures, of local communities (e.g., non-profit organisations, associations, entities, etc.) for the recovery of assets no longer of interest to the Bank;
3. disposal of assets in public dumps to begin the industrial recycling process for the asset disposed of.

2022 PERFORMANCE:

WASTE GENERATED IN 2019 (QUINTALS)	WASTE GENERATED IN 2020 (QUINTALS)	WASTE GENERATED IN 2021 (QUINTALS)	WASTE GENERATED IN 2022 (QUINTALS)	% CHANGE 2022-2021	% CHANGE 2022-2019	PER-CAPITA WASTE GENERATED IN 2020 (QUINTALS)	PER-CAPITA WASTE GENERATED IN 2021 (QUINTALS)	PER-CAPITA WASTE GENERATED IN 2022 (QUINTALS)
251.46	246.41	78.63	174.80	+122.28%	-30.50%	0.34	0.11	0.23

BREAKDOWN OF 2022 WASTE COLLECTED (%)

TYPE OF WASTE COLLECTION	2020 BREAK-DOWN (%)	2021 BREAK-DOWN (%)	2022 BREAK-DOWN (%)
Separate collection	21%	43%	60%
Unsorted collection[128]	79%	57%	40%

[128] Unsorted waste collection data also includes waste destined for authorised public disposal sites consisting mainly of "bulky" items, which to a large extent are then sorted appropriately on site (disposal of furniture, ferrous materials, materials and electrical/electronic components, etc.) for the subsequent recycling phases.

BREAKDOWN OF 2022 SEPARATE WASTE COLLECTION (%)

MATERIAL	2020 BREAK-DOWN (%)	2021 BREAK-DOWN (%)	2022 BREAK-DOWN (%)
Paper and cardboard	53%	71%	49%
Wet waste	20%	0%	25%
Glass	17%	16%	12%
Plastics and aluminium	10%	12%	14%

Wet waste had not been produced in 2021 due to the closure, following the restrictions introduced to counter the spread of Covid-19, of the Company's canteen and the café inside the Milan headquarters Generali Hadid Tower.

Mobility

Banca Generali is committed to reducing GHG emissions through sustainable mobility management as well, reducing employees' travels and encouraging video conferencing. At all site included in the EMS, video conference calls may also be made from individual workstations thanks to the availability of dedicated tools (e.g., Skype for Business and Microsoft Teams).

The travel policy adopted by the Banca Generali Group encourages the use of public transport, above all the least polluting ones (e.g., trains instead of planes), instead of personal cars. The Group's car policy calls for maximum carbon dioxide limits for company cars.

Thanks to the agreements entered into with the main public transport operators for the Province of Milan, Banca Generali guaranteed to its employees a reduction in the cost of annual season tickets for public transport (buses, trams, metro and trains) and completed the building of reserved bicycle parking for employees so as to encourage bicycle use for getting to work.

In addition, as of 2022, the previous diesel-powered "pooled cars" (available to employees for business trips) have been replaced by "mild hybrid" cars, which perform better in terms of lower CO_2 emissions.

2022 PERFORMANCE [129]

KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2019	KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2020	KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2021	KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2022	% CHANGE 2022-2021	% CHANGE 2022-2019	PER-CAPITA KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2020	PER-CAPITA KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2021	PER-CAPITA KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOY-ES IN 2022
2,969,322	772,249	1,915,366	2,553,163	+33%	-14%	803	2,609	2,498

Data relating to the company fleet (excluding pooled cars) are determined in litres of fuel consumed. This value was converted into Km using an average conversion factor of 18 Km per litre.

[129] Data refers to all the Banca Generali Banking Group's employees, including those who are based outside the EMS scope.

PERFORMANCE 2022:
2,553,163 km
TRAVELLED
(1,915,366 KM IN 2021)

2,498 km
TRAVELLED PER CAPITA

BREAKDOWN OF TOTAL KM TRAVELLED IN 2022 (%)

MEANS OF TRANSPORT	2020 BREAK-DOWN (%)	2021 BREAK-DOWN (%)	2022 BREAK-DOWN (%)
Train	45%	21%	29%
Plane	17%	7%	11%
Personal cars	26%	10%	11%
Company fleet vehicles	12%	62%	50%

2022 values show a moderate decrease compared to the baseline of 2019, the pre-Covid 19 year, while compared to last year, they report a marked increase due to the resumption of travel for justified business needs, generally aimed at ensuring the continuity of service offered by bank branches nationwide. In the previous year, these trips had been limited following the initial lockdowns at national level, which were then replaced by regional restrictions.

Emissions [130]

PERFORMANCE 2022:
1,003 tCO_{2eq}
OF TOTAL GHG EMISSIONS
(-18.3% VS 2019 - MARKET-BASED)

In accordance with the Parent Company's strategies, Banca Generali has also decided to quantify and report GHG emissions by including in the reporting scope only properties used as headquarters and covered by the Generali Group's Environmental Management System. In fact, the Bank has complete financial and operational oversight over these properties, which it exercises also through the Generali Group's Facility Management function.

The analysis system changed substantially in 2022: the Generali Group has in fact identified a new common data collector for all legal entities that is fed by individual owners and allows emissions for each segment to be extracted automatically.

This tool (Sphera) is an integral part of the "Generali roadmap for climate action" and, in addition to facilitating access to data for each stakeholder, provides for the use of new and updated emission categories and standardised calculation methodologies.

For this reason, it was necessary to update the historical values so as to allow a realistic comparison of the results.

Moreover, it should be noted that the emission values will be expressed according to two different methodologies:

› the "**market-based**" approach, which requires the GHG emissions resulting from the purchase of electricity and heat to be determined considering the specific emission factors communicated by suppliers[131]. For purchases of electricity from renewable sources, an emission factor of zero is attributed with regard to Scope 2,
› the "**location-based**" approach, which, on the other hand, accounts for emissions from electricity consumption applying national average emission factors.

The analysis scope remained instead unchanged and included the Bank's two main sites, namely the Milan headquarters (Generali Hadid Tower, located in Piazza Tre Torri 1) and the Trieste offices (Corso Cavour 5/a). Overall, these facilities host 766 employees, accounting for 75% (higher than 74% in 2021) of the Banking Group's workforce. At both head offices, facility management service is provided by GBS, a Generali Group company responsible for, among other aspects, the operation and scheduled maintenance of technological and special installations and management of utilities and waste.

Consumption information has been surveyed by GBS and then allocated to Banca Generali according to the percent occupation of the buildings (84% for the Trieste office and 17% for the Hadid Generali Tower). In fact, of the 43 total useable above-ground floors in the innovative Hadid Generali Tower, only six are occupied by Banca Generali personnel (in addition to one used as a branch).

[130] From the Annual Integrated Report 2022, the emission and conversion factors are included directly by the Sustainability & Social Responsibility Department in the Sphera programme. This platform processes and manages analyses and reporting for Scope 1, Scope 2 and Scope 3 for the entire Assicurazioni Generali Group.
[131] If the level of emission intensity is not specified in the contractual documentation, the AIB residual mix factors may be used for the market-based calculation. (Source: WRI GHG Protocol).

LOCATION-BASED GHG EMISSION IN TONNES OF CO_2 EQUIVALENT [132]

	2019 (BASELINE)	2020	2021	2022	CHANGE % 2022-2021	CHANGE % 2022-2019
Scope 1 Direct emissions produced by heating fuels and the kilometres travelled by the fleet of company cars	404	441	473	363	-23.26%	-10.14%
Scope 2 Indirect emissions caused by power consumption associated with the use of electrical power and district heating	872	788	740	683	-7.7%	-21.67%
Scope 3 [133] Other indirect emissions caused by power consumption associated with employees' business trips, paper and water consumption, as well as waste disposal (including toner cartridges)	603	446	429	452	+5.36%	-25.04%
Totale	**1,879**	**1,675**	**1,642**	**1,498**	**-8.78%**	**-20.27%**

MARKET-BASED GHG EMISSION IN TONNES OF CO_2 EQUIVALENT [134]

	2019 (BASELINE)	2020	2021	2022	CHANGE % 2022-2021	CHANGE % 2022-2019
Scope 1 Direct emissions produced by heating fuels and the kilometres travelled by the fleet of company cars	404	441	473	363	-23.26%	-10.15%
Scope 2 Indirect emissions caused by power consumption associated with the use of electrical power and district heat-ing	220	273	263	188	-28.51%	-14.54%
Scope 3 [135] Other indirect emissions caused by power consumption associated with employees' business trips, paper and water consumption, as well as waste disposal (including toner cartridges)	603	446	429	452	+5.36%	-25.04%
Totale	**1,227**	**1,160**	**1,165**	**1,003**	**-13.99%**	**-18.34%**

It bears noting that, since the calculation methodologies have changed and the CO2 production areas taken into consideration have been expanded, Scopes 1, 2 and 3 for the previous years, including the baseline, have changed considerably. All the previous year Scopes have been updated in order to have a correct and objective analysis of the changes.

BREAKDOWN OF 2020-2021-2022 GHG EMISSIONS (%)

SOURCE	2020	2021	2022
Electrical power	46%	46%	20%
Natural gas	20%	21%	24%
Heat (district heating)	27%	14%	23%
Mobility (personal cars and company fleet vehicles, plane, train)	5%	16%	27%
Other (paper, waste, water, etc.)	2%	3%	6%

[132] The calculation of emissions includes the following gases: Carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N_2O).
[133] Employee mobility includes the use of personal cars only.
[134] The calculation of emissions includes the following gases: Carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N_2O).
[135] Employee mobility includes the use of personal cars only.

Carbon footprint of Group investment processes

Banca Generali undertakes to promote a gradual, just and inclusive transition to a low-carbon economy. In line with the principles of environmental transition and the commitment to climate change, the carbon footprint assessment has become an integral part of the investment process, with the aim of achieving the target of zero net emissions by 2040, as defined in the Strategic Plan. In detail, the environmental targets identified are:

- 25% reduction of the carbon footprint by 2025 (compared to the 2019 baseline) with regard to corporate securities;
- coal phase-out by 2030 for all corporate investments;
- zero net emissions by 2040.

To this end, Banca Generali started to monitor the exposure of its portfolio to high-carbon companies. The following table shows the various indicators monitored and their change compared to the baseline (2019) with regard to Banca Generali's direct investment portfolio.

SCOPE[136] AND METRICS[137]

	31.12.2019	31.12.2022	CHANGE 2019-2022
Portfolio of direct investments in listed equity and corporate bonds (€ billion)	6.31	11.08	+75%
Absolute emissions (tCo_{2e}) [138]	684,325	628,588	-8%
Carbon footprint (tCO_{2ew}/€ million)	108	63	-42%
Coverage	82%	90%	+8%

[136] Banca Generali's banking book, the portfolio management schemes and BGFML's UCITS were included in the scope of these analyses. Assets managed by BG Valeur were excluded.

[137] To calculate the carbon footprint, the Bank uses the data provided by MainStreet Partners. CO_2 emissions data refer to the most recent information provided by the issuer, with a maximum 2-year lookback period in respect of the year of analysis (for the analysis at 31 December 2022, data used have been compared to data at 31 December 2021 or 31 December 2020). The EVIC, used to calculate carbon intensity, refers to the most up-to-date information available on the market at the time of the analysis.

[138] Absolute emissions: GHG emissions associated with a portfolio, in tonnes of CO_2 equivalent.

Absolute emissions at a point in time (t) are calculated as: $\sum^{N}_{i=1} \text{Counterparty emissions} \times \frac{\text{BG exposure vs counterparty i}}{\text{Counterparty EVIC i}}$

Where:

- (t): Date of reference (e.g., year-end 2021);
- Counterparty emissions i: tonnes of CO_2 equivalent generated by the organisation (Scope 1 and scope 2);
- BG exposure vs counterparty: total investment in million euros in the organisation i, held in the portfolios included in the scope of reference (the Group's general account direct insurance investments in listed equity and bond securities);
- Counterparty EVIC: the organisation's Enterprise Value Including Cash in million euros, calculated as market capitalisation + preference shares + minority interests + total debt.

Annexes to the Financial Statements

ANNEX 1 - Human capital: human resources

Number and Type: Banca Generali S.p.A.

EMPLOYEES BY TYPE OF CONTRACT AND GENDER BANCA GENERALI S.P.A.

	31.12.2022 (HC YE)			31.12.2021(HC YE)			31.12.2020(HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Indefinite-term contract	463	448	911	442	436	878	433	428	861
Fixed-term contract	14	15	29	19	17	36	14	22	36
Total employees	**477**	**463**	**940**	**461**	**453**	**914**	**447**	**450**	**897**

EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER BANCA GENERALI S.P.A.

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Full-time	432	462	894	412	452	864	397	449	846
Part-time	45	1	46	49	1	50	50	1	51
Total employees	**477**	**463**	**940**	**461**	**453**	**914**	**447**	**450**	**897**

EMPLOYEES BY PROFESSIONAL POSITION AND GENDER: FOCUS ON THE PARENT COMPANY BANCA GENERALI SPA

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	14	47	61	14	46	60	13	44	57
Executives	137	194	331	126	180	306	114	179	293
Employees	326	222	548	321	227	548	320	227	547
Total	**477**	**463**	**940**	**461**	**453**	**914**	**447**	**450**	**897**
Percentage	**51%**	**49%**	**100%**	**50%**	**50%**	**100%**	**50%**	**50%**	**100%**

EMPLOYEE BY PROFESSIONAL POSITION AND AGE BANCA GENERALI S.P.A.

	31.12.2022 (HC YE)				31.12.2021 (HC YE)				31.12.2020 (HC YE)			
	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL
Managers	-	20	41	61	1	22	37	60		20	37	57
Executives	26	172	133	331	20	157	129	306	17	157	119	293
Employees	137	305	106	548	130	324	94	548	134	331	82	547
Total	**163**	**497**	**280**	**940**	**151**	**503**	**260**	**914**	**151**	**508**	**238**	**897**
Percentage	**17%**	**53%**	**30%**	**100%**	**17%**	**55%**	**28%**	**100%**	**17%**	**57%**	**27%**	**100%**

PROTECTED CLASSES BY PROFESSIONAL POSITION AND GENDER[139] BANCA GENERALI S.P.A.

	31.12.2022 (HC YE)			31.12.2021 (HC YE)			31.12.2020 (HC YE)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	-	-	-	1	-	1	1	-	1
Executives	2	3	5	2	3	5	2	2	4
Employees	24	19	43	24	20	44	24	20	44
Total	**26**	**22**	**48**	**27**	**23**	**50**	**27**	**22**	**49**
Percentage	**54%**	**46%**	**100%**	**54%**	**46%**	**100%**	**55%**	**45%**	**100%**

2022 TURNOVER BANCA GENERALI S.P.A.

	ITALY								
	WOMEN				MEN				
2022	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	<3 5 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Headcount	85	267	125	477	78	230	155	463	940
No. of hirings	35	6	-	41	35	10	5	50	91
No. of terminations	8	5	12	25	25	6	9	40	65
Percentage of hirings [140]	41%	2%	-	9%	45%	4%	3%	11%	10%
Turnover rate [141]	9%	2%	10%	5%	32%	3%	6%	9%	7%

2021 TURNOVER BANCA GENERALI S.P.A.

	ITALY								
	WOMEN				MEN				
2021	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	<3 5 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Headcount	68	278	115	461	83	224	145	452	913
No. of hirings	29	8	1	38	37	4	1	42	80
No. of terminations	16	3	5	24	25	6	7	38	62
Percentage of hirings	43%	3%	1%	8%	45%	2%	1%	9%	9%
Turnover rate	24%	1%	4%	5%	30%	3%	5%	8%	7%

2020 TURNOVER BANCA GENERALI S.P.A.

	ITALY								
	WOMEN				MEN				
2020	< 35 YEARS	35-50 YEARS	> 50 YEARS	TOTAL WOMEN	<3 5 YEARS	35-50 YEARS	> 50 YEARS	TOTAL MEN	TOTAL
Headcount	66	278	103	447	84	230	135	449	896
No. of hirings	31	5	1	37	42	7	1	50	87
No. of terminations	19	9	3	31	25	5	6	36	67
Percentage of hirings	47%	2%	1%	8%	50%	3%	1%	11%	10%
Turnover rate	29%	3%	3%	7%	30%	2%	4%	8%	7%

[139] The figures provided in the table are consistent with the criteria adopted when preparing the reports to the competent bodies. The “protected categories” include all staff with disabilities and employees featured on the list of protected categories.
[140] The hiring rate in this table is calculated as the ratio of newly-hired personnel to total personnel at the end of the reporting year.
[141] The turnover rate in this table is calculated as the ratio of personnel terminated to total personnel at the end of the reporting year.

Training and Development of Human Capital: Banca Generali S.p.A.

AVERAGE TRAINING HOURS BY GENDER AND TYPE OF EMPLOYMENT:
BANCA GENERALI S.P.A.

	31.12.2022	31.12.2021	31.12.2020
Average training hours by employee	60	58	54
Average training hours by woman	61	59	55
Average training hours by man	60	57	53
Average training hours by Manager	76	58	58
Average training hours by Executive	62	60	53
Average training hours by Employee	56	57	54

Industrial and Trade Union Relations Banca Generali S.p.A.

In 2022, the rate of trade union membership[142] was 33% for the Parent Company Banca Generali S.p.A.

Health and Safety in the Workplace: Banca Generali S.p.A.

The rate of recordable workplace accidents for 2022 was 0.67 (vs 1.33 in 2021)[143].

[142] Employees registered with unions vs the total workforce in Italy.
[143] The rate of recordable workplace accidents is calculated as follows: (Recordable workplace accidents/worked hours) x 1,000,000.

2 ZERO HUNGER

In the early twentieth century, Albert Einstein uttered a phrase that, to most, seemed unnecessarily apocalyptic: “If bees disappeared from the face of the earth, man would be left with only four years to live.”
This is the starting point for investigating the situation related to Sustainable Development Goal (SDG) number 2 “End hunger, achieve food security, improve nutrition and promote sustainable agriculture.” And to do so, the photographer went to Israel, near Tel Aviv, to discover innovative work aimed at preserving bee colonies and enabling them to make their own vital contribution to improving the nutritional capacity of our Planet.

Here in fact Saar Safra invented BeeHome, an innovative project designed to help beekeepers and, more importantly, bee populations.
In fact, Safra has developed a real robotic hive that takes care of the life cycle of bees. Solar-powered, BeeHome is zero-impact and does more than just protect bees from the weather or external agents. Thanks to an advanced computer system, the hive robot gives the beekeeper real-time access to data about the bees that populate it, allowing him to adjust parameters remotely through a dedicated technology platform.

CONSOLIDATED NON-FINANCIAL STATEMENT

The Banca Generali Group's Annual Integrated Report contains non-financial information in accordance with the provisions of Legislative Decree No. 254 of 30 December 2016, implementing Directive No. 2014/95. In line with the approach adopted in the previous years, information can be clearly identified in the Annual Integrated Report thanks to the specific infographics used, which allows a better understating of all data. For further details, reference should be made to section "Statement of Methods" and to the GRI Guideline Table, which identifies the information included in the Annual Integrated Report that refers to the Non-Financial Statement.

GRI Content Index

Statement of use	The Banca Generali Group prepared this Non-Financial Statement in accordance with the GRI Standards for the period 1 January 2022 - 31 December 2022.
GRI 1	GRI 1 - Foundation 2021
Applicable GRI Sector Stand-ard	Any applicable GRI Sector Standard

GRI SUSTAINABILITY REPORTING STANDARD			PAGE	OMISSION		
				REQUIREMENTS OMITTED	REASON	EXPLANATION
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	**2-1**	Organizational details	17, 34-36, 52-61	*Reasons for omissions are not allowed for the purpose of the disclosure*		
	2-2	Entities included in the organization's sustainability reporting	17, 36			
	2-3	Reporting period, frequency and contact point	17			
	2-4	Restatements of information	240-241			
	2-5	External assurance	17, 442-445			
	2-6	Activities, value chain and other business relationships	34-36, 38-39, 88-91, 156-169, 219-221, 222-223			
	2-7	Employees	186-192, 243-244			
	2-8	Workers who are not employees	208-211			
	2-9	Governance structure and composition	52-61			
	2-10	Nomination and selection of the highest governance body	52-55			
	2-11	Chair of the highest governance body	58-59			
	2-12	Role of the highest governance body in overseeing the management of impacts	54-55, 57-58			
	2-13	Delegation of responsibility for managing impacts	42-44, 57-58			
	2-14	Role of the highest governance body in sustainability reporting	18-28, 57-58			
	2-15	Conflicts of interest	54-55, 60-61, 219-221, 224			
	2-16	Communication of critical concerns	52-61, 71-75, 227-228			
	2-17	Collective knowledge of the highest governance body	52-60			
	2-18	Evaluation of the performance of the highest governance body	54			

GRI SUSTAINABILITY REPORTING STANDARD			PAGE	OMISSION		
				REQUIREMENTS OMITTED	REASON	EXPLANATION
	2-19	Remuneration policies	56-57			
	2-20	Process to determine remuneration	196-199			
	2-21	Annual total compensation ratio	198			
	2-22	Statement on sustainable development strategy	9-11			
	2-23	Policy commitments	22-27, 32-33, 40-45, 232-233			
	2-24	Embedding policy commitments	22-27, 32-33, 40-45, 132-134, 172-174, 196-199, 213-217, 232-233			
	2-25	Processes to remediate negative impacts	22-27, 40-45, 64-70, 71-75, 207, 212-213, 225-228			
	2-26	Mechanisms for seeking advice and raising concerns	71-75, 84-85, 195-196, 201-203, 207, 218, 224-228			
	2-27	Compliance with laws and regulations	71-75, 116-118, 267-269, 355, 460, 547			
	2-28	Membership associations	232-233			
	2-29	Approach to stakeholder engagement	18-28, 84-85			
	2-30	Collective bargaining agreements	201-203			

MATERIAL TOPIC

GRI 3: Material topics 2021	3-1	Process to determine material topics	18-20	*Reasons for omissions are not allowed for the purpose of the disclosure*		
	3-2	List of material topics	21-28			
Company soundness and resilience of the business model						
GRI 3: Material topics 2021	3-3	Management of material topics	24-25, 34-37,38-39, 40-45, 64-70, 71-75, 84-85, 166-169, 212-218			
GRI 201: Econom-ic Performance 2016	201-1	Direct economic value generated and distributed	121-124			
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	219-221			
Business integrity and transparency						
GRI 3: Material topics 2021	3-3	Management of material topics	26-27, 52-61, 62-63, 71-75, 76-78,79			
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	74-75			
	205-3	Confirmed incidents of corruption and actions taken	74-75			
GRI 207: Tax 2019	207-1	Approach to tax	75-77			
	207-2	Tax governance and risk control and management	75-77			
	207-3	Stakeholder engagement and management of concerns related to tax	75-77			
	207-4	Country-by-country reporting	77-78			

GRI SUSTAINABILITY REPORTING STANDARD			PAGE	OMISSION		
				REQUIREMENTS OMITTED	REASON	EXPLANATION
Environmental impacts and climate-related challenges						
GRI 3: Material topics 2021	**3-3**	Management of material topics	22-23, 41, 80-81, 156-159, 234-242			
GRI 302: Energy 2016	**302-1**	Energy consumption within the organization	236-237			
GRI 305: Emis-sions 2016	**305-1**	Direct (Scope 1) GHG emissions	240-241			
	305-2	Energy indirect (Scope 2) GHG emissions	240-241			
	305-3	Other indirect (Scope 3) GHG emissions	240-242			
	305-5	Reduction of GHG emissions	240-242			
Enhancement of Human Capital & DEI (Diversity, Equity & Inclusion)						
GRI 3: Material topics 2021	**3-3**	Management of material topics	22-23, 176-185, 192-207, 211-218			
GRI 401: Employment 2016	**401-1**	New employee hires and employee turnover	190-192, 244			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	196-203			
GRI 404: Training and Education 2016	**404-1**	Average hours of training per year per employee	193, 217, 245			
	404-3	Percentage of employees receiving regular performance and career development reviews	194-195			
GRI 405: Diversity and Equal Opportunity 2016	**405-1**	Diversity of governance bodies and employees	58-60, 187-189, 208-210, 243-244			
	405-2	Ratio of basic salary and remuneration of women to men	198			
GRI 406: Non-discrimination 2016	**406-1**	Incidents of discrimination and corrective actions taken	189			
People's health, safety and well-being						
GRI 3: Material topics 2021	**3-3**	Management of Material Topics	22-23, 203-207			
GRI 403: Occupational Health and Safety 2018	**403-1**	Occupational health and safety management system	203-207			
	403-2	Hazard identification, risk assessment, and incident investigation	203-206			
	403-3	Occupational health services	203-207			
	403-4	Worker participation, consultation, and communication on occupational health and safety	203-206			
	403-5	Worker training on occupational health and safety	194, 203-206			
	403-6	Promotion of worker health	203-207			
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	203-206			
	403-8	Workers covered by an occupational health and safety management system	203-207			
	403-9	Work-related injuries	204-205			

GRI SUSTAINABILITY REPORTING STANDARD			PAGE	OMISSION		
				REQUIREMENTS OMITTED	REASON	EXPLANATION
	403-10	Work-related ill health	204-205			
Digital Governance, Cybersecurity & Privacy						
GRI 3: Material topics 2021	**3-3**	Management of material topics	26-27, 64-70, 163-169, 171-172, 184-185, 213-217, 219-220, 227-228			
GRI 418: Customer Privacy 2016	**418-1**	Substantiated complaints concerning breaches of customer privacy and losses of customer data	227-228			
Responsible investments and sustainable products						
GRI 3: Material topics 2021	**3-3**	Management of material topics	22-23, 41-45, 79-83, 156-175			
Investment protection and quality of service						
GRI 3: Material topics 2021	**3-3**	Management of material topics	24-25, 162-169, 171-172, 222-228			
Sustainable strategy						
GRI 3: Material topics 2021	**3-3**	Management of material topics	26-27, 28, 34-36, 38-39, 40-45, 64-70, 79-83, 84-85, 156-175, 176-185, 213-218, 222-228, 232-233, 242			
Relationship with stakeholders and support to local communities						
GRI 3: Material topics 2021	**3-3**	Management of material topics	84-85, 229-233			
Digital innovation						
GRI 3: Material topics 2021	**3-3**	Management of material topics	24-25, 162-174, 179-180, 184-185, 213-217, 224-228			
Risk management system						
GRI 3: Material topics 2021	**3-3**	Management of material topics	24-25, 64-70			

10 REDUCED INEQUALITIES

Social exclusion and the struggle to reduce inequality. To analyze the situation, Stefano Guindani went to Belfast to photograph the conditions in which many homeless people live today with the aim of raising awareness and bringing the experience of lives on the margins of society in complex contexts, where to the already present daily difficulties are added those dictated by the need for survival. That of inequality is in fact one of the greatest obstacles to sustainable development and the fight against poverty and thus to the achievement of several goals present in the United Nations Agenda.

A contrary direction to this is the one taken by the Helm Housing institute with the launch of the pilot project “Housing First Belfast” in 2013 dedicated to all those people who have been homeless for many years and therefore need more support. The goal of this project, recounted and documented by the photographer, is in fact to combat this phenomenon through the placement of homeless people in individual independent apartments, with the aim of fostering a state of dignified well-being and with forms of social reintegration.

02

CONSOLIDATED FINANCIAL STATEMENTS OF BANCA GENERALI

AT 31.12.2022

Accounting Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)	31.12.2022	31.12.2021
10. Cash and deposits	774,239	1,620,334
20. Financial assets measured at fair value through profit or loss:	507,346	415,558
a) HFT financial assets	1,991	6,578
c) other financial assets mandatorily measured at fair value	505,355	408,980
30. Financial assets measured at fair value through other comprehensive income	1,120,101	2,543,065
40. Financial assets measured at amortised cost:	13,731,153	10,853,611
a) loans to banks	2,536,670	1,218,138
b) loans to customers	11,194,483	9,635,473
50. Hedging derivatives	286,776	11,357
70. Equity investments	3,091	2,048
90. Property and equipment	154,865	159,012
100. Intangible assets	140,414	136,172
of which:		
- *goodwill*	*88,073*	*88,073*
110. Tax receivables:	72,266	72,627
a) current	1,498	9,623
b) prepaid	70,768	63,004
120. Non-current assets available for sale and disposal groups	-	2,694
130. Other assets	476,598	375,132
Total assets	**17,266,849**	**16,191,610**

LIABILITIES AND NET EQUITY

(€ THOUSAND)	31.12.2022	31.12.2021
10. Financial liabilities measured at amortised cost:	15,503,979	14,412,354
a) due to banks	544,531	818,734
b) due to customers	14,959,448	13,593,620
20. HFT financial liabilities	-	4,551
40. Hedging derivatives	123,604	167,320
60. Tax liabilities:	44,577	28,320
a) current	38,871	22,233
b) deferred	5,706	6,087
70. Liabilities associated with disposal groups	-	318
80. Other liabilities	281,248	242,037
90. Employee termination indemnities	3,705	4,335
100. Provisions for liabilities and contingencies:	241,216	226,508
a) commitments and guarantees issued	52	43
b) pensions and similar obligations	1,365	2,974
c) other provisions	239,799	223,491
120. Valuation reserves	-9,972	522
140. Equity instruments	50,000	50,000
150. Reserves	724,536	624,033
160. Share premium reserve	53,767	55,866
170. Share capital	116,852	116,852
180. Treasury shares (-)	-80,139	-64,822
190. Net equity attributable to minority interests (+/-)	442	313
200. Net profit (loss) for the year (+/-)	213,034	323,103
Total net equity and liabilities	**17,266,849**	**16,191,610**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)		2022	2021
10.	Interest income and similar revenues	159,405	92,218
20.	Interest expense and similar charges	-22,237	-8,884
30.	**Net interest income**	**137,168**	**83,334**
40.	Fee income	960,005	1,163,203
50.	Fee expense	-469,639	-474,447
60.	**Net fees**	**490,366**	**688,756**
70.	Dividends and similar income	1,145	1,084
80.	Net income (loss) from trading activities	3,559	-73,426
90.	Net income (loss) from hedging	1,884	2,088
100.	Gain (loss) on disposal or repurchase of:	28,308	18,154
	a) financial assets measured at amortised cost	42,426	15,674
	b) financial assets measured at fair value through other comprehensive income	-14,118	2,480
110.	Net income (loss) from financial assets and liabilities measured at fair value through profit and loss	-11,566	145
	b) other financial assets mandatorily measured at fair value	-11,566	145
120.	**Net banking income**	**650,864**	**720,135**
130.	Net adjustments/reversals due to credit risk relating to:	-8,334	-2,524
	a) financial assets measured at amortised cost	-7,918	-2,266
	b) financial assets measured at fair value through other comprehensive income	-416	-258
150.	**Net income (loss) from trading activities**	**642,530**	**717,611**
190.	General and administrative expenses:	-332,259	-311,634
	a) staff expenses	-114,789	-107,844
	b) other general and administrative expenses	-217,470	-203,790
200.	Net provisions for liabilities and contingencies:	-45,935	-66,830
	a) commitments and guarantees issued	-9	82
	b) other net provisions	-45,926	-66,912
210.	Net adjustments/reversals of property and equipment	-22,448	-21,949
220.	Net adjustments/reversals of intangible assets	-14,220	-13,705
230.	Other operating expenses/income	94,787	89,542
240.	**Operating expenses**	**-320,075**	**-324,576**
250.	Gains (losses) from equity investments	-103	-266
280.	Gains (losses) on disposal of investments	-4	-23
290.	**Net profit before income taxes**	**322,348**	**392,746**
300.	Income taxes for the year on operating activities	-109,375	-69,639
310.	**Net profit after income taxes**	**212,973**	**323,107**
330.	**Net profit for the year**	**212,973**	**323,107**
340.	Net profit (loss) for the year attributable to minority interests	-61	4
350.	**Net profit (loss) for the period attributable to the Parent Company**	**213,034**	**323,103**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)		2022	2021
10.	**Net profit for the year**	**212,973**	**323,107**
	Other income net of income taxes, without transfer to Profit and Loss Account		
20.	Equity securities designated at fair value through other comprehensive income	125	-327
70.	Defined benefit plans	1,743	630
	Other income net of income taxes, with transfer to Profit and Loss Account		
110.	Exchange differences	384	494
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	-12,562	-4,336
170.	**Total other income net of income taxes**	**-10,310**	**-3,539**
180.	**Comprehensive income**	**202,663**	**319,568**
190	Consolidated comprehensive income attributable to minority interests	123	67
200.	**Consolidated comprehensive income attributable to the Parent Company**	**202,539**	**319,501**

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

ITEMS

(€ THOUSAND)	SHARE CAPITAL A) ORDINARY SHARES	SHARE CAPITAL B) OTHER	SHARE PREMIUM RESERVE	RESERVES A) RETAINED EARNINGS	RESERVES B) OTHER	VALUATION RESERVES	EQUITY INSTRU-MENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY ATTRIBU-TABLE TO MINORITY INTERESTS
Net equity at 31.12.2021	**117,127**	**-**	**55,866**	**594,508**	**29,482**	**599**	**50,000**	**-**	**-64,822**	**323,107**	**1,105,867**	**1,105,554**	**313**
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2022	117,127	-	55,866	594,508	29,482	599	50,000	-	-64,822	323,107	1,105,867	1,105,554	313
Allocation of net profit for the previous year:	-	-	-	93,615	-	-	-	-	-	-323,107	-229,492	-229,492	-
- Reserves	-	-	-	95,246	-	-	-	-	-	-95,246	-	-	-
- Dividends and other allocations	-	-	-	-1,631	-	-	-	-	-	-227,861	-229,492	-229,492	-
Change in reserves	-	-	-	-	-1,000	1	-	-	-	-	-999	-1,005	6
Transactions on net equity:	-	-	-2,099	3,537	4,360	-	-	-	-15,317	-	-9,519	-9,519	-
- Issue of new shares	-	-	-2,099	-	-6,880	-	-	-	8,979	-	-	-	-
- Purchase of treasury shares	-	-	-	-	-89	-	-	-	-24,296	-	-24,385	-24,385	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	3,537	-	-	-	-	-	-	3,537	3,537	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	11,329	-	-	-	-	-	11,329	11,329	-
- Change in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-10,310	-	-	-	212,973	202,663	202,540	123
Net equity at 31.12.2022	**117,127**	**-**	**53,767**	**691,660**	**32,842**	**-9,710**	**50,000**	**-**	**-80,139**	**212,973**	**1,068,520**	**1,068,078**	**442**
Group net equity	**116,852**	**-**	**53,767**	**691,694**	**32,842**	**-9,972**	**50,000**	**-**	**-80,139**	**213,034**	**1,068,078**		
Net equity attributable to minority interests	**275**	**-**	**-**	**-34**	**-**	**262**	**-**	**-**	**-**	**-61**	**442**		

(€ THOUSAND)	SHARE CAPITAL A) ORDINARY SHARES	SHARE CAPITAL B) OTHER	SHARE PREMIUM RESERVE	RESERVES A) RETAINED EARNINGS	RESERVES B) OTHER	VALUATION RESERVES	EQUITY INSTRU-MENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY ATTRIBU-TABLE TO MINORITY INTERESTS
Net equity at 31.12.2020	**117,127**	**-**	**57,062**	**700,809**	**25,644**	**4,153**	**50,000**	**-**	**-45,185**	**274,894**	**1,184,504**	**1,184,258**	**246**
Change in opening balances	-	-	-	-	14	-14	-	-	-	-	-	-	-
Amount at 01.01.2021	117,127	-	57,062	700,809	25,658	4,139	50,000	-	-45,185	274,894	1,184,504	1,184,258	246
Allocation of net profit for the previous year:	-	-	-	-1,656	-	-	-	-	-	-274,894	-276,550	-276,550	-
- Reserves	-	-	-	-25	-	-	-	-	-	25	-	-	-
- Dividends and other allocations	-	-	-	-1,631	-	-	-	-	-	-274,919	-276,550	-276,550	-
Change in reserves	-	-	-	-14	176	-1	-	-	-	-	161	161	-
Transactions on net equity:	-	-	-1,196	-104,631	3,648	-	-	-	-19,637	-	-121,816	-121,816	-
- Issue of new shares	-	-	-1,196	-	-5,151	-	-	-	6,347	-	-	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-25,984	-	-25,984	-25,984	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-104,631	-	-	-	-	-	-	-104,631	-104,631	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	8,799	-	-	-	-	-	8,799	8,799	-
- Change in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-3,539	-	-	-	323,107	319,568	319,501	67
Net equity at 31.12.2021	**117,127**	**-**	**55,866**	**594,508**	**29,482**	**599**	**50,000**	**-**	**-64,822**	**323,107**	**1,105,867**	**1,105,554**	**313**
Group net equity	**116,852**	**-**	**55,866**	**594,551**	**29,482**	**522**	**50,000**	**-**	**-64,822**	**323,103**	**1,105,554**		
Net equity attributable to minority interests	**275**	**-**	**-**	**-43**	**-**	**77**	**-**	**-**	**-**	**4**	**313**		

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD

(€ THOUSAND)	2022	2021
A. OPERATING ACTIVITIES		
1. Operations	**245,990**	**355,816**
Net profit (loss) for the year	212,973	323,107
Gain/loss on HFT financial assets and other assets and liabilities measured at fair value through profit or loss	11,263	-3,284
Gain/loss on hedging assets	-1,561	-415
Net adjustments/reversals due to credit risk	8,334	2,524
Net adjustments/reversals of property, equipment and intangible assets	36,668	35,654
Net provisions for liabilities and contingencies and other costs/revenues	24,242	39,780
Taxes, duties and tax credits not paid	15,269	-35,153
Adjustments/Reversals of discontinued operations	-158	-
Other adjustments	-61,040	-6,397
2. Liquidity generated by/used for financial assets (+/-)	**-1,983,209**	**-1,917,951**
HFT financial assets	4,560	1,584
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-107,611	-360,847
Financial assets measured at fair value through other comprehensive income	1,406,025	174,788
Financial assets measured at amortised cost:	-3,216,662	-1,756,116
Loans to banks	*-1,396,723*	*-617,683*
Loans to customers	*-1,819,939*	*-1,138,433*
Other assets	-69,522	22,640
3. Liquidity generated by/used for financial liabilities (+/-)	**1,145,086**	**2,734,543**
Financial liabilities measured at amortised cost:	1,091,169	2,739,980
Due to banks	*-283,747*	*225,774*
Due to customers	*1,374,916*	*2,514,206*
Securities issued	-	-
HFT financial liabilities	-4,551	-1,551
Financial liabilities designated at fair value	-	-
Other liabilities	58,468	-3,886
Net liquidity generated by/used for operating activities	**-592,133**	**1,172,408**

(€ THOUSAND)	2022	2021
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**133**	**-**
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of subsidiaries and business units	133	-
2. Liquidity used for	**-20,634**	**93,363**
Purchase of equity investments	-796	-597
Purchase of property and equipment	-1,376	-1,996
Purchase of intangible assets	-18,462	-12,968
Purchase of subsidiaries and business units	-	108,924
Net liquidity generated by/used for investing activities	**-20,501**	**93,363**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-24,385	-25,984
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-209,076	-285,396
Disposal/Purchase of controlling interests	-	-
Net liquidity generated by/used for funding activities	**-233,461**	**-311,380**
NET LIQUIDITY GENERATED/USED IN THE YEAR	**-846,095**	**954,392**
Reconciliation		
Cash and cash equivalents at year-start	**1,620,334**	**665,942**
Total liquidity generated/used in the year	-846,095	954,392
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**774,239**	**1,620,334**

Legend
(+) Liquidity generated
(–) Liquidity used

Notes and Comments

PART A – ACCOUNTING POLICIES

Part A.1 – General

Section 1 – Declaration of Compliance with International Accounting Standards

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

In preparing the Consolidated Financial Statements, Banca Generali adopted the IAS/IFRS in force at the reference date of the report (including SIC and IFRIC interpretations), as endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2022, several amendments to the IAS/IFRS and IFRIC were adopted and new IFRIC were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2022

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 3 – *Business Combinations*; IAS 16 – *Property, Plant and Equipment*; IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*; and Annual Improvements 2018-2020	2021/1080	02.07.2021	01.01.2022

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BUT NOT EFFECTIVE YET

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 17 – *Insurance Contracts* (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	2021/2036	23.11.2021	01.01.2023
Amendments to IAS 8 – *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021)	2022/357	03.03.2022	01.01.2023
Amendments to IAS 1 – *Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies* (issued on 12 February 2021)	2022/357	03.03.2022	01.01.2023
Amendments to IFRS 17 – *Insurance Contracts: Initial Application of IFRS 17* and IFRS 9 – *Comparative Information* (issued on 9 December 2021)	2022/1491	09.09.2022	01.01.2023

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

The other standards and interpretations that entered into force in 2022 did not have a significant impact on the Group's balance sheet and profit and loss account.

Section 2 – Preparation Criteria

The Consolidated Financial Statements consist of the following documents:
› Balance Sheet;
› Profit and Loss Account;
› Statement of Other Comprehensive Income;
› Statement of Changes in Net equity;
› Cash Flow Statement;
› Notes and Comments.

The accounts are accompanied by a Directors' report on the Banking Group's operations, financial situation, profit and loss and balance sheet results.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Consolidated Financial Statements were prepared in euros. All amounts in the Financial Statements and the figures in the Notes and Comments are denominated in thousands of euros. Unless otherwise specified, the figures reported in the Directors' Report on Operations are denominated in thousands of euros.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2021.

The Financial Statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes and Comments.
International accounting standards have been applied in compliance with the Framework for the Preparation and Presentation of Financial Statements drafted by the IASB.
There were no derogations of the application of IAS/IFRS.

The Directors' Report on Operations and the Notes and Comments include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (Consob), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the Banking Group's situation.

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

Content of the Financial Statements and the Notes and Comments

The Consolidated Financial Statements at 31 December 2022 were prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups," which were issued by the Bank of Italy with order dated 22 December 2005 in the exercise of the powers established in Article 43 of Legislative Decree No. 36/2015. Such instructions were issued in Circular No. 262/05, as further updated.
These Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Notes and Comments.
In detail, Circular No. 262/2005 has reached its 7th update, published on 2 November 2021, and entered into force as of the financial statements ended 31 December 2021[1].

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the Balance Sheet and Profit and Loss Account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Comprehensive Income begins with the net profit (loss) for the year and then presents components of profit and loss recognised through valuation reserves, net of the related tax effect, in accordance with international accounting standards.
Consolidated comprehensive income is presented by providing a separate account of components of profit and loss that will not be reversed to the profit and loss account in the future, and components that may subsequently be reclassified to net profit (loss) for the year under certain conditions.
As for the Balance Sheet and Profit and Loss Account, items with nil amounts in both the reporting year and previous year are not presented.

The Statement of Changes in Consolidated Net Equity is presented by inverting the rows and columns with respect to the presentation requested by Bank of Italy Circular No. 262/2005.

The statement presents the composition of and changes in net equity accounts during the reporting year and the previous year, broken down into share capital, capital reserves, earnings reserves, asset and liability valuation reserves, and net profit. Treasury shares are recorded as a reduction to net equity.

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

Cash flows are broken down into:
- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) funding activities linked to the acquisition of own funds and their remuneration.

[1] The eighth update to Circular No. 262 was issued on 18 November 2022. It governs the effects of the entry into force of IFRS 17 for banking conglomerates with equity interests in insurance companies, which will enter into effect for financial statements ending on or after 31 December 2023.

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

Annual Financial Report

The Consolidated Financial Statements are published in accordance with Article 154-*ter* of Legislative Decree No. 58/1998. The statute requires that, within four months of the end of the year, listed issuers incorporated in Italy make an **Annual Financial Report** including the following items available to the public at their registered offices, on their websites and in the other ways specified by Consob in a regulation:

- the Consolidated Financial Statements;
- the Annual Financial Statements;
- the Report on Operations; and
- the Attestation as per Article 154-*bis*, paragraph 5.

The Independent Auditors' Report and the Board of Statutory Auditors' Report pursuant to Article 153 of the Consolidated Finance Law (TUF) are published in their entirety with the Annual Financial Report.
In addition, no fewer than 21 days must lapse between the date of publication of the Annual Financial Report and the date of the General Shareholders' Meeting.

According to the provisions of Article 41, paragraph 5-*bis*, of Legislative Decree No. 136/2015 of 18 August 2015, implementing Directive No. 2013/34/EU, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.
Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

Non-Financial Statement

Legislative Decree No. 254 of 30 December 2016, which implemented Directive 2014/95/EU as regards disclosure of non-financial and diversity information, introduced an obligation for large groups to publish a Non-Financial Statement that covers environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, and represents the management and organisation model for the activities, policies applied and main risks in these areas.
Despite not being subject to this obligation, in 2017 Banca Generali voluntarily began to prepare a Consolidated Non-Financial Statement, which was included in its Sustainability Report.
Starting in 2018, the information required by the above Decree were therefore included in the Annual Financial Report, which was renamed **Annual Integrated Report**.
The Consolidated Non-Financial Statement is therefore supplemented to include information of a financial nature, within the framework of the Consolidated Report on Operations.

Section 3 – Scope of Consolidation and Consolidation Methods

3.1 Scope of Consolidation

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

				SHAREHOLDING RELATIONSHIP		% OF VOTE IN ORDINARY SHARE-HOLDER'S MEETING
COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF CONTROL	OWNERSHIP	% OF INTEREST	
Banca Generali S.p.A.	Trieste	Trieste, Milan		Parent Company		
BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
BG Suisse S.A.	Lugano	Lugano	1	Banca Generali	100.00%	100.00%
BG Valeur S.A.	Lugano	Lugano	1	Banca Generali	90.1%	90.1%

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

In 2022, the consolidation scope changed due to the deconsolidation of the following investments:
- Nextam Partners SIM: as a result of the loss of control following the sale of 80.1% of the share capital to a group of investors including some of the former shareholders of the Nextam Group, which took place on 20 January 2022, the minority sharehol-ding resulting from the transaction, equal to 19.9%, was valued at equity;
- Nextam Partners Ltd.: a 100% UK subsidiary and inactive since the end of 2020 for which the liquidation procedure was substantially completed in September; in the Consolidated Financial Statements, the equity investment was therefore main-tained at cost for a value corresponding to the last tranche of the liquidation balance still to be received, amounting to ap-proximately 9 thousand euros.

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 31 December 2022, reclassified and adjusted, where necessary, to take account of IAS/IFRS adopted by the Parent Company and the consolida-tion requirements. The most important intra-Group transactions, influencing both the balance sheet and profit and loss ac-count, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

The comparative financial position and financial performance for the period ended 31 December 2021 includes the contribution of the equity investment in the Swiss subsidiary BG Suisse, formed on 8 October 2021, and referring to the fourth quarter of 2021.

Overall, the aforementioned deconsolidation and the acquisition of BG Suisse did not materially impact the Banking Group's main operating aggregates.

3.2 Significant judgements and assumptions used in determining the scope of consolidation

3.2.1 Subsidiaries

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

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

Where relevant activities are directed through voting rights, the following factors are evidence of control:
- ownership, direct or indirect through subsidiaries, of more than half of the voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control;
- ownership of half or less of the votes that can be exercised in the General Shareholders' Meeting and the effective power to unilaterally govern significant activities through:
  - control over more than half of the voting rights by virtue of an agreement with other investors;
  - the power to govern the financial and operating policies of the entity under a statute or an agreement;
  - the power to appoint or remove the majority of the members of the board of directors or equivalent governing body, and the entity is managed by that board or body;
  - the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and the entity is controlled by that board or body.

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

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

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

With regard to the assessments conducted in respect of the investment in the Forward Fund, a closed-ended, reserved alterna-tive investment fund (AIF), subscribed during the previous year within the framework of a transaction to restructure a portfolio of senior securities arising from the securitisation of health receivables, in which Banca Generali holds an interest equal to 98% of assets, an analysis conducted by the Bank confirmed that the latter exercises no control on the Fund's relevant activities. For further details, reference should be made to the information provided in "Part E – Information on Risks and the Risk Hedging Policies, Section 2 "Prudential consolidation risks", Subsection D "Transfers", paragraph C "Transferred financial assets fully derecognised" of the Annual Integrated Report at 31 December 2021.

3.2.2 Associate Companies

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

Significant influence is assumed when the investor:

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

The existence of just one of the above situations does not itself entail significant influence; an overall assessment must therefore be carried out, considering all relevant facts and circumstances.
An entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee.
Equity investments in associates are valued using the equity method.

As of 31 December 2022, the Banking Group's scope of consolidation included the following equity investments in associate companies:

- IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali acquired a 35% interest in 2015 and was fully written down;
- Nextam Partners SIM S.p.A., in which Banca Generali holds a minority interest of 19.9%, and which is classified as such following the sale of 80.1% of the share capital to a group of investors including some of the former shareholders of the Nextam Group, which took place on 20 January 2022.

3.2.3 Joint arrangements

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

Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture based on the Group's contractual rights or obligations:

- a joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement;
- a joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

Equity investments in joint arrangements are valued using the equity method.

As at 31 December 2022, the scope of the Banking Group included a single equity investment in a company subject to joint control:

- BG Saxo SIM S.p.A., an investment firm formed as part of the joint venture with Saxo Bank, in which Banca Generali acquired a 19.9% equity interest on 31 October 2019 for 1,995 thousand euros, plus ancillary charges.

Banca Generali – Saxo Bank A/S joint venture

The process for creating the joint venture began on 9 March 2018, when the Board of Directors of Banca Generali approved the final agreements with Saxo Bank to set up a joint arrangement for the development of online trading market and related digital services in Italy.

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

Under the terms of the agreements, the new venture is to be conducted through a newly formed company, BG Saxo SIM, of which Banca Generali is a co-owner with a 19.9% stake.
After being authorised by Consob and entered into the Register of Securities Brokerage Firms on 28 December 2018, the new brokerage firm became operational in 2019.

After an initial test phase, in June 2019 the company officially began to operate with the Banca Generali's customers who decided to open the new account BG Extra, associated with the contract that such customers had entered into with BG Saxo SIM for own account trading services, execution of orders on account of customers and order receipt and transmission.

The process of establishing the joint venture was concluded on 31 October 2019, when, at the end of a long authorisation procedure, Banca Generali was allowed to acquire the aforementioned 19.9% stake from Saxo Bank A/S for 1,995 thousand euros, plus the additional costs associated with the transfer.

CFD trading is currently in the launch phase with the aim of completing the company's range of trading services.

According to the assessment conducted, it is believed that BG Saxo SIM may qualify under IFRS 11 as a joint arrangement, and in particular as a joint venture. As a result, in accordance with paragraphs 24 and 26 of IFRS 11, Banca Generali will have to recognise its 19.90% equity investment in the company's share capital as follows:

a) in the consolidated financial statements by applying the equity method in accordance with IAS 28;
b) in the separate financial statements, in accordance with IAS 27, paragraph 10, using the cost method as provided for by IFRS 9, or by applying the equity method as provided for by IAS 28.

3.3 Significant non-controlling interests in subsidiaries

At 31 December 2022, all the Group's equity investments were in wholly owned subsidiaries, with the exception of BG Valeur S.A., in which the previous shareholders retain a non-controlling interest of 9.9%.
Accordingly, there are no significant non-controlling interests in subsidiaries.

3.3.1 Non-controlling interests, potential voting rights and dividends distributed to third parties

COMPANY NAME	NON-CONTROLLING INTERESTS %	POTENTIAL VOTING RIGHTS %	DIVIDENDS DISTRIBUTED TO THIRD PARTIES
BG Valeur S.A.	9.9%	9.9%	-

3.4 Significant restrictions

At 31 December 2022, there were no significant restrictions of a legal, contractual or regulatory nature on the ability of the Parent Company to access the Group's assets or to use them to discharge the Group's liabilities, with the exception of Nextam Partners Ltd. in liquidation, for which access to residual cash deposits is subject to authorisation from the liquidators.

3.5 Other information

None of the financial statements of the subsidiaries used in preparing the Consolidated Financial Statements have a different reporting date than the consolidated financial statements.

Consolidation methods

Full consolidation method

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

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

Equity method

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

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

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

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

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

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

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

Translation of financial statements denominated in currencies other than the euro

The financial statements of companies operating in areas other than the Euro Area are translated into euro by applying the current exchange rates at period-end to assets and liabilities and average exchange rates for the year to items of profit and loss. The foreign exchange differences of the financial statements of such companies on the application of different exchange rates to assets and liabilities and profit and loss are recognised among Valuation reserves in net equity. Foreign exchange differences on investees' net equity are also recognised among Valuation reserves.

Section 4 – Events Occurred After the Consolidated Balance Sheet Date

The draft Consolidated Financial Statements of Banca Generali were approved by the Board of Directors on 8 March 2023, when the Board also authorised its disclosure pursuant to IAS 10.

No events occurred after 31 December 2022 and until 8 March 2023 that would significantly impact the Banking Group's financial performance and financial position reported in these Consolidated Financial Statements

Section 5 – Other Aspects

Accounting standards that have been endorsed and will enter into effect this year

No new international accounting standards, amendments to existing standards or related interpretations with a material impact on the Banking Group's operations entered into effect in financial year 2022.

Accounting standards endorsed that will enter into effect after 31 December 2022

There are no international accounting standards and related interpretations endorsed but not effective yet as of 31 December 2022 that could have a material impact on the Banking Group's operations.

Use of estimates and assumptions in the preparation of the Consolidated Financial Statements

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that could influence the amounts reported in the consolidated 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 reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:
- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network as an annual incentive and of incentives related to recruitment plans;
- determining the deferred incentives granted to the sales network, when linked to defined net inflow targets;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement, when not based on current prices drawn from active markets;
- determining the analytical and collective impairment of financial instruments;
- determining the value adjustments and reversals of non-performing loans and the collective provision for performing loans;

- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets;
- classifying and evaluating the Forward fund[2].

Additional information regarding the estimation procedures used for specific cases is provided in Part A, Section 2, of the Notes and Comments on the Accounting Policies adopted by the Banca Generali Group.

Measurement of goodwill

To prepare these Consolidated Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate.

Non-recurring significant events and transactions

During the year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account, with the exception of the following:

- tax settlement: on 19 September 2022, Banca Generali signed a framework agreement with the Italian Revenue Agency, Regional Direction of Friuli-Venezia Giulia, establishing the terms and conditions for the settlement of the transfer pricing tax claims for the tax periods from 2014 to 2019. Under this agreement, Banca Generali incurred an actual charge of 45.9 million euros of additional taxes and interest, but without any penalties due to the application of the penalty protection exemption, partly already covered by the provision for tax disputes recognised in the financial statements. The actual charge for the year thus amounted to 35.3 million euros;
- prudential provision: allocation of 23 million euros to cover commercial activities aimed at restoring customers' potential losses resulting from investments made in products distributed by the Bank and to sustain customer retention. This provision refers to potential complaints from customers regarding liquid and illiquid products distributed by the Bank during a year of exceptionally negative market performance;
- BG Suisse's capital increase: on 10 November 2022, Banca Generali carried out a capital increase of an additional CHF 10 million to offset losses recognised in the financial statements and replenish the authorised share capital, as a result of the protraction throughout 2022 of the FINMA authorisation process aimed at obtaining the Swiss banking licence and that led to pre-operating losses related to the costs incurred to start up and maintain the company's operating structure.

No other atypical and unusual transactions were undertaken, i.e., all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and/or timing of occurrence (near the end of the reporting period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders (Consob Communication No. DEM/6064293 of 28 July 2006).

National Tax Consolidation option

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

Formation of the Assicurazioni Generali VAT Group

On 23 September 2019, as Representative of the Group's Italian subsidiaries, Assicurazioni Generali exercised the option to adopt the Group's VAT rules (set out in Articles 70-*bis et seqq.* of Presidential Decree No. 633/72) with effect from 1 January 2020.
Accordingly, with effect from that date all companies included in the VAT Group will use only the VAT registration number assigned by the Italian Agency of Revenue to the Group: 01333550323.

Relations between the individual participants and the Group's Representative (Assicurazioni Generali S.p.A.) are governed by a specific contract. In particular, obligations to document and register VAT input and/or output transactions will continue to be discharged by the individual participants, whereas the additional obligations relating to "management" of the tax will be discharged solely by the Group Representative, in its capacity as single VAT-liable entity.

By express provision of law, the Group VAT Representative will be required to file periodic VAT returns and make the related payments, submit the periodic VAT filings (LIPE), file the annual VAT return and submit the other information required by the relevant legislation (e.g., *Esterometro* and Intrastat statistics).

[2] Reference should be made to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 2 "Prudential consolidation risks", Subsection D "Transfers", paragraph C "Transferred financial assets fully derecognised".

Other information

Information on government grants pursuant to Article 1, paragraph 125, of Law No. 124 of 4 August 2017 (“Annual market and competition law”)

In compliance with Article 1, paragraph 125-*bis*, of Law No. 124/2017 (Annual market and competition law), as most recently amended by Article 35 of Decree-Law No. 34/2019 (Growth Decree), companies are required to disclose annually, in the notes to their financial statements, the amount of government grants received, where grants are understood to refer to “subventions, subsidies, benefits, grants or aid, in cash or in kind, not of a general nature and not of the nature of consideration, remuneration or compensation, actually disbursed to them by public administrations.”
The obligation applies solely to grants in excess of the threshold of 10,000 euros per disbursing authority, whether of a monetary nature, on a cash basis, or of a non-monetary nature.

Paragraph 125-*quinquies* of the statute also establishes that in the case of State aid and *de minimis* aid included in the National State Aid Registry the registration and publication of the individual aid in the transparency section must take account of the publication obligations incumbent on the beneficiary companies, provided that the existence of aid subject to mandatory publication in the National State Aid Registry is disclosed in the notes to the financial statements.
For further details of the grants listed on the website of the National State Aid Registry for companies, reference should be made to the following link www.rna.gov.it/sites/PortaleRNA/it_IT/home.

In light of the foregoing, it should be noted that in 2022 Banca Generali received the following grants:

BENEFICIARY	TYPE OF GRANT	GRANTOR AUTHORITY	AMOUNTS RECEIVED (€ THOUSAND)
Banca Generali	Personnel training (*)	FBA Banks and Insurers’ Fund (*)	100
Banca Generali	Tax credit energy and gas (**)		67
Banca Generali	Tax credit capital expenses (***)		29

(*) This sum refers to aid for personnel training applied for 2019 and paid in September 2022. It should be noted that the grants listed in the National State Aid Registry, available for free consultation on the relevant website, refer to grants with a grant date in or after January 2020, for which no disbursements were made in 2022.
(**) These are tax credits created by Law Decree No. 21 of 21 March 2022, converted, with amendments, by Law No. 51 of 20 May 2022, as amended. They were granted on expenses incurred for the purchase of the energy component (see Article 3) and the purchase of natural gas (see Article 4) in the second quarter of 2022. The tax credits in question had been used in full as at 31 December 2022.
(***) This refers to the tax credits pursuant to Article 1, paragraph 188, of Law No. 160/2019 and Article 1, paragraphs 1054 and 1055, of Law No. 178/2020, due in respect of investments in new property, plant and equipment made in 2020, 2021 and 2022. The aforementioned tax credits apply at a rate of 6% of the cost for investments made in 2020, of 10% of the cost for investments made in 2021, up to the maximum limit of eligible costs of 2 million euros, and of 6% of the cost for investments made in 2022, up to the maximum limit of eligible costs of 1 million euros.

Audit

The Consolidated Financial Statements are subject to auditing by the firm KPMG S.p.A. in execution of the resolution passed by the Shareholders’ Meeting on 22 April 2021.

Part A.2 – Main Financial Statements Aggregates

This section sets out the accounting policies adopted for the preparation of the Consolidated Financial Statements as of 31 December 2022, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

With reference to the foregoing, it should be noted that during the reporting year, the accounting policies adopted by the Banking Group underwent no significant amendments and supplementations.

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2021.

In light of the above, the consolidated accounting policies of the Banca Generali Group are reported here below with an analysis of the main financial statements items.

1. Financial assets measured at fair value through profit or loss (FVTPL)

Classification

This category includes all financial assets other than those recognised among Financial assets measured at fair value through other comprehensive income and Financial asset measured at amortised cost.

In particular, the item includes:
- financial assets held for trading, essentially consisting of debt and equity securities and the positive value of derivative contracts held for trading; such assets are included in the regulatory trading book (the "trading book" pursuant to IFRS 9) and are also known as "hold-to-sell" or "HTS" assets;
- financial assets mandatorily measured at fair value, i.e., financial assets that do not meet the requirements for measurement at amortised cost or fair value through other comprehensive income. These are financial assets the contractual terms of which do not provide solely for payments of principal and interest ("SPPI test" not passed) or that are not held within a business model whose objective is to hold the assets to collect the contractual cash flows (a "hold-to-collect" business model) or whose objective is achieved by both collecting the contractual cash flows and selling the financial assets (a "hold-to-collect-and-sell" business model);
- financial assets designated at fair value, i.e., financial assets identified as such upon initial recognition, where the requirements have been met. In cases of this kind, upon recognition an entity may irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, so doing eliminates or significantly reduces a measurement or recognition inconsistency.

Accordingly, the following are included in this item:
- debt securities and loans that are held within an Other/Trading business model (i.e., not a hold-to-collect or hold-to-collect-and-sell business model) or that do not pass the SPPI test;
- equity securities — not qualifying as controlling interests in subsidiaries, associates and joint ventures — that are held for trading or that were not designated at fair value through other comprehensive income upon initial recognition;
- UCITS units.

The item also includes derivatives accounted for among financial assets held for trading, classified as assets if fair value is positive, and as liabilities if fair value is negative.
It is possible to set off current positive and negative values deriving from outstanding transactions with the same counterparty only if there is currently a legal right to set off the recognised amounts and the entity intends to settle the positions subject to offsetting on a net basis.

Derivatives also include those embedded in hybrid financial contracts, in which the host contract is a financial liability, and which have been separately recognised inasmuch as:
- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not measured at fair value and changes in fair value are recognised in profit or loss.

According to the general rules for the reclassification of financial assets (with the exception of equity securities, which cannot be reclassified) laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be quite rare, financial assets may be reclassified from measured at fair value through profit or loss to one of the two other categories provided for in IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. In such cases, the effective interest rate of the reclassified financial asset is determined on the basis of its reclassification date fair value, and the reclassification date is taken as the date of initial recognition for allocation to the various credit risk stages (stage assessment) for impairment purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date, while derivative contracts on the date the contract is entered into.
Financial assets measured at fair value through profit and loss are initially recognised at fair value, less transaction costs or income directly related to the instrument itself.

Measurement

Subsequent to initial recognition, financial assets held for trading are recognised at fair value. The effects of the application of this measurement consideration are recognised in profit and loss.

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

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

The cost criterion is used for equity securities and derivative instruments that have as their underlying equity securities, not listed on an active market, as an estimate of fair value solely to a residual degree and limited to a few cases, such as cases in which all previously discussed measurement methods are not applicable, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.
Further information on the criteria used for determining fair value is given in Section "A.4 Information on fair value" of Part A of these Notes and Comments.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.
Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
In addition, transferred financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

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

Classification

This category includes financial assets that satisfy both of the following conditions:
- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets (a "hold-to-collect-and-sell" business model); and
- the contractual terms of the financial asset give rise, on specific dates, to cash flows consisting solely of payments of principal and interest ("SPPI test" passed).

The item also includes equity instruments not held for trading electively designated at fair value through other comprehensive income upon initial recognition.

Specifically, it includes:
- debt securities and loans held within a hold-to-collect-and-sell business model that have passed the SPPI test;
- equity interests, equity investments and capital contributions of various kinds not qualifying as controlling interests in subsidiaries, associates and joint arrangements, not held for trading purposes, designated at fair value through other comprehensive income.

According to the general rules for the reclassification of financial assets (with the exception of equity securities, which cannot be reclassified) laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets.
In such cases, which are expected to be quite rare, financial assets may be reclassified from measured at fair value through other comprehensive income to one of the two other categories provided for in IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to that at amortised cost, the cumulative gain (loss) recognised in the valuation reserve is taken as an adjustment of the financial asset's fair value at the reclassification date. In the event of reclassification to fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from net equity to net profit (loss) for the year.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised at the disbursement date. Assets are initially recognised at fair value, including transaction costs or income directly related to the instrument.

Measurement

After initial recognition, assets designated at fair value through other comprehensive income other than equity securities are measured at fair value and the impact of the application of amortised cost, the effects of impairment and any foreign exchange effect are taken to profit or loss, whereas other gains or losses due to changes in fair value are entered to a specific equity reserve until the financial asset is derecognised.
Upon total or partial derecognition, cumulative gains and losses in the valuation reserve are recognised, fully or partially, through profit or loss.

Equity securities that have been classified to this category on an elective basis are measured at fair value through other comprehensive income (net equity) and cannot be transferred to profit and loss thereafter, even in the event of disposal. The only component attributable to the equity instruments in question that may be recognised in profit or loss is the related dividends.
Fair value is determined on the basis of the criteria set out above for financial assets measured at fair value through profit or loss.
In the case of equity securities included in this category not listed on an active market, the cost criterion is only used to estimate fair value on a residual basis, limited to a few circumstances, i.e., where all previously discussed measurement methods do not apply, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.
Further information on the criteria used for determining fair value is given in Section "A.4 Information on fair value" of Part A of these Notes and Comments.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
In addition, transferred financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

3. Financial assets measured at amortised cost

Classification

This category includes financial assets (and in particular loans and debt securities) that satisfy both of the following conditions:
› the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows (a "hold-to-collect" business model); and
› the contractual terms of the financial asset give rise, on specific dates, to cash flows consisting solely of payments of principal and interest ("SPPI test" passed).

In further detail, the following are classified to this item:
› loans to banks in various forms that meet the requirements set out in the foregoing paragraph;
› loans to customers in various forms that meet the requirements set out in the foregoing paragraph;
› debt securities that meet the requirements set out in the foregoing paragraph.

This category also includes operating loans associated with the provision of financial assets and services, as defined in the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF) (e.g., the distribution of financial products and servicing activities). This latter category also includes receivables from management companies and receivables from the Financial Advisor network for advances on fees paid.

According to the general rules for the reclassification of financial assets laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be quite rare, financial assets may be reclassified from the category measured at amortised cost to one of the two other categories provided for in IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. Gains or losses resulting from the difference between the amortised cost and fair value of a financial asset are taken to profit or loss in the event of reclassification to financial assets measured at fair value through profit or loss, and to a specific valuation reserve in net equity in the event of reclassification to financial assets measured at fair value through other comprehensive income.

Eligibility of the sale of financial instruments classified to the HTC portfolio

The accounting standard IFRS 9 recognises the eligibility of the sale of financial instruments classified to the HTC portfolio, assets in which are normally held to collect their contractual cash flows until maturity, as a condition for the ordinary management of such portfolios, without calling the goal of the business model into question.

In particular, sales are deemed fully consistent with the model in the event of a significant increase in credit risk, other negative changes of a regulatory or tax nature, proximity to maturity or, in the absence of such reasons, where the sales are:

- infrequent, even if significant in value;
- not significant in value (whether separately or collectively).

Within this framework, in the new business conditions in which Banca Generali finds itself to operate, characterised by a more severe stress situation and a more volatile context, a suitability assessment of the size of current and prospective financial investment portfolios provided for in the Strategic Plan and a comparison with the most common management practices on the market identified the need to proceed with a revision of the thresholds for the eligibility of sales, which for 2022 were as follows:

- extension of the materiality thresholds for sales considered non-significant to 13% of the total portfolio (10% in 2021) and to 5% of the individual ISIN, and for infrequent sales to 25% of the total portfolio;
- adoption of a method for determining limits based not only on historical sales, but also current and future sales;
- identification of specific grounds for eligibility of sales in rare, unexpected and unforeseeable conditions;
- adjustment of the period of eligibility of sales near maturity to 12 months prior to the maturity of the financial instrument.

Recognition

Financial assets are initially recognised on the settlement date. Loans are initially recognised on the disbursement date. Assets are initially recognised at fair value, including transaction costs or income directly related to the instrument.
In the case of loans, in particular, the date of disbursement normally coincides with the date of execution of the contract. If the two dates do not coincide, a commitment to disburse funds terminating on the date of disbursement of the loan is added when the contract is executed. A loan is initially recognised on the basis of the fair value of the same, which is equal to the amount disbursed or the subscription price, including costs/income directly attributable to the individual loan that may be determined at the inception of the transaction, even if settled at a later time. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expenses.

Measurement

After initial recognition, these financial assets are measured at amortised cost using the effective interest-rate method. Accordingly, such assets are measured at an amount equal to their initial recognition value, minus capital redemptions, plus or minus cumulative amortisation (calculated according to the aforementioned effective interest-rate method) of the difference between that initial amount and its value at maturity (typically derived from the costs/income directly attributable to the individual asset) and adjusted by loss allowance, if any. The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the said financial asset. This method of recognition allows, by applying a financial logic, the financial effect of the costs and income directly attributable to a financial asset to be distributed across its expected remaining life.
The amortised cost method is not used for assets measured at historical cost whose short durations suggest that the effects of discounting would be negligible, nor is it applied to assets without fixed maturities or revocable lines of credit.

The measurement criteria are closely connected to the inclusion of the instruments in question in one of the three stages (credit risk stages) provided for in IFRS 9, the last of which (stage 3) includes non-performing financial assets, and the remainder (stages 1 and 2) performing financial assets.

In terms of the accounting treatment of the above measurement effects, adjustments attributable to this type of asset are taken to profit or loss:
› upon initial recognition, in an amount equal to the expected loss at twelve months;
› upon subsequent measurement of the asset, where credit risk has not increased significantly compared with initial recognition, in respect of changes in the amount of adjustments for expected losses in the following twelve months;
› upon subsequent measurement of the asset, where the credit risk has increased significantly with respect to initial recognition, in respect of the recognition of adjustments for expected credit losses attributable to the asset's entire expected residual contractual life;
› upon subsequent measurement of the asset, where, after a significant increase in credit risk with respect to initial recognition, this increase has ceased to be significant in respect of the adjustment of cumulative impairment losses to account for the transition from an expected loss over the entire residual lifetime of the instrument to the expected loss over a twelve-month period.

Where performing, the financial assets in question are measured with the aim of determining the impairment losses to be recognised at the level of each individual credit relationship (or "tranche" of a security) on the basis of the risk parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset — classified as "non-performing" along with all other relationships with the counterparty in question — and the present value of the estimated future cash flows, discounted at the original effective interest rate.
The amount of the loss, to be recognised in profit or loss, is determined on the basis of a measurement process performed for individual assets or uniform categories of assets, and then allocated to each position.

Non-performing loans include financial instruments classified as follows:
1) bad loans: this category refers to formally non-performing loans, consisting of exposures to customers who are in a state of insolvency, regardless of whether confirmed by a court, or in similar situations;
2) unlikely to pay: these are on- and off-balance sheet exposures for which the conditions have not been met for classification as bad loans and for which it is deemed unlikely that the borrower will be capable of fulfilling all of its debt obligations (in terms of principal and/or interest) in the absence of actions such as the enforcement of guarantees. This assessment is conducted regardless of the presence of any past due and unpaid amounts or instalments.
   Classification as unlikely to pay is not necessarily tied to the explicit presence of anomalies (non-payment), but rather is linked to the existence of elements indicative of a situation of risk of default of the borrower;
3) non-performing overdrawn or past-due exposures: these are on-balance sheet exposures other than those classified as bad debts or unlikely to pay loans that are overdrawn or past due by more than 90 days at the reporting date. Non-performing overdrawn or past-due exposures may be identified in reference to either the individual borrower or individual transaction.

Expected cash flows take account of expected collection times and the presumed realisable value of any underlying guarantees. The original effective interest rate of each asset remains unchanged over time, even if a renegotiation of the terms results in a change of the contractual rate, including if the contract becomes non-interest-bearing.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised. Reversals due to the passage of time are taken in net interest income.

In some cases, over the lifetimes of the financial assets in question, and in particular over those of loans, the original contractual conditions are modified at the will of the parties to the contract.
When contractual terms are modified in the course of an instrument's life, it must be verified whether the original asset is to continue to be recognised in the financial statements or the original instrument is instead to be derecognised and a new financial instrument recognised.
When the modifications of financial assets are "substantial", the original asset is generally derecognised and a new asset is instead recognised. A modification is determined to be "substantial" on the basis of both qualitative and qualitative elements. In some cases, in fact, it may be clear, without the need for complex analysis, that the changes made substantially modify an asset's contractual characteristics and/or cash flows, whereas in other cases additional analyses (including of a quantitative nature) must be conducted to measure the effects of such modifications and verify whether the asset should be derecognised and a new financial instrument recognised.

Accordingly, the qualitative and quantitative analyses, aimed at determining whether contractual modifications of a financial asset are substantial, must be based on:
› the purposes of the modifications: for example, renegotiations for commercial reasons and forbearance measures due to financial difficulties by the counterparty;
   1. the former, aimed at "retaining" the customer, involve a debtor not in a situation of financial difficulty. This category also encompasses all renegotiation transactions aimed at adjusting the cost of debt to market conditions. Such transactions

entail a modification of the original terms of the contract, typically at the debtor's request, relating to aspects affecting the cost of the debt, with the resulting economic benefit for the debtor. It is generally held that, whenever the bank renegotiates in order to avoid losing a customer, such renegotiation must be considered substantial inasmuch as, had it not occurred, the customer could have obtained financing from another intermediary and the bank would have incurred a loss of expected future revenues;
2. the latter, undertaken for "reasons of credit risk" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows from the original loan. Substantially all the underlying risks and rewards are typically not transferred as a result of such modifications. Accordingly, the accounting treatment that provides the most relevant information for the readers of the financial statements (without prejudice to the remarks presented below regarding objective elements) is that based on "modification accounting", which entails the recognition in profit or loss of the difference between the carrying amount and the present value of the modified cash flows, discounted at the original interest rate, and not through derecognition;

› the presence of specific objective elements ("triggers") that affect the contractual characteristics and/or cash flows of the financial instrument (including, but not limited to, a change of currency or modification of the type of risk exposure, where correlated with equity and commodity parameters) that are believed to entail derecognition by virtue of their impact (expected to be significant) on the original contractual cash flows.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
In addition, transferred financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

4. Hedging transactions

Types of hedging transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items in cases where that specific risk actually occurs.

Possible types of hedges include:

› fair-value hedges, intended to hedge exposure to changes in the fair value of a financial statement item attributable to a particular risk;
› cash-flow hedge, intended to hedge exposure to changes in future cash flows of financial statement items attributable to particular risks;
› hedges of a net investment in a foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Hedging derivatives are measured at fair value. Specifically:

› in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the net effect on net profit or loss;
› in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flows of the hedged item;
› hedges of a foreign currency investment are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

The Bank must verify whether the relationship meets the hedge effectiveness requirements at inception and then on an ongoing basis.
The assessment must be performed, at least, at each reporting date or, where earlier, when a material change in the circumstances that influence the hedge effectiveness requirements occurs.
The assessment is based on expectations regarding hedge effectiveness. It is thus merely indicative of expected developments and is based on an exclusively forward-looking analysis. The method adopted may consist of a qualitative or quantitative assessment.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

5. Equity investments

This item includes equity investments in associates and joint ventures.

Entities subject to significant influence (associates) are those entities in which the Bank holds at least 20% or more of the voting rights (including “potential” rights), or in which — although holding a lower voting power, in light of specific legal ties, such as Shareholders’ agreements — it has the power to participate in the financial and management policy-making process or can exercise governance rights that are not limited to capital interests.
Companies subject to joint control (joint ventures) are entities over which control is shared, on a contractual basis, by the Bank and another entity or other entities external to the Group, or for which decisions regarding important activities require the unanimous consent of all parties that share control.

Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement

In the Consolidated Financial Statements, equity investments in joint ventures and associates are valued using the equity method.
When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the equity investment.
If the recoverable amount is less than the carrying amount, the difference is recognised through profit or loss.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

6. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held exclusively for operating purposes, to be used in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.
Property and equipment also include rights of use (“ROUs”) acquired in lease transactions within the scope of application of IFRS 16 and relating to the use, as lessee, of assets in this category (real estate, motor vehicles, equipment, etc.). For a more detailed analysis of the accounting criteria adopted by the Bank in respect of IFRS 16, reference should be made to Section 15 “Other information”.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related ancillary costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised through profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses. They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

7. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, or must arise from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.
An entity controls an asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and simultaneously restrict the access of others to those benefits.
The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

The application of IFRS 3 in accounting for acquisition transactions may entail the recognition, in the purchase price allocation (PPA) process, of new intangible assets and goodwill.
Goodwill represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities.

Intangible assets with an indefinite useful life also include the value of the trademarks recognised following the acquisition of the Nextam Partners Group and BG Valeur S.A.

The other intangible assets also include the value of the contractual relationships with customers identified within the framework of the acquisitions of Banca del Gottardo Italia (2008), the Credit Suisse Italy business unit (2014), the Nextam Partners Group and BG Valeur S.A. (both in 2019).

Customer relationships are intangible assets within the scope of application of IAS 38, from which it is probable that future economic benefits will flow to the acquirer. The value of such relationships has been determined, as at the acquisition date, on the basis of an estimate of the profitability of assets under management (AUM) associated with the customers acquired, measured separately for each asset class.

The useful lives of such assets, determined on the basis of the expected decay rates for assets under management (AUM), have been estimated as follows:
- Banca del Gottardo Italia: 10 years;
- Credit Suisse Italy: 15 years;
- Nextam Partners Group: 16 years;
- BG Valeur S.A.: 10 years.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system and the intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the Bank based on the outsourcing contract with CSE (legacy, front-end Financial Advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected. Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised through profit and loss in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including ancillary expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any ancillary expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.
Software costs are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a three-year period.
With reference to contractual relations with customers, acquired as a result of the above-mentioned business combinations, the useful lives have been estimated at 10 years for Banca del Gottardo Italia and BG Valeur S.A., at 15 years for Credit Suisse Italy and at 16 years for the Nextam Partners Group.
Intangible assets with indefinite useful lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test for goodwill is presented in Section "Retrospective Adjustments" in Part G of these Notes and Comments.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the Profit and Loss Account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the Balance Sheet on disposal or when no future economic benefits are expected from their use.

8. Non-current assets held for sale or disposal groups

The asset item "Non-current assets held for sale or disposal groups" and liability item "Liabilities associated with assets held for sale or disposal groups" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets held for sale or a group of assets recognised as held for sale during the year is taken through profit and loss under a specific separate item, "Income (Loss) of disposal groups, net of taxes."

9. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a prudential estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.
Specifically, deferred tax assets and liabilities are calculated based on the temporary differences — without time limits — between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the parent company Assicurazioni Generali — as a result of its exercise of the option provided by the Italian tax consolidation scheme — to generate ongoing taxable income.

Deferred tax liabilities are recognised in the financial statements, except for the main assets pending taxation, represented by equity investments.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "Tax assets" and deferred tax liabilities are recorded under "Tax liabilities".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes mainly arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from tax assessments already notified or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (e.g., goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (2008 Finance Law) introduced the paragraph 2-*ter* into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment (so-called "ordinary redemption").
That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket, respectively) in lieu of the ordinary rates of IRES and IRAP.
The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Law Decree No. 185 of 29 November 2008 (Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009 and then further amended, subsequently introduced a new system of optional realignment of tax and carrying values (so-called "special regime").
The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.
However, the greater amounts attributed to goodwill and trademarks could have been recovered through the off-balance procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary instalments required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.
Article 17 of Law Decree No. 83/2015 then precluded the possibility of converting the DTAs referring to the value of goodwill and other intangible assets, recognised for the first time in the financial statements for the year ended 27 June 2015, reducing the off-balance amortisation period from ten to five years.

For the special redemption option as well, that statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are finalised.

In addition, paragraphs 12 to 14 of Article 23 of Law Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Law Decree No. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.

As originally formulated, the statute provided that, for the purposes of redemption of transactions carried out before 31 December 2010, the 16% substitute tax was to be paid by 30 November 2011, whereas the off-balance deduction of goodwill, in ten equal instalments, was to occur starting in financial year 2013, a date that was then postponed by Article 1, paragraph 502, of Law No. 228 of 24 December 2012 (2013 Finance Law) to the year after that in progress as at 31 December 2017[3].

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Law Decree No. 185/2008;
2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the financial statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-*ter*, of the TUIR;
3) redemption of goodwill recognised on a consolidated basis in connection with the full equity investment in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011[4].

Most recently, Article 110 of Law Decree no. 104 of 14 August 2020 (the "August Decree"), as amended by the 2021 Budget Law (Article 1, paragraph 83, of Law No. 178 of 30 December 2020), with the aim of facilitating stronger capital positions and mitigating the consequences on financial statements of the economic crisis caused by the Covid-19 pandemic, introduced — including for entities that adopt IAS/IFRS — the possibility of realigning the accounting and tax values of goodwill and other intangible assets recognised in the financial statements for the year in progress at 31 December 2019 (Article 110, paragraph 8-*bis*), to the extent still present at the closing of the 2020 financial statements.

The option was to be exercised through:

› the payment of a 3% substitute tax, in a maximum of three instalments of equal amounts, by the due date for payment of the balance of the 2020 income tax return and the reporting in the income tax return of incomes relating to financial year 2020;
› the application of a restriction on balance-sheet reserves in an amount corresponding to the greater values subject to realignment, net of the substitute tax, to which the provisions for tax-suspended reserves envisaged for revaluation balances applies.

The effects of the realignment of goodwill and other intangible assets are recognised for tax purposes with effect from financial year 2021 and the off-balance amortisation of goodwill should have been therefore deducted in 18 years (paragraph 3-*bis).*

However, Article 1, paragraphs 622 to 624, of the 2022 Budget Law retroactively amended, in derogation from the taxpayers' statute, the emergency redemption provisions set out in Article 110 of Law Decree No. 104 of 14 August 2020 ("August Decree"), essentially providing for three options:

a) extension of the amortisation period from 18 to 50 years;
b) "repeat redemption" of goodwill redeemed at 3% by applying an increase on the basis of the rate brackets governed by the ordinary provisions of Article 176 of TUIR;
c) revocation of the redemption transaction, according to the methods to be established by order of the Italian Revenue Agency, applying for a refund for or offsetting the sums already paid.

In 2021, Banca Generali also proceeded to exercise the option to carry out the following realignments of the carrying and tax values of goodwill, trademarks and other intangible assets:

› realignment of misalignments resulting from previous years' goodwill stated in the Financial Statements at 31 December 2019, pursuant to Article 110 of Law Decree No. 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law, through payment of a 3% substitute tax, and subsequent right to benefit from the ensuing off-balance sheet amortisation in the ordinary period of 50 years;
› realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the merger — effective 1 January 2020 for accounting and tax purposes — of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  – Article 15 of Law Decree No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;

[3] The following additional legislation was recently passed on this subject:
Article 1, paragraph 1079, of Law No. 145/2018 (2019 Budget Law) introduced a change to the amortisation rates of goodwill and other intangible assets that gave rise to the recognition of deferred tax assets subject to the paragraphs 55, 56-*bis*, 56-*bis*.1 and 56-*ter* of Article 2 of Law Decree No. 225 of 29 December 2010 not yet deducted until the tax period in progress at 31 December 2017 in ten variable annual instalments from 31 December 2019 — from 2019 (5%) to 2020 (3%) — and until 31 December 2029 (10%), without prejudice to previously applicable amortisation, where of a lesser amount.
Article 23 of Law Decree No. 98/2011 (paragraphs 12-14) had introduced the possibility of proceeding with "special" redemption (new paragraph 10-*ter* of Article 15 of Law Decree No. 185/2008) of goodwill and other intangible assets recognised solely at the consolidated level before 31 December 2010, by paying a substitute tax of 16% and deducting the related amortisation in ten annual instalments starting on 1 January 2013. However, Article 1, paragraph 502, of Law No. 228 of 24 December 2012 (2013 Financial Law) then deferred the deductibility of amortisation charges from the tax period after that in progress at 31 December 2017, with a suspension of amortisation of five years, followed by a further change in 2018 (previous note).
Article 1, paragraph 714, of Law No. 160/2019 (2020 Stability Law) then provided for the deferral of the deduction of the 5% share of the portion of negative components referring to amortisation charges relating to the value of goodwill and other intangible assets, originally provided for 2019, to the tax period in progress at 31 December 2025 and the four following periods.

[4] The goodwill of BG Fiduciaria was redeemed on 30 November 2011, but effectively became deductible only in financial year 2020, at the rate of 3% rather than the original 10%.

– Article 176, paragraph 2-*ter*, of the TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.
IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

The analyses conducted by the OIC — the Italian Accounting Standard Setter — summarised in application document No. 1 of 27 February 2009 entitled "Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Law Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IAS/IFRS", which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRS:
1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over the years to coincide with the off-balance deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill is deducted on a straight-line basis, the entity releases the previously recognised deferred tax assets to profit and loss on a straight-line basis, in accordance with the specific system adopted (ten or eighteen amortisation instalments), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be believed to be recoverable on the basis of future taxable income.

With regard to the realignment performed pursuant to Article 110 of Law Decree No. 104/2020, DTAs that may be recovered over a longer time horizon than the ordinary off-balance amortisation of 18 years have not been recognised in the financial statements.

10. Provisions for liabilities and contingencies

Provisions for commitments and guarantees issued

The sub-item of provisions for liabilities and contingencies in question includes provisions for credit risk recognised on the basis of loan commitments and guarantees issued that come within the scope of application of impairment rules pursuant to IFRS 9.
Such cases are generally subject to the same methods of allocation to the three credit risk stages and calculation of expected losses presented in regard to financial assets measured at amortised cost or at fair value through other comprehensive income.

Other provisions

Other provisions for liabilities and contingencies include allocations relating to provisions for legal contractual or non-contractual obligations or legal disputes, including tax disputes, arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Therefore, a provision is recognised only when:
- there is a present obligation (legal or constructive) as a result of a past event;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount relating to the fulfilment of the obligation.

The amount recognised as provision corresponds to the best estimate of the expenditure required to settle the present obligation at the reporting date and accounts for all the risks and uncertainties that inevitably are entailed in certain events and circumstances.
Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions and increases due to the time value of money are recognised in the profit and loss account.
Provisions are periodically reviewed and, where necessary, adjusted to reflect the best current estimate. If, upon review, it is determined that it is unlikely that a cost will be incurred, the provision is reversed.

Other provisions for liabilities and contingencies include, in particular:
- provisions for contractual indemnities for the network of Financial Advisors (end-of-service, portfolio development indemnity, managerial development indemnity, and other similar indemnities), measured according to the actuarial or financial method;

- provisions for Financial Advisors and Relationship Managers serving the obligations assumed in relation to the 2017-2026 Framework Loyalty Programme for the sales network;
- several types of provisions for incentive or recruitment bonuses (recruitment plans) for Financial Advisors;
- provisions for long-term employee benefits;
- provisions for restructuring plans.

In some circumstances, provisions for liabilities and contingencies (e.g., charges relating to staff expenses) have been presented in a separate item of the profit and loss account to best reflect their nature.

Termination indemnity for Financial Advisors

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to a Financial Advisor is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

a) the total amount paid to Enasarco each year by the Bank until the date of termination;
b) the contractual lump-sum reduction which gradually declines with the length of service at the date of retirement or termination (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUM during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

a) the percent fee reduction expected as a function of the estimated period of past service at the date of termination;
b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntary removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.
The indemnity, which is governed by an appendix to the Agency agreement, is only due on the condition that the outgoing Financial Advisor formally undertakes to conduct a hand-over to an incoming Financial Advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming Financial Advisor undertakes to pay the Company an indemnity commensurate to that obtained from the outgoing Financial Advisor.
In relation to recent market practices in the area, a thorough contractual revision of the scheme entered into effect on 1 January 2012 was carried out.
The system introduces a rule, namely that the indemnity collected by the outgoing Financial Advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.
Therefore, on the basis of the new rules, the outgoing Financial Advisor may only collect the agreed indemnity provided that it has actually been paid to the Bank by the incoming Financial Advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the Bank's guarantee is maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the Bank will immediately pay out the entire indemnity to the outgoing Financial Advisor's beneficiary or heirs and then recover the amount from the incoming Financial Advisors under an instalment plan, in the reduced amount of 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate, carried out through IT procedures, of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity payouts, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming Financial Advisors.

Framework Loyalty Programme for the Sales Network

The aggregate referring to provisions for long-term contractual indemnities also includes the provision covering the 2017-2026 Framework Loyalty Programme for the Sales Network ("Framework Programme"), approved by the Board of Directors on 21 March 2017 and ratified by the General Shareholders' Meeting on 20 April 2017. Said programme is aimed at improving the retention of the Network and the customers acquired over time and creating value for the Group by attracting stable, high-quality net inflows.

The Framework Programme originally provided for the possibility to activate during the 2017-2026 period eight individual annual plans set to expire on 31 December 2026 and of decreasing lengths, from a maximum of eight years to a minimum of one year, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.
However, it should be noted that the Bank decided to suspend the implementation of the above Loyalty Framework Programme, for which the sixth 2022-2026 cycle was therefore not activated.

The Framework Programme called for an indemnity to be paid to Financial Advisors and Relationship Managers with a minimum level of seniority of service who met certain AUM and net inflow parameters at the end of the year of activation of the plan in which they participated. The indemnities thus accrued in respect of the individual plans will be disbursed cumulatively to the beneficiaries, in accordance with the Banking Group's current remuneration policies, in the first half of 2027, within 60 days of the approval of the 2026 Financial Statements.
However, departure from the Banking Group's scope entails the loss of entitlement to disbursement of the bonuses accrued, except in the event of death, permanent disability or eligibility to receive a pension. Even in the above circumstances, the indemnity will still be paid at the end of the Programme.

A part of the bonus, up to 50% of its value, for each of the individual plans in the Framework Programme may be paid in Banca Generali shares. In accordance with the Banking Group's Remuneration Policy, the number of shares is determined according to the average price of Banca Generali shares during the 90 days prior to the date of the meeting of the Board of Directors called to approve the draft Financial Statements for the year prior to that of activation of the individual plan. The Banca Generali shares for each individual plan are thus purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and General Shareholders' Meeting) and the Regulator, and are cumulatively assigned to beneficiaries.

The amount of the provision for the portion of the indemnity to be paid in cash is measured on the basis of the indemnity accrued as at the reporting date, taking account of the time value of money for the period until the date of disbursement and the forecast rate of turnover, without entitlement to benefits, for the beneficiary population. The portion to be paid in shares is subject to the accounting treatment provided for in IFRS 2 and accrues annually in proportion to the length of the vesting period for the various annual plans activated.

In addition, following the suspension of the Programme, in July 2022 an advance on the bonuses to be paid in cash as provisioned for and revalued as at 30 June 2022 was paid to the beneficiaries of the annual plans already activated, for a total amount of 34.2 million euros. This advance is tied to the right to receive the bonus and will therefore definitively accrue following verification of the vesting conditions established by the Programme in the first half of 2027.

Three-year Incentive Plan

The new 2022-2024 three-year Incentive Plan, approved by the Board of Directors on 18 March 2022, is in addition to the annual incentives for the sales network and is tied to the achievement of both several overall objectives set at the Banking Group level in terms of total net inflows and recurring fee income, established in the new Strategic Plan, and individual objectives.

In particular, at the end of the Plan no incentives may be disbursed without full achievement of the three-year net inflow targets and of at least 90% of the cumulative recurring fee target at the end of 2024.
At the level of the individual beneficiary, accrual of the bonus is tied to individual net inflow and advanced inflow targets on a three-year basis to be reached collectively, with a floor below which the incentive is not awarded.
Special rules also apply to Financial Advisors eligible to participate in the previous Loyalty Framework Programme, for which a minimum bonus (bonus floor) applies, to be paid at the end of the three-year period if other conditions are met, but only in the absence of net outflows.

All Financial Advisors, Relationship Managers and Network Managers in service at 31 December 2019 are entitled to the three-year incentive.

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

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

The accrual of the bonus at the end of the three-year period is contingent on achieving the Banking Group access gates, as defined by the Remuneration Policy.

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

11. Financial liabilities measured at amortised cost

Classification

Due to banks, Due to customers and Securities issued include the various forms of interbank funding and direct customer inflows, as well as funding through certificates of deposit and the issue of bond securities, net of any amounts repurchased.
Due to banks and Due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or the debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus any costs or income directly attributable to each funding transaction or issuance and not repaid by the creditor. Internal general and administrative expenses are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are written off when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
Placing securities again on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

12. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.
If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

13. Financial liabilities designated at fair value

There are currently no financial liabilities measured at fair value.

14. Foreign currency transactions

Initial recognition measurement criteria

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent recognition measurement criteria

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate as follows:
- monetary items are translated using the exchange rate at the reporting date;
- non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value are translated using the exchange rate at the reporting date.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's Financial Statements are recognised through profit or loss in the period in which they arise.

15. Other information

Cash and deposits

The portion of the balance of the settlement account held with the Bank of Italy that is not restricted according to the mandatory reserve rules is recognised as demand deposits with the Central Bank and has therefore been reclassified to item 10 of the Balance Sheet, Cash and deposits.

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item as a reduction to net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Equity instruments

Equity instruments are instruments that represent an equity interest in the Bank pursuant to IFRS 32.
The classification of an instrument issued as an equity investment requires the absence of contractual obligations to make payments in the form of repayment of principal, payment of interest or other forms of return.

In particular, instruments that present the following characteristics are classified as equity investments:
- duration is unlimited or equal to the company's duration;
- the issuer has full discretion over paying coupons or repaying principal, including prematurely.

This category also includes Additional Tier 1 instruments compliant with the provisions of Regulation (EU) No. 575/2013 (CRR) on the prudential requirements for credit institutions and investment firms that, in addition to presenting the characteristics described above, in any event:
- allow the issuer to retain full discretion over whether to recognise a reversal of nominal value (write-up) following a capital event that has resulted in a decline in nominal value (write-down);
- do not incorporate must-pay clauses for the issuer as a result of authentic events within the parties' control.

Equity instruments other than ordinary or savings shares are classified to item "140. Equity instruments" in the amount received, inclusive of the transaction costs that are directly attributable to the transaction concerned.
Any coupons paid, net of the related taxes, are deducted from item "150. Reserves".
Any differences between the amount paid to discharge or repurchase these instruments and their carrying amount are recognised in item "150. Reserves".

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.
Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Leases (IFRS 16)

As lessee

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

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

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

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

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

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

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

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

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

The Group remeasures the balance of the lease liability (and applies an adjustment to the corresponding value of the right of use, where significant) if either:
- there is a change in the lease term or there is a change in the assessment of an option right, in which case the lease liability is remeasured by discounting the lease payments at the revised discount rate;
- there is a change in future lease payments resulting from a change in an index or a rate or there is a change in the amounts expected to be payable under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments at the initial discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate is used);
- a lease contract has been modified and the modification does not qualify for recognition as a separate contract, in which case the lease liability is remeasured by discounting the revised lease payments at the revised interest rate.

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

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

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

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

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

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

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

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

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

Share-based payments

These are payments to employees or other similar persons, such as Financial Advisors, as consideration for services rendered, based on the equity instruments of the banking or ultimate Parent Company.

Such plans may provide for either:
- the right to subscribe for rights issues at a pre-determined price (stock-option plans);
- the free assignment of a certain number of shares, generally repurchased (stock-granting plans).

In accordance with IFRS 2 — *Share-Based Payments*, share-based benefit plans for personnel and Financial Advisors are recognised as costs on the Profit and Loss Account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

In light of the difficulty inherent in reliably measuring the fair value of the services received in return for equity instruments, reference is made to the fair value of such instruments measured at the assignment date.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.
In cases of stock-granting plans, the fair value of the shares granted is determined on the basis of market prices on the date of the resolution of the Shareholders' Meeting authorising the plans.
Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Charges relating to shared-based payment plans are recognised as a cost in the profit and loss account for the period under item 190.a) "General and administrative expenses: staff expenses", where they relate to employment services, and under item 50) "Fee expense", where they relate to contractual relationships with Financial Advisors. In both cases, such charges have their counterentry in item 150. "Equity reserves"[5].

Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute "**post-employment benefits**" as defined in IAS 19 – *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and — in the case of companies with at least 50 employees — transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:
- "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund.
  For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods.
  The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
- "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the projected unit credit method;

[5] For further information on the accounting treatment and the characteristics of the individual plans, including quantitative information, reference should be made to Part I — Payment Agreements Based on Own Equity Instruments of these Notes and Comments.

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted at the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation. Considering that IAS 19R requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the iBoxx EUR Corporate index, formed of AA series.
The plan's service costs have been recognised amongst staff expenses under item "provisions for termination indemnity."

Following the entry into force of IAS 19R, from 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses** deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in the other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.
By contrast, in the previous accounting arrangement adopted by the Bank the above item had been recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time adoption of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.
In addition, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

Productivity bonuses for salaried employees

Productivity bonuses to be paid to salaried employees during the following year are generally to be allocated to the item "Other liabilities."

More specifically, in accordance with IAS 19 – *Employee Benefits*, the following are allocated to current liabilities:

› the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
› incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the Profit and Loss Account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in the balance sheet:

› the share of the variable remuneration of managers of the Banking Group deferred up to five years, and conditional upon the satisfaction of the access gates requirements established in the Banking Group's new remuneration policy.

Expenses functionally related to staff

In accordance with IFRS 19, item 190 a) "Staff expenses" only includes costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 190 b) "Other general and administrative expenses". Such expenses also include:

a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:
- interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit or loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Recognition of the costs of obtaining and fulfilling a contract

Beginning from the end of 2018, the amortisation period for acquisition and fulfilment costs for contracts with customers was modified from a time horizon based on the payback criterion to a time horizon more consistent with the average duration of contractual relationships with customers, determined to be five years.
These changes, implemented in part owing to the greater flexibility of 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 expenses and the fee income generated by customer investments.
In particular, the modification affected the accounting treatment of ordinary sales incentives tied to the net inflow targets paid to the Financial Advisor network, which had been previously accounted for according to the practical expedient of taking them in full to the profit and loss account for the year.
The modification, which qualifies as a change in accounting estimate in respect of the amortisation period for incentives, was applied prospectively in accordance with IAS 8.

Calculation of impairment losses

Impairment losses of financial assets

At each reporting date, in accordance with IFRS 9, financial assets other than those measured at fair value through profit or loss are tested for evidence that their carrying amounts may not be fully recoverable. Similar tests are also performed for loan commitments and guarantees issued that come within the scope of impairment testing pursuant to IFRS 9.

Where such evidence of impairment exists, the financial assets in question are considered impaired and included in stage 3, along with all remaining assets associated with the same counterparty, if any. Such exposures, represented by financial assets classified, in accordance with Bank of Italy Circular No. 262/2005, as bad loans, unlikely-to-pay loans and exposures past due by more than 90 days must be accounted for by recognising impairment losses equivalent to the expected losses over their entire residual lifetimes.

Impairment losses of performing financial assets

For financial assets for which there is no evidence of impairment (performing financial instruments), it must be verified whether there are any indicators that the credit risk associated with each transaction has increased significantly with respect to initial recognition. The consequences of this assessment, from the standpoint of classification (or, to be more precise, “staging”) and measurement, are as follows:
- where such indicators exist, the financial asset is classified as stage 2. In such case, in accordance with international accounting standards, and despite the absence of a manifest decline in value, measurement involves recognising impairment losses equal to the expected losses over the financial instrument’s entire residual lifetime;
- where such indicators do not exist, the financial asset is classified as stage 1. In such case, in accordance with international accounting standards, and despite the absence of a manifest decline in value, measurement involves recognising impairment losses equal to the expected losses for the specific financial instrument over the following twelve months.

Such impairment losses are revised on each subsequent reporting date to verify periodically that they are consistent with constantly updated loss estimates and to take account of the changed forecasting period for calculating expected loss, in the event of changes in indicators signalling “significantly increased” credit.

With regard to the tracking of credit quality, in accordance with the provisions of the Standard and the Supervisory Authority's instructions as to how to apply the Standard in the case of less significant institutions, a detailed analysis was conducted for each relationship, whether in the form of a security or a loan.

To identify whether there has been a "significant deterioration" of credit quality since initial recognition and there is thus a need for classification to stage 2 and, vice versa, whether the conditions have been met for reclassification from stage 2 to stage 1, it has been decided to make a comparison, at each reporting date, between the credit quality of the financial instrument at the time of measurement and at the time of initial disbursement or purchase (stage assignment).

In view of the above, the factors that will be decisive when determining transitions between the various stages are as follows:
› a change in rating class with respect to the moment of initial recognition of the financial asset. In other words, this is an assessment according to a "relative" criterion;
› the presence of a position past due by at least 30 days. Where such positions exist, in other words, the credit risk of the exposure is presumed to have increased significantly and the position is thus reclassified to stage 2;
› the presence of forbearance measures, which entail the classification of the exposure as among those whose credit risk has "significantly increased" with respect to initial recognition.

Some particular considerations apply to the staging of securities. In the case of this type of exposure — as opposed to loans — purchase transactions following an initial purchase of securities with the same ISIN may be a customary part of ordinary management of such positions (resulting in the need to establish an approach to identify sales and redemptions to determine the residual balances of individual transactions with which to associate a credit quality/rating upon origination to be compared with that as at the reporting date). The "first-in-first-out" ("FIFO") method has thus been deemed to contribute to more transparent management of the portfolio, including from the standpoint of front-office personnel, thus also permitting assessments of creditworthiness to be updated constantly on the basis of new purchases.

In addition, Banca Generali has adopted the low credit risk exemption (LCRE) provided for in IFRS 9 for certain financial assets, namely debt instruments issued by governments and public administrations. Accordingly, exposures that are rated investment grade or above as at the reporting date will be deemed low credit risk exposures and thus classified to stage 1.

Once exposures have been allocated to the various credit risk stages, expected credit losses (ECLs) are determined for each transaction or tranche of a security, on the basis of the parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The measurement of financial assets also reflects the best estimate of the effects of future conditions — above all those of the economic context — with an impact on forward-looking PD and LGD.

Modifications to stage assignment
IFRS 9 requires that the assessment of expected credit losses on financial instruments measured at amortised cost allocated to the HTC and HTCS portfolios be closely connected to their inclusion in one of the three stages (credit risk stages), the last of which (stage 3) includes non-performing financial assets and the remainder of which (stages 1 and 2) include performing financial assets.
In particular, financial instruments are classified to stage 2 if on the reporting date they have undergone a significant increase in risk compared to origination, determined by reaching a rating class deemed excessively risky or by a significant rating notch difference.

In response to the Covid-19 emergency, international organisations and governments implemented extensive support programmes for the banking system and real economy, including, above all, the banking package promoted by the European Union and the public moratoria. The supervisory authorities also requested that financial institutions modify their processes for managing and hence for approving loans, so as to ensure, even in shock conditions, the proper assessment of temporary increases in risk profile, while also decreasing the procyclical effect of assessment models.

In adopting this regulatory framework, which thus views the Covid-19 emergency as a temporary phenomenon not destined to last over time, and in line with industry practices recently established amongst Italian financial institutions, the Banking Group decided to make significant changes to the current stage assignment model for the securities portfolio, as detailed below:
› introduction of a module that formalises the legitimate use of temporary model changes in extraordinary conditions of use until conditions of normality are restored;
› introduction of a rule against downgrading sovereign securities, where justified in terms of temporariness, validity, extraordinariness and severity; with regard to this latter point, a limit was identified in the form of a downgrade not resulting in a rating class lower than credit quality class 4 (equivalent to BB) (ECB Press Release of 22 April 2020);
› replacement of the current rating assignment rule according to a predefined order (1. Moody's, 2. S&P and 3. Fitch) with the ECAI First Best Rating assignment rule, acknowledging that a security downgrade is only admitted if formulated unanimously by all rating agencies: Moody's, S&P, Fitch and DBRS;
› addition of the ratings agency DBRS to the ECAIs Moody's, S&P and Fitch.

These changes are in line with the new regulatory requirement formulated in EBA “Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures”, 25 March 2020, and in EBA “Guidelines EBA/GL/2020/02”, 2 April 2020, which requires prudence in assessing the increase in risk profile, where not representative of the counterparty’s long-term status.

Impairment losses of non-performing financial assets
Non-performing loans are measured as follows:
- individual measurement of all exposures classified as bad loans;
- individual measurement of all exposures classified as unlikely-to-pay (UTP) and overdrawn/past-due of amounts in excess of 10 thousand euros and secured positions under 10 thousand euros;
- statistical measurement for all positions classified as unlikely-to-pay (UTP) and overdrawn/past-due below the above thresholds.

Individual measurement is performed by managers on individual positions on the basis of a qualitative and quantitative analysis of the debtor’s financial performance and position, the risk level of the credit relationship and any mitigating factors (guarantees), while also taking account of the financial effect of the time estimated to be necessary for recovery.

In the case of bad loans in particular, significance is attached to a series of elements — present to varying degrees depending on the characteristics of the positions — to be assessed as thoroughly and prudently as possible, including, but not limited to:
- the nature of the claim, i.e., preferred or unsecured;
- the net assets of the obligors/third-party guarantors;
- the complexity of ongoing or potential litigation and/or the underlying legal matters;
- exposure of obligors to the banking system and other creditors;
- most recent available financial statements;
- legal status of obligors and pending insolvency and/or individual procedures.

Statistical assessments are conducted on the basis of the parameters set out in the ECB guidelines. Residual exposures of amounts beneath a predetermined threshold are fully written off.
The financial effect of time (time value) is not taken into account for exposures classified as overdrawn/past due by more than 90 days due to the high frequency of return to performing status in the short term.

Contributions to deposit guarantee systems and resolution mechanisms
Through Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, respectively, the “Deposit Guarantee Schemes Directive (DGSD)” and “Bank Recovery and Resolution Directive (BRRD)” and the institution of the Single Resolution Mechanism (Regulation (EU) No. 806/2014 of 15 July 2014), European lawmakers made significant changes to the rules concerning banking crises with the strategic aim of strengthening the single market and ensuring systemic stability. As illustrated in further detail below, the above legislative changes had a significant impact on financial performance and financial position as a result of the obligation to establish specific funds with financial resources that must be provided by contributions from financial institutions starting in 2015.

Contributions deriving from the Deposit Guarantee Schemes Directive (DGSD)
Directive 2014/49/EU, effective as of 3 July 2015, harmonises the levels of protection offered by national deposit guarantee schemes (DGSs) and their methods of intervention, with the aim of eliminating possible competitive disparities within the European market. To that end, the Directive provides that national DGSs (in Italy, the Interbank Deposit Protection Fund or FITD) must endow themselves with means commensurate to the deposits protected, which must be provided through mandatory contributions from financial institutions. The new element for Italian banks is the new mechanism for financing the fund: the previous after-the-fact contribution system, in which funds had been requested in case of need, was replaced by a mixed system, in which funds must be paid in advance, so as to reach, within ten years of the entry into force of the Directive (3 July 2024), a minimum target level of **0.8% of the deposits guaranteed**.
The contributions from each entity are calculated as a function of the ratio of the amount of own deposits to the total protected deposits in the country.
Article 10 of Directive 2014/49/EU provides that contributions are to be paid by banks with at least annual frequency.
In its extraordinary meeting of 26 November 2015, the FITD then amended its Articles of Association to comply with the new contribution rules and regulatory framework.
The Directive was then transposed into Italian law through Legislative Decree No. 30/2016.

Contribution charges deriving from the Bank Recovery and Resolution Directive (BRRD)
Directive 2014/59/EU establishes the new resolution rules, applicable from 1 January 2015 to all European Union banks in a state of current or prospective default. These rules, which introduce the “bail-in” principle, require, under certain circumstances, that funding for resolution may also be supported by a national resolution fund instituted by each of the 28 European Union Member States and managed by a national resolution authority.

To that end, the Directive provides that the national resolution funds be endowed with financial means provided through mandatory advance contributions from authorised financial institutions.
In particular, the funds are to be paid in advance until reaching a minimum target level, over a period of ten years, i.e., by 31 December 2024, of **1% of guaranteed deposits**[6].

The contributions from each entity are calculated as a function of the ratio of its total eligible liabilities, i.e., net of own funds and the guaranteed deposits, to the total liabilities of all authorised financial institutions in the country.

In this context, on 16 November 2015 Legislative Decrees Nos. 180/2015 and 181/2015 were enacted, introducing the National Resolution Fund into the Italian legal system and assigning the Bank of Italy the role of National Resolution Authority.

In particular, Articles 78 *et seqq.* of Legislative Decree No. 180/15 provide that such funds are to be financed by, among other sources:
a) ordinary contributions paid on an annual basis in the amount determined by the Bank of Italy in accordance with Directive 2014/59/EU (Article 103) and commensurate for the purposes of reaching the fund's target funding level;
b) extraordinary contributions when ordinary contributions are insufficient to cover losses, costs or other expenses incurred to achieve resolution objectives, up to an amount of three times annual average ordinary contributions.

The new European Single Resolution Fund (SRF) provided for in Regulation No. 806/2014, instituting the Single Resolution Mechanism (SRM) and managed by a new European resolution authority, formed within the ECB (Single Resolution Board – SRB), began to function on 1 January 2016.
From 1 January 2016 to 31 December 2023 (a period of eight years), the Single Resolution Fund must reach a target level of means of at least 1% of the amount of the protected deposits of all authorised entities in the Banking Union. The contribution rules for the period 2016-2023 are established in Article 8 of Implementing Regulation No. 81 of 2015.
Accordingly, the banks of Member States of the Banking Union (including Italian banks) contributed to the National Resolution Fund in 2015 and contributed to the Single Resolution Fund starting in 2016 (until 2023). During the initial period, when calculating each institution's individual contributions, this transfer will be taken into account.

Accounting treatment of contribution charges deriving from the BRRD and DGSD
The accounting and reporting treatment applicable to contributions to resolution funds was the subject of the Bank of Italy's notice dated 20 January 2016, as well as of a notice dated 25 January 2017 specifically relating to "Additional contributions to the national resolution fund".
Similar conclusions were reached by ESMA in its Opinion 2015/ESMA/1462 "Application of the IFRS requirements in relation to the recognition of contributions to Deposit Guarantee Schemes in IFRS accounts" of 25 September 2015 with regard to non-reimbursable cash contributions to be paid in advance into deposit guarantee funds.

For financial reporting purposes, reference should be made to IAS 37 – *Provisions, Contingent Liabilities* and Contingent Assets and the Interpretation IFRIC 21 – Levies, which entered into force on 1 January 2015.
The Interpretation concerns the accounting treatment of a liability for a levy where the liability falls within the scope of application of IAS 37.
As defined in IFRIC 21, "a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation".
Obligations to contribute to the National Guarantee Fund, in both ordinary and extraordinary form, are imposed by legislation, and thus fall within the scope of "levies" as defined in IFRIC 21.

IAS 37 and IFRIC 21 provide that a liability must be recognised when the obligating event that gives rise to a present obligation occurs. Since the Decree does not provide for contributions to be reduced or refunded to intermediaries, in whole or in part, whenever the obligating event occurs the liability relating to the contributions in question must be recognised for the full amount.

Since it is not possible to account for the liability through either an intangible asset pursuant to IFRS 38 or a prepayment asset, the contributions must be recognised in profit and loss.

In this regard, the Bank of Italy has clarified that the item to which to classify such contributions, which for accounting purposes may be regarded as levies, is sub-item 160 b "General and administrative expenses – other general and administrative expenses" of the profit and loss account in the separate financial statements, and sub-item 190 b of the consolidated financial statements, which is also used to account for the indirect levies and taxes (paid and unpaid) accrued during the year.

[6] Also in this case, in order to achieve the target level, the financial means provided by the credit institutions may include payment commitments up to a maximum of 30%.

Business combinations

Business combinations are regulated by the IFRS 3 – *Business Combinations*.
Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and contingent liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the Profit and Loss Account.
The purchase method is applied as of the acquisition date, i.e., from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the Consolidated Financial Statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the Consolidated Financial Statements, up to the date control is transferred.

Business combinations of entities under common control are not included in the scope of IFRS 3, nor are they covered by other IFRS. They are accounted for in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.

The IAS/IFRS provide specific guidelines for transactions not covered by IFRS (described in paragraphs 10-12 of IAS 8); according to these guidelines, management is required to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.

In fulfilment of this requirement, it should be noted that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1R on the accounting treatment of business combinations of entities under common control, and OPI No. 2R on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (based on the goodwill recognised) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.
In a similar way, if an entity is disposed of, the amount received is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

Part A.4 – Information on fair value

With the introduction of IFRS 13, the definition of **fair value** has been modified with respect to IAS 39, in view of a more market-based approach.
According to the new standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique

Fair value is thus not an entity-specific measurement, but rather a market-based measurement.
In detail, measurement at fair value:
- presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
- refers to a particular asset or liability and must take account of the characteristics of the asset or liability that market participants take into account when pricing the asset or liability;
- assumes that market participants act in their economic best interest;
- assumes that the sale of the asset or the transfer of the liability takes place:
  - a) in the principal market for the asset or liability; or
  - b) in the most advantageous market, in the absence of a principal market.

Fair value hierarchy

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

For the purposes of the fair value hierarchy, inputs may thus be classified as:
- **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;
- **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

Valuation criteria of the fair value of financial instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Lending Department and review and validation of the data to the Risk Management Service.
The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.
Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered listed on an active market if objective parameters such as the following may be observed:
- an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.
For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is not material, the official closing price for the last trading day is also used.

A.4.1 Fair value Level 2 and Level 3: valuation techniques and inputs used

Financial instruments measured at fair value on a recurring and non-recurring basis
Level 2 of the fair value hierarchy includes all financial instruments whose fair value, despite not being directly observable on the market, may be estimated using valuation models based on:
- inputs directly observable on the market (e.g., executable prices, interest rates or yield curves observable within various buckets, volatilities, credit spreads, etc.);
- inputs indirectly observable on the market or based on observable market data and supported by strong evidence of correlation with observable market data (market-corroborated inputs).

With regard to **bond securities** (including government bonds and securitisations), the price sources to be used, where available, to determine fair value in the absence of an active market are as follows:
- Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using both executable prices and indicative prices contributed to Bloomberg;
- the Bloomberg Valuation Service (BVAL), which provides a valuation of bonds based on a three-stage pricing process: 1) observation of market data; 2) analysis of observed prices for similar instruments; and 3) valuation based on non-arbitrage models (for comparable yield curve models). The BVAL is considered a Level 2 price source when there is evidence that it is based on directly observable market data.

In all other cases, it will be considered a Level 3 price source;
- other consensus prices provided by Bloomberg, Telekurs or other Information Providers;
- contributors' executable prices that do not meet the significance requirements;
- valuation models developed by Banca Generali, implemented on front-office systems or provided by third-party providers, based on observable significant inputs, which have been validated by the Risk and Capital Adequacy Department.

UCITS not listed on regulated markets are normally not considered listed on active markets.
UCITS characterised by significant levels of transparency and liquidity are considered Level 2 and valued on the basis of the NAVs provided by the management company/fund administrator.
UCITS relating to private equity, private debt and similar activities are considered Level 3 and measured on the basis of the most recent available NAV, adjusted, where applicable, to take account of events not incorporated into unit value or on the basis of specific valuations, where it is necessary to reflect a different valuation of the fund's underlying assets.

With reference to the measurement method used for the Forward Fund, the reader is referred to the information provided in Part E "Information on Risks and Risk Hedging Policies", Section 2 "Prudential consolidation risks", Subsection D "Transfers", paragraph C "Transferred financial assets fully derecognised" of these Notes.

As regards derivative instruments, valuation models are used that have been developed by Banca Generali, implemented on front-office systems or provided by third-party providers, based on observable significant inputs, which have been validated by the Risk and Capital Adequacy Department.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:
- the analysis of discounted cash flows;
- option pricing models.

In addition, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships, and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

Other financial assets and liabilities not measured at fair value on a recurring basis

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITS, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

Demand and uncommitted financial assets and financial assets with residual lives of less than one year

The fair value of this class of assets, which essentially consists of uncommitted current account exposures, demand deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

Assets with fixed contractual lives included in the financial portfolio
This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:
- the cost of credit risk (the cost of covering expected losses in relation to credit risk);
- the cost of funding (the cost of funding positions);
- the cost of capital (the cost of covering unexpected losses in relation to credit risk);
- operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PDs related to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.
Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

Non-performing loans
When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.
Such loans are classified to Level 3 of the fair value hierarchy.

Other financial liabilities
Financial liabilities classified as amounts due to customers and banks consist mainly of demand deposits, short-term time deposits and operating payables.
Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other demand or uncommitted financial assets.

A.4.2 Processes and sensitivity of measurements

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.
The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITS. It should be noted that, for such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (e.g., the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified as assets measured at OCI and FVOCI. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

A.4.3 Fair value hierarchy

IFRS 13, recalling the contents of IFRS 7, requires that entities that apply IAS/IFRS make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:

1. the level in the fair value hierarchy Into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2. any significant transfers between Level 1 and Level 2 during the year;
3. for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the Profit and Loss Account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

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

A.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 48, 93(i) and 96, occur in these Financial Statements.

Quantitative Information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

ASSETS/LIABILITIES MEASURED AT FAIR VALUE	31.12.2022 L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss:					
a) HFT financial assets	1,991	-	-	-	1,991
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	1,031	18,262	486,062	-	505,355
2. Financial assets measured at fair value through other comprehensive income	1,051,651	50,275	-	18,175	1,120,101
3. Hedging derivatives	-	286,776	-	-	286,776
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**1,054,673**	**355,313**	**486,062**	**18,175**	**1,914,223**
1. HFT financial liabilities	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	123,604	-	-	123,604
Total	**-**	**123,604**	**-**	**-**	**123,604**

ASSETS/LIABILITIES MEASURED AT FAIR VALUE	31.12.2021 L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss:					
a) HFT financial assets	2,020	4,558	-	-	6,578
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	1,151	19,374	388,455	-	408,980
2. Financial assets measured at fair value through other comprehensive income	2,496,384	28,739	-	17,942	2,543,065
3. Hedging derivatives	-	11,357	-	-	11,357
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,499,555**	**64,028**	**388,455**	**17,942**	**2,969,980**
1. HFT financial liabilities	-	4,551	-	-	4,551
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	167,320	-	-	167,320
Total	**-**	**171,871**	**-**	**-**	**171,871**

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of financial assets measured at fair value through profit or loss, the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and hedging derivatives comprised 55.1% of financial assets eligible for allocation to class L1, with a lower ratio compared to the previous year (84.2%). This category continues to be concentrated on the sovereign debt, with the highest component made up of bonds issued by EU countries (Iberian Peninsula and Greece). Overall, the government component decreased by 1.4 billion euros compared to 31 December 2021. It also includes other debt securities (197.2 million euros) chiefly referring to the credit sector (156.3 million euros), and listed securities totalling 1.0 million euros.

The financial assets allocated to the L2 class, on the other hand, consist of government debt securities (50,275 thousand euros), mainly issued by EU countries, and of unit-linked policies that, due to failing the SPPI Test, have been reclassified among financial assets mandatorily measured at fair value.
Hedging derivatives are also included in the L2 portfolio.

In the reporting year, no significant transfers of financial assets were performed between class L1 and class L2.

A.4.5.2 Year changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) HFT FINANCIAL ASSETS	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY AND EQUIPMENT	INTANGIBLE ASSETS
1. Amount at year-start	**388,455**	**-**	**-**	**388,455**	**17,942**			
2. Increases	**112,415**	**-**	**-**	**112,415**	**433**			
2.1 Purchases	112,183	-	-	112,183	100			
2.2 Gains through:	122	-	-	122	333			
2.2.1 profit or loss	122	-	-	122	-			
of which:								
- capital gains	*122*	-	-	*122*	-			
2.2.2 net equity	-	-	-	-	333			
2.3 Transfers from other levels	-	-	-	-	-			
2.4 Other increases	110	-	-	110	-			
3. Decreases	**14,808**	**-**	**-**	**14,808**	**200**			
3.1 Disposals	2,931	-	-	2,931	-			
3.2 Redemptions	-	-	-	-	-			
3.3 Losses through:	11,877	-	-	11,877	200			
3.3.1 profit or loss	11,877	-	-	11,877	-			
of which:								
- capital losses	*11,877*	-	-	*11,877*	-			
3.3.2 net equity	-	-	-	-	200			
3.4 Transfers to other levels	-	-	-	-	-			
3.5 Other decreases	-	-	-	-	-			
4. Amount at year-end	**486,062**	**-**	**-**	**486,062**	**18,175**			

Other L3 financial assets mandatorily measured at fair value include:

- the investment in the Luxembourg vehicle Algebris of 1,471 thousand euros, and the units of the MIP I Fund, of 1,489 thousand euros;
- the convertible loan to Conio Inc., acquired in December 2020, which at the end of 2022 had a value of 2,007 thousand euros;
- the Forward Fund, subscribed in October 2021 for an initial amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables. At the end of 2022, its value amounted to 478.5 million euros, as a result of the subscription of additional units for 112 million euros aimed at constructing an alternative investment portfolio. In addition, the fund also reported a cumulative capital loss of 11.5 million euros (10.8 million euros in 2022) mainly due to the increase in market rates;
- the equity investments in TECREF S.àr.l. (1,941 thousand euros) and in Hope (651 thousand euros).

By contrast, L3 financial assets in the portfolio of Financial assets measured at fair value through other comprehensive income, for a total amount of 18,175 thousand euros, consist of:

- the equity investment in Conio Inc., a company operating in the cryptocurrency industry, acquired in December 2020, and that at 31 December 2022 had a value of 5,708 thousand euros;
- the equity investment in the independent asset management company 8A+ Investimenti SGR, in which the Bank controls 19.5% of share capital for a value of 912 thousand euros at 31 December 2022;
- some equity investments continued to be measured at purchase cost, in the absence of reliable estimates of fair value; these are the so-called “minor investments” in companies with which the Bank has long-term strategic service arrangements (CSE, GBS, Caricese, SWIFT, etc.) or commercial partnerships (Tosetti Value), for a total of 11.5 million euros;
- the equity investment in Beyond S.p.A., amounting to 66 thousand euros.

A.4.5.4 Breakdown by fair-value levels of assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2022			
	BV	L1	L2	L3
1. Financial assets measured at amortised cost	13,731,153	9,691,208	2,911,969	859,258
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**13,731,153**	**9,691,208**	**2,911,969**	**859,258**
1. Financial liabilities measured at amortised cost	15,503,979	-	15,503,979	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**15,503,979**	**-**	**15,503,979**	**-**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2021			
	VB	L1	L2	L3
1. Financial assets measured at amortised cost	10,853,611	7,609,681	2,449,431	982,043
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**10,853,611**	**7,609,681**	**2,449,431**	**982,043**
1. Financial liabilities measured at amortised cost	14,412,355	-	14,412,355	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**14,412,355**	**-**	**14,412,355**	**-**

Part A.5 – Disclosure about so-called "Day-one profit/loss"

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument measured at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity. In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in these Financial Statements.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS [7]

Section 1 – Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2022	31.12.2021
a) Cash	26,796	26,687
b) Current accounts and demand deposits with Central Banks	645,000	1,504,015
c) Current accounts and demand deposits with banks	102,443	89,632
Total	**774,239**	**1,620,334**

At 31 December 2022, item b) Current accounts and demand deposits with Central Banks includes the value of the overnight deposit with the ECB, whereas at 31 December 2021, it represents the portion of the balance of the settlement account held with the Bank of Italy that was not restricted according to the mandatory reserve rules.

Section 2 – Financial assets measured at fair value through profit or loss — Item 20

2.1 HFT financial assets: categories

	31.12.2022			31.12.2021		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Cash assets						
1. Debt securities	1,991	-	-	2,010	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,991	-	-	2,010	-	-
2. Equity securities	-	-	-	10	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**1,991**	**-**	**-**	**2,020**	**-**	**-**
B. Derivatives						
1. Financial	-	-	-	-	4,558	-
1.1 Trading	-	-	-	-	4,558	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**4,558**	**-**
Total (A + B)	**1,991**	**-**	**-**	**2,020**	**4,558**	**-**

[7] A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 – Information on fair value of these Notes and Comments.

2.2 HFT financial assets: debtors/issuers/counterparties

ITEMS/VALUES	31.12.2022	31.12.2021
A. Cash assets		
1. Debt securities	**1,991**	**2,010**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	1,989	2,008
d) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	2	2
2. Equity securities	**-**	**10**
a) Banks	-	-
b) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
c) Non-financial corporations	-	10
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total A	**1,991**	**2,020**
B. Derivatives		
a) Central counterparties	-	-
b) Other	-	4,558
Total B	**-**	**4,558**
Total (A + B)	**1,991**	**6,578**

2.5 Other financial assets mandatorily measured at fair value: categories

	31.12.2022			31.12.2021		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	-	2,007	-	-	1,882
1.1 Structured securities	-	-	2,007	-	-	1,882
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	1,031	-	2,593	1,151	-	5,263
3. UCITS units	-	707	481,462	-	1,546	381,310
4. Loans	-	17,555	-	-	17,828	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	17,555	-	-	17,828	-
Total	**1,031**	**18,262**	**486,062**	**1,151**	**19,374**	**388,455**

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

ITEMS/VALUES	31.12.2022	31.12.2021
1. Equity securities	**3,624**	**6,414**
of which:		
- *banks*	-	-
- *other financial corporations*	*3,624*	*6,414*
- *other non-financial corporations*	-	-
2. Debt securities	**2,007**	**1,882**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	2,007	1,882
3. UCITS units	**482,169**	**382,856**
4. Loans	**17,555**	**17,828**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	16,619	16,892
of which:		
- *insurance companies*	*16,619*	*16,892*
e) Non-financial corporations	936	936
f) Households	-	-
Total	**505,355**	**408,980**

The UCITS portfolio includes the Forward Fund, a newly formed Italian AIF managed by Gardant SGR, specialised in illiquid investments. The fund was subscribed in October 2021 in the amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables (past-due or related to disputes), which Banca Generali purchased from its customers to protect them against possible losses, and concurrently transferred to the Fund, subscribing 98% of its units. At the end of 2022, the value of the Fund amounted to 478,502 thousand euros, as a result of the subscription of additional units for 112 million euros in the year. The fund reported a capital loss of 10,801 thousand euros in 2022.

The residual UCITS portfolio is comprised for 1,471 thousand euros of the investment in the Luxembourg vehicle Algebris, for 707 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., and for 1,489 thousand euros to the units of the closed alternative real-estate investment fund MIP I, managed by Milano Investment Partners SGR S.p.A.

In 2021, Banca Generali had subscribed 100,000 shares of the newly formed Hope S.p.A., transformed into Sicaf, a fixed-capital investment company, following authorisation from the Supervisory Authorities. Hope Sicaf S.B. (società benefit) S.p.A. is an independent, innovative investment platform that adopts a multi-asset and multi-strategy management strategy, selecting excellent, sustainable companies, projects and investment ideas in which to invest, with a focus on "real" Italian assets (tangible assets such as services of public utility, energy and digital infrastructure, real-estate assets and fields for agriculture). The class-A notes held by Banca Generali, as the founding shareholder, were placed in the FVOCI portfolio in the amount of 1 million euros. In 2022, the portfolio was written down and its final value amounted to 651 thousand euros.

In August, the investment in the shares of TECREF S.àr.l., acquired by Banca Generali in 2021, was subject to a distribution of 2,322 thousand euros. Accordingly, as at 31 December 2022 it amounted to 1,941 thousand euros.

Equity investments in shares of the parent company Assicurazioni Generali S.p.A. amounted to 1,031 thousand euros at 31 December 2022.

Debt securities refer to the convertible bond issued by Conio Inc. on 9 December 2020, with maturity set on 31 May 2025, as analysed in further detail in the following Section.

Section 3 – Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: categories

	31.12.2022			31.12.2021		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	1,051,651	50,275	-	2,496,384	28,739	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,051,651	50,275	-	2,496,384	28,739	-
2. Equity securities	-	-	18,175	-	-	17,942
3. Financing	-	-	-	-	-	-
Total	**1,051,651**	**50,275**	**18,175**	**2,496,384**	**28,739**	**17,942**

3.2 Financial assets measured at fair value through other comprehensive income: debtors/Issuers

ITEMS/VALUES	31.12.2022	31.12.2021
1. Debt securities	**1,101,926**	**2,525,123**
a) Central Banks	-	-
b) General governments	906,753	2,285,776
c) Banks	154,347	182,379
d) Other financial corporations	35,003	55,958
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	5,823	1,010
2. Equity securities	**18,175**	**17,942**
a) Banks	-	-
b) Other issuers	18,175	17,942
- other financial corporations	3,095	3,195
of which:		
- *insurance companies*	-	-
- non-financial corporations	15,073	14,740
- Other	7	7
3. Loans	-	-
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**1,120,101**	**2,543,065**

Item “Debt securities” includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 257,339 thousand euros.

The equity securities portfolio included 18,175 thousand euros referring to “minor equity investments”, which are largely related to service agreements concluded by the Group (CSE, GBS, Caricese, SWIFT, etc.) or agreements of a commercial nature (Tosetti Value SIM, 8a+ SGR, Conio Inc.), usually not listed and non-negotiable. These equity investments are measured at purchase cost in the absence of reliable, updated estimates of fair value.

The interest acquired in Conio falls within the wider corporate and commercial partnership with the Californian fintech company founded in 2015, which has positioned itself as a wallet provider that offers custody, negotiation and reporting services, currently regarding Bitcoins only, on the Italian market, thought its investee Conio S.r.l.

Under the agreement, Banca Generali also undertook to pay an earn-out of an additional 1.7 million euros if the company were to achieve certain objectives in terms of EBITDA or valuation by 31 March 2025 and, to this end, it subscribed for a convertible bond of USD 2,013 thousand, equivalent to 2,007 thousand euros as at 31 December 2022.

In particular, the mandatory convertible bond pays interest at an annual rate of 5.5% due in a single instalment at maturity on 31 March 2025, with the following conversion conditions:

› if the earn-out conditions are met, the bond will be redeemed and taken to an equity reserve with the payment of interest only;
› if the earn-out conditions are not met, the bond will be fully converted, along with the interest accrued, into conversion shares at the ratio of the nominal value of the bonds to the fair value of Conio's share capital.

In July, the annual 100 thousand euro outright tranche was paid on the minority interest in Beyond Investment S.p.A., an investment holding company owned by the Bank and a group of leading Italian entrepreneurial families with the aim of undertaking private equity, venture capital and real estate investments. The value of the shares amounted to 66 thousand euros, after recognising approximately 200 thousand euro capital losses.

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

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRUMENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
Debt securities	1,102,488	906,932	-	-	-	562	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2022	**1,102,488**	**906,932**	**-**	**-**	**-**	**562**	**-**	**-**	**-**	**-**
Total at 31.12.2021	**2,525,515**	**2,286,046**	**-**	**-**	**-**	**392**	**-**	**-**	**-**	**-**

In respect of the model for measuring expected credit losses (ECLs) provided for in IFRS 9, at 31 December 2022 collective reserves of 562 thousand euros were recognised in the debt securities portfolio, of which 179 thousand euros relating to the portfolio of government securities.

Section 4 – Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: categories of loans to banks

	31.12.2022						31.12.2021					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3
A. Loans to Central Banks	**137,889**	**-**	**-**	**-**	**137,889**	**-**	**130,137**	**-**	**-**	**-**	**130,137**	**-**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Mandatory reserve	137,889	-	-	X	X	X	130,137	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**2,398,781**	**-**	**-**	**1,723,161**	**604,806**	**-**	**1,088,001**	**-**	**-**	**650,127**	**439,074**	**-**
1. Loans	536,492	-	-	-	536,492	-	412,103	-	-	-	412,102	-
1.1 Current accounts	-	-	-	X	X	X	6,136	-	-	X	X	X
1.2 Term deposits	13,650	-	-	X	X	X	25,510	-	-	X	X	X
1.3 Other loans:	522,842	-	-	X	X	X	380,457	-	-	X	X	X
- repurchase agreements	397,723	-	-	X	X	X	199,805	-	-	X	X	X
- lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- other	125,119	-	-	X	X	X	180,652	-	-	X	X	X
2. Debt securities	1,862,289	-	-	1,723,161	68,314	-	675,898	-	-	650,127	26,972	-
2.1 Structured securities	525	-	-	504	-	-	538	-	-	534	-	-
2.2 Other debt securities	1,861,764	-	-	1,722,657	68,314	-	675,360	-	-	649,593	26,972	-
Total	**2,536,670**	**-**	**-**	**1,723,161**	**742,695**	**-**	**1,218,138**	**-**	**-**	**650,127**	**569,211**	**-**

The item "Other loans – other" includes 113,033 thousand euros (170,598 thousand euros at 31 December 2021) relating to guarantee margins paid to banking counterparties for derivatives transactions. The remaining 12 million euros was almost entirely attributable to operating receivables relating to placement and distribution of financial products, collected in the first few months of the following year.

4.2 Financial assets measured at amortised cost: categories of loans to customers

TYPE OF TRANSACTIONS/VALUES	31.12.2022						31.12.2021					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3
1. Loans	**2,757,523**	**37,634**	**-**	**-**	**2,031,707**	**780,788**	**2,596,281**	**31,830**	**-**	**-**	**1,762,608**	**876,146**
1. Current accounts	1,778,492	15,031	-	X	X	X	1,551,912	15,265	-	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	701,838	22,297	-	X	X	X	804,993	16,111	-	X	X	X
4. Credit cards, personal loans and loans on wages	-	6	-	X	X	X	-	6	-	X	X	X
5. Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	277,193	300	-	X	X	X	239,376	448	-	X	X	X
2. Debt securities	**8,399,326**	**-**	**-**	**7,968,047**	**137,567**	**78,469**	**7,007,362**	**-**	**-**	**6,959,554**	**117,612**	**105,897**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	8,399,326	-	-	7,968,047	137,567	78,469	7,007,362	-	-	6,959,554	117,612	105,897
Total	**11,156,849**	**37,634**	**-**	**7,968,047**	**2,169,274**	**859,257**	**9,603,643**	**31,830**	**-**	**6,959,554**	**1,880,220**	**982,043**

Item 2., relating to debt securities, includes 140,765 thousand euros of senior notes issued in securitisation transactions. The ABS component decreased on the previous year (177,799 thousand euros) due to the disposal and repayment of instruments belonging to the Muzinich CLO portfolio for 10.5 million euros, in addition to the partial repayments of the Credimi securitisation. Detailed information on the securitised notes is given in Part E of these Notes and Comments.

Item 2.2. “Other debt securities” includes encumbered assets used as collateral for ECB refinancing operations totalling 95,926 thousand euros and securities held in deposit with Cassa di Compensazione e Garanzia amounting to 283,223 thousand euros. This item also includes own securities used in repurchase agreements amounting to 1,638,206 thousand euros.

Item 1.7 “Other loans” includes operating receivables relating to the placement and distribution of financial and insurance products in the amount of 133,975 thousand euros, consisting solely of short-term receivables from managing companies and insurance companies belonging to the Generali Group, collected in the early months of the following year.

Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2022	31.12.2021
Other grants	17,639	23,945
Loans on promissory notes	4,177	3,042
Stock exchange interest-bearing daily margin	57,412	2,257
Sums advanced to Financial Advisors	56,330	31,119
Operating loans	133,975	157,645
Interest-bearing caution deposits	969	992
Amounts to be collected	6,991	20,824
Total	**277,493**	**239,824**

Pursuant to IFRS 15, paragraph 116 a), the previous table includes the opening and closing balances of receivables within the scope of IFRS 15 (operating receivables and amounts to be collected).
In reference to paragraph 118 of IFRS 15, the change in receivables during the year was due to the Bank’s normal operations and therefore was not attributable to contractual amendments or changes in the time required for the right to the consideration to become unconditional.

Sums advanced to Financial Advisors enrolled with the Register of Financial Advisors include non-performing positions for a net amount of 2,018 thousand euros, largely attributable to advances to former Financial Advisors who have left service due to a dispute or pre-dispute.

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by debtors/ issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2022			31.12.2021		
	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED
1. Debt securities	**8,399,325**	**-**	**-**	**7,007,362**	**-**	**-**
a) General governments	7,840,346	-	-	6,515,503	-	-
b) Other financial corporations	491,714	-	-	366,465	-	-
of which:						
- *insurance companies*	-	-	-	-	-	-
c) Non-financial corporations	67,265	-	-	125,394	-	-
2. Loans to:	**2,757,524**	**37,634**	**-**	**2,596,281**	**31,830**	**-**
a) General governments	7	-	-	-	-	-
b) Other financial corporations	292,280	6,503	-	247,725	6,197	-
of which:						
- *insurance companies*	*24,889*	-	-	*25,100*	*3*	-
c) Non-financial corporations	307,697	18,371	-	365,496	11,427	-
d) Households	2,157,540	12,760	-	1,983,060	14,206	-
Total	**11,156,849**	**37,634**	**-**	**9,603,643**	**31,830**	**-**

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

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRU-MENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 2	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
Debt securities	10,238,838	-	29,479	2,642	-	6,553	149	2,642	-	-
Loans	3,201,145	-	235,177	51,776	-	2,863	1,555	14,142	-	-
Total at 31.12.2022	**13,439,983**	**-**	**264,656**	**54,418**	**-**	**9,416**	**1,704**	**16,784**	**-**	**-**
Total at 31.12.2021	**10,574,301**	**-**	**253,952**	**46,495**	**-**	**5,407**	**1,065**	**14,665**	**-**	**-**

In respect of the model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 31 December 2022 performing loans measured at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 11,120 thousand euros, of which:

› 6,702 thousand euros relating to the debt securities portfolio;
› 4,418 thousand euros relating to other loans.

Within this item, total value adjustments of exposures to banks amounted to 2,830 thousand euros, of which 2,582 thousand euros on debt securities and 248 thousand euros on other loans.

The provision for expected losses on debt securities refers instead to the government bond portfolio in the amount of 2,773 thousand euros.

The item relating to non-performing “Debt securities” (Stage 3) refers to the Alitalia bond. This bond known as “Dolce Vita”, amounting to 2,642 thousand euros, was fully written down in the previous years due to the airline’s serious state of crisis, which resulted in a court declaration of the company’s insolvency and the commencement of the extraordinary administration procedure.

The provision for expected losses on trade receivables, measured in accordance with IFRS 9 5.5.15, was not material in view of the short-term nature of the exposures concerned, all of which were collected in full in the first few months of the following year.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total adjustments

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRU-MENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
1. Loans subject to forbearance in accordance with the GLs	-	-	-	-	-	-	-	-	-	-
2. Loans subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. Newly originated loans	76,964	-	1,602	7,704	-	13	10	1,065	-	-
Total at 31.12.2022	**76,964**	**-**	**1,602**	**7,704**	**-**	**13**	**10**	**1,065**	**-**	**-**
Total at 31.12.2021	**126,246**	**-**	**566**	**-**	**-**	**3**	**1**	**-**	**-**	**-**

Section 5 – Hedging derivatives - Item 50

5.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

	31.12.2022				31.12.2021			
	FAIR VALUE				FAIR VALUE			
TYPE OF TRANSACTIONS/VALUES	L1	L2	L3	NOTIONAL VALUE	L1	L2	L3	NOTIONAL VALUE
A) Financial derivatives	**-**	**286,776**	**-**	**2,348,500**	**-**	**11,357**	**-**	**827,500**
1) Fair value	-	286,776	-	2,348,500	-	11,357	-	827,500
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**286,776**	**-**	**2,348,500**	**-**	**11,357**	**-**	**827,500**

5.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

HEDGING TRANSACTIONS/TYPE	FAIR VALUE							CASH FLOWS		FOREIGN INVEST-MENTS
	SPECIFIC									
	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND EQUITY INDICES	CURREN-CIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	
1. Financial assets measured at fair value through other comprehensive income	1,744	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	285,032	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**286,776**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 7 – Equity investments - Item 70

7.1 Equity investments: disclosure on type of relations

COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF RELATION	SHAREHOLDING		% OF VOTING RIGHTS
				INVESTOR COMPANY	% HELD	
A. Subsidiaries under common control						
1. BG Saxo Sim S.p.A.	Milan	Milan	Associate company	Banca Generali	19.9%	19.9%
B. Companies subject to significant influence						
1. IOCA Entertainment Limited	United Kingdom - London	United Kingdom - London	Associate company	Banca Generali	35%	35%
2. Nextam Partners Sim S.p.A.	Milan	Milan	Associate company	Banca Generali	19.9%	19.9%

At 31 December 2022, there were three equity investments:

- IOCA Entertainment Ltd. is a company under the UK law, in which Banca Generali acquired a 35% interest on 19 October 2015, in the form of 3,500 shares with a nominal value of 1.00 pound sterling each, for a total of 1,616,125 pound sterlings, equivalent to an original amount of approximately 2.2 million euros. The company, an e-commerce/social networking start-up engaged in the commercial development of an app for smartphones and tablets, named Dringle, was fully written off in 2020 as it did not attain its commercial targets and did not offer concrete perspectives of future growth;
- BG Saxo SIM S.p.A. is an investment firm formed as part of the joint venture with Saxo Bank, in which Banca Generali acquired a 19.9% stake on 31 October 2019 for 1,995 thousand euros, plus additional costs. Banca Generali and Saxo Bank entered into an agreement to set up an exclusive partnership specialising in online trading and digital services. The deal aims to offer Italian customers exclusive access to an innovative advanced trading platform based on Saxo Bank's technology and managed by BG Saxo SIM. The new platform will expand the range of offerings available to Banca Generali's Financial Advisors, granting access to tailor-made transactions and innovative dynamic hedging solutions that may be offered to both private and corporate customers.

The value of the equity investment in BG Saxo SIM S.p.A. changed during 2022 as a result of the company's capital increase authorised in April and subscribed by Banca Generali S.p.A. for the relevant share equal to 796 thousand euros.
At 31 December 2022, the share of loss attributable to Banca Generali amounted to approximately 231 thousand euros.

On 5 March 2021, Banca Generali's Board of Directors approved the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group.
After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on 20 January 2022. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate.
Item Equity investments also includes the residual value of the investment in Nextam Partners Ltd., a 100% UK subsidiary and inactive since the end of 2020 for which the liquidation procedure was substantially completed in September; in the consolidated financial statements, the equity investment was therefore maintained at cost for a value corresponding to the last tranche of the liquidation balance still to be received, amounting to approximately 9 thousand euros.

7.4 Non significant equity investments: accounting information

COMPANY NAME	BOOK VALUE OF EQUITY INVESTMENTS	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL REVENUES	PROFIT (LOSS) FROM OPERATING ACTIVITIES AFTER INCOME TAXES	PROFIT (LOSS) FROM OPERATING ASSETS NET OF TAXES	NET PROFIT (LOSS) FOR THE YEAR (1)	OTHER INCOME COMPONENTS, NET OF TAXES (2)	COMPREHENSIVE INCOME (3) = (1) + (2)
A. Subsidiaries under common control									
1. BG Saxo Sim S.p.A.	2,613	11,675	4,218	1,170	-1,162	-	-1,162	-	-1,162
B. Companies subject to significant influence									
1. IOCA Entertainment Limited	-	106	6	-	-63	-	-63	-	-63
2. Nextam Partners Sim S.p.A.	469	2,519	521	1,033	3	-	3	-	3
Total	**3,082**	**14,300**	**4,745**	**2,203**	**-1,222**	**-**	**-1,222**	**-**	**-1,222**

7.5 Equity investments: year changes

	31.12.2022	31.12.2021
A. Amount at year-start	**2,048**	**1,717**
B. Increases	**1,274**	**597**
B.1 Purchases	796	597
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	478	-
C. Decreases	**231**	**266**
C.1 Sales	-	-
C.2 Adjustments	231	266
C.3 Write-downs	-	-
C.4 Other changes	-	-
D. Amount at year-end	**3,091**	**2,048**
E. Total revaluations	**-**	**-**
F. Total adjustments	**2,446**	**2,215**

Impairment tests of equity investments

In accordance with IAS/IFRS, equity investments have been tested for impairment in order to verify whether there is objective evidence that the carrying amounts of the assets concerned may not be fully recoverable. The impairment testing process for equity investments in associates and joint ventures involves verifying whether there are any impairment indicators and determining the amount of the impairment loss, if any.

The impairment indicators used for such unlisted equity investments are:
- qualitative indicators, such as an operating loss or a significant deviation from budget objectives, the announcement of restructuring plans or the commencement of insolvency procedures;
- quantitative indicators represented by a carrying amount of the equity investment in the individual financial statements that is significantly higher, for an extended period, than the carrying amount of the investee's net assets and goodwill in the consolidated financial statements.

Where there are impairment indicators, the recoverable amount is determined as the greater of the fair value net of costs to sell and value in use, and if this is lower than the carrying amount an impairment loss is recognised. The analyses carried out are described in the corresponding section of Part B in the Notes and Comments to the Separate Financial Statements of Banca Generali S.p.A.
It should be noted that the test of BG Saxo SIM confirmed that the values recognised in the consolidated financial statements were appropriate as the carrying amounts of the company, measured pursuant to IFRS 28 at equity, already reflect the portion of the losses for the year it had occurred.

7.7 Commitments attributable to equity investments in joint ventures

In accordance with paragraphs 23 and B18-B20 of IFRS 12, there are no commitments by the Banking Group in the joint venture BG Saxo SIM S.p.A. to be reported in these financial statements, nor are there contingent liabilities relating to its equity investments in the said company.

Section 9 – Property and equipment - Item 90

9.1 Breakdown of operating property and equipment: assets measured at cost

ASSETS/VALUES	31.12.2022	31.12.2021
1. Owned assets	**7,434**	**8,055**
a) Land	-	-
b) Buildings	-	-
c) Furniture	6,078	6,452
d) Electronic equipment	262	290
e) Other	1,094	1,313
2. Rights of use acquired through leases	**147,431**	**150,957**
a) Land	-	-
b) Buildings	146,548	149,728
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	883	1,229
Total	**154,865**	**159,012**
of which:		
- *obtained through the enforcement of guarantees received*	-	-

9.6 Operating property and equipment: year changes

	RIGHTS OF USE ACQUIRED THROUGH LEASES - BUILDINGS	RIGHTS OF USE ACQUIRED THROUGH LEASES - OTHER	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross amount at year-start	**201,980**	**2,104**	**28,138**	**7,184**	**10,016**	**249,422**
A.1 Total net impairment	52,252	875	21,686	6,894	8,703	90,410
A.2 Net amount at year-start	**149,728**	**1,229**	**6,452**	**290**	**1,313**	**159,012**
B. Increases	**17,061**	**196**	**965**	**124**	**307**	**18,653**
B.1 Purchases	8,177	192	958	103	300	9,730
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
B.5 Exchange gains	103	4	7	4	7	125
B.6 Transfers from buildings held as investments	-	-	-	-	-	-
B.7 Other changes	8,781	-	-	17	-	8,798
C. Decreases	**20,241**	**542**	**1,339**	**152**	**526**	**22,800**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	19,957	494	1,320	152	525	**22,448**
C.3 Adjustments for impairment in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
C.4 Fair value negative changes in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property and equipment held as investments	-	-	-	-	-	-
b) non-current assets available for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	284	48	19	-	1	**352**
D. Net amount at year-end	**146,548**	**883**	**6,078**	**262**	**1,094**	**154,865**
D.1 Total net impairment	71,815	1,140	23,020	7,040	9,208	**112,223**
D.2 Gross amount at year-end	**218,363**	**2,023**	**29,098**	**7,302**	**10,302**	**267,088**
E. Measured at cost	146,548	883	6,078	262	1,094	154,865

Section 10 – Intangible assets - Item 100

10.1 Breakdown of intangible assets by categories

ASSETS/VALUES	31.12.2022 DEFINITE LIFE	31.12.2022 INDEFINITE LIFE	31.12.2021 DEFINITE LIFE	31.12.2021 INDEFINITE LIFE
A.1 Goodwill	**X**	**88,073**	**X**	**88,073**
A1.1 Attributable to the Group	X	87,211	X	87,211
A1.2 Attributable to minority interests	X	862	X	862
A.2 Other intangible assets	**51,606**	**735**	**47,383**	**716**
of which:				
- *software*	*22,801*	-	*19,128*	-
A.2.1 Assets measured at cost:	51,606	735	47,383	716
a) internally generated intangible assets	-	-	-	-
b) other assets	51,606	735	47,383	716
A.2.2 Assets measured at fair value:	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**51,606**	**88,808**	**47,383**	**88,789**

10.2 Intangible assets: year changes

		OTHER INTANGIBLE ASSETS:				
		INTERNALLY GENERATED		OTHER		
	GOODWILL	DEFINITE LIFE	INDEFINITE LIFE	DEFINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross amount at year-start	**88,073**	**-**	**716**	**123,763**	**-**	**212,552**
A.1 Total net impairment	-	-	-	76,380	-	76,380
A.2 Net amount at year-start	**88,073**	**-**	**716**	**47,383**	**-**	**136,172**
B. Increases	**-**	**-**	**19**	**18,443**	**-**	**18,462**
B.1 Purchases	-	-	-	18,323	-	**18,323**
B.2 Increase of internal intangible assets	X	-	-	-	-	**-**
B.3 Reversals	X	-	-	-	-	**-**
B.4 Fair value positive changes		-	-	-	-	**-**
- Net equity	X	-	-	-	-	**-**
- Profit and Loss Account	X	-	-	-	-	**-**
B.5 Exchange gains	-	-	19	120	-	**139**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	-	-	-	14,220	-	**14,220**
C.1 Sales	-	-	-	-	-	**-**
C.2 Adjustments	-	-	-	14,220	-	**14,220**
- Amortisation	X	-	-	14,220	-	**14,220**
- Write-downs:	-	-	-	-	-	**-**
+ Net equity	X	-	-	-	-	**-**
+ Profit and Loss Account	-	-	-	-	-	**-**
C.3 Fair value negative changes	-	-	-	-	-	**-**
- Net equity	X	-	-	-	-	**-**
- Profit and Loss Account	X	-	-	-	-	**-**
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
D. Net amount at year-end	**88,073**	**-**	**735**	**51,606**	**-**	**140,414**
D.1 Total net adjustments	-	-	-	90,643	-	**90,643**
E. Gross amount at year-end	**88,073**	**-**	**735**	**142,249**	**-**	**231,057**
F. Measured at cost	88,073	-	735	51,606	-	140,414

10.3 Intangible assets: other information

Breakdown of consolidated goodwill

(€ THOUSAND)	31.12.2022	31.12.2021
Prime Consult SIM and INA SIM	2,991	2,991
BG Fiduciaria SIM S.p.A.	4,289	4,289
Banca del Gottardo	31,352	31,352
Credit Suisse Italy	27,433	27,433
Nextam S.p.A. Group	12,202	12,202
BG Valeur S.A.	8,706	8,706
Binck Bank N.V. Italy business unit	1,100	1,100
Total	**88,073**	**88,073**

Breakdown of intangible assets - other assets

(€ THOUSAND)	31.12.2022	31.12.2021
Charges associated with the implementation of legacy CSE procedures	18,137	18,856
Customer relationships (former Credit Suisse Italy)	7,872	9,024
Customer relationships (former Nextam S.p.A. Group)	7,005	7,562
Transactions with customers (former BG Valeur S.A.)	2,349	2,570
Other software costs	4,664	272
Advance payments on intangible assets	11,579	9,099
Total	**51,606**	**47,383**

Intangible assets recognised in respect of contractual relationships governing financial assets managed on account of customers (AUM) refer to business combinations undertaken by Banca Generali in the course of the years and represent an economic assessment of the expected cash flows from those relationships on the basis of specific profitability coefficients and appropriate default rates, identified from time to time within the framework of purchase price allocation (PPA) procedures.

In this regard, it should be noted that:

› the consideration paid to acquire in 2014 the former Credit Suisse's business unit amounting to 44,713 thousand euros was initially allocated for 17,280 thousand euros to intangible assets and for 27,433 thousand euros to goodwill;

› the consideration paid to acquire Nextam Partners Group in 2019 was initially recognised for 8.9 million euros to intangible assets, attributable to the contractual relationships with customers of the Nextam Group and amortised over a total period of 16 years, for 0.3 million euros to the value of the Nextam trademark, and for 12.2 million euros to goodwill;

› the consideration paid to acquire BG Valeur S.A. in 2019 was originally allocated for 3.2 million euros to the intangible assets attributable to contractual relationships with customers and amortised over a total period of ten years, for 0.4 million euros to the value of the Valeur trademark, and for 8.7 million euros to goodwill;

› the consideration paid to acquire the retail banking business unit of the Italian branch from Binck Bank N.V., a Danish lending institution owned by the Saxo Bank Group, on 16 October 2021, upon completion of PPA, was fully recognised to goodwill.

Impairment testing of goodwill

During the preparation of the 2022 Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate. In this regard, reference should be made to Part G, Section 3, of the Notes and Comments.

Section 11 – Tax assets and liabilities - Item 110 (Assets) and Item 60 (Liabilities)

Breakdown of item 110 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2022	31.12.2021
Current taxation	**1,498**	**9,623**
Sums due for taxes to be refunded	295	177
IRES arising on National Tax Consolidation scheme	-	7,908
IRES and foreign direct taxes	-	437
IRES surtax	1,203	1,100
IRAP	-	1
Deferred tax assets	**70,768**	**63,004**
With impact on Profit and Loss Account	**64,784**	**61,965**
IRES	53,851	51,603
IRAP	10,933	10,362
With impact on Net Equity	**5,984**	**1,039**
IRES	5,189	966
IRAP	795	73
Total	**72,266**	**72,627**

Current tax assets and liabilities represent the positive or negative imbalance between the estimated income taxes due for the year and the associated tax credits due to overpayments in previous tax periods, prepayments made and amounts withheld.

In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of account receivable from or payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. Due to Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then figures and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.

Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2022	31.12.2021
Current taxation	**38,871**	**22,233**
IRES arising on National Tax Consolidation scheme	22,338	-
IRES (surtax for banks)	3,396	-
IRES and other foreign income taxes	12,041	20,900
IRAP	1,096	1,333
Deferred tax liabilities	**5,706**	**6,087**
With impact on Profit and Loss Account	**4,424**	**4,195**
IRES deferred tax liabilities and foreign income taxes	3,204	2,825
IRAP	1,220	1,370
With impact on Net Equity	**1,282**	**1,892**
IRES deferred tax liabilities and foreign income taxes	1,150	1,627
IRAP	132	265
Total	**44,577**	**28,320**

11.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2022	PURSUANT TO LAW NO. 214/2011	31.12.2021	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**64,784**	**5,813**	**61,965**	**6,663**
Provisions for liabilities and contingencies	51,492	-	46,637	-
Write-downs of loans to customers before 2015	1,719	1,719	1,980	1,980
Redeemed goodwill of former Banca del Gottardo (Art. 15, para. 10, of Law Decree 185/08)	2,268	2,268	2,631	2,631
Goodwill of former BG Fiduciaria SIM (Art. 15, para. 10-*ter*)	1,062	1,062	1,200	1,200
Redeemed goodwill of former BG SGR (Art. 176, paragraph 2-*ter* of TUIR)	764	764	852	852
Redeemed goodwill of former Nextam Partners (Art. 15, para. 10, of Law Decree 185/08)	3,117	-	3,923	-
Redeemed goodwill of former Banca del Gottardo (Art. 110 of Law Decree 104/21)	2,258	-	2,399	-
Collective write-downs (ECLs) on loans to customers and banks	450	-	381	-
Other	754	-	774	-
Group companies' tax losses	154	-	494	-
BVG pension funds	746	-	694	-
With impact on Net Equity	**5,984**	**-**	**1,039**	**-**
Measurement at fair value of HTCS financial assets	5,391	-	453	-
Actuarial losses (IFRS 19) on termination indemnity	557	-	586	-
Other	36	-	-	-
Total	**70,768**	**5,813**	**63,004**	**6,663**

The DTAs eligible for conversion into tax credits pursuant to Law No. 214/2011 include:

a) assets relating to goodwill and other intangible assets subject to redemption pursuant to Article 10, paragraph 10, and paragraph 10-*ter* of Law Decree 185/08 and Article 176, paragraph 2-ter, of TUIR (Consolidated Income Tax Law), relating to the redemption transactions undertaken before 2015; on the other hand, DTAs accrued in respect of realignment transactions undertaken in financial year 2021 cannot be transformed;

b) b) assets related to adjustments on loans not deducted from taxes as at 31 December 2015, for which Decree Law No. 83/2015, by introducing a system of full deductibility of value adjustments with effect from that year, had remodulated deductibility percentages according to a thorough the ten-year recovery scheme originally set, from 2016 to 2025, based on variable annual quotas.

The 2019 Budget Law (Law No. 145 of 30 December 2018) and the 2020 Budget Law (Law No. 160 of 30 December 2019) and, most recently, Article 42 of Law Decree No. 17 of 1 March 2022 once again deferred the deduction of the goodwill and previous adjustments that had given rise to the recognition of deferred tax assets eligible for conversion into tax credits.

In particular, with regard to goodwill, they provided for:
› the remodulation of the deductibility of part of the goodwill and other intangible assets not deducted as at 31 December 2017 over a ten-year period, from 2019 to 2029, at different tax rates (Law No. 145 of 30 December 2018);
› the deferral until 2025 and the four subsequent years of the amortisation charges referring to the 2019 tax period (tax originally set at 5%) of goodwill and other intangible assets, which gave rise to the recognition of deferred tax assets eligible for conversion into tax credits.

Accordingly, no DTAs eligible for conversion into tax credits were recovered in 2018 and 2019.

With reference to value adjustments, they provided for:
› the deferral until 2026 of the deduction of the portion of adjustments to loans not deducted as at 31 December 2015 that accrued in 2018, set by Law Decree No. 83/2015 at 10% as at 31 December 2026, subsequently brought forward to 2022 and set at 53%;
› the deferral until 2022 and the three subsequent years of the deduction of the portion of adjustments to loans not deducted as at 31 December 2015 that accrued in 2019 (originally set at 12%);
› the deferral of the deductibility of 12% of the value adjustments for the tax period in progress on 31 December 2022, on a straight-line basis, to the tax period in progress on 31 December 2023 and the three following years.

By way of partial derogation from the mechanism of full deduction of adjustments from loans recognised as loans to customers, the 2019 Budget Law and the 2020 Stability Law introduced a mechanism for deferring income components resulting from the application of the expected credit loss (ECL) model recognised upon first-time adoption of IFRS 9. In particular, the 2018 Budget Law had established that such components were deductible in ten straight-line instalments over the tax periods from 2018 to 2027, whereas the 2020 Budget Law provided for the deferral until 2028 of the deduction of the portion accrued in 2019 relating to the first-time adoption of IFRS 9. DTAs relating to the adjustments in question are not among those eligible for conversion into tax credits and amounted to 140 thousand euros at 31 December 2022.

DTAs relating to goodwill and not eligible for conversion into tax credits include DTAs deriving from the realignment operations carried out in 2021.

In 2021, Banca Generali proceeded to exercise the option to carry out the following operations to realign the carrying and tax values of goodwill, trademarks and other intangible assets[8], through payment of the related substitute taxes by the income tax payment deadline for the 2020 tax period:
› realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the merger — effective 1 January 2020 for accounting and tax purposes — of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  – Article 15 of Law Decree No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
  – Article 176, paragraph 2-*ter*, of the TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset;
› realignment of misalignments resulting from previous years' goodwill stated in the financial statements at 31 December 2019 and still present at 31 December 2020, pursuant to Article 110 of Decree Law No. 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law, through payment of a 3% substitute tax, and a subsequent right to benefit from the ensuing off-balance sheet amortisation initially set at 18 years and then subsequently extended to 50 years.

With regard to this special treatment, the 2022 Budget Law (Law 234 of 30 December 2021) extended the duration of tax amortisation from 18 to 50 years, without prejudice to the possibility of maintaining the initial term of 18 years by paying the greater tax due for the ordinary redemption transactions or revoking the transaction in full with a refund of the substitute tax paid. As a consequence of these changes, Banca Generali derecognised the DTAs the reversal period of which exceeds the initial term of 18 years, for a total of 4.5 million euros.

Following the above-mentioned realignment operations, the previous year saw:
› the release of the deferred tax liabilities (DTLs) for the accounting items deriving from taxable transactions (purchase of business units) for which the off-balance sheet amortisation of the tax value has already been made, for an amount of 6.2 million euros;
› the recognition, based on the method indicated in the OIC document application No. 1 of February 2009, of deferred tax assets (DTAs), for the accounting items deriving from non-taxable transactions (mergers), for an amount of 6.5 million euros against 10.9 million euros overall receivable for the transactions carried out.

8 For further information, reference should be made to the relevant section of the Notes and Comments to the Separate Financial Statements of Banca Generali at 31 December 2021.

DTAs for tax losses carryforward amounted to 154 thousand euros and referred to net losses reported by BG Valeur S.A.

The deferred tax assets relating to BG Suisse S.A., a company not within the scope of prudential consolidation, amounted to 103 thousand euros as at 31 December 2022, of which 10 thousand euros with effect on the profit and loss account, and the remainder with effect on net equity, almost solely attributable to recognised actuarial losses on the BVG pension funds.

11.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2022	31.12.2021
With impact on Profit and Loss Account	**4,424**	**4,195**
Off-balance sheet goodwill deduction	1,633	1,054
Intangible assets recognised upon PPA (trademarks and client relationships)	509	546
Financial assets mandatorily measured at fair value through profit and loss (equity securities and policies)	533	472
Provision for termination indemnity (IAS 19)	152	152
Other	123	131
Retained earnings of subsidiaries (IAS 12, para. 38 40)	1,474	1,840
With impact on Net Equity	**1,282**	**1,892**
Measurement at fair value of HTCS financial assets	732	1,738
IAS 19-related actuarial gains on BVG pension funds	550	154
Total	**5,706**	**6,087**

The DTLs relating to financial assets mandatorily measured at fair value refer to the revaluation of equity instruments and unit-linked policies, the tax relevance of which is deferred until realisation.

Deferred tax assets related to BG Suisse S.A., a company excluded from the prudential consolidated accounts, amounted to 89 thousand euros at 31 December 2022.

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

	31.12.2022	31.12.2021
1. Amount at year-start	**61,965**	**48,000**
2. Increases	**19,471**	**26,196**
2.1 Deferred tax assets recognised in the year:	19,471	19,733
a) related to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	19,471	19,733
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	6,463
of which:		
- *recognised for realignment operations*	-	*6,463*
3. Decreases	**16,652**	**12,231**
3.1 Deferred tax assets eliminated in the year:	16,608	11,928
a) transfers	15,529	11,707
b) write-downs for non-recoverability	412	2
c) change in accounting criteria	-	-
d) other	667	219
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	44	303
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	44	303
4. Amount at year-end	**64,784**	**61,965**

11.4 Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2022	31.12.2021
1. Amount at year-start	**6,663**	**7,569**
2. Increases		**-**
3. Decreases	**850**	**906**
3.1 Transfers	850	906
3.2 Conversion into tax credits:	-	-
a) due to losses for the year	-	-
b) due to tax losses	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**5,813**	**6,663**

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

	31.12.2022	31.12.2021
1. Amount at year-start	**4,195**	**9,848**
2. Increases	**1,698**	**2,624**
2.1 Deferred tax liabilities recognised in the year:	1,698	2,624
a) related to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,698	2,624
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,469**	**8,277**
3.1 Deferred tax liabilities eliminated in the year:	1,469	2,087
a) transfers	108	236
b) change in accounting criteria	-	-
c) other	1,361	1,851
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	6,190
of which:		
- *eliminated for realignment operations*	-	*6,190*
4. Amount at year-end	**4,424**	**4,195**

11.6 Changes in deferred tax assets (offsetting entry to Net Equity)

	31.12.2022	31.12.2021
1. Amount at year-start	**1,039**	**766**
2. Increases	**5,820**	**1,466**
2.1 Deferred tax assets recognised in the year:	5,820	1,466
a) related to prior years	-	-
b) change in accounting criteria	-	-
c) other	5,820	1,466
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**875**	**1,193**
3.1 Deferred tax assets eliminated in the year:	411	118
a) transfers	411	118
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	464	1,075
4. Amount at year-end	**5,984**	**1,039**

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

11.7 Changes in deferred tax liabilities (offsetting entry to Net Equity)

	31.12.2022	31.12.2021
1. Amount at year-start	**1,892**	**3,494**
2. Increases	**774**	**601**
2.1 Deferred tax liabilities recognised in the year:	774	601
a) related to prior years	-	-
b) change in accounting criteria	-	-
c) other	774	601
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,384**	**2,203**
3.1 Deferred tax liabilities eliminated in the year:	996	1,180
a) transfers	996	1,180
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	388	1,023
4. Amount at year-end	**1,282**	**1,892**

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

Section 12 – Non-current assets available for sale and disposal groups and associated liabilities - Item 120 (Assets) and Item 70 (Liabilities)

12.1 Non-current assets and groups of assets held for sale: categories

	31.12.2022	31.12.2021
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property and equipment	-	-
of which:		
- *obtained through the enforcement of guarantees received*	-	-
A.4 Intangible assets	-	106
A.5 Other non-current assets	-	2,588
Total (A)	**-**	**2,694**
of which:		
- ***measured at cost***	-	-
- ***of which measured at fair value Level 1***	-	-
- ***of which measured at fair value Level 2***	-	***2,694***
- ***of which measured at fair value Level 3***	-	-
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
HFT financial assets	-	-
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
of which:		
- *obtained through the enforcement of guarantees received*	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
of which:		
- ***measured at cost***	-	-
- ***of which measured at fair value Level 1***	-	-
- ***of which measured at fair value Level 2***	-	-
- ***of which measured at fair value Level 3***	-	-
C. Liabilities associated with assets held for sale		
C.1 Debts	-	25
C.2 Securities	-	-
C.3 Other liabilities	-	293
Total (C)	**-**	**318**
of which:		
- ***measured at cost***	-	-
- ***of which measured at fair value Level 1***	-	-
- ***of which measured at fair value Level 2***	-	***318***
- ***of which measured at fair value Level 3***	-	-
D. Liabilities associated with discontinued operations	**-**	**-**
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which:		
- ***measured at cost***	-	-
- ***of which measured at fair value Level 1***	-	-
- ***of which measured at fair value Level 2***	-	-
- ***of which measured at fair value Level 3***	-	-

12.2 Non-current assets held for sale and disposal groups: other information

On 5 March 2021, Banca Generali's Board of Directors had approved the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group.
After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on 20 January 2022. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate.
Pursuant to IFRS 5, at 31 December 2021, the equity investment in the Company had been reclassified to Item 110. "Non-current assets available for sale and disposal groups" of the balance sheet assets.

Section 13 – Other assets - Item 130

13.1 Breakdown of other assets

	31.12.2022	31.12.2021
Fiscal items	**153,694**	**80,935**
Advances paid to fiscal authorities – current account withholdings	-	80
Advances paid to fiscal authorities – stamp duty	85,201	56,691
Advances of substitute tax on capital gains	51,189	22,368
Other advances paid to and sums due from fiscal authorities	645	463
Fiscal Authorities/VAT	67	88
Fiscal Authorities/Superbonus	16,098	922
Sums due from fiscal authorities for other taxes to be refunded	494	323
Leasehold improvements	**8,706**	**7,985**
Operating loans not related to financial transactions	**526**	**290**
Sundry advances to suppliers and employees	**4,545**	**2,119**
Cheques under processing	**9,974**	**8,634**
Money orders and other amounts receivable	9,974	8,634
Other amounts to be debited under processing	**50,995**	**34,848**
Amounts to be settled in the clearing house (debits)	2,361	2,285
Clearing accounts for securities and funds procedure	38,419	24,030
Other amounts to be debited under processing	10,215	8,533
Amounts receivable for legal disputes related to non-credit transactions	**126**	**109**
Trade receivables from customers and banks that cannot be traced back to specific items	**50,242**	**52,864**
Other amounts	**197,790**	**187,348**
Prepayments for the new supplementary fees for sales network	71,759	73,451
Prepayments for ordinary incentives	92,325	93,031
Other accrued income and deferred charges that cannot be traced back to specific items	32,669	17,573
Term deposit to guarantee the deferred consideration related to Nextam (escrow account)	-	3,000
Sundry amounts	1,037	293
Total	**476,598**	**375,132**

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

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

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

Prepayments for ordinary incentives paid to the sales network qualify instead as incremental costs for obtaining a contract or costs incurred to fulfil a contract and consist of fees paid annually to the existing sales network based on the achievement of net inflow targets, irrespective of whether they have been achieved by acquiring new customers or by strengthening relationships already in place with existing customers.

This latter class of assets includes a portion of incentives paid to the management in respect of the recruitment of new Financial Advisors, essentially based on net inflow targets and akin to recruitment incentives, subject to recognition upon FTA of IFRS 15.

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

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

	31.12.2021	AMORTISATION	OF WHICH: RELATED TO THE PREVIOUS YEAR	INCREASES	OTHER CHANGES	31.12.2022
Supplementary fees	73,451	-35,715	-27,855	34,023	-	71,759
Ordinary incentives	93,031	-40,792	-32,147	43,220	-3,134	92,325
Three-year incentives	-	-3,361	-	16,808	-	13,447
Total network incentives	**166,482**	**-79,868**	**-60,002**	**94,051**	**-3,134**	**177,531**
Entry bonus on BG Solution portfolio management	7,715	-3,095	-2,566	4,848	-	9,468
Bonus on JPM funds	132	-79	-66	60	-	113
Total other acquisition costs	**7,847**	**-3,174**	**-2,632**	**4,908**	**-**	**9,581**
Total	**174,329**	**-83,042**	**-62,634**	**98,959**	**-3,134**	**187,112**

Other prepaid expenses include for 9,641 thousand euros prepaid expenses not accrued during the period and refer in particular to lease prepayments, insurance premiums and other general and administrative expenses.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

Section 1 – Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: due to banks - categories

	31.12.2022				31.12.2021			
		FV				FV		
TYPE OF TRANSACTIONS/VALUES	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Due to Central Banks	**-**	**X**	**X**	**X**	**690,725**	**X**	**X**	**X**
2. Due to banks	**544,531**	**X**	**X**	**X**	**128,009**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	31,897	X	X	X	96,022	X	X	X
2.2 Term deposits	-	X	X	X	-	X	X	X
2.3 Loans	494,083	X	X	X	12,422	X	X	X
2.3.1 Repurchase agreements	477,028	X	X	X	11,752	X	X	X
2.3.2 Other	17,055	X	X	X	670	X	X	X
2.4 Liabilities for repurchase commitments of own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease debts	-	X	X	X	-	X	X	X
2.6 Other debts	18,551	X	X	X	19,565	X	X	X
Total	**544,531**	**-**	**544,531**	**-**	**818,734**	**-**	**818,734**	**-**

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

1.2 Financial liabilities measured at amortised cost: due to customers - categories

	31.12.2022				31.12.2021			
		FV				FV		
TYPE OF TRANSACTIONS/VALUES	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Current accounts and demand deposits	12,972,643	X	X	X	13,231,340	X	X	X
2. Term deposits	-	X	X	X	-	X	X	X
3. Loans	1,652,307	X	X	X	7,441	X	X	X
3.1 Repurchase agreements	1,372,093	X	X	X	-	X	X	X
3.2 Other	280,214	X	X	X	7,441	X	X	X
4. Liabilities for repurchase commitments of own equity instruments	-	X	X	X	-	X	X	X
5. Lease debts	153,656	X	X	X	156,363	X	X	X
6. Other debts	180,842	X	X	X	198,476	X	X	X
Total	**14,959,448**	**-**	**14,959,448**	**-**	**13,593,620**	**-**	**13,593,620**	**-**

Item 5 "Lease debts" includes the liability relating to lease payments determined on the basis of the IFRS 16 – *Leases*, which entered into force on 1 January 2019.

Item 6 "Other debts" refers for 32,311 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, and, for the remaining amount, to other sums made available to customers and trade payables to the sales network.

1.6 Lease debts

Lease debts recognised in the Financial Statements at 31 December 2022 amounted to 153,656 thousand euros.

The following table shows the maturity of these lease debts in accordance with paragraphs 53(g) and 58 of IFRS 16 – Leases:

RESIDUAL LEASE DEBTS - YEAR	AMOUNT
2023	20,172
2024	20,109
2025	18,565
2026	17,622
2027	15,668
2028	13,833
2029	11,771
2030	10,675
2031	9,412
2032	8,932
2033	4,884
2034	1,128
2035	585
2036	300

Section 2 – Financial liabilities held for trading - Item 20

2.1 HFT financial liabilities: categories

	31.12.2022					31.12.2021				
		FV					FV			
TYPE OF TRANSACTIONS/VALUES	NV	L1	L2	L3	FV (*)		L1	L2	L3	FV (*)
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	
B. Derivatives										
1. Financial		**-**	**-**	**-**	**-**		**-**	**4,551**	**-**	**-**
1.1 Trading	X	-	-	-	X	X	-	4,551	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit		**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**-**	**-**	**X**	**X**	**-**	**4,551**	**-**	**X**
Total (A + B)	**X**	**-**	**-**	**-**	**X**	**X**	**-**	**4,551**	**-**	**X**

(*) FV measured without taking account of issuer's creditworthiness changes compared to issue date.

Section 4 – Hedging derivatives – Item 40

In the second half of 2019, the Bank began to operate in asset swap derivatives, trading interest rate swaps to hedge debt securities, mostly Italian and foreign fixed-rate and index-linked government bonds allocated to the HTCS and HTC portfolios.
For each hedging derivative, a specific highly effective fair value hedging relationship is formed.
At year-end, the notional value of the hedging derivatives outstanding amounted to approximately 4,076.0 million euros, of which 115 million euros relating to the HTCS portfolio with a positive fair value of 286.8 million euros and a negative fair value of 123.6 million euros.

4.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

	31.12.2022				31.12.2021			
	FAIR VALUE			NOTIONAL VALUE	FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**123,604**	**-**	**1,727,500**	**-**	**167,320**	**-**	**1,716,000**
1) Fair value	-	123,604	-	1,727,500	-	167,320	-	1,716,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**123,604**	**-**	**1,727,500**	**-**	**167,320**	**-**	**1,716,000**

4.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

	FAIR VALUE								CASH FLOWS	
	SPECIFIC									
HEDGING TRANSACTIONS/TYPE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND STOCK INDICES	CURREN-CIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVEST-MENTS
1. Financial assets measured at fair value through other comprehensive income	1,440	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	122,164	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**123,604**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**X**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax liabilities - Item 60

Section 11 (Assets) provides an analysis.

Section 7 – Liabilities associated to assets held for sale - Item 70

Section 12 (Assets) provides an analysis.

Section 8 – Other liabilities - Item 80

8.1 Breakdown of other liabilities

	31.12.2022	31.12.2021
Trade payables	**23,858**	**26,739**
Due to suppliers	23,381	26,002
Due for payments on behalf of third parties	477	737
Due to staff and social security institutions	**30,242**	**27,875**
Due to staff for accrued holidays, etc.	4,184	3,699
Due to staff for productivity bonuses to be paid out	17,140	16,314
Contributions to be paid to social security institutions	3,853	3,047
Contributions to Financial Advisors to be paid to Enasarco	5,065	4,815
Tax authorities	**42,194**	**30,397**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	6,101	6,745
Current account withholdings	1,147	-
Withholding taxes to be paid to tax authorities on behalf of customers	6,680	5,534
Notes to be paid into collection services	23,431	16,528
VAT payables	4,822	1,493
Tax liabilities – other (stamp duty and substitute tax on medium-/long-term loans)	13	97
Amounts to be debited under processing	**82,829**	**66,487**
Bank transfers, cheques and other sums payable	1,304	986
Amounts to be settled in the clearing house (credits)	37,994	21,306
Liabilities from reclassification of portfolio subject to collection (SBF)	169	6,956
Other amounts to be debited under processing	43,362	37,239
Sundry items	**102,125**	**90,539**
Amounts to be credited	1,791	2,454
Sundry items	1,841	1,519
Amounts due to shareholders for dividends for financial years 2020-2021	96,191	80,874
Accrued expenses and deferred income that cannot be traced back to specific items	1,912	985
Sums made available to customers	390	206
Liabilities for deferred consideration (earn out) related to the acquisition of the Nextam Group	-	4,501
Total	**281,248**	**242,037**

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

Opening balance at 01.01.2022	**233**
Increases	81
Decreases due to the transfer to profit and loss	-127
of which:	
- *relating to prior years*	*-110*
Closing balance at 31.12.2022	**187**

Section 9 – Provisions for termination indemnity - Item 90

9.1 Provisions for termination indemnity: year changes

	31.12.2022	31.12.2021
A. Amount at year-start	**4,335**	**4,936**
B. Increases	**27**	**13**
B.1 Provisions for the year	27	13
B.2 Other increases	-	-
C. Decreases	**657**	**614**
C.1 Amounts paid	421	384
C.2 Other decreases	236	230
D. Amount at year-end	**3,705**	**4,335**

9.2 Other information

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

The provision was measured based on the actuarial value using the methods described in Part. A.2 of these Notes and Comments.

The following are the main actuarial assumptions and the breakdown of the provision for the year and actuarial gains/(losses):

	31.12.2022	31.12.2021
Discount rate (*)	3.54%	0.49%
Annual inflation rate	2.00%	1.00%
Salary increase rate	2.00%	1.80%
Average duration (years)	8	9

(*) Rate applied to Banca Generali.

	31.12.2022	31.12.2021
1. Provisions:	27	13
- current service cost	7	6
- interest cost	20	7
2. Actuarial gains and losses:	-236	-168
- based on financial assumptions	-932	-159
- based on actuarial demographic assumptions	696	-9
Total provisions for the year	**-209**	**-155**
Actuarial value	**3,705**	**4,335**
Value calculated re. Article 2120 of the Italian Civil Code	**4,062**	**4,056**

Section 10 – Provisions for liabilities and contingencies - Item 100

10.1 Breakdown of provisions for liabilities and contingencies

ITEMS/COMPONENTS	31.12.2022	31.12.2021
1. Provisions for credit risk relating to commitments and financial guarantees issued	52	43
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	1,365	2,974
4. Other provisions for liabilities and contingencies	239,799	223,491
4.1 Legal and tax disputes	16,957	24,123
4.2 Staff	11,979	18,118
4.3 Other	210,863	181,250
Total	**241,216**	**226,508**

Breakdown of other provisions for liabilities and contingencies

	31.12.2022	31.12.2021
Provision for staff expenses	**11,979**	**18,118**
Provision for restructuring plan	1,000	2,462
Provision for staff expenses – other	10,979	15,656
Provisions for legal disputes	**14,512**	**16,067**
Provision for risks related to legal disputes connected with sales network’s embezzlements	7,653	9,968
Provision for risks related to legal disputes with sales network	1,232	961
Provision for other legal disputes	5,627	5,138
Provision for termination indemnity of Financial Advisors	**152,550**	**147,070**
Provision for termination indemnity of sales network	74,753	83,104
Provision for managerial development indemnity	11,922	12,020
Provision for portfolio overfee indemnities	6,549	7,845
Provision for pension bonuses	8,214	10,292
Provisions for Framework Loyalty Programme	34,304	33,809
Provision for three-year incentives	16,808	-
Provisions for network incentives	**32,160**	**31,270**
Provision for network development plans	24,171	23,301
Provision for deferred bonus	56	59
Provision for managers’ incentives with access gate	826	1,092
Provision for sales incentives	2,155	2,197
Provision for travel incentives	4,700	3,700
Provision for other fee plans	252	921
Provision for tax and contributions/pension dispute	**2,445**	**8,056**
Other provisions for liabilities and contingencies	**26,153**	**2,910**
Total	**239,799**	**223,491**

10.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED	PROVISIONS FOR PENSIONS	OTHER PROVISIONS FOR LIABILITIES AND CONTINGENCIES	TOTAL
A. Amount at year-start	**43**	**2,974**	**223,491**	**226,508**
B. Increases	**9**	**843**	**62,981**	**63,833**
B.1 Provisions for the year	9	474	62,981	63,464
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to different discount rates	-	-	-	-
B.4 Other increases	-	369	-	369
C. Decreases	**-**	**2,452**	**46,673**	**49,125**
C.1 Use in the year	-	-	42,225	42,225
C.2 Changes due to different discount rates	-	-	-	-
C.3 Other decreases	-	2,452	4,448	6,900
D. Amount at year-end	**52**	**1,365**	**239,799**	**241,216**

Other provisions for liabilities and contingencies – details of movements

	31.12.2021	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2022
Provision for staff expenses	**18,118**	**-2,912**	**-3,667**	**-2,706**	**3,146**	**11,979**
Provision for restructuring plan	2,462	-91	-162	-2,194	985	1,000
Provision for staff expenses – other	15,656	-2,821	-3,505	-512	2,161	10,979
Provisions for legal disputes	**16,067**	**-5,531**	**-304**	**-**	**4,280**	**14,512**
Provision for risks related to legal disputes connected with sales network's embezzlements	9,968	-2,956	-101	-	742	7,653
Provision for risks related to legal disputes with sales network	961	-39	-27	-	337	1,232
Provision for other legal disputes	5,138	-2,536	-176	-	3,201	5,627
Provision for termination indemnity of Financial Advisors	**147,070**	**-3,164**	**-11,392**	**13,446**	**6,590**	**152,550**
Provision for termination indemnity of sales network	83,104	-1,635	-7,851	-	1,135	74,753
Provision for portfolio overfee indemnities	7,845	-85	-1,232	-	21	6,549
Provision for managerial development indemnity	12,020	-1,320	-355	-	1,577	11,922
Provision for pension bonuses	10,292	-124	-1,954	-	-	8,214
Provision for Framework Loyalty Programme	33,809	-	-	-	495	34,304
Provision for three-year incentives	-	-	-	13,446	3,362	16,808
Provisions for network incentives	**31,270**	**-17,942**	**-2,825**	**-**	**21,657**	**32,160**
Provision for network development plans	23,301	-13,013	-2,822	-	16,705	24,171
Provision for deferred bonus	59	-	-3	-	-	56
Provision for managers' incentives with access gate	1,092	-266	-	-	-	826
Provision for sales incentives	2,197	-42	-	-	-	2,155
Provision for fees – travel incentives	3,700	-3,700	-	-	4,700	4,700
Provision for fee plans	921	-921	-	-	252	252
Provision for tax and contributions/ pension dispute	**8,056**	**-10,982**	**-**	**3,000**	**2,371**	**2,445**
Other provisions for liabilities and contingencies	**2,910**	**-1,694**	**-**	**-**	**24,937**	**26,153**
Total	**223,491**	**-42,225**	**-18,188**	**13,740**	**62,981**	**239,799**

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

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED				
	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	TOTAL
1. Commitments to disburse funds	-	-	-	-	**-**
2. Financial guarantees issued	46	6	-	-	**52**
Total	**46**	**6**	**-**	**-**	**52**

10.5 Defined benefit company pension funds

10.5.1 Characteristics of the funds and related risks

The item "Pension funds" refers to the supplementary pension plan for employees of BG Valeur S.A. and BG Suisse S.A., which under local pension legislation (LLP) provides mandatory supplementary benefits upon meeting pension requirements or an adverse event (death or disability).
Pension obligations are covered by segregated assets, managed under a contractual relationship between the company and Swiss Life Collection Foundation BVG.
In turn, the Foundation fully reinsures all disability, death and longevity risks, including investment risk, with the insurer Swiss Life S.A., which invests the capital, guaranteeing the repayment of 100% of capital plus interest at a guaranteed rate.

In 2022, the guaranteed rate was 1.00% for the mandatory cover and 0.25% for the optional cover.
Contributions to the plan are paid by employees and the employer, with regard to both pension entitlement and coverage of the death and disability risk benefits. The cumulative balance of the pension account is based on the pension contributions made by the employee and employer and the interest accrued. The amount of the pension payable upon retirement is calculated by applying an annuity conversion rate established by the law and plan rules to the cumulative balance of each participant's pension account.
Although the Swiss supplementary pension system operates as a defined-contribution plan pursuant to local legislation, under IAS 19 – *Employee Benefits* it is accounted for as a defined benefit pension plan, due to the presence of the guaranteed return on investment, fixed rate of conversion of the pension amount into a life annuity and the obligation for the participants to intervene if the plan is underfunded.

The liability and cost relating to this plan are calculated on the basis of actuarial assumptions applying the Projected Unit Credit Method. This method calls for future outlays to be projected on the basis of historical statistical and demographic curve analyses and discounting of the cash flows in question at a market interest rate. The contributions paid in each year are considered separate units, recognised and measured individually to determine the final obligation.
The rate used for discounting is determined by reference to the yields on "high quality corporate bonds", and in particular yields observed on the Swiss market for maturities between 15 and 20 years.
The present value of the obligation at the reporting date is also stated net of the fair value of the assets in service of the plan.
Actuarial gains and losses on defined benefit plans are taken to the statement of other comprehensive income (OCI).

10.5.2 Year changes in net defined benefit liabilities (assets) and reimbursement rights

The following table shows the changes in liabilities and assets associated with the defined benefit plan in 2022:

	LIABILITIES OF THE DBO PENSION FUND	ASSETS IN SERVICE OF THE PLAN (FAIR VALUE)	PROVISIONS FOR PENSIONS
Amount at year-start	**-11,765**	**8,791**	**-2,974**
Current service cost	-417	-	-417
Interest (expense)/income	-196	139	-57
Other increases	-748	434	-314
Return on assets, net of interest	-	-55	-55
Actuarial gains (losses) arising from changes in financial assumptions	1,900	-	1,900
Employer contributions paid	-	509	509
Employer contributions paid to meet benefits directly	-424	424	-
Plan beneficiaries' contributions	-8,730	8,730	-
Indemnities paid	5,008	-5,008	-
Other decreases	43	-	43
Amount at year-end	**-15,329**	**13,964**	**-1,365**

10.5.3 Fair value of the assets in service of the plan

The assets in service of the plan consist solely of the value of the insurance policy covering the plan.

10.5.4 Description of the main actuarial assumptions

The following table presents the main actuarial assumptions and reference rates used:

	31.12.2022 BG VALEUR S.A.	31.12.2022 BG SUISSE S.A.
Discount rate	2.30%	2.30%
Salary increase rate	1.20%	1.20%
Men's retirement age	65 years	65 years
Women's retirement age	64 years	64 years
Demographic tables used	BVG 2020 GT	BVG 2020 GT
Average duration (years)	9.2	9.8

10.5.5 Amount, timing and uncertainty of cash flows

The sensitivity analysis was conducted on the DBO value presented in Table 10.5.2 above.
The results presented below express the percent change in the defined benefit obligation resulting from a +/- 50 bps change in the discounting rate or the salary increase rate or a change in life expectancy of +/-1 year:

SENSITIVITY ANALYSIS	% CHANGE BG VALEUR S.A.	% CHANGE BG SUISSE S.A.
Sensitivity analysis on discount rate		
Discount rate +0.50%	-6.70%	-6.80%
Discount rate -0.50%	7.60%	7.70%
Sensitivity analysis on salary increase rate		
Salary increase rate +0.50%	0.30%	0.00%
Salary increase rate -0.50%	-0.30%	-0.10%
Sensitivity analysis on mortality assumptions		
Life expectancy +1 year	0.80%	0.90%
Life expectancy -1 year	-0.90%	-1.00%

The average duration of the defined benefit obligation was 9.2 years for BG Valeur S.A. and 9.8 years for BG Suisse S.A.

10.6 Provisions for liabilities and contingencies - other provisions

10.6.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

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

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

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

10.6.2 Restructuring provisions – Redundancy incentives plan

The voluntary redundancy plan covered by the specific company restructuring provision was launched at the end of 2015 to encourage the rotation of resources through incentives for voluntary departure for groups of employees nearest to retirement age and the filling of the resulting vacant positions with professional and/or managerial profiles more suited to the specific skills now required from a business standpoint.

In December 2022, the Board of Directors extended the voluntary redundancy plan, for a final provision amounting to 1 million euros.

10.6.3 Provisions for legal disputes

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

10.6.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, portfolio overfee indemnities, pension bonus, the provisions associated with the Framework Loyalty Programme (approved by the General Shareholders' Meeting on 20 April 2017) and the provisions for managerial development indemnity, in addition to the provisions for three-year incentives.
Provisions covering the cost of the **termination indemnity** of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments to the Consolidated Financial Statements for the year ended on 31 December 2022.
The expenses associated with obligations extant at year-end relating to Financial Advisors are valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions adopted:

TERMINATION INDEMNITY	31.12.2022	31.12.2021
Discount rate [9]	3.8%	1.0%
Turnover rate (professionals)	1.40%	1.46%
Average duration (years)	13 years	13 years
IAS 37 DBOs/Indemnity provision at the measurement date	54.36%	67.01%

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

The decrease in the provision for termination indemnities accrued to Financial Advisors during the year was due to the combined effect of the increase in the discount rates applied and the significant rise in fee bases.

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

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.4 million euros, is still based on the payment criteria established by the previous employer and was recognised under provisions for risks. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The **portfolio overfee indemnities** are instead a scheme (further details are provided in Part A.2 of the Notes and Comments to the Consolidated Financial Statements at 31 December 2022) that calls for Financial Advisors with at least five years of seniority who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reassignment of the latter.
The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.
Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the Bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

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

Within the framework of provisions for contractual indemnities, on 21 March 2017 the Board of Directors granted its final approval for a Framework Loyalty **Programme for the Sales Network** aimed at improving the retention of the Network and the customers acquired over time, and creating value for the Group by promoting stable, high-quality net inflows.

The Framework Loyalty Programme was initially divided into eight separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which could 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.

[9] The discount rate was determined on the basis of an average EURIRS curve for the last four quarters, increased linearly by the spread between the EURIRS rate and 10-year BTP.
The rate represented is the rate that corresponds to the average duration of the relevant liabilities, i.e., 13 years.

On 21 April 2022, the General Shareholders' Meeting resolved to suspend the Loyalty Framework Programme for the Financial Advisor network and accordingly the 6th 2022-2026 cycle was not activated.
The individual plans of the Framework Loyalty Program for the Sales Network already underway will all expire on 31 December 2026, after decreasing lengths, and each will allow part of the bonus to be paid in cash and part in shares of Banca Generali (max 50%), after having assessed their effects at the level of capital ratios and free float. The Banca Generali shares for each of the plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.
Provisions for contractual indemnities refer also to the charge relating to the managerial development **indemnity mechanism**, approved by the Board of Directors in June 2018 and intended to ensure fair treatment of all network managers in the event of dismissal from their additional roles.

The new 2022-2024 **three-year Incentive Plan**, approved by the Board of Directors on 18 March 2022, is in addition to the annual incentives for the sales network and is tied to the achievement of both several overall objectives set at the Banking Group level in terms of total net inflows and recurring fee income, established in the new Strategic Plan, and individual objectives.

In particular, at the end of the Plan no incentives may be disbursed without full achievement of the three-year net inflow targets and of at least 90% of the cumulative recurring fee target at the end of 2024.
At the level of the individual beneficiary, accrual of the bonus is tied to individual net inflow and advanced inflow targets on a three-year basis to be reached collectively, with a floor below which the incentive is not awarded.
Special rules also apply to Financial Advisors eligible to participate in the previous Loyalty Framework Programme, for which a minimum bonus (bonus floor) applies, to be paid at the end of the three-year period if other conditions are met, but only in the absence of net outflows.

All Financial Advisors, Relationship Managers and Network Managers in service at 31 December 2019 are entitled to the three-year incentives.

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

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

The accrual of the bonus at the end of the three-year period is contingent on achieving the Banking Group access gates, as defined by the Remuneration Policy.
In addition, the Plan calls for the payment of the cash bonus only, with the sole exception of beneficiaries qualifying as Key Personnel in the three-year period, to whom the specific provisions of the Remuneration Policies (deferral, shared-based payment, etc.) apply.

10.6.5 Provisions for sales network incentives

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

10.6.6 Tax dispute

Accruals to other provisions for liabilities and contingencies also included amounts allocated to account for tax disputes, totalling 2 million euros and essentially in line with the amount required, to cover minor disputes that did not fall within the scope of the tax settlement, that are still pending and for which exchanges with the Italian Revenue Agency are underway.

10.6.7 Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies included provisions for operational risks and a prudential allocation of 23 million euros to cover commercial activities aimed at restoring customers' potential losses resulting from investments made in products distributed by the Bank and to sustain customer retention. This provision refers to potential complaints from customers regarding liquid and illiquid products distributed by the Bank during a year of exceptionally negative market performance.

Section 13 - Group net equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 Breakdown of share capital and treasury shares

	UNIT VALUE (€)	NUMBER	BOOK VALUE (€ THOUSAND)
Share capital			
- ordinary shares	1.00	116,851,637	116,852
Treasury shares			
- ordinary shares	1.00	-2,809,497	-80,139
		114,042,140	**36,713**

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

ITEMS/TYPES	ORDINARY	OTHER
A. Existing shares at year-start	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-
A.1 Treasury shares (-)	-2,219,469	-
A.2 Outstanding shares: at year-start	**114,632,168**	**-**
B. Increases	**307,472**	**-**
B.1 Newly issued shares		
- against payment:	-	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrants	-	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	307,472	-
B.3 Other decreases	-	-
C. Decreases	**-897,500**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-897,500	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**114,042,140**	**-**
D.1 Treasury shares (+)	2,809,497	-
D.2 Existing shares at year-end	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-

13.3 Share capital: further information

At the reporting date, the share capital of the Bank consisted of 116,851,637 ordinary shares with no nominal value, with regular dividend entitlement, and it was fully paid up.

13.4 Earnings reserves: further information

	31.12.2021	PROFIT ALLOCATION - DIVIDEND DISTRIBUTION	PURCHASES/ SALE OF TREASURY SHARES	ISSUE OF NEW SHARES	STOCK OPTION PLANS AND OTHER IFRS 2 CHARGES	STOCK GRANT PLANS	OTHER CHANGES	31.12.2022
Legal reserve	23,370	-	-	-	-	-	-	23,370
Restricted reserve for shares of the Parent Company	1,151	-	-	-	-	-	-120	1,031
Merger surplus reserve – BG SGR	3,853	-	-	-	-	-	-	3,853
Merger surplus reserve – BG Fiduciaria	10,901	-	-	-	-	-	-	10,901
Merger deficit reserve – Netxam S.p.A.	-	-	-	-	-	-	-802	-802
Reserves for IFRS 9 and IFRS 15 FTA	4,768	-	-	-	-	-	-	4,768
Share-based payments reserve (IFRS 2) – plans ended	507	-	-	-	-	-	-	507
IFRS 2 reserves – LTIP cycles ended (1)	10,550	-	-	-	-	-	-	10,550
IFRS 2 reserves – LTI plans based on BG shares	3,669	-	-2,340	-	1,573	-	-	2,902
IFRS 2 reserve – 2019-2022 share plan	403	-	-	-	-	104	-	507
IFRS 2 reserve – Key Personnel remuneration	5,039	-	-4,507	-	6,813	-	-	7,345
IFRS 2 reserve – Group Key Personnel remuneration	158	-	-122	-	150	-	-	186
IFRS 2 reserve - Framework Loyalty Programme	5,422	-	-	-	2,782	-	-	8,204
Reserve for AT1 BG Perpetual coupon	-3,263	-	-	-	-	-	-1,631	-4,894
Reserve from profit (loss) carried forward – Parent Company	440,125	114,387	-	-	-	-	4,385	558,897
Reserve from profit (loss) carried forward – consolidated	111,608	-19,144	-	-	-	-	-139	92,325
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	-	3,710
Restricted reserve pursuant to Article 6, para. C1(a), of Leg. Decree No. 38/2005	2,062	-	-	-	-	-	-730	1,332
Reserve for issuance of BG Suisse treasury shares	-	-	-	-	-	-	-156	-156
Total	**624,033**	**95,243**	**-6,969**	**-**	**11,318**	**104**	**807**	**724,536**

(1) This reserve shows the increase in capital ensuing from share-based payments to employees and Directors through assignment of shares of the parent company Assicurazioni Generali S.p.A.

Reserves subject to a tax restriction imposed on a portion of the retained earnings reserve

Retained earnings include a portion of earnings subject to a tax restriction pursuant to Article 110, paragraph 8, of Law Decree No. 104/2021, amounting to 31,827 thousand euros.

In 2021[10], Banca Generali had elected to realign the accounting and tax values of goodwill recognised at 31 December 2021, pursuant to Article 110 of Law Decree No. 104/2021.
However, implementing this option required, on pain of inefficacy, that a tax restriction be placed on a portion of reserves in the Financial Statements at 31 December 2020, in an amount corresponding to the higher values subject to realignment, net of the substitute tax (Article 110, paragraph 8).
The rules governing tax-suspended reserves for revaluation balances apply to the portion of the retained earnings reserve subject to this restriction. In particular, in the event of distribution of the reserve, the amounts allocated to shareholders form the taxable income of the Company, which is entitled to a tax credit equal to the 3% substitute tax paid, and of the shareholders.

Furthermore, as indicated by the Italian Revenue Agency in its response 539 of 9 August 2021 and the recent Circular No. 6/E of 1 March 2022, since the option was exercised after the date of approval of the Financial Statements for the year ended 31 December 2020, the application of the restriction was approved, at the proposal of the Bank's Board of Directors, by the Shareholders' Meeting on 21 April 2022, when approving the financial statements for the year ended 31 December 2021.

[10] For further information on the realignment operations, reference should be made to the Notes and Comments, Part B, Section 10 – Tax assets and liabilities in the Separate Financial Statements of Banca Generali at 31 December 2021.

The reserve to be subject to restriction amounted to 31,827 thousand euros, taking into account differences subject to realignment of 32,811 thousand euros and tax due of 984 thousand euros.

Tax-suspended reserve pursuant to Art. 110, para. 8, of Leg. Decree 104/2021	
Accounting differences subject to realignment	32,811,223
Substitute tax due	-984,337
Portion of retained earning reserve subject to restriction	**31,826,886**

13.5 Breakdown of equity instruments: year changes

On 23 December 2019, Banca Generali finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros that under IAS 32 is considered an equity instrument and meets the requirements under regulatory capital rules in force for being recognised as Additional Tier 1 instrument in the Issuer's financial statements.

The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer's sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent supervisory authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years.

(€ THOUSAND)	31.12.2022	31.12.2021
Amount at year-start	**50,000**	**50,000**
Issue-related increases	-	-
Decreases for reimbursements	-	-
Amount at year-end	**50,000**	**50,000**

Section 14 – Net equity attributable to minority interests - Item 190

14.1 Breakdown of Item 190 – Net equity attributable to minority interests

(€ THOUSAND)	31.12.2022	31.12.2021
Other equity investments		
1. BG Valeur S.A.	442	313
Total	**442**	**313**

PART B – INFORMATION ON THE BALANCE SHEET - OTHER INFORMATION

1. Commitments and financial guarantees issued

TRANSACTIONS	NOMINAL VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	31.12.2022	31.12.2021
1. Commitments to disburse funds	**200**	**-**	**-**	**-**	**200**	**453**
a) Central Banks	-	-	-	-	-	-
b) General governments	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial corporations	200	-	-	-	200	300
e) Non-financial corporations	-	-	-	-	-	-
f) Households	-	-	-	-	-	153
2. Financial guarantees issued	**95,697**	**1,286**	**-**	**-**	**96,983**	**66,501**
a) Central Banks	-	-	-	-	-	-
b) General governments	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial corporations	28,139	80	-	-	28,219	9,684
e) Non-financial corporations	20,209	105	-	-	20,314	22,119
f) Households	47,349	1,101	-	-	48,450	34,698
Total	**95,897**	**1,286**	**-**	**-**	**97,183**	**66,954**

Commitments to disburse funds include commitments subject to mandatory and optional use towards customers and refer to irrevocable lines of credit already granted.

Items 2 c) and 2 d) also include assets pledged as collateral of third-party bonds consisting of the Default Fund contributed to cover possible losses of defaulted operators within the collateralised interbank market and transactions concerning customers' securities and derivatives.

2. Other commitments and other guarantees issued

TRANSACTIONS	NOMINAL VALUE 31.12.2022	31.12.2021
1. Other guarantees issued	**446**	**313**
of which:		
- *credit exposures to non-performing loans*	*446*	*313*
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
e) Non-financial corporations	81	193
f) Households	365	120
2. Other commitments	**4**	**114,803**
of which:		
- *- credit exposures to non-performing loans*	-	-
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	4	112,000
e) Non-financial corporations	-	2,803
f) Households	-	-
Total	**450**	**115,116**

3. Assets pledged as collateral for own liabilities and commitments

	31.12.2022				31.12.2021			
PORTFOLIOS	REPURCHASE AGREEMENTS	ECB	CC&G + OTHER	TOTAL	REPURCHASE AGREEMENTS	ECB	CC&G + OTHER	TOTAL
1. Financial assets measured at fair value through profit or loss	-	-	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	257,339	-	-	257,339	-	-	-	-
3. Financial assets measured at amortised cost	1,638,206	95,926	283,223	2,017,355	12,227	1,004,956	204,435	1,221,618
4. Property and equipment	-	-	-	-	-	-	-	-
of which:								
- *assets constituting inventories*	-	-	-	-	-	-	-	-
Total	**1,895,545**	**95,926**	**283,223**	**2,274,694**	**12,227**	**1,004,956**	**204,435**	**1,221,618**

Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di Compensazione e Garanzia, Eurex, Euroclear and ETD for ordinary operations.

5. Management and trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2022	31.12.2021
1. Execution of orders on behalf of customers	**27,090,641**	**26,691,922**
a) Purchases	16,606,914	13,839,190
1. Settled	16,410,756	13,772,532
2. To be settled	196,158	66,658
b) Sales	10,483,727	12,852,732
1. Settled	10,414,408	12,799,889
2. To be settled	69,319	52,843
2. Portfolio management	**26,075,573**	**28,590,467**
a) Individual	8,256,440	7,785,822
b) Collective	17,819,133	20,804,645
3. Custody and administration of securities	**48,479,527**	**41,151,192**
a) Third-party securities held in deposit: related to services provided as depository bank (excluding portfolio management)	-	-
1. Securities issued by companies included in the consolidation area	-	-
2. Other	-	-
b) Third-party securities held in deposit (excluding portfolio management): other	18,220,346	15,407,705
1. Securities issued by companies included in the consolidation area	16,098	14,861
2. Other	18,204,248	15,392,844
c) Third-party securities deposited with third parties	18,174,096	15,342,158
d) Own securities deposited with third parties	12,085,085	10,401,329

Securities under custody and administration are recognised at nominal value.

6. Financial assets offset in the financial statements or falling within the scope of master netting agreements or similar agreements

TECHNICAL TYPE	GROSS AMOUNT OF FINANCIAL ASSETS (A)	AMOUNT OF FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL ASSETS RECOGNISED IN THE FINANCIAL STATEMENTS (C=A-B)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2022 (F=C-D-E)	NET AMOUNT AT 31.12.2021
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	11,582	-	11,582	10,251	1,020	311	-
2. Repurchase agreements	397,723	-	397,723	382,178	16,036	-491	312
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2022	**409,305**	**-**	**409,305**	**392,429**	**17,056**	**-180**	**X**
Total at 31.12.2021	**199,805**	**-**	**199,805**	**199,493**	**-**	**X**	**312**

7. Financial liabilities offset in the financial statements or falling within the scope of master netting arrangements or similar agreements

TECHNICAL TYPE	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	AMOUNT OF FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2022 (F = C - D - E)	NET AMOUNT AT 31.12.2021
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	119,320	-	119,320	10,251	104,295	4,774	-1,185
2. Repurchase agreements	1,849,121	-	1,849,121	1,849,121	2,682	-2,682	-3,087
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2022	**1,968,441**	**-**	**1,968,441**	**1,859,372**	**106,977**	**2,092**	**X**
Total at 31.12.2021	**158,625**	**-**	**158,625**	**11,752**	**144,820**	**X**	**2,053**

IFRS 7 requires a detailed disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or financial instruments that can be potentially set off, under certain conditions, but have been recognised in the Balance Sheet without any offsetting as they fall within the scope of master netting arrangements of similar agreements that do not meet all the requirements under IAS 32 paragraph 42.

In this regard, it should be noted that Banca Generali has not entered into any netting arrangements that meet the requirements of IAS 32.42 on offsetting in the financial statements.
With reference to financial instruments that can be potentially set off under certain conditions, it should be noted that, as far as repurchase agreements (REPOs) are concerned, Banca Generali currently participates in the MTS S.p.A. Repo market through a Clearing Agreement with Cassa Compensazione e Garanzia (CC&G) concerning the centralised management of transaction clearing.
With reference to financial instruments that can be potentially set off under certain conditions, Banca Generali entered into bilateral netting arrangements that enable offsetting of credit and debt positions related to financial and credit derivatives in case of default of the counterparty, as well as into transactions such as Securities Financing Transactions (SFTs). In detail, ISDA (International Swaps and Derivatives Association) agreements and GMRAs (Global Market Purchase Agreements) are in place.
As regard REPOs with banks, Banca Generali has in place master netting arrangements that enable offsetting of credit and debt positions in case of default of the counterparty and compliant with international standards (Global Master Repurchase Agreement – GMRA). Such transactions are also covered by GMRA-compliant financial guarantee agreements, envisaging the bilateral exchange of collaterals in cash and/or government bonds.
These agreements, in the case of repurchase agreements, mitigate the liquidity risk by offsetting the debt to the counterparty up to the fair value of the collateral.
In the table, repurchase agreements are measured at amortised cost, whereas financial instruments used as collateral are measured at fair value up to the amount of the guaranteed liability.
Banca Generali has entered into International Swap and Derivatives Association (ISDA) master netting arrangements as its main technique for mitigating the credit risk and the related impacts on fair value associated with OTC derivatives contracts with institutional counterparties. These arrangements as well envisage the bilateral exchange of cash collateral. These arrangements reduce the capital they absorb, in accordance with the conditions established in supervisory regulations. The ISDA master netting arrangements entered into with the main institutional counterparties to OTC derivatives have been appropriately reported to the Bank of Italy.

Banca Generali joined Eurex through the clearing broker Banca Intesa for the clearing of derivatives such as interest rate swaps subject to clearing obligations through the clearing house.

PART C – INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Section 1 – Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	2022	2021
1. Financial assets measured at fair value through profit or loss	**114**	**-**	**-**	**114**	**99**
1.1 HFT financial assets	4	-	-	4	1
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	110	-	-	110	98
2. Financial assets measured at fair value through other comprehensive income	**20,025**	**-**	**X**	**20,025**	**1,083**
3. Financial assets measured at amortised cost	**146,481**	**42,546**	**-**	**189,027**	**91,621**
3.1 Loans to banks	13,395	6,290	X	19,685	5,663
3.2 Loans to customers	133,086	36,256	X	169,342	85,958
4. Hedging derivatives	**X**	**X**	**-57,400**	**-57,400**	**-10,957**
5. Other assets	**X**	**X**	**253**	**253**	**8**
6. Financial liabilities	**X**	**X**	**X**	**7,386**	**10,364**
Total	**166,620**	**42,546**	**-57,147**	**159,405**	**92,218**
of which:					
- *interest income on impaired financial assets*	-	*486*	-	*486*	*441*
- *interest income on finance leases*	-	-	-	-	-

By convention, interest on “Financial liabilities” includes the negative interest expense accrued on funding transactions, as broken down in the following table.

Breakdown of negative interest expense

	2022	2021
Interest income on bank deposits and current accounts	4	33
TLTRO	4,398	6,636
Repurchase agreements with banks	168	161
Repurchase agreements with customers	647	295
Interest income on customer deposit and current accounts	2,169	3,239
Total interest income on financial liabilities	**7,386**	**10,364**

1.2 Interest income and similar revenues: further information

1.2.1 Interest income on financial assets in foreign currencies

	2022	2021
Interest income on financial assets in foreign currencies	541	119
Total	**541**	**119**

1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	2022	2021
1. Financial liabilities measured at amortised cost	**11,815**	**-**	**-**	**11,815**	**4,813**
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	1,356	X	X	1,356	823
1.3 Due to customers	10,459	X	X	10,459	3,990
1.4 Securities issued	X	-	X	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and funds	**X**	**X**	**-**	**7,815**	**-**
5. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
6. Financial assets	**X**	**X**	**X**	**2,607**	**4,071**
Total	**11,815**	**-**	**-**	**22,237**	**8,884**
of which:					
- interest expense relating to lease debts	*3,200*	*X*	*X*	*3,200*	*3,332*

The Item 1.3 “Financial liabilities measured at amortised cost – Due to customers” includes a 3.2 million euro interest accrued on lease payment debts calculated in accordance with the provisions of IFRS 16.

By convention, interest on “Financial assets” includes the negative interest income accrued on lending transactions, as broken down in the following table.

Breakdown of negative interest income

	2022	2021
Interest expense on deposits with the ECB	721	2,729
Interest expense on current accounts and deposits with banks	782	873
Repurchase agreements with banks	272	443
Repurchase agreements with customers	3	18
Interest expense on customer deposits	829	8
Total	**2,607**	**4,071**

1.4 Interest expense and similar charges: further information

1.4.1 Interest expense on liabilities in foreign currencies

	2022	2021
Interest expense on financial liabilities in foreign currencies	733	66
Total	**733**	**66**

1.5 Hedging differentials

ITEMS	2022	2021
A. Hedging gains	67,367	46,413
B. Hedging losses	124,767	57,370
C. Total (A - B)	**-57,400**	**-10,957**

Hedging differentials refer to interest-rate swaps (IRSs) and inflation IRSs entered into in relation to fair-value hedging transactions for fixed-rate or inflation-linked debt securities.

The balance includes 37,450 thousand euros attributable to the hedging of debt securities classified to the portfolio of financial assets measured at amortised cost (4,305 thousand euros in 2021), with the remainder referring to debt securities classified to the portfolio of financial assets measured at fair value through other comprehensive income.

Section 2 – Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	2022	2021
a) Financial instruments	**287,427**	**297,757**
1. Placement of securities	158,997	171,148
1.1 With direct underwriting and/or a firm commitment	-	1,419
1.2 Without a firm commitment	158,997	169,729
2. Receipt and transmission of orders and execution of orders on customers' behalf	34,912	35,756
2.1 Receipt and transmission of orders for one or more financial instruments	7,616	10,748
2.2 Execution of orders on customers' behalf	27,296	25,008
3. Other fees related to activities linked to financial instruments	93,518	90,853
of which:		
- *trading for own account*	-	-
- *individual portfolio management*	*93,518*	*90,853*
b) Corporate finance	**-**	**-**
1. Consultancy on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees related to corporate finance services	-	-
c) Investment advisory	**45,486**	**45,513**
d) Offsetting and settlement services	**-**	**-**
e) Collective portfolio management	**344,752**	**533,868**
f) Custody and administration services	**383**	**406**
1. Depository Bank	-	-
2. Other fees related to custody and administration services	383	406
g) Centralised administration services for collective portfolio management	**-**	**-**
h) Trust services	**-**	**-**
i) Payment services	**10,299**	**9,398**
1. Current accounts	5,459	5,017
2. Credit cards	-	-
3. Debit cards and other payment cards	380	288
4. Bank transfers and other payment services	1,370	1,328
5. Other fees linked to payment services	3,090	2,765
j) Distribution of third-party services	**267,549**	**272,701**
1. Collective portfolio management	1,149	1,067
2. Insurance products	263,631	268,182
3. Other products	2,769	3,452
of which:		
- *individual portfolio management*	*26*	*28*
- *BG Saxo services*	*2,099*	*2,766*
k) Structured finance	**-**	**-**
l) Servicing related to securitisations	**-**	**-**
m) Commitments to disburse funds	**-**	**-**
n) Financial guarantees issued	**536**	**432**
of which:		
- *credit derivatives*	-	-
o) Financing transactions	**-**	**-**
of which:		
- *factoring-related services*	-	-
p) Currency trading	**-**	**-**
q) Goods	**-**	**-**
r) Other fee income	**3,573**	**3,128**
of which:		
- *management of multilateral trading facilities*	-	-
- *management of organised trading facilities*	-	-
Total	**960,005**	**1,163,203**

Table 2.1 relating to the breakdown of fee income includes revenues arising from financial services falling within the scope of IFRS 15, broken down by type of service rendered. With reference to the provisions of IFRS 15, paragraph 113, fee income may be further divided into the following four categories:

(€ THOUSAND)	2022	2021
Underwriting fees	30,487	42,725
Management fees	812,907	804,323
Performance fees	19,323	220,550
Fees for other services	97,288	95,605
Total	**960,005**	**1,163,203**

Underwriting, management and performance fees refer, in particular, to individual (discretionary) and collective (Sicavs promoted by the Banking Group) portfolio management, placement of securities and distribution of third-party services.
Fees for BG Saxo services refer to the offering to the Bank's customers of the trading and order collection services rendered by BG Saxo SIM S.p.A. They were classified under banking products.

	UNDERWRITING FEES	MANAGEMENT FEES	PERFORMANCE FEES	OTHER	2022	2021
Individual portfolio management	-2,108	95,614	12	-	93,518	90,853
Collective portfolio management		325,441	19,311	-	344,752	544,023
Placement of UCITS	9,542	130,088	-	-	139,630	138,283
Placement of securities	19,366	-	-	-	19,366	24,506
Distribution of third-party services	3,687	261,764	-	-	265,451	269,933
Other services and banking products	-	-	-	97,288	97,288	95,605
Total fee income	**30,487**	**812,907**	**19,323**	**97,288**	**960,005**	**1,163,203**

Underwriting fees refer to the support provided by the Bank's sales network to customers for the purchase of financial products and services and their useful lives end when the products and services concerned are subscribed. In particular, the item includes the distribution and private placement of certificates.
Variable performance fees refer mainly to the management of the Sicavs promoted by the Banking Group — they are applied on the basis of the rules set out in the prospectuses for the Sicavs concerned — and, to a lesser extent, to the individual portfolio management of Banca Generali and to advisory services.

Management fees refer to:
› discretionary management of financial assets on behalf of customers according to the conditions specified in individual mandates, accruing on a quarterly basis;
› collective management of the assets of the Sicavs managed by the Banking Group's management company (Lux IM Sicav, BG Selection Sicav and BG Alternative Sicav) on the basis of the conditions established for each sub-fund in the relevant prospectuses, accruing on a monthly basis;
› the ongoing customer support activity carried out by the Financial Advisor network with regard to the placement of units of third-party UCITS and the distribution of insurance products.

Fees on other services include revenues on traditional banking services (custody and trading of financial instruments, collection and payment services, current account keeping and management services, etc.) and advisory fees, mostly consisting of recurring fees.
Fee income consist solely of short-term items, normally collected on a monthly or quarterly basis and therefore do not include a component of a financial nature relating to the passage of time.

In reference to IFRS 15, paragraph 116 b), fee income on the placement of securities includes revenues of 110 thousand euros on the recycling to the profit and loss account for the year of liabilities included in the opening balance attributable to contracts (deferred income).

2.2 Breakdown of fee expense

TYPE OF SERVICE/VALUES	2022	2021
a) Financial instruments	**7,232**	**8,149**
of which:		
- *trading of financial instruments*	*6,185*	*6,910*
- *placement of financial instruments*	-	-
- *individual portfolio management*	*1,047*	*1,239*
Own portfolio	1,047	1,239
Third-party portfolio	-	-
b) Offsetting and settlement services	**-**	**-**
c) Collective portfolio management	**35,849**	**35,266**
Own portfolio	35,849	35,266
Third-party portfolio	-	-
d) Custody and administration services	**3,303**	**3,054**
e) Collection and payment services	**4,339**	**4,029**
of which:		
- *credit cards, debit cards and other payment cards*	*1,456*	*1,354*
f) Servicing related to securitisations	**-**	**-**
g) Commitments to receive funds	**-**	**-**
h) Financial guarantees received	**-**	**-**
of which:		
- *credit derivatives*	-	-
i) Off-premises offer of financial instruments, products and services	**414,993**	**418,852**
j) Currency trading	**-**	**-**
k) Other fee expense	**3,923**	**5,097**
Total	**469,639**	**474,447**

Fee expense for off-premises offer includes the costs incurred to obtain or fulfil contracts with customers of 83,042 thousand euros, of which 62,634 thousand euros relating to previous years.

Section 3 – Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	2022		2021	
	DIVIDENDS	SIMILAR INCOME	DIVIDENDS	SIMILAR INCOME
A. HFT financial assets	-	-	-	-
B. Other financial assets mandatorily measured at fair value	66	19	91	93
C. Financial assets measured at fair value through other comprehensive income	1,060	-	900	-
D. Equity investments	-	-	-	-
Total	**1,126**	**19**	**991**	**93**

Section 4 – Net income (loss) from trading activities - Item 80

4.1 Breakdown of net income (loss) from trading activities

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSSES FROM TRADING	NET RESULT
1. HFT financial assets	**-**	**95**	**19**	**117**	**-41**
1.1 Debt securities	-	62	19	29	14
1.2 Equity securities	-	26	-	81	-55
1.3 UCITS units	-	7	-	7	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**3,607**
4. Derivatives	**-**	**-**	**-**	**-**	**-7**
4.1 Financial	-	-	-	-	-7
- on debt securities and interest rates	-	-	-	-	-
- *interest rate swaps*	-	-	-	-	-
- *government bond forwards*	-	-	-	-	-
- on equity securities and stock indexes	-	-	-	-	-
- *options*	-	-	-	-	-
- *futures*	-		-	-	-
- on currency and gold (1)	X	X	X	X	-7
- other	-	-	-	-	-
4.2 Credit	-	-	-	-	-
of which:					
- *natural hedging related to the fair value option*	*X*	*X*	*X*	*X*	-
Total	**-**	**95**	**19**	**117**	**3,559**

(1) It includes currency options and currency outrights.

Section 5 – Net income (loss) from hedging - Item 90

5.1 Breakdown of net income (loss) from hedging

INCOME COMPONENTS/VALUES	2022	2021
A. Income from:		
A.1 Fair value hedge derivatives	384,915	27,026
A.2 Hedged financial assets (fair value)	13,813	81,678
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	**398,728**	**108,704**
B. Charges from:		
B.1 Fair value hedge derivatives	8,618	80,848
B.2 Hedged financial assets (fair value)	388,226	25,768
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	**396,844**	**106,616**
C. Net income (loss) from hedging (A - B)	**1,884**	**2,088**
of which:		
- *result of hedging of net positions*	-	-

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

6.1 Breakdown of gains (losses) on disposal/repurchase

	2022			2021		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Financial assets measured at amortised cost	**42,488**	**62**	**42,426**	**16,460**	**785**	**15,675**
1.1 Loans to banks	46	16	30	3,925	-	3,925
1.2 Loans to customers	42,442	46	42,396	12,535	785	11,750
2. Financial assets measured at fair value through other comprehensive income	**4,212**	**18,330**	**-14,118**	**5,299**	**2,820**	**2,479**
2.1 Debt securities	4,212	18,330	-14,118	5,299	2,820	2,479
2.2 Loans	-	-	-	-	-	-
Total assets	**46,700**	**18,392**	**28,308**	**21,759**	**3,605**	**18,154**
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

HTCS equity reserves transferred back to the profit and loss account due to the disposal of pre-existing equity reserves of the HTCS portfolio are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	3,100	-1,279	1,821
Total	**3,100**	**-1,279**	**1,821**

Section 7 – Net gains (losses) of other financial assets and liabilities measured at fair value through profit and loss - Item 110

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

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	**375**	**5**	**12,029**	**27**	**-11,676**
1.1 Debt securities	-	-	94	-	-94
1.2 Equity securities	-	-	469	-	-469
1.3 UCITS units	12	-	11,457	27	-11,472
1.4 Loans	363	5	9	-	359
2. Financial assets in foreign currencies: exchange differences	**X**	**X**	**X**	**X**	**110**
Total	**485**	**5**	**12,029**	**27**	**-11,566**

Section 8 – Net adjustments/reversals for credit risk - Item 130

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS						REVERSALS				2022	2021
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED							
	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		
A. Loans to banks	**1,790**	**106**	**-**	**-**	**-**	**-**	**72**	**-**	**-**	**-**	**-1,824**	**-808**
Loans	-	106	-	-	-	-	72	-	-	-	-34	-186
Debt securities	1,790	-	-	-	-	-	-	-	-	-	-1,790	-622
B. Loans to customers	**2,690**	**700**	**15**	**3,027**	**-**	**-**	**1**	**-**	**337**	**-**	**-6,011**	**-1,458**
Loans	325	617	15	3,027	-	-	1	-	337	-	-3,646	-1,428
Debt securities	2,365	83	-	-	-	-	-	-	-	-	-2,365	-30
Total	**4,480**	**806**	**15**	**3,027**	**-**	**-**	**73**	**-**	**337**	**-**	**-7,835**	**-2,266**

Specific adjustments to loans to customers classified under "Stage 3" amounted to 3,027 thousand euros and included 1,174 thousand euros for positions past due by more than 90 days, 1,259 thousand euros for unlikely-to-pay positions, and, for the remainder, other operating loans and loans to the sales network.

These write-downs were partially offset through reversals relating to positions past due at the end of the previous year (269 thousand euros) and reclassified out of the non-performing category, to bad loans (10 thousand euros) and to unlikely-to-pay exposures (58 thousand euros).

8.1a Breakdown of net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures

TRANSACTIONS/INCOME COMPONENTS	NET ADJUSTMENTS							
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED			
	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	2022	2021
1. Loans subject to forbearance measure in accordance with the GLs	-	-	-	-	-	-	-	-
2. Loans subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-56
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
4. Newly issued loans	12	9	-	1,065	-	-	1,086	-124
Total at 31.12.2022	**12**	**9**	**-**	**1,065**	**-**	**-**	**1,086**	**X**
Total at 31.12.2021	**-180**	**-**	**-**	**-**	**-**	**-**	**X**	**-180**

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS						REVERSALS					
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED							
	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINA-TED	2022	2021
A. Debt securities	416	-	-	-	-	-	-	-	-	-	-416	-258
B. Loans	-	-	-	-	-	-	-	-	-	-	-	
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
Total	**416**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-416**	**-258**

Section 12 – General and administrative expenses - Item 190

Breakdown of general and administrative expenses

	2022	2021
190 a) Staff expenses	114,789	107,844
190 b) Other general and administrative expenses	217,470	203,790
Total	**332,259**	**311,634**

12.1 Breakdown of staff expenses

TYPE OF EXPENSE/SECTORS	2022	2021
1) Employees	**113,229**	**106,559**
a) Wages and salaries	61,687	57,105
b) Social security charges	15,619	14,095
c) Termination indemnity	719	733
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	91	42
f) Provision for pensions and similar obligations:	588	-81
- defined benefit	588	-81
g) Amounts paid to supplementary external pension funds:	5,514	5,275
- defined contribution	5,514	5,275
h) Costs related to payment agreements based on own equity instruments	2,891	2,772
i) Other employee benefits	26,120	26,618
2) Other staff	**-205**	**-362**
3) Directors and Auditors	**1,691**	**1,577**
4) Retired personnel	**74**	**70**
Total	**114,789**	**107,844**

12.2 Average number of employees by category (*)

	2022	2021
Employees	**1,012**	**954**
a) Managers	70	66
b) Executives	354	331
c) Employees at other levels	588	558
Other personnel	**3**	**3**
Total	**1,015**	**957**

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

12.2.1 Breakdown of personnel

	2022	2021
Employees	**1,022**	**986**
a) Managers	73	67
b) Total executives	360	337
of which:		
- *3rd and 4th level*	*189*	*184*
c) Employees at other levels	589	582
Other personnel	**1**	**4**
Total	**1,023**	**990**

12.3 Defined benefit company pension funds: costs and income

Costs incurred in 2022 for defined benefit company pension funds amounted to 588 thousand euros, broken down as follows:

	2022
Current service cost	410
Past service cost	123
Interest expense	55
Total	**588**

12.4 Other employee benefits

	2022	2021
Short-term productivity bonuses	**18,488**	**18,238**
Long-term benefits	**379**	**2,512**
Charges for Relationship Manager recruitment plans	79	860
Charges for deferred variable remuneration (managers' MBO)	300	1,652
Other benefits	**7,253**	**5,868**
Charges for staff supplementary pensions	4,412	3,404
Amounts replacing cafeteria indemnities	1,152	1,077
Training expenses	1,009	790
Contributions to employees	149	192
Transfer incentives and other indemnities	246	263
Other expenses	285	142
Total	**26,120**	**26,618**

Short-term productivity bonuses include the portion of non-deferred variable remuneration payable in cash (MBO) for office and sales managers and portfolio managers, the performance bonus envisaged in the Supplementary Company Bargaining Agreement (CIA) and allocations in service of the plan for 2022 measures.

12.5 Breakdown of other general and administrative expenses

	2022	2021
Administration	**27,622**	**26,024**
Advertising	3,751	3,030
Audit fees	16,834	16,560
Auditing firms	758	827
Insurance	4,177	3,623
Entertainment expenses	685	317
Membership contributions	1,256	1,264
Charity	161	403
Operations	**27,489**	**22,050**
Rent and usage of premises and management of property	5,775	4,521
Outsourced administrative services	5,852	6,059
Post and telephone	2,340	2,348
Print material	1,218	1,257
Other expenses for sales network management	5,234	2,049
Other expenses and purchases	5,262	4,464
Other indirect staff expenses	1,808	1,352
Information system and equipment	**58,833**	**53,654**
Expenses related to outsourced IT services	37,942	35,041
Fees for IT services and databases	10,661	8,606
Software maintenance and servicing	8,053	7,843
Fees for equipment hired and software used	384	336
Other maintenance	1,793	1,828
Indirect taxation	**85,931**	**86,587**
Stamp duty on financial instruments	84,303	85,312
Substitute tax on medium/long-term financing	211	454
Other indirect taxes to be paid by the Bank	1,417	821
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	**17,595**	**15,475**
Total	**217,470**	**203,790**

The administrative expenses aggregate includes the costs of short-term leases (less than 12 months), consisting primarily of lease payments for parking spaces and low-value leases (less than 5 thousand euros), consisting of lease payments for photocopiers and faxes, for which the Bank has availed itself of the option not to apply the accounting treatment provided for in IFRS 16, as detailed below. There are no costs for variable payments other than those included in the measurement of lease liabilities.

	2022	2021
Lease costs < 5,000 euros	383	335
Lease costs < 12 months	111	124
Costs for variable lease payments not included in the valuation of lease liabilities	-	-

The aggregate also includes other costs arising from lease transactions, but attributable to contractual components other than lease payments and not relevant to the valuation of lease liabilities, such as fees for additional services and non-deductible VAT, which amounted to 3,783 thousand euros.

Section 13 – Net provisions for liabilities and contingencies - Item 200

13.1 Breakdown of net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued

	2022			2021		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and financial guarantees issued	9	-	9	-	-82	-82
Total	**9**	**-**	**9**	**-**	**-82**	**-82**

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

	2022			2021		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	**2,436**	**-1,825**	**611**	**4,412**	**-1,207**	**3,205**
Provision for restructuring plan	985	-162	823	2,300	-	2,300
Provision for staff expenses - Other (1)	1,451	-1,663	-212	2,112	-1,207	905
Provisions for legal disputes	**4,281**	**-304**	**3,977**	**6,051**	**-661**	**5,390**
Provision for risks related to legal disputes with subscribers	742	-101	641	2,752	-110	2,642
Provision for risks related to legal disputes with Financial Advisors	337	-27	310	599	-221	378
Provision for risks related to legal disputes with other parties	3,202	-176	3,026	2,700	-330	2,370
Provisions for termination indemnity - Financial Advisors	**6,590**	**-11,392**	**-4,802**	**32,391**	**-2,075**	**30,316**
Provision for risks related to termination indemnity of sales network	1,135	-7,851	-6,716	12,236	-1,828	10,408
Provision for manager incentive indemnity	1,577	-355	1,222	2,922	-51	2,871
Provision for portfolio overfee indemnities	21	-1,232	-1,211	3,521	-68	3,453
Provision for pension bonuses	-	-1,954	-1,954	450	-128	322
Provision for Framework Loyalty Programme	495	-	495	13,262	-	13,262
Provision for three-year incentives	3,362	-	3,362	-	-	-
Provisions for network incentives	**21,657**	**-2,825**	**18,832**	**23,138**	**-1,691**	**21,447**
Provision for network development plans	16,705	-2,822	13,883	17,156	-1,282	15,874
Provision for deferred bonus	-	-3	-3	8	-53	-45
Provision for sales incentives	-	-	-	700	-	700
Provision for managers' incentives with access gate	-	-	-	705	-150	555
Provision for incentive travels	4,700	-	4,700	3,700	-	3,700
Provision for fee plans	252	-	252	869	-206	663
Provision for tax and contributions dispute	**2,371**	**-**	**2,371**	**5,688**	**-**	**5,688**
Other provisions for liabilities and contingencies	**24,937**	**-**	**24,937**	**1,651**	**-785**	**866**
Total	**62,272**	**-16,346**	**45,926**	**73,331**	**-6,419**	**66,912**

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

Section 14 – Net adjustments/reversals of property and equipment - Item 210

14.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2022	NET RESULT 2021
A. Property and equipment	**22,448**	**-**	**-**	**22,448**	**21,949**
1. Operating:	22,448	-	-	22,448	21,949
- owned	1,997	-	-	1,997	1,975
- rights of use acquired through leases	20,451	-	-	20,451	19,974
2. Held as investments	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	X	-	-	-	
Total	**22,448**	**-**	**-**	**22,448**	**21,949**

Section 15 – Net adjustments/reversals of intangible assets - Item 220

15.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2022	NET RESULT 2021
A. Intangible assets	**14,220**	**-**	**-**	**14,220**	**13,705**
of which:					
- *software*	*12,169*	-	-	*12,169*	*11,678*
A.1 Owned:	14,220	-	-	14,220	13,705
- generated in-house	-	-	-	-	-
- other	14,220	-	-	14,220	13,705
A.2 Rights of use acquired through leases	-	-	-	-	-
Total	**14,220**	**-**	**-**	**14,220**	**13,705**

Breakdown of value adjustments of intangible fixed assets – amortisation

	2022	2021
Charges associated with the implementation of legacy CSE procedures	11,972	11,242
Customer relationships	2,051	2,027
Other intangible fixed assets	197	436
Total	**14,220**	**13,705**

Section 16 – Other operating income and expenses - Item 230

16.1 Breakdown of other operating expenses

	2022	2021
Adjustments of leasehold improvements	2,837	2,669
Write-downs of other assets	13	-
Indemnities and compensation for litigation and claims	872	359
Charges from accounting adjustments with customers	2,541	4,562
Charges for card compensation and guarantees	-	4
Costs associated with tax disputes, penalties and fines	89	28
Other contingent liabilities and non-existent assets	695	243
Other operating expenses	543	-
Consolidation adjustments	-30	-
Total	**7,560**	**7,865**

16.2 Breakdown of other operating income

	2022	2021
Recovery of taxes from customers	83,299	84,640
Recovery of expenses from customers	671	507
Fees for outsourced services	106	51
Charge-back of portfolio overfee indemnities to incoming Financial Advisors	5,009	3,880
Indemnities for Financial Advisors' termination without notice	1,398	464
Other recoveries of repayments and costs from Financial Advisors	3,129	3,249
Contingent assets related to provisions for staff expenses	2,104	581
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training (FBA)	219	204
Tax credits (film partnership, sanitisation and PPE, investments in new capital goods)	96	54
Other contingent assets and non-existent liabilities	5,592	3,121
Insurance compensation and indemnities	419	286
Other income	305	370
Total	**102,347**	**97,407**
Total other net income	**94,787**	**89,542**

Section 17 – Gains (losses) from equity investments - Item 250

17.1 Breakdown of gains (losses) from equity investments

INCOME COMPONENTS/SECTORS	2022	2021
1) Companies subject to joint control		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	-261	-266
1. Write-downs	-261	-266
2. Adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-261**	**-266**
2) Companies subject to significant influence		
A. Gains	158	-
1. Revaluations	-	-
2. Gains on disposal	158	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	-	-
1. Write-downs	-	-
2. Adjustments to non-performing loans	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**158**	**-**
Total	**-103**	**-266**

Write-downs of equity investments in companies subject to joint control amounted to 261 thousand euros and related to the measurement using the equity method of BG Saxo SIM.

Gains on disposal of companies subject to significant influence amounted to 158 thousand euros and referred to the sale of the 80.1% interest in the share capital of Nextam Partners SIM S.p.A., performed in January 2022.

Section 20 – Gains (losses) on disposal of investments - Item 280

20.1 Breakdown of gains (losses) on disposal of investments

INCOME COMPONENTS/SECTORS	2022	2021
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-4	-23
- Gains on disposal	-	4
- Losses on disposal	-4	-27
Net result	**-4**	**-23**

Section 21 – Income taxes for the year from operating activities - Item 300

21.1 Breakdown of income taxes for the year from operating activities

INCOME COMPONENTS/SECTORS		2022	2021
1.	Current taxation (-)	-82,960	-90,729
2.	Change in prior years' current taxes (+/-)	-28,962	1,482
3.	Reduction of current taxes for the year (+)	-	-
3.*bis*	Reduction of current taxes for the year arising on tax credits, pursuant to Law No. 214/2011 (+)	-	-
4.	Changes of prepaid taxation (+/-)	2,744	13,927
5.	Changes of deferred taxation (+/-)	-197	5,681
6.	**Taxes for the year (-)**	**-109,375**	**-69,639**

21.2 Reconciliation between theoretical and actual tax expense

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

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

(€ THOUSAND)	2022	2021
Current taxation	**-82,960**	**-90,729**
IRES and corporate taxes	-68,593	-72,437
Substitute tax on realignments	-	-4,026
IRAP	-14,367	-14,266
Prepaid and deferred taxation	**2,547**	**19,608**
IRES and corporate taxes	1,826	16,605
- *of which: due to realignments*	-	10,839
IRAP	721	3,003
- *of which: due to realignments*	-	1,814
Prior years' taxes	**-28,962**	**1,482**
Prior years' income taxes	1,099	1,482
Charges for tax dispute	-30,061	-
Income taxes	**-109,375**	**-69,639**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**322,348**	**392,746**
Theoretical taxation	**-88,646**	**-108,005**
Non-taxable income (+)		
Dividends	294	259
ACE	1,548	1,234
Other decreases	402	225
Non-deductible charges (-)		
Double taxation on Group's dividends	-2,307	-4,586
Impairment of equity securities PEX	-1,297	-
Other non-deductible costs	-2,796	-5,962
Other effects (+/-)		
IRAP	-13,646	-13,077
Prior years' taxes and tax withholdings	-28,962	1,482
Rate change of companies under foreign law	27,182	50,323
Effect of realignments (deferred taxes, IRES, IRAP, substitute taxes)	-	8,627
Non-income deferred tax assets and liabilities and tax losses	-2,330	-
Other adjustments (DTAs/DTLs non-income-based)	101	-83
Other consolidation adjustments	1,082	-76
Actual tax expense	**-109,375**	**-69,639**
Total actual tax rate	**33.9%**	**17.7%**
Actual rate, excluding one-off components	**24.6%**	**19.9%**
Actual IRES rate, excluding one-off components	**20.4%**	**16.6%**
Actual IRAP rate, excluding one-off components	**4.2%**	**3.3%**

The total tax rate for the year, inclusive of the charges associated with the tax dispute, was 33.9%, whereas net of that one-off component it was 24.6%. By comparison, the estimated tax rate at the end of the previous year had been 19.9%, determined without considering the net benefits of the realignment operations (17.7% considering these realignments).
This change was mainly due to the sharp decrease in income earned in foreign jurisdictions as a percentage of total profit before taxation, partly offset by the significant improvement in net interest income reported by Banca Generali in the second half of the year.

Charges for tax dispute

	IRES	IRAP	TOTAL
Taxes paid	37,945	2,766	40,711
(Minus) Provision for litigation	-9,932	-718	-10,650
Total	**28,013**	**2,048**	**30,061**
Late payment interest	7,303	508	7,811
Total	**35,316**	**2,556**	**37,872**

Section 23 – Net profit (loss) for the year attributable to minority interests - Item 340

23.1 Breakdown of Item 340 “Net profit (loss) for the year attributable to minority interests”

	2022	2021
Other equity investments		
1. BG Valeur S.A.	-61	4
Total	**-61**	**4**

Section 25 – Earnings per Share

25.1 Average number of ordinary shares with diluted capital

	2022	2021
Net profit for the year (€ thousand)	213,034	323,103
Earnings attributable to ordinary shares (€ thousand)	213,034	323,103
Average number of outstanding shares (thousand)	114,564	115,016
EPS - Earnings per share (euros)	**1.86**	**2.81**
Average number of outstanding shares with diluted capital (thousand)	114,564	115,016
EPS – Diluted earnings per share (euros)	**1.86**	**2.81**

PART D – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Analytical Consolidated Statement of Comprehensive Income

ITEMS		2022	2021
10.	**Net profit (loss) for the year**	**212,973**	**323,107**
	Other income, without transfer to Profit and Loss Account	**1,868**	**303**
20.	**Equity securities designated at fair value through other comprehensive income:**	**133**	**-311**
	a) fair value changes	133	-311
	b) transfers to other net equity components	-	-
30.	**Financial liabilities designated at fair value through profit or loss (change in own creditworthiness)**	**-**	**-**
	a) fair value changes	-	-
	b) transfers to other net equity components	-	-
40.	**Equity security hedges designated at fair value through other comprehensive income:**	**-**	**-**
	a) fair value changes (hedged instrument)	-	-
	b) fair value changes (hedging instrument)	-	-
50.	**Property and equipment**	**-**	**-**
60.	**Intangible assets**	**-**	**-**
70.	**Defined benefit plans**	**2,169**	**793**
80.	**Non-current assets available for sale and disposal groups**	**-**	**-**
90.	**Share of valuation reserves of equity investments valued at equity**	**-**	**-**
100.	**Income taxes on other income, without transfer to Profit and Loss Account**	**-434**	**-179**
	Other income, with transfer to Profit and Loss Account	**-12,179**	**-3,842**
110.	**Hedges of foreign investments:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
120.	**Exchange differences:**	**384**	**494**
	a) value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	384	494
130.	**Cash-flow hedges:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
	of which:		
	- *result of net positions*	-	-
140.	**Hedging instruments (non-designated items):**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-

ITEMS	2022	2021
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income	**-18,514**	**-6,391**
a) fair value changes	-16,863	-3,002
b) transfer to Profit and Loss Account	-1,651	-3,389
1. adjustments due to credit risk	170	-86
2. gains (losses) on disposal	-1,821	-3,303
c) other changes	-	-
160. Non-current assets available for sale and disposal groups:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
170. Share of valuation reserves of equity investments valued at equity:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
3. adjustments due to impairment	-	-
4. gains (losses) on disposal	-	-
c) other changes	-	-
180. Income taxes on other income, with transfer to Profit and Loss Account	**5,952**	**2,055**
190. Total other income components	**-10,310**	**-3,539**
200. Comprehensive income (Item 10 + 190)	**202,663**	**319,568**
210. Consolidated comprehensive income attributable to minority interests	**123**	**67**
220. Consolidated comprehensive income attributable to the Parent Company	**202,539**	**319,501**

PART E – INFORMATION ON RISKS AND RISK HEDGING POLICIES

Foreword

As per agreements with the Bank of Italy, the new company BG Suisse S.A., incorporated in Switzerland on 8 October 2021, has yet to be included in entities belonging to the Banking Group, pursuant to Article 64 of TUB.
At 31 December 2022, therefore BG Suisse S.A. was not yet subjected to the Basel 3 regulatory framework, was thus excluded from the prudential consolidation scope and was valued at equity.

Section 1 – Accounting consolidation risks

See Section 2 – Prudential consolidation risks here below for the qualitative information required by Circular No. 262 of 22 December 2005 (7th update).

Quantitative information

A. Credit quality

A.1 Credit exposures to non-performing and performing loans: balances, adjustments, performance and income breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS.
For further information on credit assets underlying the Forward Fund (mainly non-performing loans to the Italian National Healthcare System), reference should be made to Section 2, Subsection D.

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets measured at amortised cost	19,389	10,043	8,202	17,142	13,674,889	13,729,665
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,101,926	1,101,926
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	19,562	19,562
5. HFS financial assets	-	-	-	-	-	-
Total at 31.12.2022	**19,389**	**10,043**	**8,202**	**17,142**	**14,796,377**	**14,851,153**
Total at 31.12.2021	**18,971**	**5,757**	**7,102**	**7,308**	**13,354,302**	**13,393,440**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	NON-PERFORMING				PERFORMING			
	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets measured at amortised cost	54,418	16,784	37,634	-	13,703,159	11,128	13,692,031	13,729,665
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,102,487	561	1,101,926	1,101,926
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	19,562	19,562
5. HFS financial assets	-	-	-	-			-	-
Total at 31.12.2022	**54,418**	**16,784**	**37,634**	**-**	**14,805,646**	**11,689**	**14,813,519**	**14,851,153**
Total at 31.12.2021	**46,495**	**14,665**	**31,830**	**-**	**13,349,264**	**7,364**	**13,361,610**	**13,393,440**

PORTFOLIOS/QUALITY	ASSETS WITH CLEARLY POOR CREDIT QUALITY		OTHER ASSETS
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	NET EXPOSURE
1. HFT financial assets	-	-	1,991
2. Hedging derivatives	-	-	286,776
Total at 31.12.2022	**-**	**-**	**288,767**
Total at 31.12.2021	**-**	**-**	**17,925**

B. Information on structured entities (other than securitisation companies)

The consolidation scope of the Banca Generali Banking Group does not include structured entities consolidated for accounting or prudential purposes.

B.2.2 Other structured entities

Qualitative Information

Pursuant to IFRS 12, other structured entities consist solely of units of Italian and foreign UCITS.

The UCITS portfolio includes the Forward Fund, a newly formed closed-ended, reserved alternative investment fund (AIF) managed by Gardant SGR, specialised in illiquid investments. The Fund was subscribed in October 2021 in the amount of approximately 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables. At 31 December 2022, the value of the Fund recognised in the financial statements was 478.5 million euros. For a detailed analysis of the transaction and the related accounting treatment, reference should be made to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 2 "Prudential consolidation risks", Subsection D "Transfers", paragraph C "Transferred financial assets fully derecognised" of the Annual Integrated Report at 31 December 2021 and of these Notes and Comments.

Quantitative information

The following table presents the assets, liabilities and off-balance sheet exposures towards structured entities represented by units of UCITS.

ITEMS/TYPE OF STRUCTURED ENTITY	ACCOUNTING PORTFOLIOS - ASSETS	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIOS - NET EQUITY AND LIABILITIES	TOTAL NET EQUITY AND LIABILITIES (B)	NET BOOK VALUE (C = A - B)	MAXIMUM EXPOSURE TO RISK OF LOSS (D)	DIFFERENCE BETWEEN EXPOSURE TO RISK OF LOSS AND BOOK VALUE (E = D - C)
UCITS	20. c) Financial assets mandatorily measured at fair value through profit or loss	482,169	-	-	482,169	482,169	-
Total		**482,169**	**-**	**-**	**482,169**	**482,169**	**-**

	31.12.2022
Algebris NPL Partnership SCS (AIF)	1,471
MIP I Fund (AIF) - Milano Investment Partners SGR	1,489
Tenax Italian Credit fund Plc (IE Sicav)	707
Forward Fund CL A	478,502
Total	**482,169**

Section 2 – Prudential consolidation risks

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework (RAF).
In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of organisational rules, procedures and structures aimed at ensuring compliance with company strategies, while also seeking to achieve:
› the efficiency and effectiveness of work processes;
› the maintenance of asset value and protection against losses;
› the reliability and integrity of accounting and operating information;
› operational compliance with the law and supervisory regulations;
› policies, plans, regulations and internal procedures; and
› the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with best practices at the national and international levels and structured on three different organisational levels:
› first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
› second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  – Risk Management Department: it is tasked with identifying, measuring/evaluating and monitoring all the types of risks to which the Banking Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and thereby contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies. The Department acts with a view to maintaining risk levels within the limits and tolerance thresholds indicated in the exposure profile and strategies established by the Board of Directors in the Risk Appetite Framework; it assures that risks are fully and transversally analysed, and to this end it applies a strategic, consistent and prospective approach and duly provides periodic reports;
  – Compliance Service: it is tasked with verifying the observance of obligations relating to the provision of services for the Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;
  – Anti-Money Laundering Service: it is responsible, within the Banking Group, for preventing and combating transactions involving money laundering and financing of terrorism;
› third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

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

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, the control body and the independent auditors (who are responsible for accounting control):
› the Internal Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code for Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal control and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;
› the Risk Committee is charged with ensuring coordinated coverage of the system for managing and controlling the risks assumed by the Group in compliance with the Risk Appetite Framework; it is vested with specific responsibility for monitoring the Group's risks, such as the management of risk containment measures, as well as decision-making powers for identifying and implementing said measures;
› the Supervisory Board, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
› the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

1.1 Credit Risk

Qualitative Information

1. General Aspects

Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in the creditworthiness of a counterparty, to which an exposure exists, may generate a corresponding unexpected change in the market value of the associated exposure.

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

In accordance with the Banca Generali Group's business model, this type of risk chiefly arises from liquidity invested in money markets (interbank deposits), financial instruments (mainly government bonds) held in portfolios measured at amortised cost or in FVOCI and loans to customers (revocable and/or fixed-term credit). With regard to the latter, in line with the provisions of the Risk Appetite Framework and in accordance with the Business Model and the lending policies adopted, credit activity is an ancillary means of achieving the priority objectives in the private banking sector. In this context, the Bank prefers a customer target with a strong capital position, mainly focused on natural persons. In fact, there is a clear prevalence of exposures to retail (made up primarily of private and affiliated customers), compared to the corporate segment.

With regard to institutional borrowers, credit risk management is based on the allocation of appropriate credit lines, which are monitored by the Risk Management Department and established with the objective of maintaining a portfolio's risk profile that is consistent with the strategies and risk appetite approved by the Board of Directors.
Operational limits on the amounts of credit lines granted to institutional counterparties are governed by Group policies, which set out the maximum credit that may be extended to a counterparty based on its rating class. The overall consistency of ECAI ratings with internal credit assessments is verified by the Risk Management Department at least annually.
The review of the credit lines involves updating existing credit lines for counterparties that are already borrowing from the Bank or examining new credit line proposals with a view to diversifying the proprietary portfolio and developing new business linked to market opportunities.

The credit risk associated with business with customers is primarily managed by monitoring the performance of the overall portfolio and individual positions and by setting operating and process limits defined in the Risk Appetite Framework. More specifically:
- Loans to customers: the portfolio in question consists primarily in debt securities measured at amortised cost and loans to retail customers, chiefly in the form of Lombard loans, revocable current accounts, fixed-term loans and mortgage loans (in the latter case, for customers subject to agreements). Overall, the weight of non-performing exposures on the portfolio, although it increased during the year, remains low when compared to the banking system;
- Non-performing loans: the portfolio of NPLs to customers is mostly secured by pledges of securities and bank guarantees and has a good level of provisions in the residual cases in which the collateral is insufficient;
- Performing loans: the portfolio of loans to customers is approximately 82% composed of exposures to natural persons, whereas the remainder is composed of exposures to companies. Credit is primarily provided in the form of revocable facilities and Lombard loans, which together account for around 71% of the used exposure. In accordance with the Bank's lending policies and risk appetite, credit is mostly secured by pledges of highly liquid financial instruments and products.

In 2022, the Group also strengthened its origination and monitoring processes in accordance with the EBA Guidelines on loan origination and monitoring (GL EBA LOM).

First-tier control activities are conducted by the Lending Department and the Finance Department, which are responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.
The second-tier control activities are the responsibility of the Risk Management Department, which ensures the consistency of the processes, strategies and Risk Appetite Framework (RAF), yearly approved by the Bank's Board of Directors. In the specific case of portfolios of loans to retail and corporate investors, the Risk Management Department is tasked with measuring, assessing, monitoring and overseeing credit risk through monitoring of the performance of the overall portfolio, the control of the rules set forth by the Risk Appetite Framework, the drawing up of a prompt and adequate internal report to be submitted to the Bank and its corporate bodies.

Moreover, particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management Department and established with the objective of always maintaining a level of risk of the portfolio that is consistent with the strategies and the Risk Appetite Framework.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Loans subject to Covid measures

In response to the pandemic emergency that broke out in 2020, the Group took various initiatives in support of the real economy, to inject liquidity in Italy's businesses, participating in the initiatives launched by the Government in March and April 2020 ("Cure Italy Decree" and "Liquidity Decree").

In the April 2020 sessions of the Board of Directors, the Group in fact approved:

› the possibility for customers to apply for the suspension of loan payments in application of either Articles 54 and 56 of the "Cure Italy Decree" (legislative moratoria) or an internal initiative extended to borrowers and loans not contemplated in the "Cure Italy Decree" (non-legislative moratoria which were not part of the industry's agreements and/or were promoted by specific bodies and thus could not be treated according to the EBA/GL/2020/02 guidelines, as announced by the Bank of Italy):
› the extension of the provisions of EBA/GL/2020/02 for non-legislative moratoria at the Bank's internal initiative, in the process of classification as forborne, in particular by assessing the individual positions in relation to the pandemic emergency and the time horizon of their difficulty, thus avoiding the introduction of automated classification mechanisms;
› the commencement of operations with the Mediocredito Centrale SME Guarantee Fund to obtain the guarantees provided for in the Liquidity Decree for loans to Italian companies according to the definition provided in the Decree (companies with fewer than 500 employees, including microenterprises and independent contractors, artisans and self-employment professionals).

In 2021, the Group resolved i) to suspend the disbursement of loans falling within the scope of internal and legislative initiatives in support of the economy, and therefore including the loans secured by the SME fund, with effect from the second half of 2021, and ii) to extend the moratoria until 31 December 2021 in accordance with the Sostegni Bis decree. In 2022, the Group therefore managed and monitored the lines of credit in place with the Mediocredito Centrale SME Guarantee Fund and the positions no longer subject to moratoria, without undertaking any further action.

For further details regarding the exposures subject to the measures applied in light of the Covid-19 crisis, as requested by the EBA (EBA/GL/2020/07 - Final Report - Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis), see the specific disclosure provided in "Pillar 3" disclosure provided at the consolidated level, available from Banca Generali's institutional website at www.bancagenerali.com.

2. Credit Risk Management Policies

2.1 Organisational aspects

The Bank's processes provide for the retail and corporate customer credit activity to be run by the Lending Department and loans to institutional counterparties and banks to be run by Banca Generali's Finance Department.

The Lending Department is in charge of the processing of loan applications and the management of overdraft facilities granted by the Bank, as established and governed by the specific Lending Rules, with a view to ensuring compliance with the law and regulations and the quality of approved loans and maintaining the risk/return targets established by the Board of Directors.

2.2 Management, measurement and control systems

In addition to issuing loans, the Lending Department is also charged with credit management and first-tier control, with a proactive approach aimed at anticipating and preventing the deterioration of the loan portfolio.
Within the Lending Department, responsibility for monitoring is assigned to specialised individual units on the basis of the supervisory classification of customers (performing and non-performing). The purpose of this is to maximise the efficacy of the actions aimed at monitoring and mitigating credit risk throughout the customer relationship.
Accordingly, internal credit governance control measures and processes were further refined and strengthened in 2022, in line with the new EBA regulations and the Bank's business model, in order to further reduce credit and operational risk.
The current NPL portfolio stands at moderate values compared to the total exposure, is primarily secured and has been written down for the unsecured portion, resulting in moderate residual risk. Nearly half of the NPL portfolio consists, in fact, of exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. (now EFG Bank AG) upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty. The increase in the NPL ratio compared to the previous year related to positions subject to thorough monitoring.

In recent years, the Group has developed system to monitor the performing portfolio based on triggers that make it possible to identify in advance signs of difficulty affecting counterparties.

The exposure to credit risk associated with the securities portfolio is mostly originated by investments in government bonds (approximately 80%) and investment grade bank bonds. The corporate securities in the portfolio are negligible.

2.3 Expected loss measurement methods

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

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

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

The impairment of securities subject to the IFRS 9 rules is calculated according to the following variables:

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

During the year, the Group updated its impairment model for securities by bringing the staging allocation phase into line with the regulators' instructions for managing the contingent crisis period and introducing new rules for identifying significant increases in credit risk (SICRs).

2.4 Credit Risk Mitigation Techniques

With regard to the portfolio of loans to retail and corporate customers, in order to mitigate credit risk toward customers and in line with its lending policies, the Bank mainly acquires collaterals and, only secondarily, personal guarantees provided by natural persons. These are in addition to the personal guarantees provided by the Mediocredito Centrale SME Guarantee Fund to secure credit facilities granted to support the economy in the Covid-19 pandemic scenario.

Collaterals are chiefly in the form of pledges on securities, such as Funds and Sicavs, discretionary mandates, AUC solutions and insurance products.

As limited to customers subject to agreements, the Bank also acquires mortgages, almost exclusively in residential properties used as a primary residence.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI S.A., now EFG Bank AG as a result of the merger of the two institutions in 2017, for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.
This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity was maintained for those positions managed with the aim of recovery and those positions that showed a default event for which payment of the indemnity was requested from the guarantor, BSI S.A., today EFG Bank AG.
At 31 December 2022, the guarantee covers bad loan positions of approximately 26.5 million euros, which net of adjustment declined to about 18.4 million euros (see paragraph 3. Credit exposures to non-performing loans).

3. Credit exposures to non-performing loans

3.1 Management strategies and policies

Non-performing financial assets are classified into several non-performing categories in accordance with the instructions issued by the supervisory authority, as provided for in Bank of Italy Circular No. 272 dated 20 July 2008 (as subsequently amended), which refers to the provisions of the European regulation as regards the definition of default.
The process of identifying doubtful positions requires constant monitoring of positions. When limits are exceeded, various debt procedures are triggered to recover the credit. In general, considering that the vast majority of positions are secured by pledges of financial instruments, there are no residual debt exposures once the enforcement procedure has been concluded. If the exposure is unsecured or there is a residual unsecured exposure, the Bank activates the process for recovering it.
Expected losses are formulated specifically for each position on the basis of all relevant valuation elements (debtor's assets, earned income, date of expected recovery, etc.), with the exception of unsecured positions classified as past due and unlikely to pay of amounts less than 10 thousand euros, which are subject to impairment at a standard rate.

Net non-performing cash loans (hereinafter also referred as "NPLs") totalled 37,634 thousand euros, of which:

- net bad loans amounting to 19,389 thousand euros referring to financing, of which 18,434 thousand euros (95.1%) covered by indemnities, 910 thousand euros (4.7%) secured by mortgages and 45 thousand euros (0.2%) not secured;
- unlikely-to-pay loans of 10,043 thousand euros, of which just 374 thousand euros (3.7%) actually at risk, and the remaining 9,669 thousand euros (96.3%) secured by collateral (pledges or mortgages);
- non-performing past-due loans of 8,202 thousand euros, of which 7,051 thousand euros (86%) secured by collateral, and 1,151 thousand euros (14%) not secured.

Net non-performing loans in the form of financing may be broken down as follows:

- about 49.9% (18,434 thousand euros) of exposures referring to Banca del Gottardo Italia's customers and guaranteed by indemnity issued by the seller BSI S.A., now EFG Bank AG; as described above, these exposures do not entail any risk for the Bank. Therefore, no further adjustments were made to these positions with respect to the impairment already carried out by Banca del Gottardo Italia;
- about 51% (19,200 thousand euros) of exposures for which the Bank is at risk, mostly secured by pledges or mortgages.

Excluding positions covered by indemnities — which, as mentioned above, do not entail any risk for Banca Generali — non-performing cash positions amounted to 19,200 thousand euros, representing 0.2% of total net loans to customers. However, considering positions secured by collateral or similar guarantees, which at 17,630 thousand euros make up approximately 91.8% of total net non-performing loans, a residual total amount of 1,570 thousand euros of net non-performing loans are not secured by collateral, representing 8.2% of total net non-performing loans and an entirely marginal fraction of total net loans to customers (0.01%).

The NPL portfolio increased in 2022 compared to 2021, due to the inclusion of positions from performing categories, partly originated by guaranteed financing granted by the Mediocredito Centrale SME Guarantee Fund, or the inclusion of new relationships attributable to/associated with positions already classified as in default and greater drawdowns from positions already classified as non-performing.

3.2 Write-offs

The Banking Group has not adopted any write-off policy.

3.3 Acquired or originated impaired financial assets

The Banking Group's portfolio does not include acquired or originated impaired financial assets.

4. Financial assets subject to commercial renegotiations and forborne exposures

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

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

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

This assessment is performed by a specific specialised unit of the Lending Department as regards the portfolio portion of loans to customers.

At 31 December 2022, outstanding forborne exposures in the portfolio of loans to customers were mostly classified as performing positions (73%), with the remainder classified as non-performing (27%). Nearly all positions were secured by collateral (primarily pledges) or similar guarantees[11].
Exposures subject to forbearance measures at 31 December 2022 mostly consisted (approximately 71.2%) of exposures in amortisation and, to a lesser extent, uncommitted cash exposures. As for the impact on the net present value of the contractual cash flows of the forbearance measures granted over a period of 24 months, given the nature of the renegotiation transactions subject to forbearance measures, represented essentially by the renegotiation of the uncommitted cash exposure in amortising loans with a final variable rate, the impact of such exposures on net present value is believed not to be material.

In the pandemic period, the Bank continued to monitor the presence of signs of financial difficulty, assessing events and elements that could result in the granting of forbearance measures on a case-by-case basis. In the case of positions with (legislative- and non-legislative) moratoria, no automated mechanisms were adopted, but thorough assessments were carried out.

Quantitative information

A. Credit quality

A.1 Credit exposures to non-performing and performing loans: balances, adjustments, performance and income breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS.

A.1.1 Prudential consolidation — Breakdown of financial assets by maturity brackets (book value)

	STAGE 1			STAGE 2			STAGE 3			IMPAIRED ACQUIRED OR ORIGINATED		
PORTFOLIOS/RISK STAGES	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets measured at amortised cost	10,851	64	2	2,598	2,970	759	181	73	28,788	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. HFS financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2022	10,851	64	2	2,598	2,970	759	181	73	28,788	-	-	-
Total at 31.12.2021	2,930	-	-	2,603	1,431	344	6	30	21,352	-	-	-

[11] "Similar guarantees" refer to authorisation to redeem insurance policies.

A.1.2 Prudential consolidation: financial assets, commitments to disburse funds and financial guarantees issued – changes in total adjustments and total provisions

	TOTAL ADJUSTMENTS																							TOTAL PROVISIONS FOR COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED				
	ASSETS ALLOCATED TO STAGE 1						ASSETS ALLOCATED TO STAGE 2						ASSETS ALLOCATED TO STAGE 3						ACQUIRED OR ORIGINATE IMPAIRED FINANCIAL ASSETS									
CAUSES/RISK STAGES	DL	AC	OCI	HFS	IW	CW	DL	AC	OCI	HFS	IW	CW	DL	AC	OCI	HFS	IW	CW	AC	OCI	HFS	IW	CW	S1	S2	S3	C	TOTAL
Total adjustments at year-start	**46**	**5,173**	**392**	**-**	**-**	**5,611**	**38**	**1,300**	**-**	**-**	**-**	**1,338**	**-**	**14,664**	**-**	**-**	**14,664**	**-**	**-**	**-**	**-**	**-**	**-**	**33**	**9**	**-**	**-**	**21,655**
Increases from acquired or originated financial assets	-	4,569	214	-	-	4,783	-	97	-	-	-	97	-	-	-	-	-	-	X	X	X	X	X	17	2	-	-	4,899
Cancellations other than write-offs	-1	-834	-246	-	-	-1,081	-	-161	-	-	-	-161	-	-128	-	-	-128	-	-	-	-	-	-	-8	-1	-	-	-1,379
Net adjustments/reversals for credit risk (+/-)	-9	274	202	-	-	467	12	703	-	-	-	715	-	2,224	-	-	2,224	-	-	-	-	-	-	5	-5	-	-	3,406
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the assessment methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	23	-	-	23	-	-	-	-	-	-	-	-	-	-	23
Total adjustments at year-end	**36**	**9,182**	**562**	**-**	**-**	**9,780**	**50**	**1,939**	**-**	**-**	**-**	**1,989**	**-**	**16,783**	**-**	**-**	**16,783**	**-**	**-**	**-**	**-**	**-**	**-**	**47**	**5**	**-**	**-**	**28,604**
Recovery from collection of written off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs directly recognised through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	-	10	-	-	-	-	-	-	-	-	-	-	10

DL: Demand loans to banks and central banks
AC: Financial assets measured at amortised cost
OCI: Financial assets measured at fair value through other comprehensive income
HFS: HFS financial assets
IW: of which: individual write-downs
CW: of which: collective write-downs
S1: Stage 1
S2: Stage 2
S3: Stage 3
C Commitments to disburse funds and financial guarantees issued, impaired acquired or originated

Pursuant to IFRS 7, paragraph 35H, letter b) (iii), it is reported that the final total adjustments to Stage 2 trade receivables amounted to approximately 110 thousand euros and did not change considerably from their initial levels.

Total final adjustments on the securities portfolio amounted to 9,907 thousand euros and rose by 3,915 thousand euros, mainly due to the expanded volume of investments and the greater incidence of investments in securities of financial and corporate issuers.

A.1.3 Prudential consolidation: financial assets, commitments to disburse funds and financial guarantees issued – transfers between the different credit risk stages (gross and nominal values)

	GROSS AMOUNTS/NOMINAL VALUE					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
PORTFOLIOS/RISK STAGES	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets measured at amortised cost	95,414	73,701	6,506	7	6,345	305
2. Financial assets measured at fair value through other comprehensive income	-		-	-	-	-
3. HFS financial assets	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	376	677	-	-	-	-
Total at 31.12.2022	**95,790**	**74,378**	**6,506**	**7**	**6,345**	**305**
Total at 31.12.2021	**79,324**	**5,325**	**1,754**	**-**	**8,133**	**-**

A.1.3a Loans subject to Covid-19 support measures: transfers between the different credit risk stages (gross and nominal values)

Exposures subject to Covid-19 support measures transferred from Stage 1 to Stage 2 amounted to approximately 1,686 thousand euros and those transferred form Stage 2 to Stage 3 were 252 thousand euros, whereas exposures transferred from Stage 1 to Stage 3 amounted to 7,497 thousand euros; they related solely to loans to SMEs secured by the Mediocredito Centrale SME Guarantee Fund and accounted for 8.8% of the total exposures subject to said measures.

	GROSS VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
PORTFOLIOS/RISK STAGES	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
A. Assets measured at amortised cost	**1,686**	**171**	**252**	**-**	**7,497**	**-**
A.1 Subject to forbearance in accordance with the GLs	-	-	-	-	-	-
A.2 Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-
A.3 Subject to other forbearance measures	-	-	-	-	-	-
A.4 Newly issued loans	1,686	171	252	-	7,497	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Subject to forbearance in accordance with the GLs	-	-	-	-	-	-
B.2 Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-
B.3 Subject to other forbearance measures	-	-	-	-	-	-
B.4 Newly issued loans	-	-	-	-	-	-
Total at 31.12.2022	**1,686**	**171**	**252**	**-**	**7,497**	**-**
Total at 31.12.2021	**-**	**-**	**-**	**-**	**-**	**-**

A.1.4 Prudential consolidation: cash and off-balance sheet credit exposures with banks – gross and net values

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		
A. Cash credit exposures												
A.1 On demand	739,889	726,091	13,798	-	-	87	36	51	-	-	739,802	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	739,889	726,091	13,798	X	-	87	36	51	X	-	739,802	-
A.2 Other	2,699,180	2,686,128	11,062	-	-	3,150	3,040	110	-	-	2,696,030	-
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past-due exposures	-	-	-	X	-	-	-	-	X	-	-	-
of which:												
- forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	2,699,180	2,686,128	11,062	X	-	3,150	3,040	110	X	-	2,696,030	-
of which:												
- forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total A	**3,439,069**	**3,412,219**	**24,860**	**-**	**-**	**3,237**	**3,076**	**161**	**-**	**-**	**3,435,832**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	286,776	-	-	X	-	-	-	-	X	-	286,776	-
Total B	**286,776**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**286,776**	**-**
Total (A + B)	**3,437,079**	**3,412,219**	**24,860**	**-**	**-**	**3,237**	**3,076**	**161**	**-**	**-**	**3,722,608**	**-**

Cash exposures with banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets designated at fair value and other financial assets mandatorily measured at fair value.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.5 Prudential consolidation: cash and off-balance sheet credit exposures with customers – gross and net values

	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS						
TYPES OF EXPOSURES/VALUES		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	NET EXPO-SURE	OVERALL PARTIAL WRI-TE-OFFS
A. Cash credit exposures												
a) Bad loans	31,765	X	-	31,765	-	12,376	X	-	12,376	-	19,389	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	12,457	X	-	12,457	-	2,414	X	-	2,414	-	10,043	-
of which:												
- forborne exposures	*2,310*	*X*	-	*2,310*	-	*253*	*X*	-	*253*	-	*2,057*	-
c) Non-performing past-due exposures	10,196	X	-	10,196	-	1,994	X	-	1,994	-	8,202	-
of which:												
- forborne exposures	*62*	*X*	-	*62*	-	*12*	*X*	-	*12*	-	*50*	-
d) Performing past-due exposures	17,338	10,942	6,396	X	-	86	25	61	X	-	17,252	-
of which:												
- forborne exposures	*323*	-	*323*	*X*	-	-	-	-	*X*	-	*323*	-
e) Other performing exposures	12,110,682	11,843,925	247,193	X	-	8,453	6,920	1,533	X	-	12,102,229	-
of which:												
- forborne exposures	*6,140*	-	*6,140*	*X*	-	*14*	-	*14*	*X*	-	*6,126*	-
Total A	**12,182,438**	**11,854,867**	**253,589**	**54,418**	**-**	**25,323**	**6,945**	**1,594**	**16,784**	**-**	**12,157,115**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	446	X	-	446	-	-	X	-	-	-	446	-
b) Performing	1,167,804	1,164,891	1,286	X	-	51	45	6	X	-	1,167,753	-
Total B	**1,168,250**	**1,164,891**	**1,286**	**446**	**-**	**51**	**45**	**6**	**-**	**-**	**1,168,199**	**-**
Total (A + B)	**13,350,688**	**13,019,758**	**254,875**	**54,864**	**-**	**25,374**	**6,990**	**1,600**	**16,784**	**-**	**13,325,314**	**-**

Cash exposures with customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets designated at fair value and other financial assets mandatorily measured at fair value.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.
All non-performing off-balance sheet exposures refer to positions entirely secured by pledges.

The classification of non-performing loans to customers relating to the HTC accounting portfolio is shown below; loans and debt securities that reached maturity are thus included.

Bad loans

Gross bad loans to customers amounted to 31,765 thousand euros and included 12,376 thousand euros of value adjustments; therefore, net bad loans recognised totalled 19,389 thousand euros. Of this amount, 18,434 thousand euros (95% of the net bad loans alone) related to positions attributable to former Banca del Gottardo Italia's customers, fully covered by cash collateral deposits granted by BSI S.A., now EFG Bank AG, as part of the indemnity guarantee.

Excluding ex-indemnity positions, net bad loans to ordinary customers thus amounted to 955 thousand euros, equal to about 5% of total net bad loans and 0.01% of total net loans to customers. Considering bad loans secured by mortgages, which amounted to 910 thousand euros, the residual net bad loans amounted to 45 thousand euros.

The portfolio of bad loans also includes the exposure in debt instruments, amounting to 2,642 thousand euros gross, allocated to the HTC portfolio and deemed almost entirely irrecoverable.

The aggregate (see table A.1.9) increased by a gross amount of 473 thousand euros, primarily as a result of increases of 666 thousand euros — mainly relating to greater draw-downs from positions already classified as bad loans due to the charging of interest and, to a marginal extent, due to transfers from other categories of non-performing exposures — as well as of decreases of 193 thousand euros due to derecognitions and collections.

Unlikely to pay

At 31 December 2022, gross unlikely-to-pay loans amounted to 12,457 thousand euros, including adjustments of 2,414 thousand euros, resulting in a net balance of 10,043 thousand euros, of which 9,669 thousand euros (equal to 96.3%) referred to positions secured by collateral or similar guarantees (mandate to policy-related collections).

The aggregate (see table A.1.9) increased by 5,706 thousand euros compared to 31 December 2021 as a result of:

- increases of 8,620 thousand euros, consisting of new positions transferred from other performing categories amounting to 5,969 thousand euros and relating to originally performing positions that deteriorated during the year and were classified as unlikely to pay, transfers from other categories of non-performing exposures 2,235 thousand euros relating to positions already past due reclassified as unlikely to pay, and greater draw-downs from positions already classified as UTP of 416 thousand euros;
- decreases of 2,914 thousand euros, due mostly to collections of 2,619 thousand euros, referring to counterparties with exposures secured by collateral and similar guarantees, definitively recovered due to repayment and discharge of the exposure, as well as reclassifications to performing exposures of 273 thousand euros.

Non-performing past-due exposures

Non-performing past-due exposures amounted to 10,196 thousand euros, including impairment losses of 1,994 thousand euros, yielding a net balance of 8,202 thousand euros. The net aggregate mainly included:

- exposures largely secured by pledges or mortgages, totalling 7,051 thousand euros;
- other unsecured exposures with an average balance per position of approximately 1,151 euros.

The aggregate (see table A.1.9) increased by 1,745 thousand euros compared to 31 December 2021 as a result of:

- increases of 8,757 thousand euros, primarily attributable to new reclassifications from performing positions of 7,751 thousand euros and, to a residual extent, to increases in already non-performing positions of 1,006 thousand euros, referring to new reclassifications to positions already classified as non-performing exposures;
- decreases of 7,012 thousand euros, mainly consisting of collections on past-due positions with full repayment of the exposure of 3,984 thousand euros, transfers to other categories of non-performing exposures of 2,539 thousand euros, mainly relating to positions reclassified as unlikely to pay and, to a marginal extent, transfers to bad loans (45 thousand euros), return to performing status of past-due exposures due to repayment for 323 thousand euros, and write-offs with concurrent recognition of a credit loss for a total of 22 thousand euros.

Performing past-due exposures

Performing past-due exposures also include positions overdrawn or past due by more than 90 days, and for which the amount past due does not exceed the significance thresholds set following the entry into force of the new definition of default established by the European Regulation on prudential requirements for credit institutions and investment firms (Article 178 of Regulation No 575/2013).

In almost all cases, these are positions guaranteed by pledges found to be past due at the reporting date and currently being repaid.

Loans subject to Covid measures

The following table shows the figures relating to Covid-19 support measures. In particular, at 31 December 2022, loans that fall into the three specific clusters (Subject to forbearance measures in accordance with EBA GLs, Subject to other forbearance measures and Newly originated loans) amounted to 85,184 thousand euros, referring to loans to SMEs secured by the Mediocredito Centrale SME Guarantee Fund and granted until 2021, which the Bank managed and monitored in 2022.

The Bank did not grant new moratoria in the year, as these measures had ended at 31 December 2021.

A.1.5a Loans subject to Covid-19 measures: gross and net values

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS (*)
		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		
A. Bad loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely to pay	**5,251**	**-**	**-**	**5,251**	**-**	**852**	**-**	**-**	**852**	**-**	**4,399**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	5,251	-	-	5,251	-	852	-	-	852	-	4,399	-
C. Non-performing past-due loans	**2,453**	**-**	**-**	**2,453**	**-**	**213**	**-**	**-**	**213**	**-**	**2,240**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	2,453	-	-	2,453	-	213	-	-	213	-	2,240	-
D. Performing loans	**3,665**	**2,382**	**1,283**	**-**	**-**	**22**	**13**	**10**	**-**	**-**	**3,643**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-		-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	3,665	2,382	1,283	-	-	22	13	10	-	-	3,643	-
E. Other performing loans	**74,902**	**74,582**	**319**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74,902**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	74,902	74,582	319	-	-	-	-	-	-	-	74,902	-
Total (A + B + C + D + E)	**86,271**	**76,964**	**1,602**	**7,704**	**-**	**1,087**	**13**	**10**	**1,065**	**-**	**85,184**	**-**

A.1.7 Prudential consolidation: cash credit exposures with customers – changes in gross non-performing exposures

CAUSES/CATEGORIES	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES
A. Gross exposure at year-start	**31,292**	**6,751**	**8,451**
- *of which: exposures transferred but non written off*	-	-	-
B. Increases	**666**	**8,620**	**8,757**
B.1 New reclassifications from performing exposures	-	5,969	7,751
B.2 New reclassifications from acquired or originated impaired financial assets	-	-	-
B.3 Transfers from other categories of non-performing exposures	53	2,235	-
B.4 Contractual changes without cancellations	-	-	-
B.5 Other increases	613	416	1,006
C. Decreases	**193**	**2,914**	**7,012**
C.1 Reclassification to performing exposures	-	273	323
C.2 Write-offs	105	1	22
C.3 Repayments received	88	2,619	3,984
C.4 Gains on disposals	-	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfer to other categories of non-performing exposures	-	8	2,539
C.7 Contractual changes without cancellations	-	-	-
C.8 Other decreases	-	13	144
D. Gross exposure at year-end	**31,765**	**12,457**	**10,196**
- *of which: exposures transferred but non written off*	-	-	-

A.1.7-bis Prudential consolidation: cash credit exposures with customers – changes in gross forborne exposures, broken down by credit quality

CAUSES/QUALITY	NON-PERFORMING FORBORNE EXPOSURES	PERFORMING FORBORNE EXPOSURES
A. Gross exposure at year-start	**3,723**	**11,886**
- *of which: exposures transferred but non written off*	-	-
B. Increases	**1,149**	**1,009**
B.1 New reclassifications from performing non-forborne exposures	98	971
B.2 New reclassifications from performing forborne exposures	-	X
B.3 New reclassifications from non-performing forborne exposures	X	-
B.4 Other increases	1,051	38
C. Decreases	**2,500**	**6,432**
C.1 Reclassifications to performing non-forborne exposures	X	327
C.2 Reclassifications to performing forborne exposures	-	X
C.3 Reclassifications to non-performing forborne exposures	X	-
C.4 Write-offs	-	-
C.5 Repayments received	1,496	3,963
C.6 Gains on disposals	-	-
C.7 Losses on disposals	-	-
C.8 Other decreases	1,004	2,142
D. Gross exposure at year-end	**2,372**	**6,463**
- *of which: exposures transferred but non written off*	-	-

Forborne exposures

Forborne exposures consist largely of performing positions amounting to 6,461 thousand euros gross, almost all of which were secured by collateral or similar guarantees, the reduction in which compared to 2021 (11,886 thousand euros) was attributed to the transfer to other categories of several positions due to the lapse of the probation period for 327 thousand euros, to collections of 3,963 thousand euros and to lower draw-downs from positions already subject to forbearance measures of 2,144 thousand euros, against new reclassifications of 971 thousand euros relating to performing positions for which a new line of credit (new finance or refinancing of existing debt) was granted with a forbearance measure.

The residual share consisted of non-performing forborne exposures of 2,372 thousand euros gross (accounting for 27% of total performing and non-performing forborne exposures), almost all of which were fully secured by pledges (93%).

The non-performing cash forborne positions aggregate declined by 1,350 thousand euros overall (in gross terms), as a result of:

› increases due to new reclassifications from performing categories (98 thousand euros relating to performing positions), new reclassifications from other non-performing categories (past-due loans) for 1,003 thousand euros, and greater draw-downs from non-performing positions already subject to forbearance measures for 48 thousand euros;
› decreases due to collections of 1,496 thousand euros due to repayment of the forborne exposure and lesser draw-downs or partial repayments of non-performing positions already subject to forbearance measures for 1,004 thousand euros.

A.1.9 Prudential consolidation: non-performing cash credit exposures with customers: changes in total adjustments

	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST-DUE EXPOSURES	
CAUSES/CATEGORIES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total adjustments at year-start	**12,321**	**-**	**994**	**237**	**1,349**	**18**
- *of which: exposures transferred but non written off*	-	-	-	-	-	-
B. Increases	**179**	**-**	**1,538**	**53**	**1,182**	**1**
B.1 Adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other adjustments	141	-	1,306	46	1,171	1
B.3 Losses on disposals	8	-	-	-	11	-
B.4 Transfers from other categories of non-performing exposures	30	-	226	7	-	-
B.5 Contractual changes without cancellations	-	X	-	X	-	X
B.6 Other increases	-	-	6	-	-	-
C. Decreases	**124**	**-**	**118**	**37**	**537**	**7**
C.1 Reversal of adjustments	10	-	67	10	163	-
C.2 Reversal of collections	9	-	42	9	103	-
C.3 Gains on disposals	-	-	-	-	-	-
C.4 Write-offs	105	-	1	-	22	-
C.5 Transfer to other categories of non-performing exposures	-	-	7	-	249	7
C.6 Contractual changes without cancellations	-	X	-	X	-	X
C.7 Other decreases	-	-	1	18	-	-
D. Total adjustments at year-end	**12,376**	**-**	**2,414**	**253**	**1,994**	**12**
- *of which: exposures transferred but non written off*	-	-	-	-	-	-

Besides the exposures included in the previous tables, other non-performing positions are recognised in the Financial Statements for a net amount of 2,163 thousand euros, attributable to operating receivables not involving lending transactions, mostly relating to disputes and pre-dispute positions against former Financial Advisors (terminated or expired contracts).

OPERATING RECEIVABLES UNDER DISPUTE	31.12.2022		
	GROSS	WRITE-DOWNS	NET
Receivables related to FA litigation	3,434	1,416	2,018
Advances to FAs	79	79	-
Write-downs of receivables from FAs	**3,513**	**1,495**	**2,018**
Write-downs of operating receivables	630	485	145
Write-downs of operating receivables	**630**	**485**	**145**
Total write-downs	**4,143**	**1,980**	**2,163**

A.2 Classification of exposures based on internal and external ratings

Banca Generali has always regarded lending as instrumental to its ability to attract and manage its customers' assets. Accordingly, the Bank has not traditionally used an internal rating system to assess its customers' creditworthiness. The Bank therefore largely uses external ratings published by the main rating companies (Moody's, S&P and Fitch) in making portfolio decisions regarding its trading activities.

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by rating classes (gross values)

EXPOSURES	EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	<B-		
A. Financial assets measured at amortised cost								
- Stage 1	2,367,932	691,494	6,937,583	145,083	-	29,801	3,266,671	13,438,564
- Stage 2	4,100	-	20,221	-	5,157	-	235,154	264,632
- Stage 3	-	-	-	-	-	-	54,373	54,373
B. Financial assets measured at fair value through other comprehensive income								
- Stage 1	185,710	95,811	749,836	71,130	-	-	-	1,102,487
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (A + B)	**2,557,742**	**787,305**	**7,707,640**	**216,213**	**5,157**	**29,801**	**3,556,198**	**14,860,056**
of which: acquired or originated impaired financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Commitments to disburse funds and financial guarantees issued								
- Stage 1	-	-	844	-	-	-	95,052	95,896
- Stage 2	-	-	-	-	-	-	1,286	1,286
- Stage 3	-	-	-	-	-	-	446	446
Total C	**-**	**-**	**844**	**-**	**-**	**-**	**96,784**	**97,628**
Total (A + B + C)	**2,557,742**	**787,305**	**7,708,484**	**216,213**	**5,157**	**29,801**	**3,652,982**	**14,957,684**

Financial assets measured at amortised cost without rating include trade receivables and advances to Financial Advisors totalling 201,559 thousand euros.

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Prudential consolidation - Guaranteed cash and off-balance sheet credit exposures with banks

	EXPOSURE		COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)									TOTAL (1) + (2)
							CREDIT DERIVATIVES					SIGNATURE LOANS				
								OTHER DERIVATIVES								
	GROSS	NET	BUILDINGS - MORTGAGES	BFL	SECURITIES	OTHER COLLATERALISED GUARANTEES	CLNS	CC	BK	OTHER FINANCIAL CORP.	OTHER ENTITIES	CENTRAL GOVERNMENTS	BK	OTHER FINANCIAL CORP.	OTHER ENTITIES	
1. Guaranteed cash credit exposures	**397,804**	**397,723**	**-**	**-**	**397,723**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**397,723**
1.1 Totally guaranteed	397,804	397,723	-	-	397,723	-	-	-	-	-	-	-	-	-	-	397,723
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Legend:

BFL: Buildings - Finance leases
CC: Central counterparties
BK: Banks

A.3.2 Prudential consolidation - Guaranteed cash and off-balance sheet credit exposures with customers

	EXPOSURE		COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)									TOTAL (1) + (2)
							CREDIT DERIVATIVES					SIGNATURE LOANS				
								OTHER DERIVATIVES								
	GROSS	NET	BUILDINGS – MORTGAGES	BFL	SECURITIES	OTHER COLLATERALISED GUARANTEES	CLNS	CC	BK	OTHER FINANCIAL CORP.	OTHER ENTITIES	CENTRAL GOVERNMENTS	BK	OTHER FINANCIAL CORP.	OTHER ENTITIES	
1. Guaranteed cash credit exposures	**2,550,198**	**2,535,652**	**337,149**	**-**	**1,695,631**	**312,517**	**-**	**-**	**-**	**-**	**-**	**179,887**	**1,500**	**338**	**2,145**	**2,529,167**
1.1 Totally guaranteed	2,494,241	2,480,759	331,717	-	1,665,779	306,046	-	-	-	-	-	175,140	-	336	1,775	2,480,793
- *of which: non-performing*	*39,539*	*30,047*	*11,894*	-	*7,066*	*8,779*	-	-	-	-	-	*1,853*	-	-	*490*	*30,082*
1.2 Partially guaranteed	55,957	54,893	5,432	-	29,852	6,471	-	-	-	-	-	4,747	1,500	2	370	48,374
- *of which: non-performing*	*6,867*	*5,854*	-	-	*829*	*15*	-	-	-	-	-	*4,717*	-	-	*270*	*5,831*
2. Guaranteed off-balance sheet credit exposures	**858,320**	**858,271**	**-**	**-**	**639,222**	**212,762**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46**	**296**	**852,326**
2.1 Totally guaranteed	827,718	827,675	-	-	621,814	205,635	-	-	-	-	-	-	-	46	180	827,675
- *of which: non-performing*	*2,705*	*2,705*	-	-	*2,289*	*416*	-	-	-	-	-	-	-	-	-	*2,705*
2.2 Partially guaranteed	30,602	30,596	-	-	17,408	7,127	-	-	-	-	-	-	-	-	116	24,651
- *of which: non-performing*	*270*	*270*	-	-	*163*		-	-	-	-	-	-	-	-	-	*163*

Legend:

BFL: Buildings - Finance leases
CC: Central counterparties
BK: Banks

All assets held as guarantee (whether financial or non-financial) may only be liquidated in the event of default by the primary debtor, subject to formal notification of the guarantor. Accordingly, the Bank cannot sell or reuse as collateral such assets unless the debtor defaults.

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - Sector breakdown of cash and off-balance sheet credit exposures with customers

EXPOSURES/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
A. Cash exposures		
1. General governments	**8,742,592**	**2,951**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	-	-
- *of which: forborne exposures*	-	-
A.4 Performing exposures	8,742,592	2,951
- *of which: forborne exposures*	-	-
2. Financial corporations	**800,611**	**1,916**
A.1 Bad loans	5,865	79
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	245	208
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	395	114
- *of which: forborne exposures*	-	-
A.4 Performing exposures	794,106	1,515
- *of which: forborne exposures*	*12*	-
3. Financial corporations (of which insurance companies)	**41,509**	**7**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	-	6
- *of which: forborne exposures*	-	-
A.4 Performing exposures	41,509	1
- *of which: forborne exposures*	-	-
4. Non-financial corporations	**402,103**	**13,315**
A.1 Bad loans	11,391	11,501
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	4,458	886
- *of which: forborne exposures*	*50*	*1*
A.3 Non-performing past-due exposures	2,523	435
- *of which: forborne exposures*	-	-
A.4 Performing exposures	383,731	493
- *of which: forborne exposures*	*1,882*	*4*
5. Households	**2,170,300**	**7,134**
A.1 Bad loans	2,133	796
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	5,340	1,320
- *of which: forborne exposures*	*2,007*	*252*
A.3 Non-performing past-due exposures	5,284	1,439
- *of which: forborne exposures*	*50*	*12*
A.4 Performing exposures	2,157,543	3,579
- *of which: forborne exposures*	*4,565*	*10*
Total A - Cash exposures	**12,157,115**	**25,323**

EXPOSURES/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
B. Off-balance sheet exposures		
1. General governments	**-**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	-	-
2. Financial corporations	**34,940**	**3**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	34,940	3
3. Financial corporations (of which insurance companies)	**2,442**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	2,442	-
4. Non-financial corporations	**226,243**	**20**
B.1 Non-performing exposures	81	-
B.2 Performing exposures	226,162	20
5. Households	**904,573**	**27**
B.1 Non-performing exposures	365	-
B.2 Performing exposures	904,208	27
Total B - Off-balance sheet exposures	**1,168,198**	**50**

	NET EXPOSURE	TOTAL ADJUSTMENTS
General governments	8,742,592	2,951
Financial corporations	835,551	1,919
Financial corporations (of which insurance companies)	43,951	7
Non-financial corporations	628,346	13,335
Households	3,074,873	7,161
Overall total (A + B) at 31 December 2022	**13,325,313**	**25,373**
Overall total (A + B) at 31 December 2021	**13,080,850**	**20,425**

B.2 Prudential consolidation — Geographical breakdown of cash and off-balance-sheet credit exposures with customers

EXPOSURES/GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash credit exposures										
A.1 Bad loans	19,389	11,659	-	717	-	-	-	-	-	-
A.2 Unlikely to pay	8,310	2,380	1,733	34	-	-	-	-	-	-
A.3 Non-performing past-due exposures	8,201	1,986	1	7	-	1	-	-	-	-
A.4 Other performing exposures	8,306,389	5,918	3,345,996	2,224	74,569	188	94,008	79	298,519	130
Total A	**8,342,289**	**21,943**	**3,347,730**	**2,982**	**74,569**	**189**	**94,008**	**79**	**298,519**	**130**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	446	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,134,814	52	29,085	-	1,014	-	2,810	-	30	-
Total B	**1,135,260**	**52**	**29,085**	**-**	**1,014**	**-**	**2,810**	**-**	**30**	**-**
Total at 31.12.2022	**9,477,549**	**21,995**	**3,376,815**	**2,982**	**75,583**	**189**	**96,818**	**79**	**298,549**	**130**
Total at 31.12.2021	**9,342,849**	**18,874**	**3,412,655**	**1,429**	**75,957**	**81**	**65,958**	**18**	**183,430**	**23**

B.3 Prudential consolidation - Geographical breakdown of cash and off-balance-sheet credit exposures with banks

EXPOSURES/GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	1,233,623	1,755	2,046,628	1,362	24,660	12	-	-	130,921	107
Total A	**1,233,623**	**1,755**	**2,046,628**	**1,362**	**24,660**	**12**	**-**	**-**	**130,921**	**107**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	275,432	-	11,344	-	-	-	-	-	-	-
Total B	**275,432**	**-**	**11,344**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2022	**1,509,055**	**1,755**	**2,057,972**	**1,362**	**24,660**	**12**	**-**	**-**	**130,921**	**107**
Total at 31.12.2021	**2,141,075**	**888**	**786,379**	**325**	**29,207**	**14**	**5,034**	**1**	**38,909**	**3**

B.4 Large exposures

Regulation (EU) No. 575/2013 (CRR) and Directive No. 2013/36/EU (CRD IV), published on the *Official Journal of the European Union* on 27 June 2013, enacted the new rules defined by the Basel Committee on banking supervision governing large exposures. On 17 December 2013, the Bank of Italy applied the above provisions by issuing Circular No. 285 "New Prudential Supervisory Provisions Concerning Banks" — further amended in various years (latest update, No. 41, dated 20 December 2022) — and Circular No. 286 "Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies". The latter Circular as well was subject to several amendments during the years (latest update, No. 15, on 2 November 2022). In detail, according to the aforementioned rules, exposure values of a bank to a counterparty or to a group of connected counterparties must be defined as a "large exposure" if it is equal to or above 10% of the bank's Tier 1 capital.

Based on CRR 575/2013, "Tier 1 capital" is defined as the sum of Total Common Equity Tier 1 capital and Additional Tier 1 capital of the entity.

The exposure value of an asset item shall be its accounting value and not its weighted value. Therefore, the positions which fall within the meaning of "Large Exposure" are recognised at both book value and weighted value.

BIG RISKS	31.12.2022	31.12.2021
a) Amount of the exposure	13,602,197	10,575,570
b) Weighted amount	487,161	289,072
c) Number	17	16

C. Securitisation

Qualitative information

Banca Generali's appetite for investments in securitised instruments is very limited (the exposure is 1.22% of the total banking book bond portfolio). All investments undertaken were directed towards the most senior tranches of the securitised structures.

Quantitative information

C.2 Prudential consolidation – Breakdown of exposures resulting from main third-party securitisations by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/ EXPOSURES	CASH EXPOSURES						CASH EXPOSURES						CASH EXPOSURES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR
GIM NL LUX 12/06/2018	20,128	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRADO VIII FRN 2055	3,098	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRISMA SPV FRN 2039	12,485	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CREDIMI 20/07/2026	46,144	673	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LANTERNA M FRN 2065	10,252	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ERIDANO II SPV FRN 3	4,063	37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROG QUIN 36 A 1 FR	2,257	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORDATUS VIII FRN 34	7,532	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EURO-GAL VII FRN 35	7,529	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AQUEDUCT EUROPEAN CL	6,219	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RRME 2X A1R	6,026	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AURIUM VIII FRN 2034	7,500	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INVESCO VI FRN 2035	7,533	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Legend

BV = book value

AR = Adjustments/Reversals

D. Transfers

D.1 Prudential consolidation - Transferred financial assets fully recognised and related financial liabilities: book value

	TRANSFERRED FINANCIAL ASSETS FULLY RECOGNISED				RELATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SECURITISED	OF WHICH: REVERSE REPURCHASE AGREEMENTS	OF WHICH: NON-PERFORMING	BOOK VALUE	OF WHICH: SECURITISED	OF WHICH: REVERSE REPURCHASE AGREEMENTS
A. HFT financial assets	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	257,339	-	257,339	-	257,346	-	257,346
1. Debt securities	257,339	-	257,339	-	257,346	-	257,346
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	1,638,206	-	1,638,206	-	1,591,775	-	1,591,775
1. Debt securities	1,638,206	-	1,638,206	-	1,591,775	-	1,591,775
2. Loans	-	-	-	-	-	-	-
Total at 31.12.2022	**1,895,545**	**-**	**1,895,545**	**-**	**1,849,121**	**-**	**1,849,121**
Total at 31.12.2021	**12,228**	**-**	**12,228**	**-**	**11,752**	**-**	**11,752**

C. Prudential consolidation - transferred financial assets fully derecognised

In accordance with the Bank of Italy Communication of 23 December 2019, this section contains information regarding the restructuring of a portfolio of senior notes issued by SPVs in the securitisation of healthcare receivables by Banca Generali in 2021 as it is considered to constitute a transfer of a loan portfolio to a mutual investment fund with concurrent subscription of the units by the transferring intermediary.
For further information on the process of this operation, reference should be made to the corresponding Section of the Financial Statements at 31 December 2021.

The healthcare receivable restructuring operation

In 2021, Banca Generali had performed an extensive restructuring of a portfolio of senior notes issued by an SPV of securitising healthcare receivables, with a notional amount of 478.5 million euros, held by its professional clients, in order to protect them against a potential loss on the investments concerned. In particular, the restructuring of the portfolio entailed the following:

1. the purchase of the senior securitised notes from the clients for an amount of 457.6 million euros [12 13];
2. the simultaneous sale of the notes thus purchased to a newly formed Italian fund (AIF), the "Forward Fund", managed by Gardant Investor SGR, for 377.7 million euros, with the Bank recognising a trading loss of 79.9 million euros, accounting for approximately 79% of the principal amount outstanding of these notes;

[12] In particular, Banca Generali promoted a purchase offer addressed to all interested clients in reference to the full outstanding amount of the senior notes relating to the Astrea Due, Astrea Tre, Astrea Quattro and Chiron Due and Argo securitisations for consideration of 95% of the principal amount outstanding (97.5% for Argo).

[13] The total outstanding amount of the securitisations amounted to 542 million euros, inclusive of mezzanine notes not distributed to customers of the Bank and junior notes held by the arranger of the transaction.

3. the subscription by the Bank of the majority of the shares of the above Fund, with a 98% stake, equal to 490 million euros (A shares), of which 378 million euros already paid at the time of purchase of the notes, whereas the remaining 10 million euros (B shares) were subscribed by Gardant S.p.A., the parent company of the management firm that promoted the formation and assumed full, independent management of the fund.

The strategic goal of the restructuring was thus essentially to transfer the aforementioned notes from the Bank's customers to a specialised, independent professional operator with specific expertise in managing illiquid portfolios and the servicing of securitisations, capable of optimising the process of recovering the cash flows generated by the notes by restructuring their maturities and ensuring better management of the repayment of the underlying receivables and concurrent reinvestment of the proceeds of such payments.
It should be noted that the securitisations subject to transfer did not refer to underlying transactions originated by Banca Generali and had not been previously held by the Bank. Rather, the Bank only acquired title to them on an entirely temporary basis at the time of the twofold transfer.
In fact, the Bank has acted only as Placement Agent in these securitisation transactions, however it has nonetheless decided to undertake the restructuring operation to protect its clients and strengthen its trust-based relationship with them.

The portfolio of transferred receivables
At 31 December 2021, the assets underlying the securitisations amounted to 595.1 million euros, mostly related to:
- 86.0 million euro cash balance;
- 509.1 million euro healthcare receivables from local healthcare authorities, with a residual share consisting of receivables from the Italian central government (e.g., municipalities, regions, ministries, etc.).

In particular, exposures to healthcare companies also included types of receivables with a high risk profile, such as "out-of-budget" healthcare receivables (268 million euros) and late payment interest from past-due healthcare receivables (162.5 million euros, of which 62.0 million euros transferred without the originating receivables).
At the geographical level, exposures mainly consisted of receivables from healthcare companies based in Campania and Lazio, which accounted for 77% of the total outstanding.
Most of the receivables underlying the securitisations could also be deemed to be non-performing as overdrawn or under dispute, with the exception of the liquidity and revolving loans component.
Recoverable amounts had been estimated at approximately 397 million euros (311 million euros net of cash), and their fair value had been estimated at 377.3 million euros (291.3 million euros net of cash).

In 2022, the asset management company prepared an updated business plan based on the analysis of each position, confirming and improving the initial measurement of the recoverable amount of the underlying receivables.
In particular, collections made and planned exceeded the forecast in the initial projection, albeit spread over a longer period.
As at 31 December 2022, the exposure to healthcare receivables in the Forward Fund amounted to 287 million euros. The decrease in the value of the exposure compared to the original purchase amount primarily related to the distribution of cash from the notes to the Fund, for approximately 85 million euros, deriving from recovery activity and the interruption of the revolving receivables included in the securitisations. The cash generated will be used by the Fund to invest in the other asset classes provided for in the Fund regulations beside that of healthcare receivables.

The Forward Fund
The Forward Fund is a reserved, closed-end Italian alternative investment fund (AIF), formed by Gardant Investor SGR S.p.A. following the authorisation received on 2 August 2021.

In accordance with the Fund Regulation, approved by the related Board of Directors on 10 September 2021, two classes of units were issued that grant their holders different economic and governance prerogatives:
- 490 class A units, subscribed by Banca Generali, in the total amount of 490 million euros, of which 378 million euros paid in cash upon the purchase of the senior notes by the Fund [14], and the remaining 112 million euros paid in 2022 and aimed at constructing an alternative investment portfolio[15];
- 10 class B units, subscribed by Gardant S.p.A., the parent company of the asset management company, in the total amount of 10 million euros.

The A and B units enjoy the same **economic rights**, except for the right of the B investor to an increase, by way of incentive, of 15% of the fund's return in excess of 3%, with effect from the fifth year and solely on the investments undertaken directly by the management company.
With reference to the **governance**, the Fund Rules provide that within the framework of the guidelines established, all powers relating to relevant decisions regarding management of the fund be irrevocably transferred to the management company, which may therefore operate in full autonomy, reserving only rights of a protective nature for the Bank, as the A investor.

[14] The Fund's units were subscribed on 30 September 2021. On 1 October 2021, the management company then drew down its commitments for the subscription of the first 378 of the 490 units subscribed by Banca Generali with settlement date of 7 October 2021.
[15] In particular, consideration for the remaining portions subscribed were paid up for 17 million euros with a value date of 30 March 2022 and for 95 million euros with a value date of 5 December 2022.

The fund, which has a duration of 15 years[16], pursues the twofold goal of:
› optimising the process of recovering the cash flows generated by the receivables, through the restructuring of maturities and better management of repayment of the underlying receivables and concurrent reinvestment of their proceeds;
› managing a complex portfolio of alternative investments, also including infrastructure and corporate lending investments[17], up to a maximum investment of 550 million euros, in order to achieve an expected total return of between 2% and 4% over the life of the Fund.

The first investments in alternative investments of 23.3 million euros, along with corporate lending of 33.2 million euros, were launched in 2022. In addition, as at 31 December 2022, 108.0 million euros of the Fund's cash balances, pending reinvestment, were allocated to a portfolio of government bonds.

The initial results indicate essential stability of the expected IRR on the healthcare receivables asset class and an improvement for the other two asset classes. Overall, the Fund's net IRR is expected to be 3.8%, compared to the initial forecast of 3%.

In view of the current macroeconomic scenario of severe economic and geopolitical uncertainty, the investment continues to be subject to possible revaluation effects, including to a significant degree, due to the increase in interest rates and the ability of the asset management company to recover cash flows from the underlying healthcare receivables, according to the times and amounts (recovery rate) envisaged by the business plan.

In view of the estimated FV of the notes with underlying healthcare receivables, a DCF model was applied on the basis of the flows estimated by the special servicer/asset management company, discounted in relation to their risk profile, at an average rate of approximately 6%.

In light of the nature of the instrument, i.e., units of a closed-ended, unlisted (illiquid) mutual fund, and the mark-to-model valuation approach for determining fair value (FV), based on inputs that are not fully observable, it was assigned to Level 3 of the FV hierarchy.
Accordingly, a standalone sensitivity analysis was performed assuming a change in the discount rate of +100 bps and a change in the collection of underlying receivables of -5%.
The analysis identified a decrease of approximately 9.5 million euros in relation to the change in discount rates (+100 bps) and a decrease of approximately 3.5 million euros in relation to the recovery of the positions (-5%).
At 31 December 2022, the fair value of the investment in the Forward Fund was estimated at 478.5 million euros, with a cumulative capital loss of 11.5 million euros (10.8 million euros in 2022), primarily due to the increase in market rates.

The initial commitment of 120 million euros, to undertake, *inter alia*, additional investment transactions, was fully called up during the year. Accordingly, the residual commitment was zero at 31 December 2022.

1.2 Market risks

The Bank's exposure to market risk is mainly due to the trading of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a financial instrument or a portfolio of financial instruments associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

The Bank monitors market risks with reference both to the banking book and the trading book. Specifically as regards monitoring this risk, the Risk Management Department applies the regulatory method to the trading book, whilst the rate risk on the banking book follows the regulations specified in annex C of Bank of Italy Circular No. 285/2013 and subsequent updates.
With regard to market risk management, the Bank has formally defined a Financial Portfolio Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority. The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Regulation of Limits and Escalation Process.
Second-tier checks are a responsibility of the Risk Management Department, as is the monitoring of operating limits aimed at maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

[16] The Fund has an overall duration of 15 years, subject to extension by a maximum of two years, with a first investment period with a duration of eight years and a management and collection period of seven years.
[17] In particular, the Fund's investment policy calls for the cash flows from the repayment of the senior notes and the additional share of 120 million euros of the commitments entered into by the subscribers be invested in:
(i) fundamental infrastructure funds and networks; and
(ii) lending activities to:
(a) corporate lending with a focus on secured lending to Italian companies with adequate guarantees of cash generation not reclassified as non-performing and, possibly,
(b) performing senior real estate lending with adequate guarantees (i.e., first-degree mortgage with advance level of up to 60% of the market value of the asset).

The Internal Audit Department conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Spiralling energy and food prices, demand-side pressures in some sectors due to the reopening of economic activities and supply-side bottlenecks have pushed inflation upwards, with a significant slowdown in growth in the Euro area. Moreover, the adverse geopolitical situation, with Russia's aggression against Ukraine, has impacted business and consumer confidence. Central banks are implementing a rate-increase policy aimed at reducing inflationary pressure, although the persistent vulnerabilities caused by the pandemic continue to represent a risk for the orderly transmission of the monetary policy. This year as well, in line with the path undertaken, the Bank reacted by increasing the diversification policy for its portfolio and continuing in the direction of containing the exposure to interest rate risk by adopting a policy of transforming risk through the use of hedging instruments (such as asset swaps).

The own bond portfolio is mainly invested in government securities, securities issued by domestic and international banks and, to only a lesser extent, in securities of corporate issuers and ABSs. With a view to further strengthening the management and monitoring of the credit risk profile, the Bank has adopted a portfolio management policy which, in addition to the aforementioned credit lines, provides, *inter alia*, for certain minimum and maximum investment limits on specific geographical-industry clusters and minimum thresholds for investments in government securities or securities with a high credit standing. This framework also sets specific maximum maturity limits for investments in the proprietary bond portfolio and strict limitations on exposures to complex instruments or hard-to-value assets. In addition, to complement its market risk analyses, the Bank performs scenario analyses by both exploiting the macroeconomic forecasts published by institutions and research centres and drawing on internal calculations and management tools.

The portfolio's exposure to the equity market remains modest.
The Group uses derivatives for hedge accounting purposes (e.g., Interest Rate Swaps), both in order to safeguard the banking book against adverse changes in the fair value of loans caused by movements in rate curves, and to contain duration levels in view of changing trends in the proprietary portfolio.

The main objective of exchange rate operations is to contain open positions in foreign currencies. Regarding the rate activity, the main objective is to align balance sheet assets and liabilities. Banca Generali holds marginal amounts of securities denominated in foreign currencies.

1.2.1 Interest Rate and Price Risk - Regulatory Trading Book

Qualitative information

A. General Aspects

The exposure of the trading book is residual. The Bank's main activity that contributes to interest rate risk relates to a position in a financial bond nearing maturity.

B. Management processes and interest rate and price risk measurement techniques

Market risks are measured for management purposes according to a daily sensitivity analysis, prudentially monitored at the level of the Bank's entire own portfolio with the aim of identifying interest rate and spread risk. These are supplemented by the monitoring of deterministic measurements (level measurements such as the notional and Mark to Market values) defined in the Bank's "Regulation of Limits and Escalation Process".

In detail, the model adopted by the Risk Management Department to conduct the sensitivity analysis is based on the Fundamental Review of Trading Book rules and has been developed to calculate sensitivity:
- on interest-rate risk: the possibility of calculating sensitivity according to a full-evaluation approach, based on shocks to the base risk-free curve in foreign currency;
- on country risk: the possibility of calculating sensitivity according to a full-evaluation approach, based on shocks to loan/sector curves.

The sensitivities of the two components described above are calculated as a parallel shock of +100 bps on all nodes of the curve, with regard to both the interest-rate risk and country risk portions.

The following table shows the interest-rate risk sensitivity of the entire trading book (HTS portfolio) at 31 December 2022:

(€ THOUSAND)	HTS
Interest-rate risk sensitivity	-4.2

Quantitative information

1. Regulatory trading book: breakdown by time-to-maturity (repricing date) of cash financial assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY
1. Cash assets	**-**	**1,988**	**-**	**-**	**2**	**-**	**-**	**-**
1.1 Debt securities	-	1,988	-	-	2	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	1,988	-	-	2	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**62,862**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options		-						
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives		-						
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	62,862	-	-	-	-	-	-
- Options		-						
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives		62,862						
+ long positions	-	31,431	-	-	-	-	-	-
+ short positions	-	31,431	-	-	-	-	-	-

2. Regulatory trading book: breakdown of exposures in equity securities and stock indices by main countries on the market of listing

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question, or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of equity instruments such as shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to UCITS units held in the portfolio.

However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of HFT financial assets.

TYPE OF TRANSACTION/INDEX	LISTED				NOT LISTED
	ITALY	USA	GERMANY	OTHER	
A. Equity securities					
- long positions	-	1	-	-	-
- short positions	-	-	-	-	-
B. Equity security purchases/sales to be settled					
- long positions	-	-	-	4	1
- short positions	-	-	-	-	-
C. Other derivatives on equity securities					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
D. Stock index derivatives					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-

3. Regulatory trading book: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading book.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali Group are interest-rate and price risk.
In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.
The next stage involves establishing the potential effects on the profit and loss account both in terms of the actual change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.
In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the actual impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +362.3/-362.3 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

A change in interest rates of +100/-100 basis points would have an overall effect on the fair value of the debt securities trading book of -4.17/+4.17 thousand euros, gross of the tax effect.

(€ THOUSAND)	HTS
FV equity delta (+10%)	362.3
FV equity delta (-10%)	-362.3
FV bonds delta (+1%)	-4.17
FV bonds delta (-1%)	+4.17

1.2.2 Interest Rate and Price Risk - Banking Book

Qualitative information

A. General aspects, management processes and interest rate and price risk measurement techniques

The interest rate risk to which the banking book is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, the value of net equity.

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

The Finance Department and the Lending Department conduct first-tier controls on the management of interest rate risk.
The Risk Management Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking book is exposed. It is also responsible for updating the models and metrics, including on the basis of analyses of legal requirements, market best practices and the contributions of the business functions involved (and the Finance Department in particular).
The Internal Audit Department is responsible for third-tier controls of loans and net inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking book and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

During the year, the Bank monitored its interest rate risk profile by applying its control framework, checking the exposure against the limits approved by the Board of Directors upon approval of the Risk Appetite Framework. Containment of the risk to changes in interest rates is also based on monitoring of the duration of the Bank's own portfolio or on stress tests that aim to identify in advance significant sources of risk upon the occurrence of adverse situations.
In line with supervisory regulations, the Bank also determines the exposure to interest rate risk of the banking book by reference to net interest income or expected profits.

Most of the interest rate risk in the Bank's banking book arises from:
- trading on the collateralised deposits market (REPOs);
- customer lending activities; and
- investment operations of the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items of net inflows, with a negative impact on the Group's objectives in terms of net interest income.

B. Fair value and cash flow hedging
The Bank currently uses fair value hedging strategies to contain the interest rate risk on the banking book. These strategies are formulated according to the Bank's risk appetite and are designed to keep banking book's duration within the established limits by using hedging derivative instruments such as interest rate swaps.
In particular, by establishing hedging relationships, the Bank seeks to stabilise the fair value of the bond in respect of changes in interest rates and to decrease the duration of the hedged bond.
All derivative instruments are designated as hedges against the specific risk hedged, as identified for each hedging relationship and pursuant to IFRS 9.

There are currently no cash flow hedging transactions generated by the Bank's operations.

Quantitative information

1. Banking book: breakdown by time-to-maturity (repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY
1. Cash assets	**3,662,897**	**2,348,343**	**2,597,200**	**806,316**	**3,993,703**	**1,831,954**	**350,541**	**-**
1.1 Debt securities:	-	1,800,017	2,594,989	802,085	3,989,040	1,829,218	350,198	-
- with early repayment option	-	120,706	24,699	19,467	30,842	21,194	5,347	-
- other	-	1,679,311	2,570,290	782,618	3,958,198	1,808,024	344,851	-
1.2 Loans to banks	864,984	547,710	-	-	-	-	-	-
1.3 Loans to customers:	2,797,913	616	2,211	4,231	4,663	2,736	343	-
- current accounts	1,790,667	18	261	2,496	24	-	-	-
- other loans	1,007,246	598	1,950	1,735	4,639	2,736	343	-
- with early repayment option	723,331	505	140	169	1,786	2,736	343	-
- other	283,915	93	1,810	1,566	2,853	-	-	-
2. Cash liabilities	**13,608,235**	**1,822,822**	**39,350**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers:	13,540,504	1,346,022	39,350	-	-	-	-	-
- current accounts	12,972,642	-	-	-	-	-	-	-
- other debts	567,862	1,346,022	39,350	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	567,862	1,346,022	39,350	-	-	-	-	-
2.2 Due to banks:	67,731	476,800	-	-	-	-	-	-
- current accounts	30,002	-	-	-	-	-	-	-
- other debts	37,729	476,800	-	-	-	-	-	-
2.3 Debt securities:	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities:	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**10,000**	**1,963,500**	**3,537,500**	**211,500**	**601,000**	**1,390,000**	**438,500**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	10,000	1,963,500	3,537,500	211,500	601,000	1,390,000	438,500	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	10,000	1,963,500	3,537,500	211,500	601,000	1,390,000	438,500	-
+ long positions	10,000	1,878,500	2,082,500	16,500	88,500	-	-	-
+ short positions	-	85,000	1,455,000	195,000	512,500	1,390,000	438,500	-
4. Other off-balance sheet transactions	**1,456,290**	**1,456,290**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	1,456,290	-	-	-	-	-	-	-
+ short positions		1,456,290	-	-	-	-	-	-

2. Banking book: internal models and other methods of sensitivity analysis

The sensitivity analysis was conducted only for the interest rate risk component also for the banking book, with regard to the portfolio of financial assets measured at fair value through other comprehensive income, the portfolio of financial assets measured at amortised cost, and the portfolio of loans to customers and banks.

As regards the price risk, a change of +100/-100 basis points would yield a change in the valuation reserves on debt securities in the HTCS category of -6.9/+6.9 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the HTCS portfolio would amount to -5.6/+5.6 million euros as a result of the hypothesised shift in the rate curve, or about 80% of the fair value delta of the entire HTCS bond portfolio.

To provide a complete information, the following table shows the effect of a similar price shock in the fair value of portfolios recognised at amortised cost.

(€ THOUSAND)	HTCS	HTC	LOANS (*)	TOTAL
FV bonds delta (+1%)	-6,905	-105,623	-15,581	-128,109
- *of which: government bonds*	*-5,600*	*-78,740*	-	*-84,340*
FV bonds delta (-1%)	6,905	105,623	15,603	128,131
- *of which: government bonds*	*5,600*	*78,740*	-	*84,340*

(*) Loans to banks and Loans to customers.

The same criteria were also applied to a sensitivity analysis of net interest income of the entire banking book. It resulted in a potential impact on the Profit and Loss Account of +58.2 million euros, gross of the tax effect, in case of increase of interest rates by 1%, and -57.9 million euros in case of decrease by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%) (*)	87,408	-29,186	58,223
Net interest income delta (-1%) (*)	-87,767	29,775	-57,992

(*) Sensitivity analysis calculated using a constant balance sheet, considering current funding pricing conditions, which mostly involve the application of implicit optionality.

1.2.3 Exchange Rate Risk

Qualitative information

A. General aspect, management processes and exchange rate risk measurement techniques

Exchange rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.
With regard to exchange rate risk management, the Group has formally defined a Financial Portfolio Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department performs first-tier controls of exchange rate risk management.
The Risk Management Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the exchange rate risk.
The Internal Audit Department is responsible for third-tier controls of loans and net inflows in foreign currency.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the exchange rate risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Most of the exchange rate risk arises from:
- trading of securities and other financial assets in foreign currency;
- interest to be collected and/or paid, reimbursements, fees or dividends in foreign currency;
- bank transfers in foreign currency to customers (institutional and retail customers);
- currency trading on behalf of customers.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.
Exchange rate risk is mitigated through funding activities in the same currency as that of lending transactions.

The exchange rate risk associated with BG Valeur is due to the fact that most of its revenues are in a different currency than its administrative costs (CHF). The subsidiary's open positions in the Swiss franc account for 0.02% of total consolidated assets, and therefore are not a material exposure at the Group level.

Quantitative information

1. Breakdown by currency of denomination of assets, liabilities and derivatives

	CURRENCIES						
ITEMS	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	CANADIAN DOLLAR	AUSTRALIAN DOLLAR	OTHER CURRENCIES
A. Financial assets	**59,032**	**1,718**	**25,230**	**10,708**	**2,441**	**-**	**6,460**
A.1 Debt securities	29,262	-	12,204	4,497	-	-	-
A.2 Equity securities	5,708	-	-	-	-	-	-
A.3 Loans to banks	24,061	1,718	9,678	6,211	2,441	-	6,460
A.4 Loans to customers	1	-	3,348	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**59,077**	**1,705**	**20,427**	**10,968**	**2,612**	**-**	**3,312**
C.1 Due to banks	-	-	461	241	-	-	758
C.2 Due to customers	59,077	1,705	19,966	10,727	2,612	-	2,554
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**338**	**72**	**3**	**-104**	**34**	**-**	**-146**
- Options	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
- Other derivatives	338	72	3	-104	34	-	-146
- long positions	11,668	72	453	3,349	66	-	206
- short positions	11,330	-	450	3,453	32	-	352
Total assets	**70,700**	**1,790**	**25,683**	**14,057**	**2,507**	**-**	**6,666**
Total liabilities	**70,407**	**1,705**	**20,877**	**14,421**	**2,644**	**-**	**3,664**
Excess	**293**	**85**	**4,806**	**-364**	**-137**	**-**	**3,002**

2. Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has been also conducted on assets and liabilities denominated in currencies other than the euro, regardless of the portfolio to which they have been allocated.

A shock of +10%/-10% on equity instruments denominated in currencies other than the euro would have an effect on the fair value of approximately +519/-634 thousand euros, whereas a shock of +100/-100 bps in rates would have an effect on the fair value of debt securities and assets other than equity instruments in foreign currency of -885/+885 thousand euros, gross of the tax effect.

(€ THOUSAND)	ASSETS
FV equity delta (+10%)	519
FV equity delta (-10%)	-634
FV non-equity delta (+1%)	-885
FV non-equity delta (-1%)	+885

By contrast, an interest rate movement of +100/-100 bps would have an effect of -376/+375 thousand euros on the flow of interest on assets and liabilities denominated in currencies other than the euro.

(€ THOUSAND)	TOTAL ITEMS
Net interest income delta (+1%)	-376
Net interest income delta (-1%)	+375

1.3 Derivatives and hedging policies

1.3.1 Trading derivatives

A. Financial derivatives

A.1 HFT financial derivatives: notional values at year-end

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2022				31.12.2021			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**20,758**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	20,758	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**20,758**	**-**

A.2 HFT financial derivatives: positive and negative gross fair value - breakdown by products

TYPE OF DERIVATIVES	31.12.2022				31.12.2021			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	4,558	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**4,558**	**-**
1. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	4,551	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**4,551**	**-**

A.3 OTC HFT financial derivatives: breakdown of notional values and positive and negative gross fair value by counterparties

No HFT financial derivative were recognised in the Consolidated Financial Statements of the Banca Generali Group at 31 December 2022.

A.4 Time-to-maturity of OTC HFT financial derivatives: notional values

UNDERLYING ASSETS/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2022	**-**	**-**	**-**	**-**
Total at 31.12.2021	**20,758**	**-**	**-**	**20,758**

1.3.2 Hedging instruments

The proprietary portfolio managed by the Bank includes hedging derivatives entered into both through a central counterparty (CCP) clearing house and on a bilateral basis under a CSA, affected by the benchmark interest rate reform introduced by Regulation (EU) No. 34 of 15 January 2020.
For such contracts, which normally call for the use of Eonia rates, the transition to the new overnight rate, €STR, was therefore completed in 2021.

Since 1 September 2022, concurrently with the parent company, Assicurazioni Generali, the Bank has been subject to an obligation to apply all risk mitigation techniques mandated by the EMIR Regulation in reference to contracts not subject to clearing through central counterparties. Specifically, the Bank entered into contracts for the exchange of collateral to hedge the initial margins in OTC derivatives with each counterparty, indicating Euroclear as the Triparty Agent with which to segregate the securities hedging the exposure. The Bank has also adopted ACADIA software for calculating the initial margins of existing positions, with daily monitoring of both observance of regulatory thresholds and covering margin calls.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: notional values at year-end

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2022				31.12.2021			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Debt securities and interest rates	**-**	**4,076,000**	**-**	**-**	**-**	**2,543,500**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	4,076,000	-	-	-	2,543,500	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**4,076,000**	**-**	**-**	**-**	**2,543,500**	**-**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by products

	31.12.2022				31.12.2021				CHANGE IN VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	
	OVER THE COUNTER				OVER THE COUNTER					
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES				
TYPE OF DERIVATIVES	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE MENTS	ORGANISED MARKETS	31.12.2022	31.12.2021
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	286,776	-	-	-	11,357	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**286,776**	**-**	**-**	**-**	**11,357**	**-**	**-**	**-**	**-**
1. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	123,604	-	-	-	167,320	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**123,604**	**-**	**-**	**-**	**167,320**	**-**	**-**	**-**	**-**

A.3 OTC financial derivatives: breakdown of notional values and positive and negative gross fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL CORPORATIONS	OTHER ENTITIES
Contracts other than netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts within the scope of netting arrangements				
1) Debt securities and interest rates				
- notional value	-	3,876,000	200,000	-
- positive fair value	-	286,776	-	-
- negative fair value	-	97,708	25,896	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Time-to-maturity of OTC hedging financial derivatives: notional values

UNDERLYING ASSETS/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	335,000	1,267,500	2,473,500	4,076,000
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2022	**335,000**	**1,267,500**	**2,473,500**	**4,076,000**
Total at 31.12.2021	**170,000**	**997,000**	**1,376,000**	**2,543,000**

D. Hedged instruments

D.1 Fair value hedging

	SPECIFIC HEDGES: CARRYING AMOUNT	SPECIFIC HEDGES - NET POSITIONS: CARRYING AMOUNT OF ASSETS OR LIABILITIES (BEFORE NETTING)	SPECIFIC HEDGES: CUMULATIVE FAIR VALUE CHANGES OF THE HEDGED INSTRUMENT	SPECIFIC HEDGES: TERMINATION OF HEDGING POSITION: RESIDUAL CUMULATIVE FAIR VALUE CHANGES	SPECIFIC HEDGES: CHANGE IN VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	GENERIC HEDGES: CARRYING AMOUNT
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging of:	116,439	-	-2,469	-	-	-
1.1 Debt securities and interest-rates	116,439	-	-2,469	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedging of:	3,812,932	-	-287,057	-	-	-
1.1 Debt securities and interest-rates	3,812,932	-	-287,057	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
31.12.2022	**3,929,371**	**-**	**-289,526**	**-**	**-**	**-**
31.12.2021	**2,717,142**	**-**	**91,908**	**-**	**-**	**-**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging of:	-	-	-	-	-	-
1.1 Debt securities and interest-rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total at 31.12.2022	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2021	**-**	**-**	**-**	**-**	**-**	**-**

1.3.3 Other information on derivatives (held for trading and for hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: breakdown of net fair value by counterparties

	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL CORPORATIONS	OTHER ENTITIES
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	-	3,876,000	200,000	-
- positive fair value	-	286,776	-	-
- negative fair value	-	97,708	25,896	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sale and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

1.4 Liquidity Risk

Qualitative information

A. General aspect, management processes and liquidity risk measurement techniques

Exposure to liquidity risk derives from funding and lending transactions in the course of the Bank's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

The Bank's liquidity risk governance model is based on "centralised" management for all Group companies. As the Parent Company, the Bank:

› is responsible for the liquidity policy;
› manages liquidity risk.

The structure of the liquidity risk management system is intended to ensure sound and prudent management of liquidity and liquidity risk and purses the following goals:

› ensuring that the Bank remains solvent in both the normal course of business and crisis conditions;
› complying with instructions from the supervisory authority and the guidelines on banking supervision issued by the various international authorities, while also taking account of the specificity of the Bank's business;
› maintaining a liquidity profile that is consistent with the risk tolerance statements issued by its governing bodies;
› ensuring liquidity levels capable of allowing the Group to fulfil its contractual commitments at any times, maximising the cost of funding with respect to current and forecast market conditions.

In particular, the liquidity risk management and monitoring policy implemented by the Group at the consolidated level is in turn divided into:

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

Both risk profiles are measured on a going concern basis and in stress scenarios and are analysed from a current and a prospective standpoint (forward looking).

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

The Finance Department is responsible for first-tier controls and managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, secondly, where present, through the measures provided by the ECB. The funding structure is mainly focused on net inflows from retail customers, which are characterised by a stable performance, and on institutional sources of funding. In addition, the Group maintains a portfolio of listed, highly liquid financial instruments (high quality liquid assets) in order to respond to potential crisis scenarios characterised by a sudden interruption of net inflows.

The Risk Management Department is responsible for second-tier controls. Liquidity risk is managed within appropriate short-term and structural (beyond one year) limits, monitored by the Department, assuming that financial markets will continue to function normally or in conditions of particular stress, aimed at ensuring that the risk level expressed is consistent with the strategies and risk appetite established by the Board of Directors.

The Internal Audit Department is responsible for third-tier controls of loans and net inflows transactions.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Moreover, the Group has a Contingency Funding Plan in order to ensure the orderly management of any systemic and idiosyncratic liquidity crises, the safeguarding of the Bank's assets and a guarantee of business continuity. This Plan detects, through early warning monitoring, any signs of liquidity tension and identifies the actions or tools to be activated. On an annual basis, the Bank also initiates and prepares a self-assessment on liquidity risk management during the ILAAP process, providing the results to the supervisory authorities.
The liquidity risk is also monitored using a maturity ladder designed on the basis of the guidelines set out in the prudential supervisory provisions governing the measurement of net financial position. Through the maturity ladder, the Bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative mismatches, the calculation of the net balance of funding requirement (or surplus) over the holding period considered.

Commission Implementing Regulation (EU) No. 2016/322, which contains the Implementing Technical Standards for the liquidity coverage ratio, was published in the *Official Journal of the European Union* on 10 March 2016. With effect from 30 September 2016, the Bank is required to report this ratio on a monthly basis according to the new reporting framework.

The Bank's LCR at 31 December 2022 amounted to 338%, far in excess of the current mandatory minimum level, thanks to high quality liquid assets (HQLAs) of approximately 8 billion euros, primarily Italian government bonds, offsetting the estimated net cash outflows in the following 30 days.
During the year, the structural regulatory indicator (Net Stable Funding Ratio) also remained consistently above the established limits, amounting to 203% as at 31 December 2022, owing to long-term stable funding in excess of the on-balance sheet assets requiring such long-term stable funding. With regard to the net stable funding ratio, with effect from June 2021 the Bank adopted the modifications relating to the production and monitoring of reports of the NSFR structural indicator in response to the changes introduced by the new provisions of Regulation (EU) No. 2019/876 of the European Parliament (CRR2), as further updated.

As a participant in payment, settlement and netting systems, the Group is exposed to intraday liquidity risk due to a mismatch in the timing of daily payment inflows and outflows, which may in turn give rise to potentially large temporary imbalances than expected at the end of the day.
Intraday liquidity management is the responsibility of the Treasury and Portfolio Management Service and seeks to ensure that available liquidity is constantly sufficient to cover cash outflows. The Risk Management Department is responsible for ex-post second-tier controls.

Structural liquidity risk is also measured by adopting Additional Liquidity Monitoring Metrics (pursuant to Article 415, paragraph 3(b), of Regulation (EU) No. 575/2013), involving an analysis of the concentration of borrowings by counterparty and product type. These analyses enable a more complete vision of the liquidity risk profile, providing the level of diversification of sources of funding in the wholesale and retail markets in order to emphasise excessive dependency on individual product types, which could be subject to severe outflows during a liquidity crisis.

In the year, the Bank constantly monitored its short- and long-term liquidity profile through the application of its control framework, ensuring prudent and sound management.

Quantitative information

1. Breakdown of financial assets and liabilities by time to contractual maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY, UP TO 7 DAYS	OVER 7 DAYS, UP TO 15 DAYS	OVER 15 DAYS, UP TO 1 MONTH	OVER 1 MONTH, UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
A. Cash assets										
A.1 Government securities	93	300	6,460	39,610	325,744	614,264	1,172,018	4,616,249	2,153,095	-
A.2 Other debt securities	2,500	308	2,424	45,209	36,732	73,399	63,184	1,361,907	1,178,805	-
A.3 UCITS units	482,169	-	-	-	-	-	-	-	-	-
A.4 Financing	2,253,066	12,227	14,019	368,881	105,473	42,419	82,310	314,771	265,255	137,889
- to banks	220,228	12,173	-	368,775	28,965	-	-	-	-	137,889
- to customers	2,032,838	54	14,019	106	76,508	42,419	82,310	314,771	265,255	-
Total	**2,737,828**	**12,835**	**22,903**	**453,700**	**467,949**	**730,082**	**1,317,512**	**6,292,927**	**3,597,155**	**137,889**
B. Cash liabilities										
B.1 Deposits and current accounts	13,004,539	-	-	-	-	-	-	-	-	-
- from banks	31,897	-	-	-	-	-	-	-	-	-
- from customers	12,972,642	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	635,974	1,300,380	131,546	341,564	49,364	39,350	-	-	-	-
Total	**13,640,513**	**1,300,380**	**131,546**	**341,564**	**49,364**	**39,350**	**-**	**-**	**-**	**-**
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap	-	62,862	-	-	-	-	-	-	-	-
- long positions	-	31,431	-	-	-	-	-	-	-	-
- short positions	-	31,431	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital swap	-	70	381	852	4,829	29,948	49,434	-	-	-
- long positions	-	50	143	568	3,854	29,103	47,011	-	-	-
- short positions	-	20	238	284	975	845	2,423	-	-	-
C.3 Deposits and loans receivable	1,456,290	1,456,290	-	-	-	-	-	-	-	-
- long positions	1,456,290	-	-	-	-	-	-	-	-	-
- short positions	-	1,456,290	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	177,306	-	-	-	-	70,000	686	870	136	-
- long positions	52,807	-	-	-	-	70,000	686	870	136	-
- short positions	124,499	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	7,640	-	50	-	-	63	139	13,712	10,020	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
Total	**1,641,236**	**1,519,222**	**431**	**852**	**4,829**	**100,011**	**50,259**	**14,582**	**10,156**	**-**

1.5 Operational risks

Qualitative information

A. General aspect, management processes and operational risk measurement techniques

The exposure to operational risks is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advisors) and the direct involvement of all employees in operations structurally expose the Group to operational risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, *inter alia*, losses due to fraud, human error, interruptions of operations, unavailability of systems, breach of contract, natural disasters and legal risk.

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

The functions dealing with Organisation, IT Management and Security guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Bank and, if necessary, implements measures to guarantee a higher general level of security.
The Risk Management Department carries out risk assessment and scoring activities, monitors incidents/operational risk events and the related and loss data collection processes. It also monitors the action plans adopted to mitigate material risks and has defined and controls KRIs (Key Risk Indicators) instrumental to monitoring of the areas of highest risk.
The Internal Audit function supervises the regular conduct of the Bank's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operational risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Moreover, Banca Generali has insurance coverage for operational risks deriving from acts of third parties or caused to third parties and adequate contractual clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

Quantitative information

The impact of operating losses in 2022 is broken down below by event type (€ thousand):

BUSINESS LINE	ET 01 – INTERNAL FRAUD	ET 02 – EXTERNAL FRAUD	ET 03 – EMPLOYMENT PRACTICES AND WORKPLACE SAFETY	ET 04 – CLIENTS, PRODUCTS AND BUSINESS PRACTICES	ET 05 – DAMAGE TO PHYSICAL ASSETS	ET 06 – BUSINESS DISRUPTION AND SYSTEM FAILURES	ET 07 – EXECUTION, DELIVERY AND PROCESS MANAGEMENT	TOTAL
Asset management	-	-	-	-23	-	-	-	**-23**
Commercial Banking	-	-	-	-	-	-	27	**27**
Corporate Finance	-	-	-	23,802	-	-	-	**23,802**
Corporate Items	10	520	377	4,378	-	-3	-27	**5,256**
Payment and Settlement	537	87	-	5	-	-	20	**650**
Retail Banking	-120	-	-	-	-	-	11	**-108**
Retail Brokerage	2,475	-	-	102	-	10	227	**2,815**
Trading and Sales	-636	-	-	-	-	70	34	**-532**
Overall total	**2,267**	**608**	**377**	**28,264**	**-**	**77**	**294**	**-**

Breakdown of frequency ratio by business line and type of event:

BUSINESS LINE	ET 01 – INTERNAL FRAUD	ET 02 – EXTERNAL FRAUD	ET 03 – EMPLOYMENT PRACTICES AND WORKPLACE SAFETY	ET 04 – CLIENTS, PRODUCTS AND BUSINESS PRACTICES	ET 05 – DAMAGE TO PHYSICAL ASSETS	ET 06 – BUSINESS DISRUPTION AND SYSTEM FAILURES	ET 07 – EXECUTION, DELIVERY AND PROCESS MANAGEMENT	TOTAL
Asset management	-	-	-	-	-	-	-	**-**
Commercial Banking	-	-	-	-	-	-	1	**1**
Corporate Finance	-	-	-	3	-	-	-	**3**
Corporate Items	1	5	5	1	-	-	9	**21**
Payment and Settlement	5	21	-	1	-	-	2	**29**
Retail Banking	-	-	-	-	-	-	3	**3**
Retail Brokerage	3	-	-	2	-	2	23	**30**
Trading and Sales	-	-	-	-	-	1	5	**6**
Overall total	**9**	**26**	**5**	**7**	**-**	**3**	**43**	**-**

The event type recording the highest impact was the Event Type “ET 04 – Clients, products and business practices”, this category includes losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients by the Bank or its Financial Advisors.

Significant impact is also attributable to “ET 01 – Internal fraud”, which includes losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy by internal staff, including Financial Advisors, in the performance of their duties and which also involves the Bank in that it is liable for the actions of its employees. The Bank carefully examines the individual disputes and complaints and, where necessary, makes an appropriate provision for the risk of legal disputes and continually monitors any developments, adjusting the amount set aside as circumstances change.

All other event types reported minor losses.

The cases reported under “ET 02 – External fraud” include losses due to acts of a type intended to defraud, misappropriate property or circumvent the law by persons outside the Bank and are mostly attributable to counterfeit of payment instruments and cyber risks (smishing/vishing).

Item “ET 03 – Employment practices and workplace safety” reported losses due to labour disputes.

“ET 07 – Execution, delivery and process management” includes losses from failed transaction processing or process management with regard to the Bank’s operations and losses from relations with trade counterparties and vendors.

There were no losses due to damages to property and equipment, whereas those of event type “ET 06 – Business disruption and system failures” were residual. This latter category includes events resulting from the blockage or malfunction of the IT systems used by the Bank as a consequence of which operating losses and events with damages to property and equipment are recorded.

PART F – INFORMATION ON CONSOLIDATED NET EQUITY

Section 1 – Consolidated net equity

A. Qualitative information

The Banca Generali Group's capital management strategy mainly aims to ensure that the capital and ratios of Banca Generali and the banks and financial companies it controls are consistent with its risk profile and regulatory requirements.

The Banca Generali Group and the financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the EU (CRR/CRD IV) and applied by the Bank of Italy. Such rules envisage the concept of "Own Funds", which is separate from the net equity stated in the financial statements. Own funds are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Compliance with minimum capital requirements is monitored by the Risk Management Service, whereas the Regulatory Reporting function is responsible for calculating and disclosing of own funds and capital requirements on a regular basis, as well as safeguarding the related databases (historical regulatory archive).

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items.
Additional analyses and control of the capital adequacy is also carried out upon any extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

Distribution of 2020 and 2021 dividend

In 2022, the second tranche of the 2020 dividend was distributed, for a total amount of 68.8 million euros, net of the portion to be assigned to treasury shares.
In addition, the first tranche of the 2021 dividend was also distributed, for a total amount of 132.2 million euros, net of the portion to be assigned to treasury shares.
As approved by the Shareholders' Meeting on 21 April 2022, the second tranche of the 2021 dividend will be paid in February 2023, for a total amount of 93.5 million euros.

Scope of regulatory consolidation

As per agreements with the Bank of Italy, the new company BG Suisse S.A., incorporated in Switzerland on 8 October 2021, has yet to be included in entities belonging to the Banking Group, pursuant to Article 64 of TUB, as it was not yet operational at 31 December 2022.
On that date, therefore BG Suisse was not yet subjected to the Basel 3 regulatory framework, was thus excluded from the prudential consolidation scope for COREP and FINREP purposes, and was valued at equity.

B. Quantitative information

At 31 December 2022, consolidated net equity, including net profit for the year, amounted to 1,068.5 million euros compared to 1,105.9 million euros at the end of the previous year.

			CHANGE	
(€ THOUSAND)	31.12.2022	31.12.2021	AMOUNT	%
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	53,767	55,866	-2,099	-3.8%
3. Reserves	724,536	624,033	100,503	16.1%
4. (Treasury shares)	-80,139	-64,822	-15,317	23.6%
5. Valuation reserves	-9,972	522	-10,494	n.a.
6. Equity instruments	50,000	50,000	-	-
7. Net equity attributable to minority interests	442	313	129	41.2%
8. Net profit (loss) for the year	213,034	323,103	-110,069	-34.1%
Total net equity	**1,068,520**	**1,105,867**	**-37,347**	**-3.4%**

The -37.3 million euro decrease in net equity in 2022 was attributable to the aforementioned allocation to: the 2021 dividend approved by the General Shareholders' Meeting on 21 April 2022 for an amount of 227.9 million euros; the plan to buy-back treasury shares ended in early October; the negative performance of fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and other reserves included in other comprehensive income; the change in reserves for share-based payments (IFRS 2); and consolidated net profit, as shown in the following table.

(€ THOUSAND)	31.12.2022	31.12.2021
Net equity at year-start	**1,105,867**	**1,184,504**
Dividend paid	-224,324	-379,550
Purchase and sale of treasury shares	-24,385	-25,984
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	11,329	8,799
Matured IFRS 2 reserves on the AG Group's IFRS 2 - related plans	99	176
Change in OCI valuation reserves	-10,310	-3,539
Dividends on AT1 equity instruments	-1,631	-1,631
Consolidated net profit	212,973	323,107
Other effects	-1,098	-15
Net equity at year-end	**1,068,520**	**1,105,867**
Change	**-37,347**	**-78,637**

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 307,472 treasury shares, with a value of 8,979 thousand euros, were allotted to employees and Financial Advisors qualifying as Key Personnel of the Banking Group and to Network Managers.

On 21 April 2022, the General Shareholders' Meeting also authorised the repurchase of a maximum of 897,500 treasury shares in service of remuneration plans for Key Personnel for 2022 and the new Long Term Incentive Plan (LTIP) for the three-year period 2022-2024.
The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 1 July 2022, was completed on 7 October 2022 for a total number of treasury shares equal to 24,296 thousand euros.

At 31 December 2022, the Parent Company, Banca Generali, thus held 2,809,497 treasury shares, with a value of 80,139 thousand euros.

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 12.4 million euros, due to the stronger volatility that impacted financial markets as a result of the inflation forecasts.

B.1 Consolidated net equity: breakdown by type of company

ITEMS OF NET EQUITY (€ THOUSAND)	SCOPE OF REGULATORY CONSOLIDATION	INSURANCE COMPANIES	OTHER COMPANIES	CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES	TOTAL AT 31.12.2022	TOTAL AT 31.12.2021	CHANGE
1. Share capital	117,127	-	19,374	-19,374	117,127	117,127	-
2. Share premium reserve	53,767	-	-	-	53,767	55,866	-2,099
3. Reserves	725,971	-	-1,468	-	724,503	623,990	100,513
4. Equity instruments	50,000	-	-	-	50,000	50,000	-
5. (Treasury shares)	-80,139	-	-	-	-80,139	-64,822	-15,317
6. Valuation reserves	-10,147	-	436	-	-9,711	599	-10,310
Equity securities designated at fair value through OCI	-713	-	-	-	-713	-837	124
Equity security hedges designated at fair value through OCI	-	-	-	-	-	-	-
Financial assets (other than equity securities) measured at fair value through OCI	-9,868	-	-	-	-9,868	2,694	-12,562
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-
Hedging instruments	-	-	-	-	-	-	-
Exchange differences	46	-	689	-	735	350	385
Non-current assets available for sale and disposal groups	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss (change in the own creditworthiness)	-	-	-	-	-	-	-
Actuarial gains (losses) from defined benefit plans	388	-	-253	-	135	-1,608	1,743
Share of valuation reserves of equity investments valued at equity	-	-	-	-	-	-	-
Special revaluation laws	-	-	-	-	-	-	-
7. Net profit (loss) for the year (+/-) attributable to the Group and minority interests	215,517	-	-6,636	4,092	212,973	323,107	-110,134
Total net equity	**1,072,096**	**-**	**11,706**	**-15,282**	**1,068,520**	**1,105,867**	**-37,347**

B.2 Breakdown of valuation reserves of financial assets measured at fair value through other comprehensive income

Valuation reserves of financial assets measured at fair value through other comprehensive income (OCI) account for the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value. The change in these reserves contributes to determining the overall company performance in relation to OCI, without passing through Profit and Loss.
However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

Fair value valuation reserves of the portfolio of financial assets measured at fair value through OCI decreased compared to the end of the previous year, primarily due to the reduction in debt securities reserves.

The aggregate had an overall negative balance of -10.6 million euros, down 12.4 million euros compared to year-end 2021.

This reduction was influenced by the portfolio of Italian government bonds, for which net reserves amounted to -7.2 million euros compared to 2.0 million euros at year-end 2021.

ASSETS/VALUES	SCOPE OF REGULATORY CONSOLIDATION		INSURANCE COMPANIES		OTHER COMPANIES		CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	1,457	-11,325	-	-	-	-	-	-	1,457	-11,325
2. Equity securities	527	-1,240	-	-	-	-	-	-	527	-1,240
Total at 31.12.2022	**1,984**	**-12,565**	**-**	**-**	**-**	**-**	**-**	**-**	**1,984**	**-12,565**
Total at 31.12.2021	**4,038**	**-2,181**	**-**	**-**	**-**	**-**	**-**	**-**	**4,038**	**-2,181**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: year changes

Valuation reserves on the HTCS portfolio showed a net reduction of 12.4 million euros in 2022, as a result of the following factors:

› an increase in net valuation capital losses totalling -16.5 million euros, net of 0.2 million euros referring to the reversal of collective reserves;
› the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-1.8 million euros);
› a positive net tax effect (+5.9 million euros) associated with the above changes and mainly resulting from a net reduction in DTLs.

(€ THOUSAND)	31.12.2022				
	DEBT SECURITIES				
	CORPORATE	GOVERNMENT	EQUITY SECURITIES	FINANCING	TOTAL
1. Amount at year-start	**706**	**1,988**	**-837**	**-**	**1,857**
Adjustment of opening balances	**-**	**-**	**-**	**-**	**-**
1. Amount at year-start	**706**	**1,988**	**-837**	**-**	**1,857**
2. Increases	**1,979**	**6,541**	**344**	**-**	**8,864**
2.1 Fair value increases	3	941	332	-	1,276
2.2 Adjustments for credit risk	261	-	X	-	261
2.3 Transfer to Profit and Loss Account of negative reserves: due to disposal	41	1,238	X	-	1,279
2.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
2.5 Other changes	1,674	4,362	12	-	6,048
3. Decreases	**5,334**	**15,748**	**220**	**-**	**21,302**
3.1 Fair value decreases	5,122	12,684	200	-	18,006
3.2 Reversals for credit risk	-	92	-	-	92
3.3 Transfer to Profit and Loss Account of positive reserves due to disposal	128	2,972	X	-	3,100
3.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
3.5 Other changes	84	-	20	-	104
4. Amount at year-end	**-2,649**	**-7,219**	**-713**	**-**	**-10,581**

B.4 Valuation reserves relating to defined benefit plans: year changes

	31.12.2022		
	RESERVE	DTAS	NET RESERVE
1. Amount at year-start	**-2,274**	**666**	**-1,608**
2. Increases	**2,431**	**-474**	**1,957**
Decreases of actuarial losses	2,431	-474	1,957
3. Decreases	**-262**	**48**	**-214**
Increases of actuarial losses	-262	48	-214
4. Amount at year-end	**-105**	**240**	**135**

Section 2 – Own funds and banking capital ratios

In accordance with Circular No. 262 of 22 December 2005, 7th update of 29 October 2021, for the details of Own Funds and regulatory capital ratios, reference is made to the information regarding own funds and capital adequacy provided in the Pillar 3 Disclosure provided at the consolidated level, available from Banca Generali's corporate website at the address www.bancagenerali.com.

PART G – BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.
The results of impairment testing of the Banking Group's goodwill are also stated in the interest of consistency of presentation.

Section 1 – Transactions undertaken during the year

In 2022, no new business combination transactions were undertaken.

However, it should be noted that the sale of an 80.1% equity interest in the subsidiary Nextam Partners SIM to a group of investors, also including some of the Nextam Group's former shareholders, was finalised on 20 January 2022.
On that date, settlement agreements became effective that aimed to identify any amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to permit the termination of the relationship of employment between Banca Generali and the main key manager of the acquired group, whereas the relationship of employment with the other two key managers was maintained.

Section 2 – Transactions after the close of the period

No business combination transactions were finalised after 31 December 2022 and until the date of approval of the Consolidated Financial Statements.

Section 3 – Retrospective Adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2022 pursuant to paragraphs 61 and B7 of IFRS 3.
The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

Consolidated goodwill was generated over time after the following business combinations:
- merger of subsidiary Prime Consult SIM S.p.A. and INA SIM S.p.A. into Banca Generali carried out in 2002;
- acquisition of Banca del Gottardo Italia S.p.A. in 2008, subsequently merged into BSI Italia, and then into the parent company Banca Generali in 2010;
- acquisition of BG Fiduciaria in 2006, subsequently merged into the parent company Banca Generali with effect from 1 January 2018;
- Bank's acquisition at the end of 2014 of the Italian Affluent and Upper Affluent private banking operations of Credit Suisse Italy S.p.A.;
- acquisition of the Nextam Partners Group on 25 July 2019;
- acquisition of BG Valeur S.A. in 15 October 2019;
- acquisition of the retail banking business unit of the Italian branch from Binck Bank N.V., a Danish lending institution owned by the Danish Saxo Bank Group, on 16 October 2021.

At 31 December 2022, the Banking Group's goodwill totalled 88.1 million euros, broken down as follows:

(€ THOUSAND)	YEAR OF CONSOLIDATION	31.12.2022	PB CGU	WM CGU	31.12.2021
Merger of Prime Consult and INA SIM	2002	2,991	2,343	648	2,991
Acquisition of BG Fiduciaria SIM S.p.A.	2006	4,289	3,360	929	4,289
Acquisition of Banca del Gottardo Italia	2008	31,352	24,558	6,794	31,352
Acquisition of Credit Suisse Italy's business unit	2014	27,433	21,488	5,945	27,433
Acquisition of Nextam Group	2019	12,202	-	12,202	12,202
Acquisition of BG Valeur S.A.	2019	8,706	-	8,706	8,706
Acquisition of Binck Bank Italy business unit	2021	1,100	1,100	-	1,100
Total		**88,073**	**52,849**	**35,224**	**88,073**

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill must be allocated to cash-generating units (CGUs), which may be no larger than the segments identified, pursuant to IFRS 8, for management reporting.

In this regard, it bears recalling that following the extensive reorganisation of the sales networks approved in late 2017, effective as of 1 January 2018, the networks of non-employed Financial Advisors had been revised according to specialisation and reorganised into two macro-divisions on the basis of the total AUM managed by each Financial Advisor:

- the Wealth Management network, which brings together Financial Advisors in the highest asset bracket (i.e., with AUM of more than 50 million euros);
- the Private Banking network, which includes all other Financial Advisors.

The reorganisation had entailed a redistribution of Financial Advisors compared to the previous CGUs, the structure of which had reflected the historical stratification of Banca Generali's acquisitions.

Accordingly, the operating segments identified by the company management had also been revised for management reporting purposes and the overall goodwill recognised in Banca Generali's Consolidated Financial Statements had been reallocated to them on the basis of the relative economic weight of the new CGUs in order to ensure a proper representation as a function of the changes made.

In 2019, following the acquisitions of the equity investments in the Nextam Partners Group and BG Valeur S.A. within the framework of the customary purchase price allocation (PPA) procedures, new goodwill totalling 20.9 million euros had been recognised, of which 12.2 million euros for the Nextam Group and 8.7 million euros for BG Valeur, both allocated to the Wealth Management CGU due to the profile of the customers acquired and the synergies that may be achieved with this CGU.
Within the framework of the same business combination transactions, intangible assets (client relationships and trademark) had also been recognised with the original value of 13.4 million euros, of which 9.9 million euros for the Nextam Group and 3.5 million euros for BG Valeur.
In 2020, the UCITS unit of Nextam Partners SGR had also been sold, but without any significant impacts on the WM CGU.

In addition, it should also be noted that the goodwill recognised following the acquisition of the retail banking business unit of the Italian branch from Binck Bank N.V., performed at the end of 2021 and therefore not tested for impairment in that year, was finally attributed to the Private Banking CGU in light of the type of customers acquired.

Definition and identification of the CGUs[18]

The **Private Banking CGU** (PB CGU) comprises the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network with total client assets of less than 50 million euros included in the Private Banker (PB), Financial Planner (FP) and Financial Planner Agent (FPA) networks, within the Financial Advisor Networks Area[19], and the assets attributable to the employed Financial Advisors included in the Private Relationship Manager Area and their clients.

At 31 December 2022, this CGU included 1,832 Financial Advisors managing assets amounting to 52.6 billion euros (-4.2% compared to the previous year), with net banking income exceeding 328 million euros and an estimated net result of 92 million euros.
In light of economic-financial forecasts based on the 2023-2025 Economic and Financial Plan, assumptions for the CGU entail a growth of 6.7% per year in the mean portfolio of assets under management (AUM) at the end of the three-year period (CAGR), with net banking income up by 9.4% and estimated mean increase of the CGU's net result by 12.3% per annum.

At 31 December 2022, the goodwill allocated to the Private Banking CGU amounted to 52.8 million euros, as defined following the aforementioned reorganisation of operating segments, in addition to intangible assets totalling 3.3 million euros.

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

At 31 December 2022, this CGU included 384 Wealth Managers managing assets amounting to 29.7 billion euros (-0.69% compared to the previous year), with net banking income of nearly 155 million euros and an estimated net result of 52 million euros.

[18] On this regard, see also Part L – Segment Reporting of these Notes and Comments and the corresponding chapter of the Consolidated Annual Integrated Report.
[19] The sales networks are under the responsibility of the Deputy General Manager Commercial Networks, Alternative and Support Channels, who supervises both the Financial Advisors Network Area and the Private Relationship Manager Area. This Department also includes the Commercial Development and Network Support Department, which coordinates the networks of Financial Advisors through PB and FP Business Support and WM Business Support services.

In light of economic-financial forecasts based on the 2023-2025 Economic and Financial Plan, assumptions for the CGU entail a growth of 11.3% per year in the mean portfolio of assets under management (AUM) at the end of the three-year period (CAGR), with net banking income up by 13.3% and estimated mean increase of the CGU's net result by 10.1% per annum.
At 31 December 2022, the goodwill allocated to the Wealth Management CGU amounted to 35.2 million euros, in addition to intangible assets totalling 14.9 million euros.

Approach to determining the values of the CGUs

To determine the recoverable amount, both market assessments (to calculate fair value) and basic methodologies (to calculate value in use) were considered.
Value in use was calculated by employing an analytical method (used as the main method), whereas fair value was calculated by employing an empirical method (used as the control method).

In detail, the analytical method employed was the Dividend Discount Model (DDM), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a payout consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the CGUs were based on the 2023-2025 Plan's forecast data, approved by the Board of Directors of Banca Generali.

The expected long-term growth rate after the explicit forecasting period employed to calculate the terminal value (perpetual yield) was set at 2%, in line with the International Monetary Fund's last estimates on expected inflation.

The **cost of capital** used to discount cash flows was **11.0%** both for the PB CGU and the WM CGU. This ratio was established applying the Capital Asset Pricing Model (CAPM), on the basis of the following assumptions:

a) risk-free rate of **4.6%**, equivalent to the annual gross return on 10-year BTPs (Italian government bonds) at 31 December 2022;
b) market risk premium of **6.0%**, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of **1.1** assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The carrying amount of the PB and WM CGUs was calculated on the basis of the figurative capital, equal to **13.05%** of RWAs, in line with the capital ratio required to Banca Generali by the Supervisory Authority following the SREP with a view to reaching the fully loaded ratio.
The foregoing assumptions are substantially in line with the estimates and variables used during the previous financial year[20].

The value analyses of the aforementioned CGUs carried out by the Bank as at 31 December 2022, as part of the impairment test, are supported by a fairness opinion issued by a major consulting firm and submitted for approval to Banca Generali's Board of Directors on 9 February 2023.

Outcome of the impairment tests

Impairment tests carried out on the CGUs specified did not indicate goodwill impairment.
The value according to the analytical method exceeds the carrying amounts of the CGUs, inclusive of intangible assets, goodwill and capital allocated.
The analyses performed for each CGU are detailed below.

The **WM CGU**'s carrying amount was **158.7** million euros, while the value in use obtained by applying the analytical method described above amounted to a minimum of **670.5** million euros and a maximum of **781.4** million euros, with an average value of **721.4** million euros.
Therefore, the tests performed on the CGU did not detect any goodwill impairment.

The **PB CGU**'s carrying amount was **242** million euros, while the value in use obtained by applying the analytical method described above amounted to a minimum of **1,210.6** million euros and a maximum of **1,408.5** million euros, with an average value of **1,301.4** million euros.

[20] The cost of capital rose slightly compared to 2021 (7.7%), mainly as a result of the increase in the risk free rate (1.2% in 2010).

Therefore, the tests performed on the CGU did not detect any goodwill impairment.

	FIGURATIVE CAPITAL	GOODWILL	OTHER INTANGIBLE ASSETS	CARRYING AMOUNT AT 31.12.2022	RECOVERABLE AMOUNT AT 31.12.2022			EXCESS VS CARRYING AMOUNT
					MIN	MID	MAX	
PB CGU	185.9	52.8	3.3	242.0	1,210.6	1,301.4	1,408.5	1,059.4
WM CGU	108.6	35.2	14.9	158.7	670.5	721.4	781.4	562.6
Total	**294.5**	**88.0**	**18.2**	**400.7**	**1,881.1**	**2,022.8**	**2,190.0**	**1,622.1**

The test performed using the control method based on market multiples also confirmed that the carrying amount remained applicable in both cases.

In accordance with IAS 36, paragraph 134(f), and in order to capture the heightened uncertainty during the current period and respond to needs arising from the regulatory context, sensitivity analyses were conducted as a function of the change in the parameters cost of capital (Ke), long-term growth rate and CET1 ratio.

- Ke +/-0.5%;
- g +/-0.25%;
- CET1 +/-1.0%.

In particular, for the sensitivity analysis conducted as a function of the parameters cost of capital (Ke) and the long-term growth rate, the ranges of variation used were 10.5%-11.5% and 1.8%-2.3%, respectively, whereas for the sensitivity at the level of CET1 the range of variation identified was between 12.1% and 14.1%.

In addition, it should be noted that the impairment test conducted at the level of the Consolidated Financial Statements also includes a test of the value of the goodwill and intangible assets recognised in Banca Generali S.p.A.'s Separate Financial Statements.

PART H – RELATED PARTY TRANSACTIONS

Procedural aspects

In accordance with Article 2391-*bis* of the Italian Civil Code, the Consob Regulation containing provisions relating to transactions with related parties[21] and the provisions of Part III, Chapter 11, of Bank of Italy Circular No. 285, as further amended, Banca Generali's Board of Directors approved its "Procedure for Related Party and Connected Party Transactions", which entered into effect on 1 January 2011 and was last updated on 22 June 2021 with effect from 1 July 2021. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, at the Banking Group level, rules on transactions with Banca Generali's related parties and connected parties governing the related investigation, approval, reporting and disclosure activities.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that, in certain cases, the said transactions may be subject to prior approval by the Parent Company, where necessary.

The related party perimeter

Based on Consob Regulation, the Provisions issued by the supervisory authority, and the aforementioned Procedure, the following parties are considered as Banca Generali's related parties:

- subsidiaries of the Banking Group;
- the ultimate parent Assicurazioni Generali S.p.A., its subsidiaries (companies subject to common control), including the direct parent Generali Italia S.p.A., and pension funds established for the benefit of Generali Group employees;
- Managers with Strategic Responsibilities of the Bank and the parent company Assicurazioni Generali (Key Personnel), close relatives of the above personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Banking Group and the Generali Insurance Group are also considered related parties.

With specific regard to **Key Managers**, the following persons have been designated as such:

- the Directors and the members of the Board of Statutory Auditors of the Banking Group's companies;
- the members of the Top Management, as defined in the Remuneration Policies of the Banking Group[22], namely the Chief Executive Officer/General Manager and the two Deputy General Managers[23];
- representatives of the parent company Assicurazioni Generali S.p.A. identified as Managers with Strategic Responsibilities in the corresponding procedure regarding transactions with related parties adopted by the Insurance Group.

Significance thresholds of Related Party transactions
The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- **Highly Significant Transactions** — i.e., transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution No. 17221, reduced to 2.5% for transactions carried out with the Parent Company that is listed on regulated markets or with undertakings thereto related which are in turn related to the Company — must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
- **Moderately Significant Transactions** — i.e., transactions with related parties the amount of which falls between the Modest amount transactions and the Highly Significant Transactions — are approved pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
- **Low Value Transactions** — i.e., transactions whose value, defined pursuant to the Bank of Italy's Provisions, cannot exceed the amount of 250,000 euros for banks with Own Funds below 1 million euros — are excluded from the scope of application of the regulation on approval and disclosure transparency.

[21] Adopted by Consob Resolution No. 17221 of 12 March 2010, as further amended.
[22] Banking Group's Remuneration and Incentive Policies approved by the General Shareholders' Meeting on 22 April 2021.
[23] Chief Executive Officer/General Manager, Deputy General Manager Wealth Management Markets and Products, Deputy General Manager Commercial Networks, Alternative and Support Channels.

In addition to low value transactions, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-*bis* of TUF, and related implementing transactions;
- **resolutions on the remuneration of directors** entrusted with specific tasks other than those determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and **resolutions regarding the remuneration of Managers with Strategic Responsibilities**, provided that the Company has adopted a remuneration policy with certain characteristics;
- **ordinary transactions** falling within the scope of ordinary operations and any and all related financial activities that are effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Highly Significant threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
- **transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any significant interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated Own funds, the threshold of Highly Significant transactions currently stands at around **38.1 million euros**, reduced to **19 million euros** for transactions with the parent company Assicurazioni Generali and the latter's related parties.

Moreover, the provisions issued by the Bank of Italy impose prudential restrictions, based on Own funds, on risk assets in respect of Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk assets with regard to entities qualifying as non-financial related parties. Exposure in respect of the Generali Group's connected parties, on the other hand, is capped at **7.5%** of consolidated Own funds.
Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given group of connected parties may in no event exceed **20%** of individual Own Funds.

1. Disclosure of remuneration of Directors and Executives

As required by IAS 24, the total remuneration recorded in the Profit and Loss Account for the year is disclosed below, broken down by personnel category and type.

	31.12.2022					
(€ THOUSAND)	DIRECTORS	STATUTORY AUDITOR	MANAGERS WITH STRATEGIC RESPONSIBILITIES	TOTAL	31.12.2021	CHANGES
Short-term benefits (current remuneration and social security charges) (1)	1,409	240	1,936	3,585	3,574	11
Post-employment benefits (2)	-	-	295	295	274	21
Other long-term benefits (3)	-	-	277	277	315	-38
Severance indemnities	-	-	-	-	-	-
Share-based payments (4)	-	-	1,276	1,276	1,516	-240
Total	**1,409**	**240**	**3,784**	**5,433**	**5,679**	**-246**
Total at 31.12.2021	**1,236**	**309**	**4,134**	**5,679**	**-**	**-**

(1) Includes current remuneration and the related social security charges payable by the Company and short-term benefits.
(2) Includes the Company's pension fund contribution and allocation to the provisions for termination indemnity provided for by the law and company regulations.
(3) Includes 40% of the bonus with access gate.
(4) Includes the estimated cost for share-based payment plans, determined based on IFRS 2 criteria and recognised in the financial statements.

The table presents the total expenses recognised in the Profit And Loss Account presented in the Consolidated Financial Statements on the basis of the application of international accounting principles (IAS/IFRS). It therefore also includes the social security charges for which the Company is liable, the allocation to the provisions for termination indemnity, the expenses associated with share-based payment plan determined in accordance with IFRS 2, and the estimate of the variable remuneration accrued during the year on the basis of the Remuneration and Incentive Policy for the Key Personnel of the Banking Group.
It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes the estimate of the portion of variable remuneration for the year payable on a deferred basis over the following years, contingent upon specific access gate conditions being met, in accordance with the aforementioned Remuneration Policy.
The item "Short-term benefits" includes the fixed remuneration and the portion of variable remuneration accrued in the reporting year and payable in the following one.

For detailed information concerning Remuneration Policies, reference is made to the specific document concerning Remuneration Policies prepared as per Consob Resolution No. 18049 of 23 December 2011.
A 25% portion of the variable remuneration — both current and deferred — is paid in Banca Generali shares.
The plan for payments based on own financial instruments are analysed in further detail in Part I to these Notes and Comments.

The item "Share-based payments" accounts for the costs associated with IFRS 2 accrued in the year and regarding:
› the three LTI Plans based on Banca Generali S.p.A.'s shares for a total of 1.0 million euros;
› the share-based payments envisaged in the Remuneration Policy for 0.3 million euros.

The plan for payments based on own financial instruments are analysed in further detail in Part I to these Notes and Comments.

2. Disclosure on Related Party Transactions

As part of its normal business operations, Banca Generali carries out numerous financial and commercial transactions with related parties included in the scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group's operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali, in compliance with IAS 24.

In the banking area, such activities include relationships referring to current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.

As regard the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisors network's placement of asset management and insurance products, as well as banking products and services.
To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

In addition, as part of its normal operations, the Bank also maintains relationships pertaining to outsourcing of IT and administration services, insurance and leasing relationships, as well as other minor relationships with Generali Group companies.
Transactions with related parties outside the Generali Group are mostly confined to direct and indirect funding activities and loans to Key Managers (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm's length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

2.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions
There were no atypical and/or unusual transactions to be reported in 2022, nor were such transactions undertaken with parties other than related parties such as intra-group entities or third parties.
Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, atypical and unusual transactions are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly Significant Transactions
In 2022, the Banking Group did not undertake any transaction qualifying as "highly significant".

Other significant transactions
In 2022, some transactions were approved qualifying as Low Value Transactions, which are subject to the prior non-binding opinion of the Internal Audit and Risk Committee; in this regard, reference is made to the dedicated section of the Report on Operations.

2.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties during 2022 are presented in the following sections.

Transactions with the Assicurazioni Generali Group

Balance Sheet data

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	31.12.2022	31.12.2021	% WEIGHT 2022
Financial assets measured at fair value through profit or loss:	1,031	-	1,031	1,151	0.2%
c) other financial assets mandatorily measured at fair value	1,031	-	1,031	1,151	0.2%
Financial assets measured at fair value through other comprehensive income	246	-	246	246	-
Financial assets measured at amortised cost:	26,036	447	26,483	26,969	0.2%
b) loans to customers	26,036	447	26,483	26,969	0.2%
Equity investments	-	3,082	3,082	2,048	99.7%
Property, equipment and intangible assets	69,876	-	69,876	74,369	23.7%
Tax assets (AG tax consolidation)	-	-	-	7,908	-
Other assets	732	-	732	669	-
Total assets	**97,921**	**3,529**	**101,450**	**113,360**	0.6%
Financial liabilities measured at amortised cost:	376,668	6,176	382,844	582,861	2.5%
b) due to customers	376,668	6,176	382,844	582,861	2.6%
Tax liabilities (AG tax consolidation)	22,338	-	22,338	-	50.1%
Other liabilities	3,673	-	3,673	3,781	1.3%
Equity instruments	50,000	-	50,000	50,000	100.0%
Total liabilities	**452,679**	**6,176**	**458,855**	**636,642**	**2.7%**
Guarantees issued	**2,091**	**-**	**2,091**	**2,142**	**2.9%**

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 97.9 million euros, compared to the 110.2 million euros recognised at the end of 2021, equal to 0.6% of the Banca Generali Group's total balance sheet assets.
The item "Property and equipment" includes the net value of the rights of use (ROUs) of 69.9 million euros (relating primarily to the lease payments for the Milan and Trieste administrative offices and the commercial network offices), following the introduction of IFRS 16 with effect from 1 January 2019.
By contrast, the total debt position reached 452.7 million euros, accounting for 2.6% of liabilities, down by 173.7 million euros (-27.7%) compared to the end of the previous year.

Following the introduction of IFRS 16 with effect from 1 January 2019, amounts due to customers include 73.6 million euros due to the recognition of the corresponding lease liabilities.
As part of assets, financial assets mandatorily measured at fair value through other comprehensive income (FVOCI) claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolio of Banca Generali. As part of the financial assets measured at fair value through other comprehensive income (HTCS) portfolio, shareholdings in subsidiaries of the Generali Insurance Group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions).

The item "Associates subject to joint control or significant influence" includes the 19.9% interest in the share capital of BG Saxo SIM S.p.A. that was acquired on 31 October 2019, and the interest held in Nextam SIM S.p.A., with regard to which on 20 January 2022, after obtaining prior authorisation by the Bank of Italy, Banca Generali finalised the sale of its 80.1% interest to a new corporate structure led by the main key manager of the Nextam Group.
The residual equity investment of 19.9% was recognised at 0.5 million euros and, in light of the relations between the two companies, classified as an equity investment in an associate.
The value of the equity investment in BG Saxo SIM S.p.A. amounted to 2.6 million euros at 31 December 2022.

With regard to the equity investment in BG Saxo SIM S.p.A., at 31 December 2022 the share of loss for the year recognised by Banca Generali amounted to approximately 231 thousand euros, while with regard to the equity investment in Nextam SIM S.p.A. was 1 thousand euros.
Exposures to Generali Group companies recognised as **loans to customers** amounted to 26.0 million euros and refer to the following transactions:

			31.12.2022		31.12.2021	
COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT	REVENUES	AMOUNT	REVENUES
Genertellife	Subsidiaries of the AG Group	Operating loans	22,051	-	-22,182	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Operating loans	3,319	-	-2,832	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Medium/Long-term loans	659	17	-801	18
Other exposures with Group companies	Subsidiaries of the AG Group	Temporary current account exposures	7	207	-16	1,166
			26,036	**-224**	**-25,831**	**1,184**

Operating receivables are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies.

Amounts due to customers attributable to the Generali Group's related parties totalled 376.7 million euros at year-end compared to 572.6 million euros for the previous year and included amounts due to the parent company Assicurazioni Generali S.p.A. for 74.7 million euros, and amounts due to Generali Italia S.p.A. for 45.5 million euros, in addition to lease liabilities arising from the lease contracts for the administrative offices and the commercial network offices for 73.6 million euros.

Amounts due to the Parent Company and classified as **tax liabilities** consisted of Banca Generali S.p.A.'s net tax debt resulting from the balance between tax prepayments, withholdings and tax credits and the estimated IRES tax due at the end of 2022.

It should also be noted that on 23 December 2019 Banca Generali had finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros, which under IAS 32 is considered an equity instrument and meets the requirements under regulatory capital rules for being included among Additional Tier 1 instruments in the issuer's financial statements. The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer's sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent Supervisory Authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years. On 23 June 2022 and 23 December 2022, the instalments amounting to 1,125 thousand euros each were paid, following those already paid in 2021.

In addition, a total of 2.1 million euros signature loans were issued to Generali Group companies, of which 0.8 million euros to Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 31 December 2022, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 250.8 million euros, or 66.6% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2022	2021	% WEIGHT 2022
Interest income	224	37	261	1,193	0.2%
Interest expense	-1,690	-11	-1,701	-1,691	7.6%
Net interest income	**-1,466**	**26**	**-1,440**	**-498**	**-1.0%**
Fee income	274,063	2,099	276,162	280,669	28.8%
Fee expense	-1,070	-	-1,070	-1,882	0.2%
Net fees	**272,993**	**2,099**	**275,092**	**278,787**	**56.1%**
Dividends	66	-	66	91	5.8%
Operating income	**271,593**	**2,125**	**273,718**	**278,380**	**42.1%**
Staff expenses	333	69	402	449	-0.4%
General and administrative expenses	-13,804	-	-13,804	-11,947	6.3%
Net adjustments/reversals of property and equipment	-7,368	-	-7,368	-7,014	20.1%
Other net operating income	79	-480	-401	104	-0.4%
Net operating expenses	**-20,760**	**-411**	**-21,171**	**-18,408**	**7.7%**
Operating result	**250,833**	**1,714**	**252,547**	**259,972**	**67.0%**
Gains (losses) from the disposal of investment and equity investments	**-**	**-103**	**-103**	**-**	**96.3%**
Operating profit	**250,833**	**1,611**	**252,444**	**259,972**	**78.3%**
Net profit (loss) for the year	**250,833**	**1,611**	**252,444**	**259,972**	**118.5%**
Net profit (loss) for the year attributable to the Parent Company	**250,833**	**1,611**	**252,444**	**259,972**	**118.5%**

Overall net interest income accrued in dealings with members of the Insurance Group was negative at 1.5 million euros overall. By convention, interest income also includes the negative interest expense applied to the deposits of Generali Group companies for most of 2022.
Interest expense amounted to 1.7 million euros, equal to 7.6% of the total amount recognised in the Profit and Loss Account and chiefly refers to the interest accrued on the IFRS 16-related liability.
Fee income paid back by companies of the Insurance Group amounted to 274.1 million euros, equal to 28.5% of the aggregate amount, and was broken down as follows:

							CHANGE	
	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2022	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2021	ABSOLUTE	%
Fees for the placement of UCITS	4,868	-	**4,868**	3,160	-	**3,160**	1,708	54.1%
Fees for distribution of insurance products	261,372	-	**261,372**	266,309	-	**266,309**	-4,937	-1.9%
Fees for distribution of discretionary mandates	1,135	-	**1,135**	1,036	-	**1,036**	99	9.6%
Advisory fees	6,595	-	**6,595**	7,173	-	**7,173**	-578	-8.1%
Other banking fees	93	2,099	**2,192**	225	2,766	**2,991**	-799	-26.7%
Total	**274,063**	**2,099**	**276,162**	**277,903**	**2,766**	**280,669**	**-4,507**	**-1.6%**

The most significant component consists of fees for the **distribution of insurance products** paid back by **Genertellife**, reaching 261.4 million euros, down by 1.9% compared to the same period of the previous year.

Fees for the placement of units of UCITS of the Insurance Group were largely related to the income on the distribution of GI Focus funds, promoted by Generali Investments Europe SGR.

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products.

In this regard, in 2022 fee income for advisory services rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 6.6 million euros.

Other banking fees refer both to SDD collection activity on behalf of Group companies and current account keeping fees.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the Banking and Insurance Group. Such fees are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.

To hedge obligations towards the insured, the insurance wrappers of the Insurance Group companies (BG Stile Libero, Valore Futuro) also invest a portion of the reserves in UCITS units managed by the Banking Group's management company (BGFML), which receives the related management fees.

The Bank also directly collects from customers — through the correspondent bank — underwriting fees for the Sicavs promoted by the Group (Lux IM Sicav, BG Selection Sicav, Generali Investments Sicav).

The **net operating expenses** reported by the Banca Generali Group in relation to transactions with related parties of the Generali Group amounted to 20.7 million euros, accounting for 7.6% of the aggregate total, and referred to outsourced services in the insurance, leasing, administrative and IT areas.

	GENERALI GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2022	GENERALI GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2021	CHANGE ABSOLUTE	CHANGE %
Insurance services	**2,948**	**-**	2,948	**2,636**	**-**	2,636	312	11.8%
Property services	**401**	**-**	401	**588**	**-**	588	-187	-31.8%
Administration, IT and logistics services	**10,376**	**480**	10,856	**8,650**	**-31**	8,619	2,237	26.0%
Staff services	**-333**	**-69**	-402	**-408**	**-41**	-449	47	-10.5%
Depreciation of ROUs (IFRS 16)	**7,368**	**-**	7,368	**7,014**	**-**	7,014	354	5.0%
Total general and administrative expenses	**20,760**	**411**	**21,171**	**18,480**	**-72**	**18,408**	**2,763**	**15.0%**

Following the introduction of IFRS 16, property services relate solely to additional costs of leases and rentals of motor vehicles and ATMs (former condominium fees, VAT and sundry additional expenses).
Administrative expenses incurred in relation to Generali Italia S.p.A. amounted to 2.8 million euros and mainly refer to insurance services.

Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

The 7.4 million euro value adjustments of property and equipment refers to the amortisation of the IFRS 16-related right of use.

Transactions with other related parties

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

(€ THOUSAND)	MANAGERS WITH STRATEGIC RESPONSIBILITIES
Loans to customers	10,359
Amounts due to customers	15,588
Other liabilities	32
Interest income	66
Interest expense	-30
Fee income	4
Guarantees issued	45

Direction and coordination

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

2021 highlights of Assicurazioni Generali

The highlights of the Parent Company Assicurazioni Generali S.p.A shown above were taken from the company's Financial Statements for the year ended 31 December 2021. These are available together with the Independent Auditors' Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm engaged by Banca Generali.

(€ MILLION)	2021
Net profit	**1,846.9**
Aggregate dividend	1,691.0
Increase	-26.95%
Total net premiums	1,999.0
Total gross premiums	3,596.9
Total gross premiums from direct business	768.0
Increase on equivalent terms (a)	
Total gross premiums from indirect business	2,828.9
Increase on equivalent terms (a)	
Acquisition and administration costs	353.9
Expense ratio (b)	17.70%
Life business	
Life net premiums	1,100.5
Life gross premiums	1,560.0
Increase on equivalent terms (a)	
Life gross premiums from direct business	198.0
Increase on equivalent terms (a)	
Life gross premiums from indirect business	1,362.0
Increase on equivalent terms (a)	
Life acquisition and administration costs	186.4
Expense ratio (b)	16.90%
Non-life business	
Non-life net premiums	898.5
Non-life gross premiums	2,036.9
Increase on equivalent terms (a)	
Non-life gross premiums from direct business	570.0
Increase on equivalent terms (a)	
Non-life gross premiums from indirect business	1,466.9
Increase on equivalent terms (a)	
Non-life acquisition and administration costs	167.5
Expense ratio (b)	18.60%
Loss ratio (c)	71.6%
Combined ratio (d)	90.3%
Current financial result	**2,742.0**
Technical provisions	7,577.7
Life segment technical provisions	4,458.3
Non-life segment technical provisions	3,119.4
Investments	44,907.6
Capital and reserves	16,074.2

(a) At constant exchange rates.
(b) Ratio of administration cost to total premiums.
(c) Ratio of accrued claims to accrued premiums.
(d) Total (b) + (c).

PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

At 31 December 2022, Banca Generali activated the following payment agreements based on own equity instruments:
- the plans launched with respect to the Banca Generali Group's Remuneration and Incentive Policy, in effect from time to time, which calls for a part of the variable remuneration of Key Personnel to be paid by assigning Banca Generali's own financial instruments;
- the plans launched in service of the Framework Loyalty Programme 2017-2026, approved by the General Shareholders' Meeting on 20 April 2017 and now in its fifth annual cycle (2021-2026), which calls for a maximum of 50% of the indemnity accrued to be paid using own financial instruments;
- the LTI (Long term Incentive) plans for the Banking Group's top management, based on Banca Generali shares, launched in 2018.

Qualitative Information

1. Share-based payment plans linked to the variable components of remuneration based on performance objectives

The Remuneration and Incentive Policy for the Key Personnel of the Banca Generali Group — adopted in compliance with the Supervisory Provisions[24] currently in force — requires a portion of the variable component of remuneration, both current and deferred, to be paid by assigning Banca Generali's own financial instruments, based on the rules annually submitted for approval to the General Shareholders' Meeting.

In addition to Top Managers, who qualify as Managers with Strategic Responsibilities, Key Personnel includes employees with special managerial responsibilities, Financial Advisors who serve as network managers and Financial Advisors whose total remuneration is a particularly high amount.

As of 2022, if the variable component of the Key Personnel's remuneration exceeds 50 thousand euros and one third of ordinary remuneration, at least 40% of it is subject to deferred payment systems for a period of time of no less than four years and will be at least 50% paid in Banca Generali shares according to the following assignment and retention mechanism:
- 60% of the bonus is paid up-front, normally by the first half of the year after that of reference, 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one calendar year;
- 40% of the bonus will be paid according to a linear pro-rated approach and will be further deferred by four years from the payment of the first instalment, 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one calendar year.

For Non Top Key Personnel whose variable remuneration is a particularly high amount, the portion subject to deferral is increased to 60%, without prejudice to the payment of 50% of it in Banca Generali shares, whereas for Top Key Personnel the deferral period is increased to five years, with a 56% paid in shares.

Up to 2021, 40% of Key Personnel's variable remuneration, exceeding the threshold of 75 thousand euros, had been subject to deferral but for a period of no less than 2 years, with a 25% paid in Banca Generali shares according to the following assignment and retention mechanism:
- 60% of the bonus was paid up-front during the year after that of reference, 75% in cash and 25% in Banca Generali shares, which were subject to a retention period until the end of the year of assignment;
- 40% of the bonus was paid in two instalments of equal amount and deferred for one year and for two years, respectively, to be paid 75% in cash, and 25% in Banca Generali shares, subject to a retention period until the end of the year of assignment.

In calculating the number of shares to be assigned, a method is applied where:
- the numerator is the portion of variable remuneration subject to payment in shares accrued in relation to the achievement of objectives set for the year in question; and
- the denominator is equal to the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that in which the cycle in question begins.

The payment in shares is executed after the Board of Directors verifies the earnings results for the year in question and is conditional not only upon the achievement of the pre-set objectives[25], but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio, LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and, where appropriate, for the following years of deferral.

[24] Bank of Italy Circular No. 285/2013, "Supervisory Provisions for Banks", Part I, Title IV, Chapter 2, Remuneration and Incentivisation Policies and Procedures, as updated on 24 November 2021 (37th update).
[25] Provided for by the Management by Objectives (MBO) mechanism or by specific incentive/recruitment plans.

The Banking Group's Remuneration Policies for the reference year together with the authorisation to buy back treasury shares to be used to service them are submitted annually to the General Shareholders' Meeting that approves the previous year's Financial Statements. The resolution authorising the buy-back of treasury shares is also subject to authorisation by the Bank of Italy.
These plan categories also include any other compensation paid in the form of shares related to:
- ordinary sales incentives and recruitment plans for Financial Advisors other than the main network managers and employed sales personnel;
- agreements entered into in view or upon the early termination of the employment or agency relationship, with regard to the beneficiaries falling within the category of Key Personnel.

1.1 Measurement of fair value and accounting treatment

The mechanisms to recognise variable remuneration — discussed in the previous section — are considered as equity-settled share-based payment transactions, falling within the scope of application of IFRS 2 – *Share-based Payments.*

The accounting treatment set forth for these transactions requires an entity to reflect in its accounts, under the most appropriate items (staff expenses, fee expense), the estimated expense associated with services received, determined on the basis of the fair value of the rights granted (stock options/stock grants), as an offsetting entry to an increase in net equity through allocation to a specific equity reserve.

As the agreements relating to share-based payments based on the above-mentioned plans do not call for an exercise price, they can be considered similar to a stock grant and recognised in compliance with the rules set forth for this category of transactions. The overall expense regarding said agreements is therefore determined based on the number of shares expected to be assigned, multiplied by the fair value of the Banca Generali stock at the date of assignment.

The fair value of Banca Generali stock at the assignment date is measured based on the market price reported at the date of the General Shareholders' Meeting that is called annually to approve the Remuneration Policy for the year of reference, adjusted to account for the estimate of expected dividends, that will not be received by the beneficiaries during the deferral period.

The recognition through the equity reserve of the value of the plans — determined as described above — is measured *pro-rata temporis*, based on the vesting conditions, i.e., the period between assignment and final maturity of the right to receive the shares, likewise taking into account the probability that exercise conditions will not be realised for all beneficiaries.
Since the plans are organised into different tranches with differentiated vesting periods, each plan is valued separately.
In detail, the vesting period for the first instalment paid up-front assigned after the approval of the Financial Statements for the year of reference lasts from 1 January to 31 December of the year of reference of the remuneration (12 months). The vesting period of the subsequent instalments, whose payment is conditional upon both the continuation of service and the satisfaction of the access gates established on an annual basis, is further extended to 31 December of the year preceding that in which the shares are actually disbursed, according to a graded vesting criteria[26] [27].

However, the number of shares actually granted to beneficiaries may change based on the assessment of satisfaction of the individual objectives.

The IFRS 2 expense relating to any beneficiaries belonging to Banking Group companies other than the parent company Banca Generali is recognised directly by those companies. However, when the treasury shares bought back are actually assigned to them, the Bank charges back to the companies involved an amount corresponding to the fair value of the relevant plans[28].

1.2 Information on the share-based payment plans in connection to the Remuneration Policies

At 31 December 2022, there are three active cycles of share-based plans in connection to the Remuneration Policies relating to 2020, 2021 and 2022, whereas the 2019 cycle ended in the year, with the payment of the second deferred tranche.
Moreover, a limited number of non-standardised entry plans envisaging a longer, multi-year deferment are active.

The main features of the share-based plan, linked to the 2019 Remuneration Policies and approved by the General Shareholders' Meeting on **18 April 2019**, are as follows:
- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period from 10 December 2018 to 8 March 2019, had been determined to be **20.25 euros**;
- the fair value of Banca Generali stock at the assignment date had been equal to the market price (approximately **24.23** euros) reported on 18 April 2019, subsequently adjusted to account for the loss of dividends expected in the deferral period.

[26] On the basis of the new Remuneration Policy in effect from 2022, the vesting period of portions of deferred variable remuneration may be extended from 24 to 72 months for Top Key Personnel with a particularly high remuneration.
[27] Since 2018, IFRS 2-related charges regarding ordinary incentives accrued by Financial Advisors and linked to objectives of net inflows or acquisition of new customers, where paid in shares, are expensed over the longer time period of 5 years. In addition, share grants relating to various recruitment plans for Financial Advisors who are included among Key Personnel only after the plan is concluded may be covered by previous provisions for fees.
[28] They include, in particular, the bonuses paid in shares to Key Personnel and some managers of the subsidiary BGFML and the Key Personnel of BG Valeur.

In that cycle, total shares assigned to the beneficiaries had amounted to 215.3 thousand, for a total fair value of 4.7 million euros. In 2022, 41.8 thousand shares referring to the second tranche were assigned and the plan was then terminated.
The main features of the share-based plan, linked to the 2020 Remuneration Policies and approved by the General Shareholders'

Meeting on 23 April 2020, are as follows:
- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period from 9 December 2019 to 9 March 2020, had been determined to be 29.71 euros;
- the fair value of Banca Generali stock at the assignment date had been equal to the market price (approximately 20.76 euros) reported on 23 April 2020, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the total shares to be assigned to Key Personnel had amounted to 152.8 thousand, for a total fair value of approximately 2.8 million euros.
Shares already assigned to beneficiaries had amounted to 123.3 thousand (up-front amount and first tranche subject to deferral), of which 28.8 thousand disbursed in 2022.
The remaining shares to be assigned amounted to 26.9 thousand, which will become payable in the first half of 2023.

The main features of the share-based plan, linked to the 2021 Remuneration Policies and approved by the General Shareholders' Meeting on 22 April 2021, are as follows:
- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period from 7 December 2020 to 5 March 2021, had been determined to be 27.58 euros;
- the fair value of Banca Generali stock at the assignment date had been equal to the market price (approximately 30.69 euros) reported on 22 April 2021, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the total shares to be assigned to Key Personnel had amounted to 191.8 thousand, for a total fair value of approximately 2.8 million euros.
In 2022, 111.5 thousand shares, referring to the up-front portion, were paid to the beneficiaries.
Shares still to be assigned amounted to 76 thousand and refer to the two tranches subject to deferral that will become payable in 2023 and 2024.

The main features of the share-based plan, linked to the 2022 Remuneration Policies and approved by the General Shareholders' Meeting on 21 April 2022, are as follows:
- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period from 9 December 2021 to 9 March 2022, was determined to be 36.0 euros;
- the fair value of Banca Generali stock at the assignment date had been equal to the market price (approximately 32.35 euros) reported on 21 April 2022, subsequently adjusted to account for the loss of dividends expected in the longer deferral period.

In respect of the assessment of the achievement by Key Personnel of the objectives set for 2022, it was estimated that the portion of variable remuneration subject to share-based payment amounted to approximately 268.7 thousand shares, for a total plan fair value of 7.4 million euros.
This amount also includes an estimate of the shares in the process of accruing, which at 31 December 2022 amounted to 36 thousand and can be allotted to Key Personnel within the sales network (Financial Advisors and Relationship Managers) under the 2022-2024 three-year Incentive Plan launched by the Bank in 2022.

Other plans
There are other share-based plans, activated within the framework of the Remuneration Policies in force at the time, which call for periods of long-term deferral greater than those in effect when the plans were activated or for vesting periods not in line with those envisaged in the Remuneration Policies.
In relation to such plans, the shares to be assigned to Key Personnel are estimated at a total of 35.3 thousand, corresponding to a fair value of 0.9 million euros, of which 18.8 thousand shares already allotted to the beneficiaries.

These plans include, in particular:
- a recruitment plan launched in 2016 that envisages the assignment of ten annual variable instalments to be paid from 2016 to 2025, also conditional upon deferral and payment in shares according to the Remuneration Policy in force from time to time. Accordingly, the plan's last instalment shall be paid in 2028;
- a recruitment plan launched in 2020 that envisages the assignment of twelve annual variable instalments to be paid from 2020 to 2031, also conditional upon deferral and payment in shares according to the Remuneration Policy in force from time to time. Accordingly, the plan's last instalment shall be paid in 2033.

In both cases, the granting of the bonus is also subject to the maintenance of the net inflow targets initially achieved, in addition to the continuation of service.

Quantitative information

In the reporting year, on the basis of the achievement of the performance objectives set out in the 2019, 2020 and 2021 Remuneration Policy, 187,824 treasury shares were granted to company managers and network managers, of which 155,341 shares assigned to Area Managers and Financial Advisors, 27,364 shares allotted to employees, and 5,119 shares to other beneficiaries of Banking Group companies.

In particular, the shares assigned for 2019 and 2020 related, respectively, to the first and second tranches deferred by one year (20%), whereas the shares assigned for 2021 related to the up-front amount (60%); a residual amount of shares were granted under previous years' plans with different deferral mechanisms.

(THOUSANDS OF SHARES)	DEFERRAL	DATE OF SHARE-HOLDERS' MEETING	BANK OF ITALY'S AUTHORISA-TION	ASSIGN-MENT PRICE	WEIGHTED AVERAGE FV	TOTAL SHARES (/000)	SHARES ALREADY ASSIGNED (/000)	OF WHICH ASSIGNED IN 2022	SHARES TO BE ASSIGNED (/000)	FAIR VALUE (€ MILLION)	IFRS 2 RESERVE (€ MILLION)
Year 2019	2020-2022	18.04.2019	21.06.2019	20.25	21.80	215.3	-215.3	-41.8	-	4.7	-
Year 2020	2021-2023	23.04.2020	16.07.2020	29.71	18.07	152.8	-123.3	-28.8	29.5	2.8	0.5
Year 2021	2022-2024	22.04.2021	01.07.2021	27.58	26.36	191.8	-111.5	-111.5	80.3	5.1	1.7
Year 2022	2022-2027	22.04.2022	01.07.2022	36.00	28.38	232.3	-	-	232.3	6.6	4.9
Year 2022 three-year incentives	2022-2028	22.04.2022	01.07.2022	36.00	21.61	36.4	-	-	36.4	0.8	0.2
Other long-term plans	-	-	-	-	25.32	35.3	-18.8	-5.6	16.5	0.9	0.3
Total					**-**	**864.0**	**-469.0**	**-187.8**	**395.0**	**20.8**	**7.5**

2. Framework Loyalty Programme for the Sales Network 2017-2026

The 2017-2026 Framework Loyalty Programme for the Network was approved by the Board of Directors on 21 March 2017 and ratified by the General Shareholders' Meeting on 20 April 2017.

The Framework Loyalty Programme is divided into eight annual individual plans, all set to expire on 31 December 2026 and of decreasing lengths, to be activated following prior authorisation by the General Shareholders' Meeting of Banca Generali.

The indemnities accrued over the term of the Programme will be, in any event, paid out in one tranche, within 60 days from the General Shareholders' Meeting called to approve the 2026 Financial Statements.

For each plan, a portion of the accrued indemnity may be paid out in Banca Generali shares (up to a maximum of 50%), following an assessment of the potential effects at the level of capital ratios and floating capital by the corporate bodies (Board of Directors and General Shareholders' Meeting).

Participation in each of the plans envisaged by the Programme is reserved for Financial Advisors and Relationship Managers who have at least five years of company seniority by 31 December of the financial year before the reference year for each Plan.

To be eligible to access the benefits of the plans activated it is necessary:

› to achieve at the end of the reference year a minimum volume of total AUM and qualified AUM increasing over time and with non-negative net inflows (vesting condition);
› to be regularly employed and not in a notice period on the disbursement date, except when the termination of employment is caused by death or permanent incapacity, retirement or withdrawal from the relationship by Banca Generali not for cause (condition of service).

In the event of death, the indemnities accrued are understood to be permanently acquired, but are payable to the heirs under the same conditions specified for the other beneficiaries.

In addition, the accrued indemnity is commensurate for each individual plan with a rate for verified AUM and is differentiated according to the type of person (Financial Advisor/RM) and service seniority until a cap is reached.

Recognition of the indemnities on the disbursement date is also subject to the Banking Group's access gates being exceeded as defined in the Remuneration Policies applicable from time to time and the rules of propriety.

The number of Banca Generali shares due is determined in the same way as for the share-based payment plans connected with the Remuneration Policies, namely based on the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that of the annual plan of reference.

2.1 Measurement of fair value and accounting treatment

Without prejudice to the accounting framework already analysed in point 1.1 above, set out below are the specific details of the share-based payment plans that can be activated as part of the Loyalty Programme.

The fair value of the Banca Generali share for plan valuation purposes is determined starting from the market stock price reported on the date of the General Shareholders' Meeting that approves their activation, adjusted to take account of the estimate of expected dividends that the Bank will distribute along all the time horizon, decreasing for each successive plan, running up to the date the shares are actually assigned.

The plans' impact on the profit and loss account is measured *pro-rata temporis* based on the vesting period, which decreases for each successive plan, i.e., the period between the year of reference and final maturity of the right to receive the shares, taking into account the probability that the vesting conditions for the year will not be realised for all beneficiaries.

2.2 Information on the share-based payment plans linked to the Framework Loyalty Programme

For all the annual plans launched up to the reporting date, 50% of the indemnity accrued can be paid out in shares.
The accrued indemnity value was determined based on the AUM of the plan's potential beneficiaries at end of the year of reference, whilst the number of financial instruments that can be assigned was determined based on the same reference value as the Banca Generali stock applied for the Remuneration Policies in force in the respective years.

Overall, the total number of shares, either assigned or in the process of accruing, in service of the five plans amounted to about 1,415 thousand (1,336 thousand net of the estimated turnover), for a total value of 20.2 million euros, of which 8.2 million euros already recognised through profit and loss.

	MAXIMUM NO. OF SHARES	NO. OF SHARES NET OF THE ESTIMATED TURNOVER	PLAN'S FAIR VALUE	IFRS 2 RESERVE	2022 EXPENSE
	THOUSANDS OF SHARES		€ MILLION		
2017-2026 Plan	204	193	2.4	1.4	0.3
2018-2026 Plan	162	153	2.3	1.2	0.3
2019-2026 Plan	334	315	4.4	2.1	0.6
2020-2026 Plan	278	263	2.7	1.1	0.4
2021-2026 Plan	437	412	8.4	2.5	1.3
Total	**1,415**	**1,336**	**20.2**	**8.2**	**2.8**

3. Long Term Incentive (LTI) plans

The Long Term Incentive Plan (LTI), based exclusively on Banca Generali S.p.A. shares, is governed by Banca Generali's Remuneration Policies for Key Personnel and is approved annually by the Shareholders' Meeting of the Bank[29]
The plan aims at increasing the value of Banca Generali shares, by further strengthening the link between the remuneration of beneficiaries and the performance of the Banking Group, without prejudice to the consistency required with the expected results set forth in the Insurance Group's strategic plan.

This incentive instrument was introduced in 2018 to replace an incentive of a similar nature activated annually by the parent company, Assicurazioni Generali, for an extensive group of Key Managers of the Insurance Group and based on the assignment of shares of the Assicurazioni Generali.

Within this framework, the performance objectives envisaged by the plans assign a weight of 80% to the Banking Group's objectives and 20% to the Insurance Group's objectives.

The performance indicators identified, to which various weights are assigned, may vary year by year and present the following characteristics:
› Banking Group's objectives (80%): tROE and adjusted EVA, ESG AUM ratio;
› Insurance Group's objectives (20%): ROE (Return on Equity), rTSR (relative Total Shareholders' Return compared to a peer group), Net cash flows, sustainability indicators.

The main characteristics of the plans approved as of 2020 are:
› the maximum number of the shares to be granted is determined at the beginning of the period of reference using a multiplier of the beneficiary's current remuneration;
› each year, it is determined that the access gate conditions of the Banking Group and of the Insurance Group have been met with regard to the specific year of the plan and the attainment of the targets set at the beginning of the three-year period is assessed;
› at the end of the three years, once it has been determined that the access gates have been exceeded, the overall level of achievement of the objectives set at the beginning of the three years is assessed on the basis of the average annual results achieved in order to determine the actual number of shares due;

[29] For further details on the Plan, reference should be made to the Report on Remuneration Policy and Payments approved annually by the Shareholders' Meeting and published on the Bank's website.

- the total shares accrued are then disbursed to the plan beneficiaries, provided that there is still a relationship between the beneficiary and a Banking Group company (service condition), through the free allotment of ordinary treasury shares bought back on the market (stock granting), in two tranches:
  - 50% of the shares is assigned immediately, subject to a further retention period of one year;
  - the remaining 50% is subject to a deferral of two additional years, without prejudice to a retention period of an additional year;
- the plan does not include dividend equivalent mechanisms, in accordance with the law and common practice in the banking sector;
- the plans envisage the customary malus and claw-back clauses.

The level of achievement of objectives, expressed in percent terms, is determined separately for each basket, consisting in an indicator and the weight assigned to it, using the linear interpolation method on the basis of the reference levels set at the outset of the plan (minimum, target and maximum)[30].

Here below is a presentation of the performance indicators defined for the plans activated up to now.

3.1 Measurement of fair value and accounting treatment

Without prejudice to the accounting framework already analysed in point 1.1 above, set out below are the specific details of the share-based payment plans that can be activated as part of the LTI plans launched by Banca Generali.

The number of shares due shall be valued separately for each plan year and for each of the weighted baskets linked to the objectives of the Banking Group and the Insurance Group.

In particular, baskets tied to the performance indicator formed by the Insurance Group's rTSR contain a market condition, whereas the other baskets are based on achievement of performance conditions.

	WEIGHT OF BANKING/ INSURANCE GROUP'S KPIS	ACCESS GATES		OBJECTIVES	
		BANKING GROUP	INSURANCE GROUP	BANKING GROUP	INSURANCE GROUP
2018 LTI	80%-20%			1, tROE. 2, EVA	1, Operating ROE. 2, rTSR
2019 LTI	80%-20%			1, tROE. 2, Recurring net Profit [b]. 3, adjusted EVA	1,Net ROE medio. 2, EPS growth 3,rTSR
2020 LTI	80%-20%			1, tROE. 2, adjusted EVA	1, Net Holding cash flow. 2, rTSR
2021 LTI	80%-20%	Total Capital Ratio (TCR), Liquidity Coverage Ratio (LCR) [*]	Regulatory Solvency ratio	1, tROE. 2, adjusted EVA. 3, AUM ESG [g]	1, Net Holding cash flow. 2, rTSR 3, indicatori di sostenibilità (MSCI ESG rating e S&P Global Corporate Sustainability Assessment Percentile
2022 LTI	80%-20%			1, tROE. 2, adjusted EVA. 3, AUM ESG [g]	1, Net Holding cash flow. 2, rTSR 3, indicatori di sostenibilità (MSCI ESG rating e S&P Global Corporate Sustainability Assessment Percentile

a) tROE (tangible – Return on equity): the ratio of net profit and average net equity, excluding net profit for the year, intangible assets and, for the 2018 Plan, the OCI component.
b) Adjusted EVA: recurring income, net profit less the following one-off components: gains/losses on the proprietary securities portfolio, performance fees, one-off component of the contributions to the FITD/BRRD bank rescue funds and the income and costs related to the extraordinary transactions completed during that period.
c) Adjusted EVA – Embedded value added: an indicator that expresses the value creation as the difference between recurring net profit (as defined above) and the cost of capital (Ke * average absorbed capital).
d) Net ROE (return on equity): ratio of consolidated net result and IFRS consolidated net equity of the Generali Group (excluding item "Other Comprehensive Income").
e) Earnings Per Share Growth: the percentage change (compound average) of the EPS of Generali stock with reference to the net result normalised by gains/losses on disposal.
f) rTSR – relative Total Shareholder Return: the total return on shareholder investment, calculated as the change in the market price of the Generali Group's shares, in which distributions or dividends reinvested in the shares are included, as compared to a peer group of competitor included in the sSTOXX Euro Insurance index.
g) Assets Under Management (AUM) of retail funds and insurance and financial underlying with ESG (Environmental, Social e Governance) rating by an external provider. The parameter is applied as a multiplier from 0.8 to 1.2 based on the period-end volume of the ESG component of AUM (in a range of 8%-13% of the AUM of reference).
h) Net Holding cash flow (Generali Group): net cash flows available at the level of the parent company in a given period, after holding expenses and interest expense. Its main components, from a cash perspective, are: remittances from subsidiaries; the result of centralised reinsurance; interest on borrowings; and expenses and taxes paid or reimbursed at the level of the Parent Company.
(*) In detail, the 2022 banking access gates are TCR >=13% and LCR >=130%, whereas the insurance access gate is TRR >150%.

[30] In particular, the maximum performance level is associated with a percentage of 175%.

Market conditions are assessed solely at the assignment date on the basis of a statistical model that estimates the probable future positioning of the rTSR for Generali shares compared to a peer group identified by the STOXX Euro Insurance Index for each plan year. The fair value of the rights associated with this plan component is thus determined by multiplying the fair value of a Banca Generali share at the assignment date by the level of achievement of the objective associated with the resulting positioning.

Baskets associated with the achievement of performance conditions are assessed on the basis of the fair value of a Banca Generali share and the number of shares potentially assignable.

In this case as well, the fair value of the Banca Generali share used for evaluating the plan is determined starting from the market stock price reported on the date of the General Shareholders' Meeting that approves their activation, adjusted to take account of the estimate of expected dividends that the Bank will distribute along all the time horizon, running up to the date the shares are actually assigned.

The total cost of the LTI plans is therefore equal to the sum of the cost calculated for each basket on the basis of the fair value of the rights assigned, determined according to the above methods, multiplied by the number of shares that may potentially be granted in respect of the level of achievement of the performance condition, the market condition, the likelihood that the service condition will be met and the achievement of the minimum eligibility threshold.

The recognition through the equity reserve of the value of the plans — determined as described above — is measured *pro-rata temporis*, based on the vesting conditions, i.e., the period between assignment and final maturity of the right to receive the shares, likewise taking into account the probability that exercise conditions will not be realised for all beneficiaries.
In particular, for plans activated from 2020 onwards, the vesting period of the first tranche is three years from the year of its approval to the end of the final year of the three years of reference, whereas the vesting period of the second tranche extends to the end of the year before that of the actual assignment of the shares (five years).

3.2 Information on the LTI (Long Term Incentive Plan) share-based payment plans

In 2022, the shares relating to the first 2019-2021 LTI Plan were assigned. In detail, based on the objectives reached, a total of 119,648 shares were assigned out of a maximum number of shares that could be assigned of 129,650 shares.
The overall value for the 2019 LTI Plan was 2.3 million euros, entirely recognised in the profit and loss account in the three-year vesting period.

Overall, the total number of shares in the process of accruing for the three plans amounted to about 316 thousand, for a total value of 6.0 million euros, of which 2.9 million euros already recognised through profit or loss (3.7 million euros for 2021).

(THOUSANDS OF SHARES)	MAX NO. OF SHARES (THOUSANDS OF SHARES)	PLAN'S FAIR VALUE (€ MILLION)	IFRS 2 RESERVE (€ MILLION)
Plans ended			
2018-2020 Plan (2021 allotments)	82.7	1.8	1.8
2019-2021 Plan (2022 allotments)	129.7	2.3	2.3
Vesting plans			
2020-2022 Plan (2023-2025 allotments)	90.4	1.2	1.0
2021-2023 Plan (2024-2026 allotments)	123.4	2.5	1.3
2022-2024 Plan (2025-2027 allotments)	102.3	2.2	0.6
Total plans underway	**316.1**	**6.0**	**2.9**

Quantitative Information

The value of treasury shares assigned during the year was 9.0 million euros, against IFRS 2 reserves totalling 6.9 million euros, with a negative net effect on the share premium reserve of about 2.1 million euros.
New provisions have also been made to the reserve totalling 11.3 million euros.

At 31 December 2022, total IFRS 2 reserves allocated therefore amounted to 18.6 million euros, of which:
- 7.3 million euros in relation to the Remuneration Policies;
- 8.2 million euros in relation to the Loyalty Framework Programme;
- 2.9 million euros in relation to the Long Term Incentive Plan of Banca Generali;
- 0.2 million euros in relation to foreign subsidiaries.

PART L – SEGMENT REPORTING

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

Following the extensive reorganisation of the sales networks approved by the Board of Directors of 8 November 2017, the corporate management identified the relevant operating segments for purposes of management reporting. In particular, effective as of 1 January 2018, the networks of non-employed Financial Advisors have been revised according to specialisation and reorganised into two macro-divisions on the basis of the total AUM managed by each Financial Advisor, with the introduction of the new Wealth Management network, which brings together Financial Advisors in the highest asset bracket (i.e., with AUM of more than 50 million euros).

The Wealth Management CGU (WM CGU) consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of more than 50 million euros and the respective clients. In addition, the assets of BG Valeur S.A., operating in the private banking and investment banking segment, were fully allocated to the Wealth Management CGU.

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

The periodical reports analysed by the management requires the Group to assess the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments. The financial aggregates presented for each segment therefore consist of net interest, net fees and the net income (loss) from trading activity including dividends. They include both components arising from transactions with third parties external to the Group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

It should be noted in this regard that internal revenues can be identified solely with reference to net interest income; in fact, since net fees are generated directly by volumes of gross net inflows and assets under management relating to the individual segments, they are generated in full as external revenues.

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

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

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

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT (€ THOUSAND)	2022				2021			
	PB CGU	WM CGU	CORPORATE CENTER	TOTAL	PB CGU	WM CGU	CORPORATE CENTER	TOTAL
Net interest income	**47,629**	**22,229**	**75,121**	**144,979**	**14,987**	**8,363**	**59,984**	**83,334**
Fee income	594,884	291,849	73,272	960,005	699,721	325,701	137,781	1,163,203
of which:								
- *underwriting*	*21,651*	*8,398*	*437*	*30,487*	*32,192*	*7,720*	*2,812*	*42,725*
- *management*	*512,966*	*252,727*	*47,214*	*812,907*	*511,772*	*248,313*	*44,239*	*804,323*
- *performance*	*9,801*	*4,003*	*5,519*	*19,323*	*104,218*	*44,736*	*71,596*	*220,550*
- *other*	*50,466*	*26,721*	*20,101*	*97,288*	*51,539*	*24,933*	*19,134*	*95,606*
Fee expense	-313,746	-159,323	-15,404	-488,472	-318,374	-158,355	-19,165	-495,894
of which:								
- *incentives*	*-13,483*	*-5,351*	*-*	*-18,834*	*-13,901*	*-7,547*	*-*	*-21,447*
Net fees	**281,138**	**132,527**	**57,868**	**471,532**	**381,347**	**167,345**	**118,616**	**667,309**
Net income (loss) from trading activities and dividends	-	-	23,330	23,330	-	-	-51,955	-51,955
Net banking income	**328,767**	**154,756**	**156,318**	**639,841**	**396,334**	**175,708**	**126,645**	**698,687**
Staff expenses				-114,789				-107,846
Other general and administrative expenses				-217,470				-203,790
Adjustments of property, equipment and intangible assets				-36,668				-35,653
Other operating expenses/income				94,787				89,543
Net operating expenses	**-**	**-**	**-**	**-274,140**	**-**	**-**	**-**	**-257,746**
Operating result	**-**	**-**	**-**	**365,702**	**-**	**-**	**-**	**440,941**
Adjustments of other assets				-8,334				-2,524
Net provisions				-27,101				-45,383
Gains (losses) from investment and equity investments				-107				-289
Operating profit before taxation	**-**	**-**	**-**	**330,159**	**-**	**-**	**-**	**392,746**
Income taxes – operating activities				-117,186				-69,638
Profit (loss) from HFS assets				-				-
Net profit (loss) for the year attributable to minority interests				-61				4
Net profit	**-**	**-**	**-**	**213,034**	**-**	**-**	**-**	**323,103**
(€ MILLION)								
Assets Under Management	52,624	29,691	5,388	87,703	54,917	29,897	6,549	91,363
Net inflows	3,594	2,113	n.a.	5,707	4,856	2,829	n.a.	7,685
No. of FAs/RMs	**1,832**	**384**	**n.a.**	**2,216**	**1,800**	**374**	**n.a.**	**2,174**

(1) Interest income includes negative interest income classified under Item 20 of the Profit and Loss Account (Interest expense).
(2) Interest expense includes negative interest expense classified under Item 10 of the Profit and Loss Account (Interest income).
(3) The financial data in the segment reporting are stated in accordance with Top management's view, reclassifying fee provisions to the item Fee expense.

With respect to the information about assets and liabilities required by IFRS 8, it should be noted that the Group's management does not present or analyse the data in question in a format that differs from that as approved in the Consolidated and Separate Financial Statements.

Accordingly, for comments on the Group's balance sheet figures, the reader is referred to the other sections of these Notes and Comments.

The following table shows the breakdown of the balance of consolidated intangible assets by segment, with particular reference to the Goodwill component.

(MIGLIAIA DI EURO)	31.12.2022 CGU PB	CGU WM	TOTAL
Goodwill	52,848	35,225	88,073
Intangible asset (client relationships e marchi)	3,306	14,655	17,961
Total	**56,154**	**49,880**	**106,035**

In accordance with the requirements of IFRS 8.33, it bears recalling that the Group's business is substantially evenly distributed throughout Italy. The management does not receive any reports on performance by geographical area.

In accordance with the requirements indicated in IFRS 8.34, it is specified that the Group has no customers that allow revenues of more than 10% of consolidated revenues to be obtained, the only exception being the product insurance distribution activity of the subsidiary Genertellife for which reference is made to Part H of these Notes and Comments

PART M – INFORMATION ON LEASES

Section 1 – Lessee

Qualitative information

With regard to qualitative information required pursuant to paragraphs 59 and 60 of IFRS 16, reference should be made to Part A, namely Part A.1 – General, Section 5 – Other Aspects and Part A.2 – Main Financial Statements Aggregates, Point 15 – Other information of these Notes and Comments.

Quantitative information

As regards quantitative information, reference should be made to the details given in these Notes and Comments, and in particular:

- **Rights of use acquired through leases** in Part B, Section 9 – Property and equipment – Item 90, Table 9.1 Breakdown of operating property and equipment: assets measured at cost;
- **Lease debts** in Part B, Section 1 – Financial liabilities measured at amortised cost – Item 10, Table 1.6 Lease debts;
- **Interest expense on lease liabilities/debts** in Part C, Section 1 – Interests – Items 10 and 20, Table 1.3 Breakdown of interest expense and similar charges;
- **Other costs associated with rights of use acquired through leases** in Part C, Section 12 – General and administrative expenses – Item 190, Table 12.5 Breakdown of other general and administrative expenses;
- **Depreciation of rights of use acquired through leases** in Part C, Section 14 – Net adjustments/reversals of property and equipment – Item 210, Table 14.1 Breakdown of net adjustments of property and equipment.

Trieste, 8 March 2023

The Board of Directors

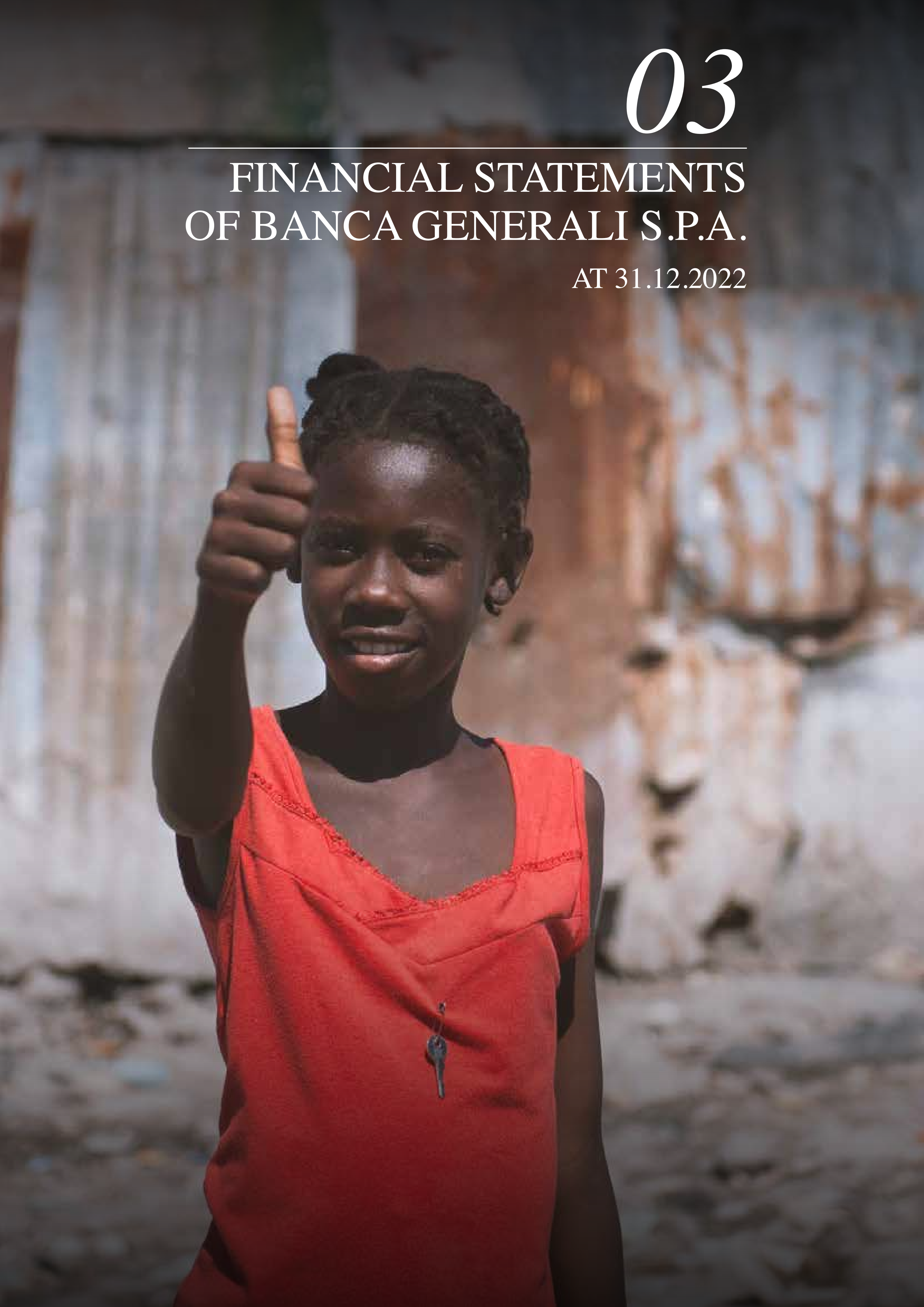
Independent Auditors' Report on the Consolidated Financial Statements

Independent Auditors' Report on the Consolidated Non-Financial Statement

03

FINANCIAL STATEMENTS OF BANCA GENERALI S.P.A.

AT 31.12.2022



Economic and financial highlights

ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	31.12.2022	31.12.2021	% CHANGE
Net interest income	145.1	84.0	72.7
Net financial income	168.5	112.8	49.3
Net fees	271.7	280.7	-3.2
Dividends and net income (loss) from trading activities	23.4	28.8	-18.9
Net banking income	**440.2**	**393.5**	**11.9**
Staff expenses	-97.2	-94.5	2.8
Other net general and administrative expenses	-110.0	-99.6	10.4
Amortisation and depreciation	-34.7	-33.8	2.6
Other operating income and expenses	11.4	6.1	86.2
Net operating expenses [(c)]	**-230.4**	**-221.8**	**3.9**
of which:			
- *staff expenses*	*-97.2*	*-94.5*	*2.8*
Operating result	**209.8**	**171.7**	**22.2**
Provisions and charges related to the banking system [(c)]	-44.7	-60.9	-26.6
Provisions	-27.1	-45.4	-40.3
Dividends and income from equity investments	167.8	333.6	-49.7
Adjustments to non-performing loans	-8.3	-2.0	325.1
Profit before taxation	**320.5**	**361.8**	**-11.4**
Net profit	**226.2**	**342.2**	**-33.9**

PERFORMANCE INDICATORS

	31.12.2022	31.12.2021	% CHANGE
Cost/income ratio [(c) (d)]	52.3%	56.4%	-7.1
EBTDA [(c)]	244.5	205.6	19.0
ROE [(a)]	22.6%	32.9%	-31.1
ROA [(b)]	0.3%	0.4%	-31.9
EPS - Earnings per share (euros)	1.97	2.98	-33.7

NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.12.2022	31.12.2021	% CHANGE
Funds and Sicavs	693	2,922	-76.3
Financial wrappers	1,000	938	6.6
Insurance wrappers	279	1,443	-80.7
Managed solutions	**1,972**	**5,303**	**-62.8**
Traditional insurance products	-814	-487	-67.1
AUC	4,549	2,869	58.6
Total	**5,707**	**7,685**	**-25.7**

(a) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the year and the end of the previous year.
(b) Ratio of net result for the year to Assoreti's year-end exact AUM, annualised.
(c) For a greater understanding of operating performance, mandatory contributions (of both an ordinary and extraordinary nature) paid to the Italian Interbank Deposit Protection Fund (FITD), the European Single Resolution Fund and Italian National Resolution Fund have been reclassified from the general and administrative expenses aggregate to a separate item. The restatement better represents the evolution of the costs linked to the Bank's operating structure by separating them from the systemic charges incurred.
(d) The cost/income ratio measures the ratio of operating expenses to net operating income. This ratio has been restated compared to the previous quarters in order to include the item "Adjustments of property, equipment and intangible assets" as well.

ASSETS UNDER MANAGEMENT & CUSTODY (AUM/C)

(€ BILLION) (ASSORETI DATA)	31.12.2022	31.12.2021	% CHANGE
Funds and Sicavs	20.5	23.4	-12.4
Financial wrappers	8.6	8.5	0.9
Insurance wrappers	10.1	11.2	-9.9
Managed solutions	39.2	43.2	-9.2
Traditional insurance products	15.3	16.3	-5.6
AUC	27.6	25.2	9.5
Total	**82.2**	**84.6**	**-2.9**

NET EQUITY

(€ MILLION)	31.12.2022	31.12.2021	% CHANGE
Net equity	986.2	1,011.2	-2.5
Own funds	691.7	676.1	2.3
Excess capital	261.9	274.0	-4.4
Total Capital Ratio	**16.9%**	**17.7%**	**-4.3**

Accounting Statements

BALANCE SHEET

ASSETS

(EUROS)		31.12.2022	31.12.2021
10.	Cash and deposits	753,658,136	1,598,983,333
20.	Financial assets measured at fair value through profit or loss:	507,345,911	415,557,653
	a) HFT financial assets	1,991,075	6,577,727
	c) other financial assets mandatorily measured at fair value	505,354,836	408,979,926
30.	Financial assets measured at fair value through other comprehensive income	1,120,100,646	2,543,065,225
40.	Financial assets measured at amortised cost:	13,676,986,946	10,783,958,445
	a) loans to banks	2,535,019,113	1,210,269,248
	b) loans to customers	11,141,967,833	9,573,689,197
50.	Hedging derivatives	286,775,558	11,357,179
70.	Equity investments	32,158,115	25,572,466
80.	Property and equipment	150,182,765	154,130,339
90.	Intangible assets	124,305,797	124,265,293
	of which:		
	- *goodwill*	*79,366,416*	*79,366,416*
100.	Tax receivables:	71,122,712	71,106,572
	a) current	1,495,374	9,438,094
	b) prepaid	69,627,338	61,668,478
110.	Non-current assets available for sale and disposal groups	-	1,115,444
120.	Other assets	474,435,451	374,516,822
	Total assets	**17,197,072,036**	**16,103,628,771**

LIABILITIES AND NET EQUITY

(EUROS)		31.12.2022	31.12.2021
10.	Financial liabilities measured at amortised cost:	15,538,621,235	14,449,421,638
	a) due to banks	544,498,391	818,733,750
	b) due to customers	14,994,122,844	13,630,687,888
20.	HFT financial liabilities	-	4,550,668
40.	Hedging derivatives	123,604,404	167,319,867
60.	Tax liabilities:	31,989,127	7,972,142
	a) current	27,465,060	2,715,627
	b) deferred	4,524,067	5,256,515
80.	Other liabilities	273,462,699	235,464,915
90.	Employee termination indemnities	3,679,521	4,314,162
100.	Provisions for liabilities and contingencies:	239,504,129	223,375,610
	a) commitments and guarantees issued	51,926	42,916
	c) other provisions	239,452,203	223,332,694
110.	Valuation reserves	-12,619,570	-383,561
130.	Equity instruments	50,000,000	50,000,000
140.	Reserves	632,162,877	511,450,667
150.	Share premium reserve	53,767,376	55,866,035
160.	Share capital	116,851,637	116,851,637
170.	Treasury shares (-)	-80,139,118	-64,822,379
180.	Net profit (loss) for the year	226,187,720	342,247,370
	Total net equity and liabilities	**17,197,072,036**	**16,103,628,771**

PROFIT AND LOSS ACCOUNT

ITEMS

(EUROS)		2022	2021
10.	Interest income and similar revenues	159,474,220	92,539,288
20.	Interest expense and similar charges	-22,153,746	-8,508,482
30.	**Net interest income**	**137,320,473**	**84,030,806**
40.	Fee income	723,285,893	740,506,121
50.	Fee expense	-432,724,829	-438,405,574
60.	**Net fees**	**290,561,064**	**302,100,547**
70.	Dividends and similar income	168,927,667	334,634,183
80.	Net income (loss) from trading activities	3,589,829	-73,304,097
90.	Net income (loss) from hedging	1,884,368	2,088,119
100.	Gain (loss) on disposal or repurchase of:	28,308,430	18,153,058
	a) financial assets measured at amortised cost	42,426,746	15,673,521
	b) financial assets measured at fair value through other comprehensive income	-14,118,316	2,479,537
110.	Net income (loss) from financial assets and liabilities measured at fair value through profit and loss:	-11,565,989	144,820
	b) other financial assets mandatorily measured at fair value	-11,565,989	144,820
120.	**Net banking income**	**619,025,842**	**667,847,435**
130.	Net adjustments/reversals due to credit risk:	-8,327,065	-1,958,802
	a) financial assets measured at amortised cost	-7,911,101	-1,700,451
	b) financial assets measured at fair value through other comprehensive income	-415,964	-258,351
150.	**Net income (loss) from trading activities**	**610,698,778**	**665,888,633**
160.	General and administrative expenses:	-307,808,737	-293,972,008
	a) staff expenses	-97,174,670	-94,508,876
	b) other general and administrative expenses	-210,634,067	-199,463,132
170.	Net provisions for liabilities and contingencies:	-45,935,478	-66,828,592
	a) commitments and guarantees issued	-9,010	81,525
	b) other net provisions	-45,926,468	-66,910,116
180.	Net adjustments/reversals of property and equipment	-21,040,071	-20,632,832
190.	Net adjustments/reversals of intangible assets	-13,692,212	-13,207,212
200.	Other operating expenses/income	94,523,485	90,577,188
210.	**Operating expenses**	**-293,953,013**	**-304,063,456**
220.	Gains (losses) from equity investments	-4,040,341	-
250.	Gains (losses) on disposal of investments	-4,123	-19,819
260.	**Profit from operating activities before income taxes**	**312,701,301**	**361,805,358**
270.	Income taxes for the year on operating activities	-86,513,581	-19,557,987
280.	**Profit from operating activities after income taxes**	**226,187,720**	**342,247,370**
300.	**Net profit (loss) for the year**	**226,187,720**	**342,247,370**

STATEMENT OF OTHER COMPREHENSIVE INCOME

ITEMS

(EUROS)		2022	2021
10.	**Net profit for the year**	**226,187,720**	**342,247,370**
	Other income net of income taxes, without transfer to Profit and Loss Account		
20.	Equity securities designated at fair value through other comprehensive income	124,620	-327,231
70.	Defined benefit plans	201,242	121,537
	Other income net of income taxes, with transfer to Profit and Loss Account		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	-12,561,873	-4,336,017
170.	**Total other income net of income taxes**	**-12,236,011**	**-4,541,711**
180.	**Comprehensive income (Items 10 + 170)**	**213,951,709**	**337,705,659**

STATEMENT OF CHANGES IN NET EQUITY

ITEMS

	SHARE CAPITAL			RESERVES						
(EUROS)	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVE	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
Net equity at 31.12.2021	**116,851,637**	**-**	**55,866,035**	**482,164,880**	**29,285,787**	**-383,561**	**50,000,000**	**-64,822,379**	**342,247,370**	**1,011,209,769**
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2022	116,851,637	-	55,866,035	482,164,880	29,285,787	-383,561	50,000,000	-64,822,379	342,247,370	1,011,209,769
Allocation of net profit for the previous year	-	-	-	112,755,428	-	-	-	-	-342,247,370	-229,491,942
- Reserves	-	-	-	114,386,678	-	-	-	-	-114,386,678	-
- Dividends and other allocations	-	-	-	-1,631,250	-	-	-	-	-227,860,692	-229,491,942
Change in reserves	-	-	-	-	98,583	2	-	-	-	98,585
Transactions on net equity:	-	-	-2,098,659	3,536,618	4,321,581	-	-	-15,316,739	-	-9,557,199
- Issue of new shares	-	-	-2,098,659	-	-6,758,709	-	-	8,979,038	-	121,670
- Purchase of treasury shares	-	-	-	-	-88,781.00	-	-	-24,295,777	-	-24,384,558
- Extraordinary dividend distribution	-	-	-	3,536,618	-	-	-	-	-	3,536,618
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	11,169,071	-	-	-	-	11,169,071
Comprehensive income	-	-	-	-	-	-12,236,011	-	-	226,187,720	213,951,709
Net equity at 31.12.2022	**116,851,637**	**-**	**53,767,376**	**598,456,926**	**33,705,951**	**-12,619,570**	**50,000,000**	**-80,139,118**	**226,187,720**	**986,210,922**

	SHARE CAPITAL			RESERVES						
(EUROS)	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVE	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
Net equity at 31.12.2020	**116,851,637**	**-**	**57,061,655**	**574,138,428**	**25,354,772**	**4,158,152**	**50,000,000**	**-45,185,140**	**289,207,237**	**1,071,586,741**
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2021	116,851,637	-	57,061,655	574,138,428	25,354,772	4,158,152	50,000,000	-45,185,140	289,207,237	1,071,586,741
Allocation of net profit for the previous year	-	-	-	4,429,617	-	-	-	-	-289,207,237	-284,777,620
- Reserves	-	-	-	6,060,867	-	-	-	-	-6,060,867	-
- Dividends and other allocations	-	-	-	-1,631,250	-	-	-	-	-283,146,370	-284,777,620
Change in reserves	-	-	-	-	170,862	-	-	-	-	170,862
Transactions on net equity:	-	-	-1,195,620	-96,403,165	3,760,153	-	-	-19,637,239	-	-113,475,871
- Issue of new shares	-	-	-1,195,620	-	-4,954,712	-	-	6,347,093	-	196,761
- Purchase of treasury shares	-	-	-	-	-	-	-	-25,984,332	-	-25,984,332
- Extraordinary dividend distribution	-	-	-	-96,403,165	-	-	-	-	-	-96,403,165
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	8,714,865	-	-	-	-	8,714,865
Comprehensive income	-	-	-	-	-	-4,541,713	-	-	342,247,370	337,705,657
Net equity at 31.12.2021	**116,851,637**	**-**	**55,866,035**	**482,164,880**	**29,285,787**	**-383,561**	**50,000,000**	**-64,822,379**	**342,247,370**	**1,011,209,769**

CASH FLOW STATEMENT

INDIRECT METHOD

(EUROS)	2022	2021
A. OPERATING ACTIVITIES		
1. Operations	**79,305,573**	**31,257,378**
Net profit (loss) for the year	226,187,720	342,247,370
Gain/loss on HFT financial assets and other assets and liabilities measured at fair value through profit or loss	11,478,770	-3,304,637
Gain/loss on hedging assets	-1,559,650	-415,609
Net adjustments/reversals due to credit risk	8,327,065	1,958,802
Net adjustments/reversals of property, equipment and intangible assets	34,732,283	33,840,045
Net provisions for liabilities and contingencies and other costs/revenues	23,778,755	39,927,297
Taxes, duties and tax credits not paid	23,092,128	-34,311,145
Net adjustments/reversals of discontinued operations	-555,823	-
Other adjustments	-246,175,674	-348,684,745
2. Liquidity generated by/used for financial assets (+/-)	**-1,989,310,087**	**-1,906,157,329**
HFT financial assets	4,559,012	1,584,355
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-107,609,929	-360,847,058
Financial assets measured at fair value through other comprehensive income	1,406,025,953	174,820,431
Financial assets measured at amortised cost:	-3,223,900,833	-1,744,969,489
Loans to banks	*-1,401,117,294*	*-608,525,327*
Loans to customers	*-1,822,783,539*	*-1,136,444,162*
Other assets	-68,384,289	23,254,433
3. Liquidity generated by/used for financial liabilities (+/-)	**1,155,783,296**	**2,724,339,164**
Financial liabilities measured at amortised cost:	1,097,649,839	2,730,480,030
Due to banks	*-283,746,411*	*225,760,943*
Due to customers	*1,381,396,250*	*2,504,719,087*
Securities issued	-	-
HFT financial liabilities	-4,794,419	-1,551,247
Financial liabilities designated at fair value	-	-
Other liabilities	62,927,876	-4,589,619
Net liquidity generated by/used for operating activities	**-754,221,217**	**849,439,213**

(EUROS)	2022	2021
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**167,977,155**	**333,550,000**
Disposal of equity investments	194,155	-
Dividends received	167,783,000	333,550,000
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
2. Liquidity used for	**-25,742,917**	**84,236,134**
Purchase of equity investments	-10,906,201	-9,860,548
Purchase of property and equipment	-1,104,000	-2,033,986
Purchase of intangible assets	-13,732,716	-12,793,617
Disposal of business units	-	108,924,286
Net liquidity generated by/used for investing activities	**142,234,239**	**417,786,134**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-24,262,888	-25,787,571
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-209,075,331	-285,396,370
Net liquidity generated by/used for funding activities	**-233,338,219**	**-311,183,941**
NET LIQUIDITY GENERATED/USED IN THE YEAR	**-845,325,197**	**956,041,406**
+ Liquidity generated (-) Liquidity used		
Reconciliation		
Cash and cash equivalents at year-start	**1,598,983,333**	**642,941,927**
Total liquidity generated/used in the year	-845,325,197	956,041,406
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**753,658,136**	**1,598,983,333**

Legend
(+) Liquidity generated
(-) Liquidity used

Notes and Comments

PART A – ACCOUNTING POLICIES

Part A.1 – General

Section 1 – Declaration of Compliance with International Accounting Standards

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

In preparing the annual Financial Statements, Banca Generali adopted the IAS/IFRS in force at 31 December 2022 (including SIC and IFRIC interpretations), as endorsed by the European Commission.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2022, several amendments to the IAS/IFRS and IFRIC were adopted and new IFRIC were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2022

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 3 – Business Combinations; IAS 16 – Property, Plant and Equipment; IAS 37– Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020	2021/1080	02.07.2021	01.01.2022

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BUT NOT EFFECTIVE YET

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 17 – Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	2021/2036	23.11.2021	01.01.2023
Amendments to IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	2022/357	03.03.2022	01.01.2023
Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021)	2022/357	03.03.2022	01.01.2023
Amendments to IFRS 17 – Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)	2022/1491	09.09.2022	01.01.2023

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

The other standards and interpretations that entered into force in 2022 did not have a significant impact on the Bank's balance sheet and profit and loss account.

Section 2 – Preparation Criteria

The Financial Statements consists of the following documents:
- Balance Sheet;
- Profit and Loss Account;
- Statement of Other Comprehensive Income;
- Statement of Changes in Net Equity;
- Cash Flow Statement;
- Notes and Comments.

The accounts are accompanied by a Directors' report on the Bank's operations, financial situation, profit and loss and balance sheet results.

According to the provisions of Article 41, paragraph 5-*bis*, of Legislative Decree No. 136/2015 of 18 August 2015, implementing Directive No. 2013/34/EU, the Consolidated Report on Operations and the Separate Report on Operations of the Company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.
Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Financial Statements were prepared in euros. All amounts in the Accounting Statements are expressed in euro units, while the figures in the Notes and Comments and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2021.

The Financial Statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes and Comments.
International accounting standards have been applied in compliance with the Framework for the Preparation and Presentation of Financial Statements drafted by the IASB.
There were no derogations of the application of IAS/IFRS.

The Directors' Report on Operations and the Notes and Comments include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (Consob), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the Bank's situation.

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

Content of the Financial Statements and the Notes and Comments

The Financial Statements at 31 December 2022 were prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups," which were issued by the Bank of Italy with order dated 22 December 2005 in the exercise of the powers established in Article 43 of Legislative Decree No. 36/2015. Such instructions were issued in Circular No. 262/05, as further updated.
These Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Notes and Comments.
In detail, Circular No. 262/2005 has reached its 7th update, published on 2 November 2021, and entered into force as of the financial statements ended 31 December 2021[1].

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the Balance Sheet and Profit and Loss Account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Comprehensive Income begins with the net profit (loss) for the year and then presents components of profit and loss recognised through valuation reserves, net of the related tax effect, in accordance with international accounting standards.
Comprehensive income is presented by providing a separate account of components of profit and loss that will not be reversed to the profit and loss account in the future, and components that may subsequently be reclassified to net profit (loss) for the year under certain conditions.
As for the balance sheet and profit and loss account, items with nil amounts in both the reporting year and previous year are not presented.

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation requested by Bank of Italy Circular No. 262/2005.

The statement presents the composition of and changes in net equity accounts during the reporting year and the previous year, broken down into share capital, capital reserves, earnings reserves, asset and liability valuation reserves, and net profit. Treasury shares are recorded as a reduction to net equity.

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

[1] The eighth update to Circular No. 262 was issued on 18 November 2022. It governs the effects of the entry into force of IFRS 17 for banking conglomerates with equity interests in insurance companies, which will enter into effect for financial statements ending on or after 31 December 2023.

Cash flows are broken down into:
- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) funding activities linked to the acquisition of own funds and their remuneration.

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

Section 3 – Events occurred after the Balance Sheet date

The draft Financial Statements of Banca Generali were approved by the Board of Directors on 8 March 2023, when the Board also authorised its disclosure pursuant to IAS 10.

No events occurred after 31 December 2022 and until 8 March 2023 that would significantly impact the Bank's capital, financial and operating performance reported in these Financial Statements.

Section 4 – Other Aspects

Accounting standards that have been endorsed and will enter into effect this year

No new international accounting standards, amendments to existing standards or related interpretations with a material impact on the Bank's operations entered into effect in financial year 2022.

Accounting standards endorsed that will enter into effect after 31 December 2022

There are no international accounting standards and related interpretations endorsed but not effective yet as of 31 December 2022 that could have a material impact on the Bank's operations.

Use of estimates and assumptions in the preparation of the Financial Statements

The preparation of the Financial Statements 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 reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:
- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network as an annual incentive and of incentives related to recruitment plans;
- determining the deferred incentives granted to the sales network, when linked to defined net inflow targets;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement, when not based on current prices drawn from active markets;
- determining the analytical and collective impairment of financial instruments;
- determining the value adjustments and reversals of non-performing loans and the collective provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets;
- classifying and evaluating the Forward fund[2].

Additional information regarding the estimation procedures used for specific cases is provided in Part A, Section 2, of the Notes and Comments on the Accounting Policies adopted by Banca Generali.

[2] Reference should be made to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 2 "Prudential consolidation risks", Subsection D "Transfers", paragraph C "Transferred financial assets fully derecognised" of the Annual Integrated Report at 31 December 2021.

Measurement of goodwill

To prepare these Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate.

Non-recurring significant events and transactions

During the year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account, with the exception of the following:

- **tax settlement:** on 19 September 2022, Banca Generali signed a framework agreement with the Italian Revenue Agency, Regional Direction of Friuli-Venezia Giulia, establishing the terms and conditions for the settlement of the transfer pricing tax claims for the tax periods from 2014 to 2019. Under this agreement, Banca Generali incurred an actual charge of 45.9 million euros of additional taxes and interest, but without any penalties due to the application of the penalty protection exemption, partly already covered by the provision for tax disputes recognised in the financial statements. The actual charge for the year thus amounted to 35.3 million euros;
- **prudential provision:** allocation of 23 million euros to cover commercial activities aimed at restoring customers' potential losses from investments made in products distributed by the Bank and to sustain customer retention. This provision refers to potential claims from customers regarding liquid and illiquid products distributed by the Bank during a year of exceptionally negative market performance;
- **BG Suisse's capital increase:** on 10 November 2022, Banca Generali carried out a capital increase of an additional CHF 10 million to offset losses recognised in the financial statements and replenish the authorised share capital, as a result of the protraction throughout 2022 of the FINMA authorisation process aimed at obtaining the Swiss banking licence and that led to pre-operating losses related to the costs incurred to start up and maintain the company's operating structure.

No other atypical and unusual transactions were undertaken, i.e., all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and/or timing of occurrence (near the end of the reporting period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders (Consob Communication No. DEM/6064293 of 28 July 2006).

National Tax Consolidation option

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

Formation of the Assicurazioni Generali VAT Group

On 23 September 2019, as Representative of the Group's Italian subsidiaries, Assicurazioni Generali exercised the option to adopt the Group's VAT rules (set out in Articles 70-*bis et seqq.* of Presidential Decree No. 633/72) with effect from 1 January 2020.
Accordingly, with effect from that date all companies included in the VAT Group will use only the VAT registration number assigned by the Italian Agency of Revenue to the Group: 01333550323.

Relations between the individual participants and the Group's Representative (Assicurazioni Generali S.p.A.) are governed by a specific contract. In particular, obligations to document and register VAT input and/or output transactions will continue to be discharged by the individual participants, whereas the additional obligations relating to "management" of the tax will be discharged solely by the Group Representative, in its capacity as single VAT-liable entity.
By express provision of law, the Group VAT Representative will be required to file periodic VAT returns and make the related payments, submit the periodic VAT filings (LIPE), file the annual VAT return and submit the other information required by the relevant legislation (e.g., *Esterometro* and Intrastat statistics).

Other information

Information on government grants pursuant to Article 1, paragraph 125, of Law No. 124 of 4 August 2017 ("Annual market and competition law")

In compliance with Article 1, paragraph 125-*bis*, of Law No. 124/2017 (Annual market and competition law), as most recently amended by Article 35 of Decree-Law No. 34/2019 (Growth Decree), companies are required to disclose annually, in the notes to their financial statements, the amount of government grants received, where grants are understood to refer to "subventions, subsidies, benefits, grants or aid, in cash or in kind, not of a general nature and not of the nature of consideration, remuneration or compensation, actually disbursed to them by public administrations."

The obligation applies solely to grants in excess of the threshold of 10,000 euros per disbursing authority, whether of a monetary nature, on a cash basis, or of a non-monetary nature.

Paragraph 125-*quinquies* of the statute also establishes that in the case of State aid and *de minimis* aid included in the National State Aid Registry the registration and publication of the individual aid in the transparency section must take account of the publication obligations incumbent on the beneficiary companies, provided that the existence of aid subject to mandatory publication in the National State Aid Registry is disclosed in the notes to the financial statements.
For further details of the grants received, reference should be made to the website of the National State Aid Registry for companies, which may be consulted at the link www.rna.gov.it/sites/PortaleRNA/it_IT/home.

In light of the foregoing, it should be noted that in 2022 Banca Generali received the following grants:

BENEFICIARY	TYPE OF GRANT	GRANTOR AUTHORITY	AMOUNTS RECEIVED
Banca Generali	Personnel training (*)	FBA Banks and Insurers' Fund (*)	100
Banca Generali	Tax credit energy and gas (**)		67
Banca Generali	Tax credit capital expenses (***)		29

(*) This sum refers to aid for personnel training applied for 2019 and paid in September 2022. It should be noted that the grants listed in the National State Aid Registry, available for free consultation on the relevant website, refer to grants with a grant date in or after January 2020, for which no disbursements were made in 2022.
(**) These are tax credits created by Law Decree No. 21 of 21 March 2022, converted, with amendments, by Law No. 51 of 20 May 2022, as amended. They were granted on expenses incurred for the purchase of the energy component (see Article 3) and the purchase of natural gas (see Article 4) in the second quarter of 2022. The tax credits in question had been used in full as at 31 December 2022.
(***) This refers to the tax credits pursuant to Article 1, paragraph 188, of Law No. 160/2019 and Article 1, paragraphs 1054 and 1055, of Law No. 178/2020, due in respect of investments in new property, plant and equipment made in 2020, 2021 and 2022. The aforementioned tax credits apply at a rate of 6% of the cost for investments made in 2020, of 10% of the cost for investments made in 2021, up to the maximum limit of eligible costs of 2 million euros, and of 6% of the cost for investments made in 2022, up to the maximum limit of eligible costs of 1 million euros.

Audit

The Financial Statements are subject to auditing by the firm KPMG S.p.A. in execution of the resolution passed by the Shareholders' Meeting on 22 April 2021.

Part A.2 – Main Financial Statements Aggregates

A.2 Accounting Standards

This section sets out the accounting policies adopted for the preparation of the Financial Statements as of 31 December 2022, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.
With reference to the foregoing, it should be noted that during the reporting year, the accounting policies adopted by the Bank underwent no significant amendments and supplementations.
The accounting standards and measurement criteria used are the same as those used to prepare the Financial Statements at 31 December 2021.
In light of the above, the accounting policies of Banca Generali are reported here below with an analysis of the main financial statements items.

1. Financial assets measured at fair value through profit or loss (FVTPL)

Classification

This category includes all financial assets other than those recognised among Financial assets measured at fair value through other comprehensive income and Financial asset measured at amortised cost.

In particular, the item includes:
- financial assets held for trading, essentially consisting of debt and equity securities and the positive value of derivative contracts held for trading; such assets are included in the regulatory trading book (the “trading book” pursuant to IFRS 9) and are also known as “hold-to-sell” or “HTS” assets;
- financial assets mandatorily measured at fair value, i.e., financial assets that do not meet the requirements for measurement at amortised cost or fair value through other comprehensive income. These are financial assets the contractual terms of which do not provide solely for payments of principal and interest (“SPPI test” not passed) or that are not held within a business model whose objective is to hold the assets to collect the contractual cash flows (a “hold-to-collect” business model) or whose objective is achieved by both collecting the contractual cash flows and selling the financial assets (a “hold-to-collect-and-sell” business model);
- financial assets designated at fair value, i.e., financial assets identified as such upon initial recognition, where the requirements have been met. In cases of this kind, upon recognition an entity may irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, so doing eliminates or significantly reduces a measurement or recognition inconsistency.

Accordingly, the following are included in this item:
- debt securities and loans that are held within an Other/Trading business model (i.e., not a hold-to-collect or hold-to-collect-and-sell business model) or that do not pass the SPPI test;
- equity securities — not qualifying as controlling interests in subsidiaries, associates and joint ventures — that are held for trading or that were not designated at fair value through other comprehensive income upon initial recognition;
- UCITS units.

The item also includes derivatives accounted for among financial assets held for trading, classified as assets if fair value is positive, and as liabilities if fair value is negative.
It is possible to set off current positive and negative values deriving from outstanding transactions with the same counterparty only if there is currently a legal right to set off the recognised amounts and the entity intends to settle the positions subject to offsetting on a net basis.

Derivatives also include those embedded in hybrid financial contracts, in which the host contract is a financial liability, and which have been separately recognised inasmuch as:
- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not measured at fair value and changes in fair value are recognised in profit or loss.

According to the general rules for the reclassification of financial assets (with the exception of equity securities, which cannot be reclassified) laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be quite rare, financial assets may be reclassified from measured at fair value through profit or loss to one of the two other categories provided for in IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. In such cases, the effective interest rate of the reclassified financial asset is determined on the basis of its reclassification date fair value, and the reclassification date is taken as the date of initial recognition for allocation to the various credit risk stages (stage assessment) for impairment purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date, while derivative contracts on the date the contract is entered into.
Financial assets measured at fair value through profit and loss are initially recognised at fair value, less transaction costs or income directly related to the instrument itself.

Measurement

Subsequent to initial recognition, financial assets held for trading are recognised at fair value. The effects of the application of this measurement consideration are recognised in profit and loss.

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

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

The cost criterion is used for equity securities and derivative instruments that have as their underlying equity securities, not listed on an active market, as an estimate of fair value solely to a residual degree and limited to a few cases, such as cases in which all previously discussed measurement methods are not applicable, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.
Further information on the criteria used for determining fair value is given in Section “A.4 Information on fair value” of Part A of these Notes and Comments.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.
Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
In addition, transferred financial assets are also derecognised from the financial statements if contractual rights to receive the asset’s cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

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

Classification

This category includes financial assets that satisfy both of the following conditions:
- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets (a “hold-to-collect-and-sell” business model); and
- the contractual terms of the financial asset give rise, on specific dates, to cash flows consisting solely of payments of principal and interest (“SPPI test” passed).

The item also includes equity instruments not held for trading electively designated at fair value through other comprehensive income upon initial recognition.

Specifically, it includes:
- debt securities and loans held within a hold-to-collect-and-sell business model that have passed the SPPI test;
- equity interests, equity investments and capital contributions of various kinds not qualifying as controlling interests in subsidiaries, associates and joint arrangements, not held for trading purposes, designated at fair value through other comprehensive income.

According to the general rules for the reclassification of financial assets (with the exception of equity securities, which cannot be reclassified) laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets.

In such cases, which are expected to be quite rare, financial assets may be reclassified from measured at fair value through other comprehensive income to one of the two other categories provided for in IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to that at amortised cost, the cumulative gain (loss) recognised in the valuation reserve is taken as an adjustment of the financial asset’s fair value at the reclassification date. In the event of reclassification to fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from net equity to net profit (loss) for the year.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised at the disbursement date. Assets are initially recognised at fair value, including transaction costs or income directly related to the instrument.

Measurement

After initial recognition, assets designated at fair value through other comprehensive income other than equity securities are measured at fair value and the impact of the application of amortised cost, the effects of impairment and any foreign exchange effect are taken to profit or loss, whereas other gains or losses due to changes in fair value are entered to a specific equity reserve until the financial asset is derecognised.
Upon total or partial derecognition, cumulative gains and losses in the valuation reserve are recognised, fully or partially, through profit or loss.

Equity securities that have been classified to this category on an elective basis are measured at fair value through other comprehensive income (net equity) and cannot be transferred to profit and loss thereafter, even in the event of disposal. The only component attributable to the equity instruments in question that may be recognised in profit or loss is the related dividends.
Fair value is determined on the basis of the criteria set out above for financial assets measured at fair value through profit or loss.
In the case of equity securities included in this category not listed on an active market, the cost criterion is only used to estimate fair value on a residual basis, limited to a few circumstances, i.e., where all previously discussed measurement methods do not apply, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.
Further information on the criteria used for determining fair value is given in Section "A.4 Information on fair value" of Part A of these Notes and Comments.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
In addition, transferred financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

3. Financial assets measured at amortised cost

Classification

This category includes financial assets (and in particular loans and debt securities) that satisfy both of the following conditions:
- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows (a "hold-to-collect" business model); and
- the contractual terms of the financial asset give rise, on specific dates, to cash flows consisting solely of payments of principal and interest ("SPPI test" passed).

In further detail, the following are classified to this item:
- loans to banks in various forms that meet the requirements set out in the foregoing paragraph;
- loans to customers in various forms that meet the requirements set out in the foregoing paragraph;
- debt securities that meet the requirements set out in the foregoing paragraph.

This category also includes operating loans associated with the provision of financial assets and services, as defined in the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF) (e.g., the distribution of financial products and servicing activities). This latter category also includes receivables from management companies and receivables from the Financial Advisor network for advances on fees paid.

According to the general rules for the reclassification of financial assets laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be quite rare, financial assets may be reclassified from the category measured at amortised cost to one of the two other categories provided for in IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. Gains or losses resulting from the difference between the amortised cost and fair value of a financial asset are taken to profit or loss in the event of reclassification to financial assets measured at fair value through profit or loss, and to a specific valuation reserve in net equity in the event of reclassification to financial assets measured at fair value through other comprehensive income.

Eligibility of the sale of financial instruments classified to the HTC portfolio
The accounting standard IFRS 9 recognises the eligibility of the sale of financial instruments classified to the HTC portfolio, assets in which are normally held to collect their contractual cash flows until maturity, as a condition for the ordinary management of such portfolios, without calling the goal of the business model into question.

In particular, sales are deemed fully consistent with the model in the event of a significant increase in credit risk, other negative changes of a regulatory or tax nature, proximity to maturity or, in the absence of such reasons, where the sales are:
- infrequent, even if significant in value;

- not significant in value (whether separately or collectively).

Within this framework, in the new business conditions in which Banca Generali finds itself to operate, characterised by a more severe stress situation and a more volatile context, a suitability assessment of the size of current and prospective financial investment portfolios provided for in the Strategic Plan and a comparison with the most common management practices on the market identified the need to proceed with a revision of the thresholds for the eligibility of sales, which for 2022 were as follows:

- extension of the materiality thresholds for sales considered non-significant to 13% of the total portfolio (10% in 2021) and to 5% of the individual ISIN, and for infrequent sales to 25% of the total portfolio;
- adoption of a method for determining limits based not only on historical sales, but also current and future sales;
- identification of specific grounds for eligibility of sales in rare, unexpected and unforeseeable conditions;
- adjustment of the period of eligibility of sales near maturity to 12 months prior to the maturity of the financial instrument.

Recognition

Financial assets are initially recognised on the settlement date. Loans are initially recognised on the disbursement date. Assets are initially recognised at fair value, including transaction costs or income directly related to the instrument.
In the case of loans, in particular, the date of disbursement normally coincides with the date of execution of the contract. If the two dates do not coincide, a commitment to disburse funds terminating on the date of disbursement of the loan is added when the contract is executed. A loan is initially recognised on the basis of the fair value of the same, which is equal to the amount disbursed or the subscription price, including costs/income directly attributable to the individual loan that may be determined at the inception of the transaction, even if settled at a later time. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expenses.

Measurement

After initial recognition, these financial assets are measured at amortised cost using the effective interest-rate method. Accordingly, such assets are measured at an amount equal to their initial recognition value, minus capital redemptions, plus or minus cumulative amortisation (calculated according to the aforementioned effective interest-rate method) of the difference between that initial amount and its value at maturity (typically derived from the costs/income directly attributable to the individual asset) and adjusted by loss allowance, if any. The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the said financial asset. This method of recognition allows, by applying a financial logic, the financial effect of the costs and income directly attributable to a financial asset to be distributed across its expected remaining life.

The amortised cost method is not used for assets measured at historical cost whose short durations suggest that the effects of discounting would be negligible, nor is it applied to assets without fixed maturities or revocable lines of credit.

The measurement criteria are closely connected to the inclusion of the instruments in question in one of the three stages (credit risk stages) provided for in IFRS 9, the last of which (stage 3) includes non-performing financial assets, and the remainder (stages 1 and 2) performing financial assets.

In terms of the accounting treatment of the above measurement effects, adjustments attributable to this type of asset are taken to profit or loss:

- upon initial recognition, in an amount equal to the expected loss at twelve months;
- upon subsequent measurement of the asset, where credit risk has not increased significantly compared with initial recognition, in respect of changes in the amount of adjustments for expected losses in the following twelve months;
- upon subsequent measurement of the asset, where the credit risk has increased significantly with respect to initial recognition, in respect of the recognition of adjustments for expected credit losses attributable to the asset's entire expected residual contractual life;
- upon subsequent measurement of the asset, where, after a significant increase in credit risk with respect to initial recognition, this increase has ceased to be significant in respect of the adjustment of cumulative impairment losses to account for the transition from an expected loss over the entire residual lifetime of the instrument to the expected loss over a twelve-month period.

Where performing, the financial assets in question are measured with the aim of determining the impairment losses to be recognised at the level of each individual credit relationship (or "tranche" of a security) on the basis of the risk parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset — classified as "non-performing" along with all other relationships with the counterparty in question — and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The amount of the loss, to be recognised in profit or loss, is determined on the basis of a measurement process performed for individual assets or uniform categories of assets, and then allocated to each position.

Non-performing loans include financial instruments classified as follows:
1) bad loans: this category refers to formally non-performing loans, consisting of exposures to customers who are in a state of insolvency, regardless of whether confirmed by a court, or in similar situations;
2) unlikely to pay: these are on- and off-balance sheet exposures for which the conditions have not been met for classification as bad loans and for which it is deemed unlikely that the borrower will be capable of fulfilling all of its debt obligations (in terms of principal and/or interest) in the absence of actions such as the enforcement of guarantees. This assessment is conducted regardless of the presence of any past due and unpaid amounts or instalments.
   Classification as unlikely to pay is not necessarily tied to the explicit presence of anomalies (non-payment), but rather is linked to the existence of elements indicative of a situation of risk of default of the borrower;
3) non-performing overdrawn or past-due exposures: these are on-balance sheet exposures other than those classified as bad debts or unlikely to pay loans that are overdrawn or past due by more than 90 days at the reporting date. Non-performing overdrawn or past-due exposures may be identified in reference to either the individual borrower or individual transaction.

Expected cash flows take account of expected collection times and the presumed realisable value of any underlying guarantees. The original effective interest rate of each asset remains unchanged over time, even if a renegotiation of the terms results in a change of the contractual rate, including if the contract becomes non-interest-bearing.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised. Reversals due to the passage of time are taken in net interest income.

In some cases, over the lifetimes of the financial assets in question, and in particular over those of loans, the original contractual conditions are modified at the will of the parties to the contract.
When contractual terms are modified in the course of an instrument's life, it must be verified whether the original asset is to continue to be recognised in the financial statements or the original instrument is instead to be derecognised and a new financial instrument recognised.
When the modifications of financial assets are "substantial", the original asset is generally derecognised and a new asset is instead recognised. A modification is determined to be "substantial" on the basis of both qualitative and qualitative elements. In some cases, in fact, it may be clear, without the need for complex analysis, that the changes made substantially modify an asset's contractual characteristics and/or cash flows, whereas in other cases additional analyses (including of a quantitative nature) must be conducted to measure the effects of such modifications and verify whether the asset should be derecognised and a new financial instrument recognised.

Accordingly, the qualitative and quantitative analyses, aimed at determining whether contractual modifications of a financial asset are substantial, must be based on:
- the purposes of the modifications: for example, renegotiations for commercial reasons and forbearance measures due to financial difficulties by the counterparty;
  1. the former, aimed at "retaining" the customer, involve a debtor not in a situation of financial difficulty. This category also encompasses all renegotiation transactions aimed at adjusting the cost of debt to market conditions. Such transactions entail a modification of the original terms of the contract, typically at the debtor's request, relating to aspects affecting the cost of the debt, with the resulting economic benefit for the debtor. It is generally held that, whenever the bank renegotiates in order to avoid losing a customer, such renegotiation must be considered substantial inasmuch as, had it not occurred, the customer could have obtained financing from another intermediary and the bank would have incurred a loss of expected future revenues;
  2. the latter, undertaken for "reasons of credit risk" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows from the original loan. Substantially all the underlying risks and rewards are typically not transferred as a result of such modifications. Accordingly, the accounting treatment that provides the most relevant information for the readers of the financial statements (without prejudice to the remarks presented below regarding objective elements) is that based on "modification accounting", which entails the recognition in profit or loss of the difference between the carrying amount and the present value of the modified cash flows, discounted at the original interest rate, and not through derecognition;
- the presence of specific objective elements ("triggers") that affect the contractual characteristics and/or cash flows of the financial instrument (including, but not limited to, a change of currency or modification of the type of risk exposure, where correlated with equity and commodity parameters) that are believed to entail derecognition by virtue of their impact (expected to be significant) on the original contractual cash flows.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.

In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
In addition, transferred financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

4. Hedging transactions

Types of hedging transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items in cases where that specific risk actually occurs.

Possible types of hedges include:
- fair-value hedges, intended to hedge exposure to changes in the fair value of a financial statement item attributable to a particular risk;
- cash-flow hedge, intended to hedge exposure to changes in future cash flows of financial statement items attributable to particular risks;
- hedges of a net investment in a foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Hedging derivatives are measured at fair value. Specifically:
- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the net effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flows of the hedged item;
- hedges of a foreign currency investment are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

The Bank must verify whether the relationship meets the hedge effectiveness requirements at inception and then on an ongoing basis.
The assessment must be performed, at least, at each reporting date or, where earlier, when a material change in the circumstances that influence the hedge effectiveness requirements occurs.
The assessment is based on expectations regarding hedge effectiveness. It is thus merely indicative of expected developments and is based on an exclusively forward-looking analysis. The method adopted may consist of a qualitative or quantitative assessment.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

5. Equity investments

This item includes equity investments in subsidiaries, associates and joint ventures.

Entities subject to significant influence (associates) are those entities in which the Bank holds at least 20% or more of the voting rights (including "potential" rights), or in which — although holding a lower voting power, in light of specific legal ties, such as Shareholders' agreements — it has the power to participate in the financial and management policy-making process or can exercise governance rights that are not limited to capital interests.

Companies subject to joint control (joint ventures) are entities over which control is shared, on a contractual basis, by the Bank and another entity or other entities external to the Group, or for which decisions regarding important activities require the unanimous consent of all parties that share control.

Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement

Equity investments are measured at cost, adjusted for impairment where applicable.

When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the equity investment.

If the recoverable amount is less than the carrying amount, the difference is recognised through profit or loss.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

6. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held exclusively for operating purposes, to be used in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.
Property and equipment also include rights of use ("ROUs") acquired in lease transactions within the scope of application of IFRS 16 and relating to the use, as lessee, of assets in this category (real estate, motor vehicles, equipment, etc.). For a more detailed analysis of the accounting criteria adopted by the Bank in respect of IFRS 16, reference should be made to Section 15 "Other information".

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related ancillary costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised through profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses. They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

7. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, or must arise from contractual or

other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.
An entity controls an asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and simultaneously restrict the access of others to those benefits.
The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

The application of IFRS 3 in accounting for acquisition transactions may entail the recognition, in the purchase price allocation (PPA) process, of new intangible assets and goodwill.
Goodwill represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities.

Intangible assets with an indefinite useful life also include the value of the trademarks recognised following the acquisition of the Nextam Partners Group.

The other intangible assets also include the value of the contractual relationships with customers identified within the framework of the acquisitions of Banca del Gottardo Italia (2008), the Credit Suisse Italy business line (2014) and the Nextam Partners Group (2019).

Customer relationships are intangible assets within the scope of application of IAS 38, from which it is probable that future economic benefits will flow to the acquirer. The value of such relationships has been determined, as at the acquisition date, on the basis of an estimate of the profitability of assets under management (AUM) associated with the customers acquired, measured separately for each asset class.

The useful lives of such assets, determined on the basis of the expected decay rates for assets under management (AUM), have been estimated as follows:
› Banca del Gottardo Italia: 10 years;
› Credit Suisse Italy: 15 years;
› Nextam Partners Group: 16 years.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system and the intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.
Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the Bank based on the outsourcing contract with CSE (legacy, front-end Financial Advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected.
Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised through profit and loss in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including ancillary expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any ancillary expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.
Software costs are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a three-year period.
With reference to contractual relations with customers, acquired as a result of the above-mentioned business combinations, the useful lives have been estimated at 10 years for Banca del Gottardo Italia, at 15 years for Credit Suisse Italy and at 16 years for the Nextam Partners Group.
Intangible assets with indefinite useful lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test for goodwill is presented in Section "Retrospective Adjustments" in Part G of these Notes and Comments.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the Profit and Loss Account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the Balance Sheet on disposal or when no future economic benefits are expected from their use.

8. Non-current assets held for sale or disposal groups

The asset item "Non-current assets held for sale or disposal groups" and liability item "Liabilities associated with assets held for sale or disposal groups" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets held for sale or a group of assets recognised as held for sale during the year is taken through profit and loss under a specific separate item, "Income (Loss) of disposal groups, net of taxes."

9. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a prudential estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.
Specifically, deferred tax assets and liabilities are calculated based on the temporary differences — without time limits — between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the parent company Assicurazioni Generali — as a result of its exercise of the option provided by the Italian tax consolidation scheme — to generate ongoing taxable income.

Deferred tax liabilities are recognised in the financial statements, except for the main assets pending taxation, represented by equity investments.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "Tax assets" and deferred tax liabilities are recorded under "Tax liabilities".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes mainly arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from tax assessments already notified or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (e.g., goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.
Law No. 244 of 24 December 2007 (2008 Finance Law) introduced paragraph 2-*ter* into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment (so-called "ordinary redemption").

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket, respectively) in lieu of the ordinary rates of IRES and IRAP.
The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Law Decree No. 185 of 29 November 2008 (Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009 and then further amended, subsequently introduced a new system of optional realignment of tax and carrying values (so-called "special regime"). The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.
However, the greater amounts attributed to goodwill and trademarks could have been recovered through the off-balance procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary instalments required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.
Article 17 of Law Decree No. 83/2015 then precluded the possibility of converting the DTAs referring to the value of goodwill and other intangible assets, recognised for the first time in the financial statements for the year ended 27 June 2015, reducing the off-balance amortisation period from ten to five years.

For the special redemption option as well, that statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are finalised.

In addition, paragraphs 12 to 14 of Article 23 of Law Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Law Decree No. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.
As originally formulated, the statute provided that, for the purposes of redemption of transactions carried out before 31 December 2010, the 16% substitute tax was to be paid by 30 November 2011, whereas the off-balance deduction of goodwill, in ten equal instalments, was to occur starting in financial year 2013, a date that was then postponed by Article 1, paragraph 502, of Law No. 228 of 24 December 2012 (2013 Finance Law) to the year after that in progress as at 31 December 2017[3].

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:
1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Law Decree No. 185/2008;
2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the financial statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-*ter*, of the TUIR;
3) redemption of goodwill recognised on a consolidated basis in connection with the full equity investment in the subsidiary BG Fiduciaria Sim S.p.A. undertaken in 2011[4].

Most recently, Article 110 of Law Decree no. 104 of 14 August 2020 (the "August Decree"), as amended by the 2021 Budget Law (Article 1, paragraph 83, of Law No. 178 of 30 December 2020), with the aim of facilitating stronger capital positions and mitigating the consequences on financial statements of the economic crisis caused by the Covid-19 pandemic, introduced — including for entities that adopt IAS/IFRS — the possibility of realigning the accounting and tax values of goodwill and other intangible assets recognised in the financial statements for the year in progress at 31 December 2019 (Article 110, paragraph 8-*bis*), to the extent still present at the closing of the 2020 financial statements.

[3] The following additional legislation was recently passed on this subject:
Article 1, paragraph 1079, of Law No. 145/2018 (2019 Budget Law) introduced a change to the amortisation rates of goodwill and other intangible assets that gave rise to the recognition of deferred tax assets subject to the paragraphs 55, 56-*bis*, 56-*bis*.1 and 56-*ter* of Article 2 of Law Decree No. 225 of 29 December 2010 not yet deducted until the tax period in progress at 31 December 2017 in ten variable annual instalments from 31 December 2019 — from 2019 (5%) to 2020 (3%) — and until 31 December 2029 (10%), without prejudice to previously applicable amortisation, where of a lesser amount;
Article 23 of Law Decree No. 98/2011 (paragraphs 12-14) had introduced the possibility of proceeding with "special" redemption (new paragraph 10-*ter* of Article 15 of Law Decree No. 185/2008) of goodwill and other intangible assets recognised solely at the consolidated level before 31 December 2010, by paying a substitute tax of 16% and deducting the related amortisation in ten annual instalments starting on 1 January 2013. However, **Article 1, paragraph 502, of Law No. 228 of 24 December 2012** (2013 Financial Law) then deferred the deductibility of amortisation charges from the tax period after that in progress at 31 December 2017, with a suspension of amortisation of five years, followed by a further change in 2018 (previous note);
Article 1, paragraph 714, of Law No. 160/2019 (2020 Stability Law) then provided for the deferral of the deduction of the 5% share of the portion of negative components referring to amortisation charges relating to the value of goodwill and other intangible assets, originally provided for 2019, to the tax period in progress at 31 December 2025 and the four following periods.
[4] The goodwill of BG Fiduciaria was redeemed on 30 November 2011, but effectively became deductible only in financial year 2020, at the rate of 3% rather than the original 10%.

The option was to be exercised through:
› the payment of a 3% substitute tax, in a maximum of three instalments of equal amounts, by the due date for payment of the balance of the 2020 income tax return and the reporting in the income tax return of incomes relating to financial year 2020;
› the application of a restriction on balance-sheet reserves in an amount corresponding to the greater values subject to realignment, net of the substitute tax, to which the provisions for tax-suspended reserves envisaged for revaluation balances applies.

The effects of the realignment of goodwill and other intangible assets are recognised for tax purposes with effect from financial year 2021 and the off-balance amortisation of goodwill should have been therefore deducted in 18 years (paragraph 3-*bis*).

However, Article 1, paragraphs 622 to 624, of the 2022 Budget Law retroactively amended, in derogation from the taxpayers' statute, the emergency redemption provisions set out in Article 110 of Law Decree No. 104 of 14 August 2020 ("August Decree"), essentially providing for three options:
a) extension of the amortisation period from 18 to 50 years;
b) "repeat redemption" of goodwill redeemed at 3% by applying an increase on the basis of the rate brackets governed by the ordinary provisions of Article 176 of TUIR;
c) revocation of the redemption transaction, according to the methods to be established by order of the Italian Revenue Agency, applying for a refund for or offsetting the sums already paid.

In 2021, Banca Generali also proceeded to exercise the option to carry out the following realignments of the carrying and tax values of goodwill, trademarks and other intangible assets:
› realignment of misalignments resulting from previous years' goodwill stated in the Financial Statements at 31 December 2019, pursuant to Article 110 of Law Decree No. 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law, through payment of a 3% substitute tax, and subsequent right to benefit from the ensuing off-balance sheet amortisation in the ordinary period of 50 years;
› realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the merger — effective 1 January 2020 for accounting and tax purposes — of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  – Article 15 of Law Decree No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
  – Article 176, paragraph 2-*ter*, of the TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.
IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

The analyses conducted by the OIC — the Italian Accounting Standard Setter — summarised in application document No. 1 of 27 February 2009 entitled "Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Law Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IAS/IFRS", which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRS:
1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over the years to coincide with the off-balance deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill is deducted on a straight-line basis, the entity releases the previously recognised deferred tax assets to profit and loss on a straight-line basis, in accordance with the specific system adopted (ten or eighteen amortisation instalments), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be believed to be recoverable on the basis of future taxable income.
With regard to the realignment performed pursuant to Article 110 of Law Decree No. 104/2020, DTAs that may be recovered over a longer time horizon than the ordinary off-balance amortisation of 18 years have not been recognised in the financial statements.

10. Provisions for liabilities and contingencies

Provisions for commitments and guarantees issued

The sub-item of provisions for liabilities and contingencies in question includes provisions for credit risk recognised on the basis of loan commitments and guarantees issued that come within the scope of application of impairment rules pursuant to IFRS 9. Such cases are generally subject to the same methods of allocation to the three credit risk stages and calculation of expected losses presented in regard to financial assets measured at amortised cost or at fair value through other comprehensive income.

Other provisions

Other provisions for liabilities and contingencies include allocations relating to provisions for legal contractual or non-contractual obligations or legal disputes, including tax disputes, arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Therefore, a provision is recognised only when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount relating to the fulfilment of the obligation.

The amount recognised as provision corresponds to the best estimate of the expenditure required to settle the present obligation at the reporting date and accounts for all the risks and uncertainties that inevitably are entailed in certain events and circumstances.
Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions and increases due to the time value of money are recognised in the profit and loss account.

Provisions are periodically reviewed and, where necessary, adjusted to reflect the best current estimate. If, upon review, it is determined that it is unlikely that a cost will be incurred, the provision is reversed.

Other provisions for liabilities and contingencies include, in particular:

- provisions for contractual indemnities for the Financial Advisor network (end-of-service, portfolio development indemnity, managerial development indemnity, and other similar indemnities), measured according to the actuarial or financial method;
- provisions for Financial Advisors and Relationship Managers serving the obligations assumed in relation to the 2017-2026 Framework Loyalty Programme for the sales network;
- several types of provisions for incentive or recruitment bonuses (recruitment plans) for Financial Advisors;
- provisions for long-term employee benefits;
- provisions for restructuring plans.

In some circumstances, provisions for liabilities and contingencies (e.g., charges relating to staff expenses) have been presented in a separate item of the profit and loss account to best reflect their nature.

Termination indemnity for Financial Advisors

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to a Financial Advisor is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

a) the total amount paid to Enasarco each year by the Bank until the date of termination;
b) the contractual lump-sum reduction which gradually declines with the length of service at the date of retirement or termination (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUM during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

a) the percent fee reduction expected as a function of the estimated period of past service at the date of termination;
b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntary removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.
The indemnity, which is governed by an appendix to the Agency agreement, is only due on the condition that the outgoing Financial Advisor formally undertakes to conduct a hand-over to an incoming Financial Advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming Financial Advisor undertakes to pay the Company an indemnity commensurate to that obtained from the outgoing Financial Advisor.
In relation to recent market practices in the area, a thorough contractual revision of the scheme entered into effect on 1 January 2012 was carried out.
The system introduces a rule, namely that the indemnity collected by the outgoing Financial Advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.
Therefore, on the basis of the new rules, the outgoing Financial Advisor may only collect the agreed indemnity provided that it has actually been paid to the Bank by the incoming Financial Advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the Bank's guarantee is maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the Bank will immediately pay out the entire indemnity to the outgoing Financial Advisor's beneficiary or heirs and then recover the amount from the incoming Financial Advisors under an instalment plan, in the reduced amount of 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate, carried out through IT procedures, of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity payouts, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming Financial Advisors.

Framework Loyalty Programme for the Sales Network

The aggregate referring to provisions for long-term contractual indemnities also includes the provision covering the 2017-2026 Framework Loyalty Programme for the Sales Network ("Framework Programme"), approved by the Board of Directors on 21 March 2017 and ratified by the General Shareholders' Meeting on 20 April 2017. Said programme is aimed at improving the retention of the Network and the customers acquired over time and creating value for the Group by attracting stable, high-quality net inflows.

The Framework Programme originally provided for the possibility to activate during the 2017-2026 period eight individual annual plans set to expire on 31 December 2026 and of decreasing lengths, from a maximum of eight years to a minimum of one year, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.
However, it should be noted that the Bank decided to suspend the implementation of the above Loyalty Framework Programme, for which the sixth 2022-2026 cycle was therefore not activated.

The Framework Programme called for an indemnity to be paid to Financial Advisors and Relationship Managers with a minimum level of seniority of service who met certain AUM and net inflow parameters at the end of the year of activation of the plan in which they participated. The indemnities thus accrued in respect of the individual plans will be disbursed cumulatively to the beneficiaries, in accordance with the Banking Group's current remuneration policies, in the first half of 2027, within 60 days of the approval of the 2026 Financial Statements.

However, departure from the Banking Group's scope entails the loss of entitlement to disbursement of the bonuses accrued, except in the event of death, permanent disability or eligibility to receive a pension. Even in the above circumstances, the indemnity will still be paid at the end of the Programme.

A part of the bonus, up to 50% of its value, for each of the individual plans in the Framework Programme may be paid in Banca Generali shares. In accordance with the Banking Group's Remuneration Policy, the number of shares is determined according to the average price of Banca Generali shares during the 90 days prior to the date of the meeting of the Board of Directors called to approve the draft Financial Statements for the year prior to that of activation of the individual plan. The Banca Generali shares for each individual plan are thus purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and General Shareholders' Meeting) and the Regulator, and are cumulatively assigned to beneficiaries.

The amount of the provision for the portion of the indemnity to be paid in cash is measured on the basis of the indemnity accrued as at the reporting date, taking account of the time value of money for the period until the date of disbursement and the forecast rate of turnover, without entitlement to benefits, for the beneficiary population. The portion to be paid in shares is subject to the accounting treatment provided for in IFRS 2 and accrues annually in proportion to the length of the vesting period for the various annual plans activated.

In addition, following the suspension of the Programme, in July 2022 an advance on the bonuses to be paid in cash as provisioned for and revalued as at 30 June 2022 was paid to the beneficiaries of the annual plans already activated, for a total amount of 34.2 million euros. This advance is tied to the right to receive the bonus and will therefore definitively accrue following verification of the vesting conditions established by the Programme in the first half of 2027.

Three-year Incentive Plan

The new 2022-2024 three-year Incentive Plan, approved by the Board of Directors on 18 March 2022, is in addition to the annual incentives for the sales network and is tied to the achievement of both several overall objectives set at the Banking Group level in terms of total net inflows and recurring fee income, established in the new Strategic Plan, and individual objectives.

In particular, at the end of the Plan no incentives may be disbursed without full achievement of the three-year net inflow targets and of at least 90% of the cumulative recurring fee target at the end of 2024.
At the level of the individual beneficiary, accrual of the bonus is tied to individual net inflow and advanced inflow targets on a three-year basis to be reached collectively, with a floor below which the incentive is not awarded.
Special rules also apply to Financial Advisors eligible to participate in the previous Loyalty Framework Programme, for which a minimum bonus (bonus floor) applies, to be paid at the end of the three-year period if other conditions are met, but only in the absence of net outflows.

All Financial Advisors, Relationship Managers and Network Managers in service at 31 December 2019 are entitled to the three-year incentive.

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

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

The accrual of the bonus at the end of the three-year period is contingent on achieving the Banking Group access gates, as defined by the Remuneration Policy.
In addition, the Plan calls for the payment of the cash bonus only, with the sole exception of beneficiaries qualifying as Key Personnel in the three-year period, to whom the specific provisions of the Remuneration Policies (deferral, shared-based payment, etc.) apply.

11. Financial liabilities measured at amortised cost

Classification

Due to banks, Due to customers and Securities issued include the various forms of interbank funding and direct customer inflows, as well as funding through certificates of deposit and the issue of bond securities, net of any amounts repurchased.
Due to banks and Due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or the debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus any costs or income directly attributable to each funding transaction or issuance and not repaid by the creditor. Internal general and administrative expenses are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are written off when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.

Placing securities again on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

12. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

13. Financial liabilities designated at fair value

There are currently no financial liabilities measured at fair value.

14. Foreign currency transactions

Initial recognition measurement criteria

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent recognition measurement criteria

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate as follows:

- monetary items are translated using the exchange rate at the reporting date;
- non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value are translated using the exchange rate at the reporting date.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's Financial Statements are recognised through profit or loss in the period in which they arise.

15. Other information

Cash and deposits

The portion of the balance of the settlement account held with the Bank of Italy that is not restricted according to the mandatory reserve rules is recognised as demand deposits with the Central Bank and has therefore been reclassified to item 10 of the Balance Sheet, Cash and deposits.

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item as a reduction to net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Equity instruments

Equity instruments are instruments that represent an equity interest in the Bank pursuant to IAS 32.
The classification of an instrument issued as an equity investment requires the absence of contractual obligations to make payments in the form of repayment of principal, payment of interest or other forms of return.

In particular, instruments that present the following characteristics are classified as equity investments:

- duration is unlimited or equal to the company's duration;
- the issuer has full discretion over paying coupons or repaying principal, including prematurely.

This category also includes Additional Tier 1 instruments compliant with the provisions of Regulation (EU) No. 575/2013 (CRR) on the prudential requirements for credit institutions and investment firms that, in addition to presenting the characteristics described above, in any event:

- allow the issuer to retain full discretion over whether to recognise a reversal of nominal value (write-up) following a capital event that has resulted in a decline in nominal value (write-down);
- do not incorporate must-pay clauses for the issuer as a result of authentic events within the parties' control.

Equity instruments other than ordinary or savings shares are classified to item "130. Equity instruments" in the amount received, inclusive of the transaction costs that are directly attributable to the transaction concerned.

Any coupons paid, net of the related taxes, are deducted from the item "140. Reserves".
Any differences between the amount paid to discharge or repurchase these instruments and their carrying amount are recognised in item "140. Reserves".

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.
Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Leases (IFRS 16)

As lessee

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

For each contract that is, or contains, a lease, the Bank allocates the agreed consideration to the following, on the basis of the individual prices of each transaction:

- the lease components (pure lease payment);
- the components relating to other services to be recognised according to other standards (e.g., condominium fees, non-deductible VAT, late payment interest, duty stamps, insurance expenses, vehicle maintenance costs, etc.).

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

The Bank recognises a right of use and the related lease liability for all lease contracts in which it is the lessee, except for:

- short-term contracts (i.e., lease contracts with a term of 12 months or less); and
- leases of low-value assets (assets with a value of less than 5,000 euros when new).

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

Lease liabilities

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

Since most lease contracts entered into by the Bank do not include an implicit interest rate, the discount rate to be applied to future lease payments is generally based on the risk-free rate for the currency in which the contracts are denominated, applicable by maturity, commensurate to the term of the contract concerned, plus a specific credit spread applicable to the lessee.

In particular, the risk-free rate curve (swap curve) is used, with the addition of a spread representative of the Insurance Group's credit risk, calculated periodically on the basis of the quoted prices of credit default swaps (CDSs) referring to the parent company, Assicurazioni Generali.

The lease payments accounted for in the value of the lease liability include:

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

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

The Bank remeasures the balance of the lease liability (and applies an adjustment to the corresponding value of the right of use, where significant) if either:
- there is a change in the lease term or there is a change in the assessment of an option right, in which case the lease liability is remeasured by discounting the lease payments at the revised discount rate;
- there is a change in future lease payments resulting from a change in an index or a rate or there is a change in the amounts expected to be payable under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments at the initial discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate is used);
- a lease contract has been modified and the modification does not qualify for recognition as a separate contract, in which case the lease liability is remeasured by discounting the revised lease payments at the revised interest rate.

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

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

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

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

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

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

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

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

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

Share-based payments

These are payments to employees or other similar persons, such as Financial Advisors, as consideration for services rendered, based on the equity instruments of the banking or ultimate Parent Company.

Such plans may provide for either:
- the right to subscribe for rights issues at a pre-determined price (stock-option plans);
- the free assignment of a certain number of shares, generally repurchased (stock-granting plans).

In accordance with IFRS 2 — *Share-Based Payments*, share-based benefit plans for personnel and Financial Advisors are recognised as costs on the Profit and Loss Account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

In light of the difficulty inherent in reliably measuring the fair value of the services received in return for equity instruments, reference is made to the fair value of such instruments measured at the assignment date.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.
In cases of stock-granting plans, the fair value of the shares granted is determined on the basis of market prices on the date of the resolution of the Shareholders' Meeting authorising the plans.
Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Charges relating to shared-based payment plans are recognised as a cost in the profit and loss account for the period under item 160.a) "General and administrative expenses: staff expenses", where they relate to employment services, and under item 50) "Fee expense", where they relate to contractual relationships with Financial Advisors. In both cases, such charges have their counter-entry in item 140. "Equity reserves".

Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute "**post-employment benefits**" as defined in IAS 19 – *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and — in the case of companies with at least 50 employees — transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:

- "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund.
  For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods.
  The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
- "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the projected unit credit method;

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted at the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.
Considering that IAS 19R requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the iBoxx EUR Corp index, formed of AA series.

The plan's service costs have been recognised amongst staff expenses under item "provisions for post-employment benefits."

Following the entry into force of IAS 19R, from 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses** deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in the other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.
By contrast, in the previous accounting arrangement adopted by the Bank the above item had been recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time adoption of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.

In addition, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

Productivity bonuses for salaried employees

Productivity bonuses to be paid to salaried employees during the following year are generally to be allocated to the item "Other liabilities."

More specifically, in accordance with IAS 19 – *Employee Benefits*, the following are allocated to current liabilities:
- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the Profit and Loss Account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in the balance sheet:
- the share of the variable remuneration of managers of the Banking Group deferred up to five years, and conditional upon the satisfaction of the access gates requirements established in the Banking Group's new remuneration policy.

Expenses functionally related to staff

In accordance with IAS 19, item 160 a) "Staff expenses" only includes costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 160 b) "Other general and administrative expenses". Such expenses also include:
a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:
- interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit or loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Recognition of the costs of obtaining and fulfilling a contract

Beginning from the end of 2018, the amortisation period for acquisition and fulfilment costs for contracts with customers was modified from a time horizon based on the payback criterion to a time horizon more consistent with the average duration of contractual relationships with customers, determined to be five years.

These changes, implemented in part owing to the greater flexibility of 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 expenses and the fee income generated by customer investments.
In particular, the modification affected the accounting treatment of ordinary sales incentives tied to the net inflow targets paid to the Financial Advisor network, which had been previously accounted for according to the practical expedient of taking them in full to the profit and loss account for the year.

The modification, which qualifies as a change in accounting estimate in respect of the amortisation period for incentives, was applied prospectively in accordance with IAS 8.

Calculation of impairment losses

Impairment losses of financial assets

At each reporting date, in accordance with IFRS 9, financial assets other than those measured at fair value through profit or loss are tested for evidence that their carrying amounts may not be fully recoverable. Similar tests are also performed for loan commitments and guarantees issued that come within the scope of impairment testing pursuant to IFRS 9.

Where such evidence of impairment exists, the financial assets in question are considered impaired and included in stage 3, along with all remaining assets associated with the same counterparty, if any. Such exposures, represented by financial assets classified, in accordance with Bank of Italy Circular No. 262/2005, as bad loans, unlikely-to-pay loans and exposures past-due by more than 90 days must be accounted for by recognising impairment losses equivalent to the expected losses over their entire residual lifetimes.

Impairment losses of performing financial assets

For financial assets for which there is no evidence of impairment (performing financial instruments), it must be verified whether there are any indicators that the credit risk associated with each transaction has increased significantly with respect to initial recognition. The consequences of this assessment, from the standpoint of classification (or, to be more precise, "staging") and measurement, are as follows:

› where such indicators exist, the financial asset is classified as stage 2. In such case, in accordance with international accounting standards, and despite the absence of a manifest decline in value, measurement involves recognising impairment losses equal to the expected losses over the financial instrument's entire residual lifetime;
› where such indicators do not exist, the financial asset is classified as stage 1. In such case, in accordance with international accounting standards, and despite the absence of a manifest decline in value, measurement involves recognising impairment losses equal to the expected losses for the specific financial instrument over the following twelve months.

Such impairment losses are revised on each subsequent reporting date to verify periodically that they are consistent with constantly updated loss estimates and to take account of the changed forecasting period for calculating expected loss, in the event of changes in indicators signalling "significantly increased" credit.

With regard to the tracking of credit quality, in accordance with the provisions of the Standard and the Supervisory Authority's instructions as to how to apply the Standard in the case of less significant institutions, a detailed analysis was conducted for each relationship, whether in the form of a security or a loan.

To identify whether there has been a "significant deterioration" of credit quality since initial recognition and there is thus a need for classification to stage 2 and, vice versa, whether the conditions have been met for reclassification from stage 2 to stage 1, it has been decided to make a comparison, at each reporting date, between the credit quality of the financial instrument at the time of measurement and at the time of initial disbursement or purchase (stage assignment).

In view of the above, the factors that will be decisive when determining transitions between the various stages are as follows:

› a change in rating class with respect to the moment of initial recognition of the financial asset. In other words, this is an assessment according to a "relative" criterion;
› the presence of a position past-due by at least 30 days. Where such positions exist, in other words, the credit risk of the exposure is presumed to have increased significantly and the position is thus reclassified to stage 2;
› the presence of forbearance measures, which entail the classification of the exposure as among those whose credit risk has "significantly increased" with respect to initial recognition.

Some particular considerations apply to the staging of securities. In the case of this type of exposure — as opposed to loans — purchase transactions following an initial purchase of securities with the same ISIN may be a customary part of ordinary management of such positions (resulting in the need to establish an approach to identify sales and redemptions to determine the residual balances of individual transactions with which to associate a credit quality/rating upon origination to be compared with that as at the reporting date). The "first-in-first-out" ("FIFO") method has thus been deemed to contribute to more transparent management of the portfolio, including from the standpoint of front-office personnel, thus also permitting assessments of creditworthiness to be updated constantly on the basis of new purchases.

In addition, Banca Generali has adopted the low credit risk exemption (LCRE) provided for in IFRS 9 for certain financial assets, namely debt instruments issued by governments and public administrations. Accordingly, exposures that are rated investment grade or above as at the reporting date will be deemed low credit risk exposures and thus classified to stage 1.
Once exposures have been allocated to the various credit risk stages, expected credit losses (ECLs) are determined for each transaction or tranche of a security, on the basis of the parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The measurement of financial assets also reflects the best estimate of the effects of future conditions — above all those of the economic context — with an impact on forward-looking PD and LGD.

Modifications to stage assignment
IFRS 9 requires that the assessment of expected credit losses on financial instruments measured at amortised cost allocated to the HTC and HTCS portfolios be closely connected to their inclusion in one of the three stages (credit risk stages), the last of which (stage 3) includes non-performing financial assets and the remainder of which (stages 1 and 2) include performing financial assets.
In particular, financial instruments are classified to stage 2 if on the reporting date they have undergone a significant increase in risk compared to origination, determined by reaching a rating class deemed excessively risky or by a significant rating notch difference.

In response to the Covid-19 emergency, international organisations and governments implemented extensive support programmes for the banking system and real economy, including, above all, the banking package promoted by the European Union and the public moratoria. The supervisory authorities also requested that financial institutions modify their processes for managing and hence for approving loans, so as to ensure, even in shock conditions, the proper assessment of temporary increases in risk profile, while also decreasing the procyclical effect of assessment models.

In adopting this regulatory framework, which thus views the Covid-19 emergency as a temporary phenomenon not destined to last over time, and in line with industry practices recently established amongst Italian financial institutions, the Banking Group decided to make significant changes to the current stage assignment model for the securities portfolio, as detailed below:
› introduction of a module that formalises the legitimate use of temporary model changes in extraordinary conditions of use until conditions of normality are restored;
› introduction of a rule against downgrading sovereign securities, where justified in terms of temporariness, validity, extraordinariness and severity; with regard to this latter point, a limit was identified in the form of a downgrade not resulting in a rating class lower than credit quality class 4 (equivalent to BB) (ECB Press Release of 22 April 2020);
› replacement of the current rating assignment rule according to a predefined order (1. Moody's, 2. S&P and 3. Fitch) with the ECAI First Best Rating assignment rule, acknowledging that a security downgrade is only admitted if formulated unanimously by all rating agencies: Moody's, S&P, Fitch and DBRS;
› addition of the ratings agency DBRS to the ECAIs Moody's, S&P and Fitch.

These changes are in line with the new regulatory requirement formulated in EBA "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures", 25 March 2020, and in EBA "Guidelines EBA/GL/2020/02", 2 April 2020, which requires prudence in assessing the increase in risk profile, where not representative of the counterparty's long-term status.

Impairment losses of non-performing financial assets
Non-performing loans are measured as follows:
› individual measurement of all exposures classified as bad loans;
› individual measurement of all exposures classified as unlikely-to-pay (UTP) and overdrawn/past-due of amounts in excess of 10 thousand euros and secured positions under 10 thousand euros;
› statistical measurement for all positions classified as unlikely-to-pay (UTP) and overdrawn/past-due below the above thresholds.

Individual measurement is performed by managers on individual positions on the basis of a qualitative and quantitative analysis of the debtor's financial performance and position, the risk level of the credit relationship and any mitigating factors (guarantees), while also taking account of the financial effect of the time estimated to be necessary for recovery.

In the case of bad loans in particular, significance is attached to a series of elements — present to varying degrees depending on the characteristics of the positions — to be assessed as thoroughly and prudently as possible, including, but not limited to:
› the nature of the claim, i.e., preferred or unsecured;
› the net assets of the obligors/third-party guarantors;
› the complexity of ongoing or potential litigation and/or the underlying legal matters;
› exposure of obligors to the banking system and other creditors;
› most recent available financial statements;
› legal status of obligors and pending insolvency and/or individual procedures.

Statistical assessments are conducted on the basis of the parameters set out in the ECB guidelines. Residual exposures of amounts beneath a predetermined threshold are written off.

The financial effect of time (time value) is not taken into account for exposures classified as overdrawn/past due by more than 90 days due to the high frequency of return to performing status in the short term.

Contributions to deposit guarantee systems and resolution mechanisms

Through Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, respectively, the "Deposit Guarantee Schemes Directive (DGSD)" and "Bank Recovery and Resolution Directive (BRRD)" and the institution of the Single Resolution Mechanism (Regulation (EU) No. 806/2014 of 15 July 2014), European lawmakers made significant changes to the rules concerning banking crises with the strategic aim of strengthening the single market and ensuring systemic stability. As illustrated in further detail below, the above legislative changes had a significant impact on financial performance and financial position as a result of the obligation to establish specific funds with financial resources that must be provided by contributions from financial institutions starting in 2015.

Contributions deriving from the Deposit Guarantee Schemes Directive (DGSD)

Directive 2014/49/EU, effective as of 3 July 2015, harmonises the levels of protection offered by national deposit guarantee schemes (DGSs) and their methods of intervention, with the aim of eliminating possible competitive disparities within the European market. To that end, the Directive provides that national DGSs (in Italy, the Interbank Deposit Protection Fund or FITD) must endow themselves with means commensurate to the deposits protected, which must be provided through mandatory contributions from financial institutions. The new element for Italian banks is the new mechanism for financing the fund: the previous after-the-fact contribution system, in which funds had been requested in case of need, was replaced by a mixed system, in which funds must be paid in advance, so as to reach, within ten years of the entry into force of the Directive (3 July 2024), a minimum target level of **0.8% of the deposits guaranteed**.
The contributions from each entity are calculated as a function of the ratio of the amount of own deposits to the total protected deposits in the country.
Article 10 of Directive 2014/49/EU provides that contributions are to be paid by banks with at least annual frequency.
In its extraordinary meeting of 26 November 2015, the FITD then amended its Articles of Association to comply with the new contribution rules and regulatory framework.
The Directive was then transposed into Italian law through Legislative Decree No. 30/2016.

Contribution charges deriving from the Bank Recovery and Resolution Directive (BRRD)

Directive 2014/59/EU establishes the new resolution rules, applicable from 1 January 2015 to all European Union banks in a state of current or prospective default. These rules, which introduce the "bail-in" principle, require, under certain circumstances, that funding for resolution may also be supported by a national resolution fund instituted by each of the 28 European Union Member States and managed by a national resolution authority.

To that end, the Directive provides that the national resolution funds be endowed with financial means provided through mandatory advance contributions from authorised financial institutions.
In particular, the funds are to be paid in advance until reaching a minimum target level, over a period of ten years, i.e., by 31 December 2024, **of 1% of guaranteed deposits**[5].

The contributions from each entity are calculated as a function of the ratio of its total eligible liabilities, i.e., net of own funds and the guaranteed deposits, to the total liabilities of all authorised financial institutions in the country.

In this context, on 16 November 2015 Legislative Decrees Nos. 180/2015 and 181/2015 were enacted, introducing the National Resolution Fund into the Italian legal system and assigning the Bank of Italy the role of National Resolution Authority.

In particular, Articles 78 *et seqq.* of Legislative Decree No. 180/15 provide that such funds are to be financed by, among other sources:
a) ordinary contributions paid on an annual basis in the amount determined by the Bank of Italy in accordance with Directive 2014/59/EU (Article 103) and commensurate for the purposes of reaching the fund's target funding level;
b) extraordinary contributions when ordinary contributions are insufficient to cover losses, costs or other expenses incurred to achieve resolution objectives, up to an amount of three times annual average ordinary contributions.

The new European Single Resolution Fund (SRF) provided for in Regulation No. 806/2014, instituting the Single Resolution Mechanism (SRM) and managed by a new European resolution authority, formed within the ECB (Single Resolution Board – SRB), began to function on 1 January 2016.
From 1 January 2016 to 31 December 2023 (a period of eight years), the Single Resolution Fund must reach a target level of means of at least 1% of the amount of the protected deposits of all authorised entities in the Banking Union. The contribution rules for the period 2016-2023 are established in Article 8 of Implementing Regulation No. 81 of 2015.

Accordingly, the banks of Member States of the Banking Union (including Italian banks) contributed to the National Resolution Fund in 2015 and contributed to the Single Resolution Fund starting in 2016 (until 2023). During the initial period, when calculating each institution's individual contributions, this transfer will be taken into account.

[5] Also in this case, in order to achieve the target level, the financial means provided by the credit institutions may include payment commitments up to a maximum of 30%.

Accounting treatment of contribution charges deriving from the BRRD and DGSD

The accounting and reporting treatment applicable to contributions to resolution funds was the subject of the Bank of Italy's notice dated 20 January 2016, as well as of a notice dated 25 January 2017 specifically relating to "Additional contributions to the national resolution fund".
Similar conclusions were reached by ESMA in its Opinion 2015/ESMA/1462 "Application of the IFRS requirements in relation to the recognition of contributions to Deposit Guarantee Schemes in IFRS accounts" of 25 September 2015 with regard to non-reimbursable cash contributions to be paid in advance into deposit guarantee funds.

For financial reporting purposes, reference should be made to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* and the Interpretation IFRIC 21 – *Levies*, which entered into force on 1 January 2015.
The Interpretation concerns the accounting treatment of a liability for a levy where the liability falls within the scope of application of IAS 37.
As defined in IFRIC 21, "a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation".
Obligations to contribute to the National Guarantee Fund, in both ordinary and extraordinary form, are imposed by legislation, and thus fall within the scope of "levies" as defined in IFRIC 21.

IAS 37 and IFRIC 21 provide that a liability must be recognised when the obligating event that gives rise to a present obligation occurs. Since the Decree does not provide for contributions to be reduced or refunded to intermediaries, in whole or in part, whenever the obligating event occurs the liability relating to the contributions in question must be recognised for the full amount.

Since it is not possible to account for the liability through either an intangible asset pursuant to IAS 38 or a prepayment asset, the contributions must be recognised in profit and loss.

In this regard, the Bank of Italy has clarified that the item to which to classify such contributions, which for accounting purposes may be regarded as levies, is sub-item 160 b "General and administrative expenses – other general and administrative expenses" of the profit and loss account in the separate financial statements, and sub-item 190 b of the consolidated financial statements, which is also used to account for the indirect levies and taxes (paid and unpaid) accrued during the year.

Business combinations

Business combinations are regulated by the IFRS 3 – *Business Combinations*.
Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and contingent liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the Profit and Loss Account.
The purchase method is applied as of the acquisition date, i.e., from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the Consolidated Financial Statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the Consolidated Financial Statements, up to the date control is transferred.

Business combinations of entities under common control are not included in the scope of IFRS 3, nor are they covered by other IFRS. They are accounted for in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.
The IAS/IFRS provide specific guidelines for transactions not covered by IFRS (described in paragraphs 10-12 of IAS 8); according to these guidelines, management is required to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.

In fulfilment of this requirement, it should be noted that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1R on the accounting treatment of business combinations of entities under common control, and OPI No. 2R on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (based on the goodwill recognised) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.
In a similar way, if an entity is disposed of, the amount received is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

Part A.4 – Information on fair value

With the introduction of IFRS 13, the definition of fair value has been modified with respect to IAS 39, in view of a more market-based approach.

According to the new standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is thus not an entity-specific measurement, but rather a market-based measurement.

In detail, measurement at fair value:
› presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
› refers to a particular asset or liability and must take account of the characteristics of the asset or liability that market participants take into account when pricing the asset or liability;
› assumes that market participants act in their economic best interest;
› assumes that the sale of the asset or the transfer of the liability takes place:
› in the principal market for the asset or liability; or
› in the most advantageous market, in the absence of a principal market.

Fair value hierarchy

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

For the purposes of the fair value hierarchy, inputs may thus be classified as:
› **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;
› **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

Valuation criteria of the fair value of financial instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Lending Department and review and validation of the data to the Risk Management Service.
The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.
Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered listed on an active market if objective parameters such as the following may be observed:
› an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
› a spread between the ask and bid price that falls within an interval deemed appropriate; and
› continuity of quotations on both sides of the market.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is not material, the official closing price for the last trading day is also used.

A.4.1 Fair value Level 2 and Level 3: valuation techniques and inputs used

Financial instruments measured at fair value on a recurring and non-recurring basis

Level 2 of the fair value hierarchy includes all financial instruments whose fair value, despite not being directly observable on the market, may be estimated using valuation models based on:
- inputs directly observable on the market (e.g., executable prices, interest rates or yield curves observable within various buckets, volatilities, credit spreads, etc.);
- inputs indirectly observable on the market or based on observable market data and supported by strong evidence of correlation with observable market data (market-corroborated inputs).

With regard to bond securities (including government bonds and securitisations), the price sources to be used, where available, to determine fair value in the absence of an active market are as follows:
- Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using both executable prices and indicative prices contributed to Bloomberg;
- the Bloomberg Valuation Service (BVAL), which provides a valuation of bonds based on a three-stage pricing process: 1) observation of market data; 2) analysis of observed prices for similar instruments; and 3) valuation based on non-arbitrage models (for comparable yield curve models). The BVAL is considered a Level 2 price source when there is evidence that it is based on directly observable market data. In all other cases, it will be considered a Level 3 price source;
- other consensus prices provided by Bloomberg, Telekurs or other Information Providers;
- contributors' executable prices that do not meet the significance requirements;
- valuation models developed by Banca Generali, implemented on front-office systems or provided by third-party providers, based on observable significant inputs, which have been validated by the Risk and Capital Adequacy Department.

UCITS not listed on regulated markets are normally not considered listed on active markets.
UCITS characterised by significant levels of transparency and liquidity are considered Level 2 and valued on the basis of the NAVs provided by the management company/fund administrator.

UCITS relating to private equity, private debt and similar activities are considered Level 3 and measured on the basis of the most recent available NAV, adjusted, where applicable, to take account of events not incorporated into unit value or on the basis of specific valuations, where it is necessary to reflect a different valuation of the fund's underlying assets.
In detail, for further details on the valuation of the Forward Fund, reference should be made to the information provided in Part E "Information on Risks and Risk Hedging Policies", Section 1 "Credit Risk", Subsection E "Transfers", paragraph C "Transferred financial assets fully derecognised" of these Notes and Comments.

As regard derivative instruments, valuation models are used that have been developed by Banca Generali, implemented on front-office systems or provided by third-party providers, based on observable significant inputs, which have been validated by the Risk and Capital Adequacy Department.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:
- the analysis of discounted cash flows;
- option pricing models.

In addition, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships, and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

Other financial assets and liabilities not measured at fair value on a recurring basis

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITS, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

Demand and uncommitted financial assets and financial assets with residual lives of less than one year

The fair value of this class of assets, which essentially consists of uncommitted current account exposures, demand deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

Assets with fixed contractual lives included in the financial portfolio
This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:
› the cost of credit risk (the cost of covering expected losses in relation to credit risk);
› the cost of funding (the cost of funding positions);
› the cost of capital (the cost of covering unexpected losses in relation to credit risk);
› operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PDs related to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.

Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

Non-performing loans
When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.

Such loans are classified to Level 3 of the fair value hierarchy.

Other financial liabilities
Financial liabilities classified as amounts due to customers and banks consist mainly of demand deposits, short-term time deposits and operating payables.

Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other demand or uncommitted financial assets.

A.4.2 Processes and sensitivity of measurements

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.
The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITS. It should be noted that, for some of these investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (e.g., the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified as assets measured at OCI and FVOCI. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

A.4.3 Fair value hierarchy

IFRS 13, recalling the contents of IFRS 7, requires that entities that apply IAS/IFRS make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:
1. the level in the fair value hierarchy Into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2. any significant transfers between Level 1 and Level 2 during the year;
3. for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the Profit and Loss Account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

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

A.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 48, 93(i) and 96, occur in these Financial Statements.

Quantitative Information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	31.12.2022				
ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss:					
a) HFT financial assets	1,991	-	-	-	1,991
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	1,031	18,262	486,061	-	505,354
2. Financial assets measured at fair value through other comprehensive income	1,051,651	50,275	-	18,175	1,120,101
3. Hedging derivatives	-	286,776	-	-	286,776
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**1,054,673**	**355,313**	**486,061**	**18,175**	**1,914,222**
1. HFT financial liabilities	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	123,604	-	-	123,604
Total	**-**	**123,604**	**-**	**-**	**123,604**

	31.12.2021				
ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss:					
a) HFT financial assets	2,020	4,558	-	-	6,578
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	1,151	19,374	388,455	-	408,980
2. Financial assets measured at fair value through other comprehensive income	2,496,384	28,739	-	17,942	2,543,065
3. Hedging derivatives	-	11,357	-	-	11,357
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,499,555**	**64,028**	**388,455**	**17,942**	**2,969,980**
1. HFT financial liabilities	-	4,551	-	-	4,551
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	167,320	-	-	167,320
Total	**-**	**171,871**	**-**	**-**	**171,871**

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of financial assets measured at fair value through profit or loss, the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and hedging derivatives comprised 55.1% of financial assets eligible for allocation to class L1, with a lower ratio compared to the previous year (84.2%). This category continues to be concentrated on the sovereign debt, with the highest component made up of bonds issued by EU countries (Iberian Peninsula and Greece). Overall, the government component decreased by 1.4 billion euros compared to 31 December 2021. It also includes other debt securities (197.2 million euros) chiefly referring to the credit sector (156.3 million euros), and listed securities totalling 1.0 million euros.
The financial assets allocated to the L2 class, on the other hand, consist of government debt securities (50,275 thousand euros), mainly issued by EU countries, and of unit-linked policies that, due to failing the SPPI Test, have been reclassified among financial assets mandatorily measured at fair value.

Hedging derivatives are also included in the L2 portfolio.

In the reporting year, no significant transfers of financial assets were performed between class L1 and class L2.

A.4.5.2 Year changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) HFT FINANCIAL ASSETS	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPRE-HENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY AND EQUIPMENT	INTANGIBLE ASSETS
1. Amount at year-start	**388,455**	**-**	**-**	**388,455**	**17,942**	**-**	**-**	**-**
2. Increases	**112,415**	**-**	**-**	**112,415**	**433**	**-**	**-**	**-**
2.1 Purchases	112,183	-	-	112,183	100	-	-	-
2.2 Gains through:	122	-	-	122	333	-	-	-
2.2.1 profit or loss	122	-	-	122	-	-	-	-
of which:								
- capital gains	*122*	-	-	*122*	-	-	-	-
2.2.2 net equity	-	X	X	X	333	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	110	-	-	110	-	-	-	-
3. Decreases	**14,809**	**-**	**-**	**14,809**	**200**	**-**	**-**	**-**
3.1 Disposals	2,932	-	-	2,932	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-	-	-
3.3 Losses through:	11,877	-	-	11,877	200	-	-	-
3.3.1 profit or loss	11,877	-	-	11,877	-	-	-	-
of which:								
- capital losses	*11,877*	-	-	*11,877*	-	-	-	-
3.3.2 net equity	-	X	X	X	200	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Amount at year-end	**486,061**	**-**	**-**	**486,061**	**18,175**	**-**	**-**	**-**

Other L3 financial assets mandatorily measured at fair value include:
- the investment in the Luxembourg vehicle Algebris of 1,471 thousand euros, and the units of the MIP I Fund, of 1,489 thousand euros;
- the convertible loan to Conio Inc., acquired in December 2020, which at the end of 2022 had a value of 2,007 thousand euros;
- the Forward Fund, subscribed in October 2021 for an initial amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables. At the end of 2022, its value amounted to 478.5 million euros, as a result of the subscription of additional units for 112 million euros aimed at constructing an alternative investment portfolio. In addition, the fund also reported a cumulative capital loss of 11.5 million euros (10.8 million euros in 2022) mainly due to the increase in market rates;
- the equity investments in TECREF S.àr.l. (1,941 thousand euros) and in Hope (651 thousand euros).

By contrast, L3 financial assets in the portfolio of Financial assets measured at fair value through other comprehensive income, for a total amount of 18,175 thousand euros, consist of:
- the equity investment in Conio Inc., a company operating in the cryptocurrency industry, acquired in December 2020, and that at 31 December 2022 had a value of 5,708 thousand euros;
- the equity investment in the independent asset management company 8A+ Investimenti SGR, in which the Bank controls 19.5% of share capital for a value of 912 thousand euros at 31 December 2022;
- some equity investments continued to be measured at purchase cost, in the absence of reliable estimates of fair value; these are the so-called “minor investments” in companies with which the Bank has long-term strategic service arrangements (CSE, GBS, Caricese, SWIFT, etc.) or commercial partnerships (Tosetti Value), for a total of 11.5 million euros;
- the equity investment in Beyond S.p.A., amounting to 66 thousand euros.

A.4.5.4 Breakdown by fair-value levels of assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2022			
	BV	L1	L2	L3
1. Financial assets measured at amortised cost	13,676,987	9,691,207	2,857,804	859,258
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**13,676,987**	**9,691,207**	**2,857,804**	**859,258**
1. Financial liabilities measured at amortised cost:	15,538,621	-	15,538,621	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**15,538,621**	**-**	**15,538,621**	**-**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2021			
	BV	L1	L2	L3
1. Financial assets measured at amortised cost	10,783,958	7,609,680	2,379,779	982,043
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**10,783,958**	**7,609,680**	**2,379,779**	**982,043**
1. Financial liabilities measured at amortised cost:	14,449,422	-	14,449,422	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**14,449,422**	**-**	**14,449,422**	**-**

Part A.5 – Disclosure about so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument measured at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in these Financial Statements.

PART B – INFORMATION ON THE BALANCE SHEET - ASSETS [6]

Section 1 – Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2022	31.12.2021
a) Cash	26,791	26,683
b) Current accounts and demand deposits with Central Banks	645,000	1,504,015
b) Current accounts and demand deposits with banks	81,867	68,285
Total	**753,658**	**1,598,983**

At 31 December 2022, item b) Current accounts and demand deposits with Central Banks includes the value of the overnight deposit with the ECB, whereas at 31 December 2021, it represents the portion of the balance of the settlement account held with the Bank of Italy that was not restricted according to the mandatory reserve rules.

Section 2 – Financial assets measured at fair value through profit or loss — Item 20

2.1 HFT financial assets: categories

	31.12.2022			31.12.2021		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Cash assets						
1. Debt securities	1,991	-	-	2,010	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,991	-	-	2,010	-	-
2. Equity securities	-	-	-	10	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**1,991**	**-**	**-**	**2,020**	**-**	**-**
B. Derivatives						
1. Financial	-	-	-	-	4,558	-
1.1 Trading	-	-	-	-	4,558	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**4,558**	**-**
Total (A + B)	**1,991**	**-**	**-**	**2,020**	**4,558**	**-**

[6] A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 – Information on fair value of these Notes and Comments.

2.2 HFT financial assets: debtors/issuers/counterparties

ITEMS/VALUES	31.12.2022	31.12.2021
A. Cash assets		
1. Debt securities	**1,991**	**2,010**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	1,989	2,008
d) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	2	2
2. Equity securities	**-**	**10**
a) Banks	-	-
b) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
c) Non-financial corporations	-	10
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total A	**1,991**	**2,020**
B. Derivatives		
a) Central counterparties	-	-
b) Other	-	4,558
Total B	**-**	**4,558**
Total (A + B)	**1,991**	**6,578**

2.5 Other financial assets mandatorily measured at fair value: categories

	31.12.2022			31.12.2021		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	-	2,007	-	-	1,882
1.1 Structured securities	-	-	2,007	-	-	1,882
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	1,031	-	2,592	1,151	-	5,263
3. UCITS units	-	707	481,462	-	1,546	381,310
4. Loans	-	17,555	-	-	17,828	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	17,555	-	-	17,828	-
Total	**1,031**	**18,262**	**486,061**	**1,151**	**19,374**	**388,455**

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

ITEMS/VALUES	31.12.2022	31.12.2021
1. Equity securities	**3,623**	**6,414**
of which:		
- *banks*	-	-
- *other financial corporations*	*3,623*	*6,414*
- *non-financial corporations*	-	-
2. Debt securities	**2,007**	**1,882**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	2,007	1,882
3. UCITS units	**482,169**	**382,856**
4. Loans	**17,555**	**17,828**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	16,619	16,892
of which:		
- *insurance companies*	*16,619*	*16,892*
e) Non-financial corporations	936	936
f) Households	-	-
Total	**505,354**	**408,980**

The UCITS portfolio includes the Forward Fund, a newly formed Italian AIF managed by Gardant SGR, specialised in illiquid investments. The fund was subscribed in October 2021 in the amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables (past-due or related to disputes), which Banca Generali purchased from its customers to protect them against possible losses, and concurrently transferred to the Fund, subscribing 98% of its units. At the end of 2022, the value of the Fund amounted to 478,502 thousand euros, as a result of the subscription of additional units for 112 million euros in the year. The fund reported a capital loss of 10,801 thousand euros in 2022.

The residual UCITS portfolio is comprised for 1,471 thousand euros of the investment in the Luxembourg vehicle Algebris, for 707 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., and for 1,489 thousand euros to the units of the closed alternative real-estate investment fund MIP I, managed by Milano Investment Partners SGR S.p.A.

In 2021, Banca Generali had subscribed 100,000 shares of the newly formed Hope S.p.A., transformed into Sicaf, a fixed-capital investment company, following authorisation from the Supervisory Authorities. Hope Sicaf S.B. (società benefit) S.p.A. is an independent, innovative investment platform that adopts a multi-asset and multi-strategy management strategy, selecting excellent, sustainable companies, projects and investment ideas in which to invest, with a focus on “real” Italian assets (tangible assets such as services of public utility, energy and digital infrastructure, real-estate assets and fields for agriculture). The class-A notes held by Banca Generali, as the founding shareholder, were placed in the FVOCI portfolio in the amount of 1 million euros. In 2022, the portfolio was written down and its final value amounted to 651 thousand euros.

In August, the investment in the shares of TECREF S.àr.l., acquired by Banca Generali in 2021, was subject to a distribution of 2,322 thousand euros. Accordingly, at 31 December 2022 it amounted to 1,941 thousand euros.

Equity investments in shares of the parent company Assicurazioni Generali S.p.A. amounted to 1,031 thousand euros at 31 December 2022.

Debt securities refer to the convertible bond issued by Conio Inc. on 9 December 2020, with maturity set on 31 May 2025, as analysed in further detail in the following Section.

Section 3 – Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: categories

ITEMS/VALUES	31.12.2022			31.12.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	1,051,651	50,275	-	2,496,384	28,739	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,051,651	50,275	-	2,496,384	28,739	-
2. Equity securities	-	-	18,175	-	-	17,942
3. Financing	-	-	-	-	-	-
Total	**1,051,651**	**50,275**	**18,175**	**2,496,384**	**28,739**	**17,942**

3.2 Financial assets measured at fair value through other comprehensive income: debtors/Issuers

ITEMS/VALUES	31.12.2022	31.12.2021
1. Debt securities	**1,101,926**	**2,525,123**
a) Central Banks	-	-
b) General governments	906,753	2,285,776
c) Banks	154,347	182,379
d) Other financial corporations	35,003	55,958
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	5,823	1,010
2. Equity securities	**18,175**	**17,942**
a) Banks	-	-
b) Other issuers	18,175	17,942
- other financial corporations	3,095	3,195
of which:		
- *insurance companies*	-	-
- non-financial corporations	15,073	14,740
- Other	7	7
3. Loans	**-**	**-**
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**1,120,101**	**2,543,065**

Item “Debt securities” includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 257,339 thousand euros.

The equity securities portfolio included 18,175 thousand euros referring to “minor equity investments”, which are largely related to service agreements concluded by the Group (CSE, GBS, Caricese, SWIFT, etc.) or agreements of a commercial nature (Tosetti Value Sim, 8a+ SGR, Conio Inc.), usually not listed and non-negotiable. These equity investments are measured at purchase cost in the absence of reliable, updated estimates of fair value.

The interest acquired in Conio falls within the wider corporate and commercial partnership with the Californian fintech company founded in 2015, which has positioned itself as a wallet provider that offers custody, negotiation and reporting services, currently regarding Bitcoins only, on the Italian market, thought its investee Conio S.r.l.
Under the agreement, Banca Generali also undertook to pay an earn-out of an additional 1.7 million euros if the company were to achieve certain objectives in terms of EBITDA or valuation by 31 March 2025 and, to this end, it subscribed for a convertible bond of USD 2,013 thousand, equivalent to 2,007 thousand euros as at 31 December 2022.

In particular, the mandatory convertible bond pays interest at an annual rate of 5.5% due in a single instalment at maturity on 31 March 2025, with the following conversion conditions:

› if the earn-out conditions are met, the bond will be redeemed and taken to an equity reserve with the payment of interest only;
› if the earn-out conditions are not met, the bond will be fully converted, along with the interest accrued, into conversion shares at the ratio of the nominal value of the bonds to the fair value of Conio's share capital.

In July, the annual 100 thousand euro outright tranche was paid on the minority interest in Beyond Investment S.p.A., an investment holding company owned by the Bank and a group of leading Italian entrepreneurial families with the aim of undertaking private equity, venture capital and real estate investments. The value of the shares amounted to 66 thousand euros, after recognising approximately 200 thousand euro capital losses.

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

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRU-MENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
Debt securities	1,102,488	906,932	-	-	-	562	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2022	**1,102,488**	**906,932**	**-**	**-**	**-**	**562**	**-**	**-**	**-**	**-**
Total at 31.12.2021	**2,525,515**	**2,286,046**	**-**	**-**	**-**	**392**	**-**	**-**	**-**	**-**

In respect of the model for measuring expected credit losses (ECLs) provided for in IFRS 9, at 31 December 2022 collective reserves of 562 thousand euros were recognised in the debt securities portfolio, of which 179 thousand euros relating to the portfolio of government securities.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: categories of loans to banks

	31.12.2022						31.12.2021					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3
A. Loans to Central Banks	**137,889**	**-**	**-**	**-**	**137,889**	**-**	**130,137**	**-**	**-**	**-**	**130,137**	**-**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Mandatory reserve	137,889	-	-	X	X	X	130,137	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**2,397,130**	**-**	**-**	**1,723,161**	**603,155**	**-**	**1,080,132**	**-**	**-**	**650,127**	**431,206**	**-**
1. Loans	534,841	-	-	-	534,841	-	404,234	-	-	-	404,234	-
1.1 Current accounts	-	-	-	X	X	X	6,136	-	-	X	X	X
1.2 Term deposits	11,999	-	-	X	X	X	17,641	-	-	X	X	X
1.3 Other loans:	522,842	-	-	X	X	X	380,457	-	-	X	X	X
- repurchase agreements	397,723	-	-	X	X	X	199,805	-	-	X	X	X
- lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- other	125,119	-	-	X	X	X	180,652	-	-	X	X	X
2. Debt securities	1,862,289	-	-	1,723,161	68,314	-	675,898	-	-	650,127	26,972	-
2.1 Structured securities	525	-	-	504	-	-	538	-	-	534	-	-
2.2 Other debt securities	1,861,764	-	-	1,722,657	68,314	-	675,360	-	-	649,593	26,972	-
Total	**2,535,019**	**-**	**-**	**1,723,161**	**741,044**	**-**	**1,210,269**	**-**	**-**	**650,127**	**561,343**	**-**

The item "Other loans – other" includes 113,033 thousand euros (170,598 thousand euros at 31 December 2021) relating to guarantee margins paid to banking counterparties for derivatives transactions. The remaining 12 million euros was almost entirely attributable to operating receivables relating to placement and distribution of financial products, collected in the first few months of the following year.

4.2 Financial assets measured at amortised cost: categories of loans to customers

	31.12.2022						31.12.2021					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3
1. Loans	**2,705,009**	**37,635**	**-**	**-**	**1,979,193**	**780,788**	**2,534,498**	**31,830**	**-**	**-**	**1,700,825**	**876,146**
1.1 Current accounts	1,778,492	15,031	-	X	X	X	1,551,912	15,265	-	X	X	X
1.2 Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Mortgages	701,838	22,297	-	X	X	X	804,993	16,111	-	X	X	X
1.4 Credit cards, personal loans and loans on wages	-	6	-	X	X	X	-	6	-	X	X	X
1.5 Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	224,679	301	-	X	X	X	177,593	448	-	X	X	X
2. Debt securities	**8,399,324**	**-**	**-**	**7,968,045**	**137,567**	**78,469**	**7,007,361**	**-**	**-**	**6,959,553**	**117,612**	**105,897**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	8,399,324	-	-	7,968,045	137,567	78,469	7,007,361	-	-	6,959,553	117,612	105,897
Total	**11,104,333**	**37,635**	**-**	**7,968,045**	**2,116,760**	**859,257**	**9,541,859**	**31,830**	**-**	**6,959,553**	**1,818,437**	**982,043**

Item 2.2, relating to debt securities, includes 140,765 thousand euros of senior notes issued in securitisation transactions. The ABS component decreased on the previous year (177,799 thousand euros) due to the disposal and repayment of instruments belonging to the Muzinich CLO portfolio for 10.5 million euros, in addition to the partial repayments of the Credimi securitisation. Detailed information on the securitised notes is given in Part E of these Notes and Comments.

Item 2.2 "Other debt securities" includes encumbered assets used as collateral for ECB refinancing operations totalling 95,926 thousand euros and securities held in deposit with Cassa di Compensazione e Garanzia amounting to 283,223 thousand euros. This item also includes own securities used in repurchase agreements amounting to 1,638,206 thousand euros.

Item 1.7 "Other loans" includes operating receivables relating to the placement and distribution of financial and insurance products in the amount of 81,473 thousand euros, consisting solely of short-term receivables from managing companies and insurance companies belonging to the Generali Group, collected in the early months of the following year.

Breakdown of loans to customers – other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2022	31.12.2021
Other grants	17,639	23,945
Loans on promissory notes	4,177	3,042
Stock exchange interest-bearing daily margin	57,412	2,257
Sums advanced to Financial Advisors	56,330	31,119
Operating loans	81,473	95,873
Interest-bearing caution deposits	969	979
Amounts to be collected	6,980	20,826
Total	**224,980**	**178,041**

Pursuant to IFRS 15, paragraph 116 a), the previous table includes the opening and closing balances of receivables within the scope of IFRS 15 (operating receivables and amounts to be collected). In reference to paragraph 118 of IFRS 15, the change in receivables during the year was due to the Bank's normal operations and therefore is not attributable to changes due to business combinations, contractual amendments or changes in the time required for the right to the consideration to become unconditional.

Sums advanced to Financial Advisors enrolled with the Register of Financial Advisors include non-performing positions for a net amount of 2,018 thousand euros, largely attributable to advances to former Financial Advisors who have left service due to a dispute or pre-dispute.

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by debtors/issuers

	31.12.2022			31.12.2021		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED
1. Debt securities	**8,399,324**	**-**	**-**	**7,007,361**	**-**	**-**
a) General governments	7,840,345	-	-	6,515,502	-	-
b) Other financial corporations	491,714	-	-	366,465	-	-
of which:						
- *insurance companies*	-	-	-	-	-	-
c) Non-financial corporations	67,265	-	-	125,394	-	-
2. Loans to:	**2,705,009**	**37,635**	**-**	**2,534,498**	**31,830**	**-**
a) General governments	7	-	-	-	-	-
b) Other financial corporations	242,153	6,503	-	188,651	6,197	-
of which:						
- *insurance companies*	*24,838*	-	-	*25,049*	*3*	-
c) Non-financial corporations	307,697	18,371	-	365,447	11,427	-
d) Households	2,155,152	12,761	-	1,980,400	14,206	-
Total	**11,104,333**	**37,635**	**-**	**9,541,859**	**31,830**	**-**

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

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRU-MENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
Debt securities	10,238,837	-	29,478	2,642	-	6,553	149	2,642	-	-
Loans	3,146,980	-	235,177	51,777	-	2,863	1,555	14,142	-	-
Total at 31.12.2022	**13,385,817**	**-**	**264,655**	**54,419**	**-**	**9,416**	**1,704**	**16,784**	**-**	**-**
Total at 31.12.2021	**10,504,648**	**-**	**253,952**	**46,495**	**-**	**5,407**	**1,065**	**14,665**	**-**	**-**

In respect of the model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 31 December 2022 performing loans measured at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 11,120 thousand euros, of which:

- 6,702 thousand euros relating to the debt securities portfolio;
- 4,418 thousand euros relating to other loans.

Within this item, total value adjustments of exposures to banks amounted to 2,830 thousand euros, of which 2,582 thousand euros on debt securities and 248 thousand euros on other loans.

The provision for expected losses on debt securities refers instead to the government bond portfolio in the amount of 2,773 thousand euros.

The item relating to non-performing “Debt securities” (Stage 3) refers to the Alitalia bond. This bond known as “Dolce Vita”, amounting to 2,642 thousand euros, was fully written down in the previous years due to the airline’s serious state of crisis, which resulted in a court declaration of the company’s insolvency and the commencement of the extraordinary administration procedure.

The provision for expected losses on trade receivables, measured in accordance with IFRS 9 5.5.15, was not material in view of the short-term nature of the exposures concerned, all of which were collected in full in the first few months of the following year.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total adjustments

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRU-MENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
1. Loans subject to forbearance in accordance with the GLs	-	-	-	-	-	-	-	-	-	-
2. Loans subject to moratorium no longer in accordance with the Gls and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. Newly originated loans	76,964	-	1,602	7,704	-	13	10	1,065	-	-
Total at 31.12.2022	**76,964**	**-**	**1,602**	**7,704**	**-**	**13**	**10**	**1,065**	**-**	**-**
Total at 31.12.2021	**126,246**	**-**	**566**	**-**	**-**	**3**	**1**	**-**	**-**	**-**

Section 5 – Hedging derivatives - Item 50

5.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

TYPE OF TRANSACTIONS/VALUES	31.12.2022				31.12.2021			
	FAIR VALUE			NOTIONAL VALUE	FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**286,776**	**-**	**2,348,500**	**-**	**11,357**	**-**	**827,500**
1) Fair value	-	286,776	-	2,348,500	-	11,357	-	827,500
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**286,776**	**-**	**2,348,500**	**-**	**11,357**	**-**	**827,500**

5.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

HEDGING TRANSACTIONS/TYPE	FAIR VALUE								CASH FLOWS		FOREIGN INVEST-MENTS
	SPECIFIC						GENERAL		SPECIFIC	GENERAL	
	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND EQUITY INDICES	CURREN-CIES AND GOLD	CREDIT	GOODS	OTHER					
1. Financial assets measured at fair value through other comprehensive income	1,744	-	-	-	X	X	X		-	X	X
2. Financial assets measured at amortised cost	285,032	X	-	-	X	X	X		-	X	X
3. Portfolio	X	X	X	X	X	X	-		X	-	X
4. Other transactions	-	-	-	-	-	-	X		-	X	-
Total assets	**286,776**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X		-	X	X
2. Portfolio	X	X	X	X	X	X	-		X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X		-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-		X	-	-

Section 7 – Equity investments - Item 70

7.1 Equity investments: disclosure on type of relations

COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	% HELD	% OF VOTING RIGHTS
A. Wholly controlled subsidiaries				
1. BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	100%	100%
2. Generfid S.p.A.	Milan	Milan	100%	100%
3. Nextam Partners Ltd	London	London	100%	100%
4. BG Suisse S.A.	Lugano	Lugano	100%	100%
5. BG Valeur S.A.	Lugano	Lugano	90.1%	90.1%
B. Subsidiaries under common control				
1. BG Saxo Sim S.p.A.	Milan	Milan	19.9%	19.9%
C. Companies subject to significant influence				
1. IOCA Entertainment Limited	London	London	35%	35%
2. Nextam Partners Sim S.p.A.	Milan	Milan	19.9%	19.9%

Significant equity investments - accounting information

	31.12.2022	31.12.2021	CHANGE
Generfid S.p.A.	245	245	-
BG Fund Management Luxembourg S.A.	2,000	2,000	-
Nextam Partners Ltd.	9	233	-224
BG Suisse S.A.	15,402	9,263	6,139
BG Valeur S.A.	11,232	11,232	-
Total	**28,888**	**22,973**	**5,915**

On 8 October 2021, BG Suisse S.A., a joint-stock company under Swiss law based in Lugano, was incorporated by Banca Generali through an initial contribution of CHF 10 million with the aim of creating a new cross-border private service hub able to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services. To this end, in January 2022, the company filed with the Swiss Financial Market Supervisory Authority (FINMA) an application to obtain the banking licence necessary to operate on the Swiss market. In 2022, an additional contribution of CHF 10 million was made.

Following the impairment tests carried out at year-end, the equity investment was written down by 3,972 thousand euros.

Nextam Partners Ltd. launched the member's voluntary liquidation procedure on 16 December 2020 and was thus fully inactive as of 2021. At the end of September, the liquidation procedure was essentially concluded with the payment by the liquidators of a first tranche of the settlement balance of GBP 171 thousand, while just over GBP 8 thousand relating to the residual VAT credit has yet to be recognised, pending clearance from the local tax authorities (HMTC). As soon as this obligation is fulfilled, the company will be permanently deleted from the local Companies' Register.

Subsidiaries under common control — accounting information

	31.12.2022	31.12.2021	CHANGE
BG Saxo Sim S.p.A.	2,800	2,599	201
Total	**2,800**	**2,599**	**201**

BG Saxo Sim S.p.A. is an investment firm formed as part of the joint venture with Saxo Bank, in which Banca Generali acquired a 19.9% stake on 31 October 2019 for 1,995 thousand euros, plus additional costs. Banca Generali and Saxo Bank entered into an agreement to set up an exclusive partnership specialising in online trading and digital services. The deal aims to offer Italian customers exclusive access to an innovative advanced trading platform based on Saxo Bank's technology and managed by BG Saxo

Sim. The new platform will expand the range of offerings available to Banca Generali's Financial Advisors, granting access to tailor-made transactions and innovative dynamic hedging solutions that may be offered to both private and corporate customers.

The value of the equity investment in BG Saxo Sim S.p.A. changed during 2022 as a result of the company's capital increase authorised in April and subscribed by Banca Generali S.p.A. for the relevant share equal to 796 thousand euros.

Following the impairment tests carried out at year-end, the equity investment was written down by 595 thousand euros.

Companies subject to significant influence - accounting information

	31.12.2022	31.12.2021	CHANGE
Nextam Partners Sim S.p.A.	470	-	470
Total	**470**	**-**	**470**

On 5 March 2021, Banca Generali's Board of Directors had approved the sale of an 80.1% interest in the share capital of Nextam Partners Sim S.p.A. to a new corporate structure led by the main key manager of the Nextam Group. After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on 20 January 2022. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate; Pursuant to IFRS 5, at 31 December 2021, the equity investment in the Company had been reclassified to Item 110. "Non-current assets available for sale and disposal groups" of the balance sheet assets.

IOCA Entertainment Ltd. is a company under the UK law, in which Banca Generali acquired a 35% interest on 19 October 2015, in the form of 3,500 shares with a nominal value of 1.00 pound sterling each, for a total of 1,616,125 pound sterlings, equivalent to an original amount of approximately 2.2 million euros. The company, an e-commerce/social networking start-up engaged in the commercial development of an app for smartphones and tablets, named Dringle, was fully written off in 2020 as it did not attain its commercial targets and did not offer concrete perspectives of future growth.

7.5 Equity investments: year changes

	31.12.2022	31.12.2021
A. Amount at year-start	**25,572**	**16,827**
B. Increases	**11,376**	**9,860**
B.1 Purchases	10,906	9,860
of which:		
- *business combinations*	-	-
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	470	-
C. Decreases	**4,790**	**1,115**
C.1 Sales	-	-
of which:		
- *business combinations*	-	-
C.2 Adjustments	4,596	-
C.3 Write-downs	-	-
C.4 Other changes	194	1,115
D. Amount at year-end	**32,158**	**25,572**
E. Total revaluations	**-**	**-**
F. Total adjustments	**8,026**	**3,430**

Impairment tests of equity investments

In accordance with IAS/IFRS, equity investments have been tested for impairment in order to verify whether there is objective evidence that the carrying amounts of the assets concerned may not be fully recoverable.

The impairment testing process for equity investments in associates and joint ventures involves verifying whether there are any impairment indicators and determining the amount of the impairment loss, if any.

The impairment indicators used for such unlisted equity investments are:
- qualitative indicators, such as an operating loss or a significant deviation from budget objectives, the announcement of restructuring plans or the commencement of insolvency procedures;
- quantitative indicators represented by a carrying amount of the equity investment in the individual financial statements that is significantly higher, for an extended period, than the carrying amount of the investee's net assets and goodwill in the consolidated financial statements.

Where there are impairment indicators, the recoverable amount is determined as the greater of the fair value net of costs to sell and value in use, and if this is lower than the carrying amount an impairment loss is recognised.
In this regard, it should be noted that, following the impairment test of BG Saxo Sim, the equity investment was written down by approximately 595 thousand euros.

The controlling interests recognised in the Separate Financial Statements of Banca Generali have been tested for impairment, where the requirements have been met, by adopting uniform assessments at the parent company and consolidated level with regard to the goodwill implicit therein in respect of the relevant CGUs.
In fact, controlling interests are normally included in larger CGUs, the scope of which may be transversal to the activities that they perform.

In detail, at 31 December 2022, the controlling interest in BG Valeur S.A., falling within the scope of the Wealth Management CGU, and in BG Suisse, not yet operating as it is still waiting for the Swiss banking licence from FINMA, as well as the equity investments in the associate company Nextam Partners Sim S.p.A. and in the joint venture BG Saxo Sim S.p.A. were tested on an individual basis, taking into account the relevance of their carrying amount.

To determine the recoverable amount of these companies, both basic methodologies (to determine the value in use) and market assessments (to determine the fair value) were considered. To assess the value in use the Bank applied the Dividend Discount Model (DDM), specifically the Excess Capital variant of said model.

Estimates were based on the data of the 2023-2027 plan for BG Valeur, BG Suisse and BG Saxo, and of the 2023-2024 plan for Nextam.
The long-term growth rate used to estimate the terminal value was 2.0% for BG Saxo and 1.1% for the Swiss subsidiaries. In addition, the cost of capital used to discount cash flows was 12.2% for BG Saxo and Nextam, 11.5% for BG Valeur and 11.1% for BG Suisse.

The comparable market multiples method was also employed as the empirical control method[7].

(€ MILLION)	CARRYING AMOUNT AT 31.12.2022	RECOVERABLE AMOUNT AT 31.12.2022			EXCESS VS CARRYING AMOUNT	FAIR VALUE AT 31.12.2022		
		MIN	MID	MAX		MIN	MID	MAX
BG Valeur	11.2	140.8	11.6	12.6	0.4	9.3	9.3	9.3
BG Suisse	19.4	12.8	15.4	18.5	-4.0	15.5	16.7	17.9
BG Saxo Sim	3.4	2.5	2.8	3.0	-0.6	n.a.	n.a.	n.a.
Nextam Partners Sim	0.5	0.5	0.5	0.6	0.1	0.4	0.5	0.6
Total	**34.5**	-	-	-	-	-	-	-

The impairment tests carried out on the aforementioned equity investments resulted in the following impairment losses:
- for BG Suisse, 4.0 million euros with reference to the carrying amount and 2.7 million euros with reference to the fair value;
- for BG Saxo, 0.6 million euros with reference to the carrying amount.

The impairment of BG Suisse was chiefly due to the continuation throughout 2022 of the authorisation process filed with FINMA (aimed at obtaining the Swiss banking licence), which led to unexpected pre-operating losses incurred due to the costs borne for starting up and maintain the Company's operating structure.

The impairment loss of BG Saxo was attributable to the losses reported by the company in the current and prior years, as well as to a revision of estimated yearly results for the coming five years. In the first months of 2023, a new, more sustainable business model will be developed together with a new business plan that will take into account the overall review of the joint venture agreement with Saxo Bank.

In both cases, the value adjustments recognised in the Separate Financial Statements of Banca Generali S.p.A. have no impact on the Consolidated Financial Statements of the Banking Group, which has already accounted in full for the losses reported by the two companies.

The above-mentioned value analyses were supported by a fairness opinion issued by a major consulting firm and submitted for approval to Banca Generali's Board of Directors on 9 February 2023

[7] Except for BG Saxo, whose available data was not sufficient.

Section 8 – Property and equipment - Item 80

8.1 Breakdown of operating property and equipment: assets measured at cost

ASSETS/VALUES	31.12.2022	31.12.2021
1. Owned assets	**6,930**	**7,616**
a) Land	-	-
b) Buildings	-	-
c) Furniture	5,787	6,253
d) Electronic equipment	118	112
e) Other	1,025	1,251
2. Rights of use acquired through leases	**143,253**	**146,514**
a) Land	-	-
b) Buildings	142,548	145,548
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	705	966
Total	**150,183**	**154,130**
of which:		
- *obtained through the enforcement of guarantees received*	-	-

8.6 Operating property and equipment: year changes

	RIGHTS OF USE ACQUIRED THROUGH LEASES - BUILDINGS	RIGHTS OF USE ACQUIRED THROUGH LEASES - OTHER	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross amount at year-start	**196,035**	**1,738**	**27,184**	**6,079**	**9,953**	**240,989**
A.1 Total net impairment	50,487	772	20,931	5,967	8,702	86,859
A.2 Net amount at year-start	**145,548**	**966**	**6,253**	**112**	**1,251**	**154,130**
B. Increases	**16,108**	**192**	**767**	**58**	**281**	**17,406**
B.1 Purchases	7,449	192	767	58	281	8,747
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from buildings held as investments	-	-	X	X	X	-
B.7 Other changes	8,659	-	-	-	-	8,659
C. Decreases	**19,108**	**453**	**1,233**	**52**	**507**	**21,353**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	18,837	413	1,232	52	506	**21,040**
C.3 Adjustments for impairment in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
C.4 Fair value negative changes in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property and equipment held as investments	-	-	X	X	X	-
b) non-current assets available for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	271	40	1	-	1	**313**
D. Net amount at year-end	**142,548**	**705**	**5,787**	**118**	**1,025**	**150,183**
D.1 Total net impairment	68,831	976	22,161	6,018	9,188	**107,174**
D.2 Gross amount at year-end	**211,379**	**1,681**	**27,948**	**6,136**	**10,213**	**257,357**
E. Measured at cost	142,548	705	5,787	118	1,025	150,183

Section 9 – Intangible assets - Item 90

9.1 Breakdown of intangible assets by categories

ASSETS/VALUES	31.12.2022 DEFINITE LIFE	31.12.2022 INDEFINITE LIFE	31.12.2021 DEFINITE LIFE	31.12.2021 INDEFINITE LIFE
A.1 Goodwill		**79,366**		**79,366**
A.2 Other intangible assets	**44,610**	**330**	**44,569**	**330**
of which:				
- *software*	*18,154*	-	*18,884*	-
A.2.1 Assets measured at cost:	44,610	330	44,569	330
a) internally generated intangible assets	-	-	-	-
b) other assets	44,610	330	44,569	330
A.2.2 Assets measured at fair value:	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**44,610**	**79,696**	**44,569**	**79,696**

9.2 Intangible assets: year changes

	GOODWILL	OTHER INTANGIBLE ASSETS: INTERNALLY GENERATED DEFINITE LIFE	OTHER INTANGIBLE ASSETS: INTERNALLY GENERATED INDEFINITE LIFE	OTHER INTANGIBLE ASSETS: OTHER DEFINITE LIFE	OTHER INTANGIBLE ASSETS: OTHER INDEFINITE LIFE	TOTAL
A. Gross amount at year-start	**79,366**	**-**	**330**	**120,026**	**-**	**199,722**
A.1 Total net impairment	-	-	-	75,457	-	75,457
A.2 Net amount at year-start	**79,366**	**-**	**330**	**44,569**	**-**	**124,265**
B. Increases	**-**	**-**	**-**	**13,733**	**-**	**13,733**
B.1 Purchases	-	-	-	13,733	-	13,733
B.2 Increase of internal intangible assets	X	-	-	-	-	-
B.3 Reversals	X	-	-	-	-	-
B.4 Fair value positive changes	-	-	-	-	-	-
- Net equity	X	-	-	-	-	-
- Profit and Loss Account	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**13,692**	**-**	**13,692**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	13,692	-	13,692
- Amortisation	X	-	-	13,692	-	13,692
- Write-downs:	-	-	-	-	-	-
+ Net equity	X	-	-	-	-	-
+ Profit and Loss Account	-	-	-	-	-	-
C.3 Fair value negative changes	-	-	-	-	-	-
- Net equity	X	-	-	-	-	-
- Profit and Loss Account	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net amount at year-end	**79,366**	**-**	**330**	**44,610**	**-**	**124,306**
D.1 Total net adjustments	-	-	-	89,149	-	89,149
E. Gross amount at year-end	**79,366**	**-**	**330**	**133,759**	**-**	**213,455**
F. Measured at cost	79,366	-	330	44,610	-	124,306

9.3 Intangible assets: other information

Breakdown of goodwill

(€ THOUSAND)	31.12.2022	31.12.2021
Merger of Prime Consult Sim and INA Sim	2,991	2,991
Merger of Banca del Gottardo	31,352	31,352
Credit Suisse Italy's business unit	27,433	27,433
Merger of BG Fiduciaria Sim S.p.A.	4,289	4,289
Merger of Nextam SGR and Nextam S.p.A.	12,201	12,201
Binck Bank N.V. Italy business unit	1,100	1,100
Total	**79,366**	**79,366**

Breakdown of intangible assets - other assets

(€ THOUSAND)	31.12.2022	31.12.2021
Charges associated with the implementation of legacy CSE procedures	18,137	18,856
Customer relationships (former Credit Suisse Italy and former Netxam)	14,877	16,586
Other software costs	17	28
Advance payments on intangible assets	11,579	9,099
Total	**44,610**	**44,569**

Intangible assets recognised in respect of contractual relationships governing financial assets managed on account of customers (AUM) refer to business combinations undertaken by Banca Generali in the course of the years and represent an economic assessment of the expected cash flows from those relationships on the basis of specific profitability coefficients and appropriate default rates, identified from time to time within the framework of purchase price allocation (PPA) procedures.

In this regard, it should be noted that:
- the consideration paid to acquire in 2014 the former Credit Suisse's business unit amounting to 44,713 thousand euros was initially allocated for 17,280 thousand euros to intangible assets and for 27,433 thousand euros to goodwill;
- the consideration paid to acquire Nextam Partners Group in 2019 was initially recognised for 8.9 million euros to intangible assets, attributable to the contractual relationships with customers of the Nextam Group and amortised over a total period of 16 years, for 0.3 million euros to the value of the Nextam trademark, and for 12.2 million euros to goodwill;
- the consideration paid to acquire the retail banking business unit of the Italian branch from Binck Bank N.V., a Danish lending institution owned by the Saxo Bank Group, on 16 October 2021, upon completion of PPA, was fully recognised to goodwill.

Impairment testing of goodwill

During the preparation of Banca Generali's 2022 Financial Statements, goodwill was tested for impairment and the carrying values were determined to be accurate. In this regard, reference should be made to Part G, Section 3, of the Notes and Comments to the Consolidated Financial Statements.

Section 10 – Tax assets and liabilities - Item 100 (Assets) and item 60 (Liabilities)

Breakdown of item 100 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2022	31.12.2021
Current taxation	**1,495**	**9,438**
Sums due for taxes to be refunded	292	175
IRES arising on National Tax Consolidation scheme	-	7,908
IRES in excess and surtax for banks	1,203	1,355
Deferred tax assets	**69,627**	**61,669**
With impact on Profit and Loss Account	**63,736**	**60,639**
IRES	52,803	50,277
IRAP	10,933	10,362
With impact on Net Equity	**5,891**	**1,030**
IRES	5,096	957
IRAP	795	73
Total	**71,122**	**71,107**

Current tax assets and liabilities represent the positive or negative imbalance between the estimated income taxes due for the year and the associated tax credits due to overpayments in previous tax periods, prepayments made and amounts withheld.

In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of account receivable from or payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. Due to Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then figures and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.

Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2022	31.12.2021
Current taxation	**27,465**	**2,716**
IRES arising on National Tax Consolidation scheme	22,338	-
IRES (surtax for banks)	3,396	-
Substitute tax for realignments	639	1,382
IRAP	1,092	1,334
Deferred tax liabilities	**4,524**	**5,256**
With impact on Profit and Loss Account	**3,792**	**3,518**
IRES	2,572	2,148
IRAP	1,220	1,370
With impact on Net Equity	**732**	**1,738**
IRES	600	1,473
IRAP	132	265
Total	**31,989**	**7,972**

10.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2022	PURSUANT TO LAW NO. 214/2011	31.12.2021	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**63,736**	**5,813**	**60,639**	**6,663**
Provisions for liabilities and contingencies	51,434	-	46,590	-
Write-downs of loans to customers before 2015, in instalments	1,719	1,719	1,980	1,980
Redeemed goodwill of former Banca del Gottardo (Art. 15, para.10, of Law Decree 185/08)	2,268	2,268	2,631	2,631
Redeemed goodwill of former BG SGR (Art. 176, paragraph 2-*ter* of TUIR)	764	764	852	852
Goodwill of former BG Fiduciaria Sim (Art. 15, para. 10-*ter*, of Decree-Law No. 185/2008)	1,062	1,062	1,200	1,200
Redeemed goodwill of former Nextam Partners (Art. 15, para. 10, of Law Decree 185/08)	3,117	-	3,923	-
Redeemed goodwill of former Banca del Gottardo (Art. 110 of Law Decree 104/21)	2,258	-	2,399	-
Collective write-downs (ECLs) on loans to customers and banks	450	-	381	-
Other	664	-	683	-
With impact on Net Equity	**5,891**	**-**	**1,030**	**-**
Measurement at fair value of HTCS financial assets	5,391	-	453	-
Actuarial losses (IAS 19) on termination indemnity	500	-	577	-
Total	**69,627**	**5,813**	**61,669**	**6,663**

The DTAs eligible for conversion into tax credits pursuant to Law No. 214/2011 include:

a) assets relating to goodwill and other intangible assets subject to redemption pursuant to Article 10, paragraph 10, and paragraph 10-*ter* of Law Decree 185/08 and Article 176, paragraph 2-*ter*, of TUIR (Consolidated Income Tax Law), relating to the redemption transactions undertaken before 2015; on the other hand, DTAs accrued in respect of realignment transactions undertaken in financial year 2021 cannot be transformed;

b) assets related to adjustments on loans not deducted from taxes as at 31 December 2015, for which Decree Law No. 83/2015, by introducing a system of full deductibility of value adjustments with effect from that year, had remodulated deductibility percentages according to a thorough the ten-year recovery scheme originally set, from 2016 to 2025, based on variable annual quotas.

The 2019 Budget Law (Law No. 145 of 30 December 2018) and the 2020 Budget Law (Law No. 160 of 30 December 2019) and, most recently, Article 42 of Law Decree No. 17 of 1 March 2022 once again deferred the deduction of the goodwill and previous adjustments that had given rise to the recognition of deferred tax assets eligible for conversion into tax credits.

In particular, with regard to goodwill, they provided for:

› the remodulation of the deductibility of part of the goodwill and other intangible assets not deducted as at 31 December 2017 over a ten-year period, from 2019 to 2029, at different tax rates (Law No. 145 of 30 December 2018);
› the deferral until 2025 and the four subsequent years of the amortisation charges referring to the 2019 tax period (tax originally set at 5%) of goodwill and other intangible assets, which gave rise to the recognition of deferred tax assets eligible for conversion into tax credits

Accordingly, no DTAs eligible for conversion into tax credits were recovered in 2018 and 2019.
With reference to value adjustments, they provided for:

› the deferral until 2026 of the deduction of the portion of adjustments to loans not deducted as at 31 December 2015 that accrued in 2018, set by Law Decree No. 83/2015 at 10% as at 31 December 2026, subsequently brought forward to 2022 and set at 53%;
› the deferral until 2022 and the three subsequent years of the deduction of the portion of adjustments to loans not deducted as at 31 December 2015 that accrued in 2019 (originally set at 12%);
› the deferral of the deductibility of 12% of the value adjustments for the tax period in progress on 31 December 2022, on a straight-line basis, to the tax period in progress on 31 December 2023 and the three following years.

By way of partial derogation from the mechanism of full deduction of adjustments from loans recognised as loans to customers, the 2019 Budget Law and the 2020 Stability Law introduced a mechanism for deferring income components resulting from the application of the expected credit loss (ECL) model recognised upon first-time adoption of IFRS 9. In particular, the 2018 Budget Law had established that such components were deductible in ten straight-line instalments over the tax periods from 2018 to 2027, whereas the 2020 Budget Law provided for the deferral until 2028 of the deduction of the portion accrued in 2019 relating to the first-time adoption of IFRS 9. DTAs relating to the adjustments in question are not among those eligible for conversion into tax credits and amounted to 140 thousand euros at 31 December 2022.

DTAs relating to goodwill and not eligible for conversion into tax credits include DTAs deriving from the realignment operations carried out in 2021.

In 2021, Banca Generali proceeded to exercise the option to carry out the following operations to realign the carrying and tax values of goodwill, trademarks and other intangible assets[8], through payment of the related substitute taxes by the deadline set for income tax payment of the 2020 tax period:

- realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the merger — effective 1 January 2020 for accounting and tax purposes — of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  - Article 15 of Law Decree No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
  - Article 176, paragraph 2-*ter*, of TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset;
- realignment of misalignments resulting from previous years' goodwill stated in the Financial Statements at 31 December 2019 and still present at 31 December 2020, pursuant to Article 110 of Law Decree No. 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law, through payment of a 3% substitute tax, and a subsequent right to benefit from the ensuing off-balance sheet amortisation initially set at 18 years and then subsequently extended to 50 years;

With regard to this special treatment, the 2022 Budget Law (Law 234 of 30 December 2021) extended the duration of tax amortisation from 18 to 50 years, without prejudice to the possibility of maintaining the initial term of 18 years by paying the greater tax due for the ordinary redemption transactions or revoking the transaction in full with a refund of the substitute tax paid. As a consequence of these changes, Banca Generali derecognised the DTAs the reversal period of which exceeds the initial term of 18 years, for a total of 4.5 million euros.

Following the above-mentioned realignment operations, the previous year saw:

- the release of the deferred tax liabilities (DTLs) for the accounting items deriving from taxable transactions (purchase of business units) for which the off-balance sheet amortisation of the tax value has already been made, for an amount of 6.2 million euros;
- the recognition, based on the method indicated in the OIC document application No. 1 of February 2009, of deferred tax assets (DTAs), for the accounting items deriving from non-taxable transactions (mergers), for an amount of 6.5 million euros against 10.9 million euros overall receivable for the transactions carried out.

10.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2022	31.12.2021
With impact on Profit and Loss Account	**3,792**	**3,518**
Off-balance sheet goodwill deduction	1,633	1,054
Provision for termination indemnity (IAS 19)	152	152
Financial assets mandatorily measured at fair value through profit or loss	533	472
Retained earnings of subsidiaries (IAS 12, para. 38 40)	1,474	1,840
With impact on Net Equity	**732**	**1,738**
Measurement at fair value of HTCS financial assets	732	1,738
Total	**4,524**	**5,256**

The DTLs relating to financial assets mandatorily measured at fair value refer to the revaluation of equity instruments and unit-linked policies, the tax relevance of which is deferred until realisation.

[8] For further information, reference should be made to the relevant section of the Notes and Comments to the Separate Financial Statements of Banca Generali at 31 December 2021.

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

	31.12.2022	31.12.2021
1. Amount at year-start	**60,639**	**46,861**
2. Increases	**19,257**	**25,692**
2.1 Deferred tax assets recognised in the year:	19,257	19,229
a) related to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	19,257	19,229
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	6,463
of which:		
- *business combinations*	-	-
- *recognised for realignment operations*	-	6,463
3. Decreases	**16,160**	**11,914**
3.1 Deferred tax assets eliminated in the year:	16,141	11,865
a) transfers	15,474	11,644
b) write-downs for non-recoverability	-	2
c) change in accounting criteria	-	-
d) other	667	219
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	19	49
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	19	49
4. Amount at year-end	**63,736**	**60,639**

10.3-*bis* Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2022	31.12.2021
1. Amount at year-start	**6,663**	**7,569**
2. Increases	**-**	**-**
3. Decreases	**850**	**906**
3.1 Transfers	850	906
3.2 Conversion into tax credits:	-	-
a) due to losses for the year	-	-
b) due to tax losses	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**5,813**	**6,663**

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

	31.12.2022	31.12.2021
1. Amount at year-start	**3,518**	**9,232**
2. Increases	**1,665**	**2,530**
2.1 Deferred tax liabilities recognised in the year:	1,665	2,530
a) related to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,665	2,530
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
of which:		
- *business combinations*	-	-
3. Decreases	**1,391**	**8,244**
3.1 Deferred tax liabilities eliminated in the year:	1,391	2,053
a) transfers	30	202
b) change in accounting criteria	-	-
c) other	1,361	1,851
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	6,191
of which:		
- *eliminated for realignment operations*	-	6,190
4. Amount at year-end	**3,792**	**3,518**

10.5 Changes in deferred tax assets (offsetting entry to the Net Equity)

	31.12.2022	31.12.2021
1. Amount at year-start	**1,030**	**760**
2. Increases	**5,736**	**1,457**
2.1 Deferred tax assets recognised in the year:	5,736	1,457
a) related to prior years	-	-
b) change in accounting criteria	-	-
c) other	5,736	1,457
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**875**	**1,187**
3.1 Deferred tax assets eliminated in the year:	411	118
a) transfers	411	118
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	464	1,069
4. Amount at year-end	**5,891**	**1,030**

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

10.6 Changes in deferred tax liabilities (offsetting entry to the Net Equity)

	31.12.2022	31.12.2021
1. Amount at year-start	**1,738**	**3,461**
2. Increases	**378**	**480**
2.1 Deferred tax liabilities recognised in the year:	378	480
a) related to prior years	-	-
b) change in accounting criteria	-	-
c) other	378	480
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,384**	**2,203**
3.1 Deferred tax liabilities eliminated in the year:	996	1,180
a) transfers	996	1,180
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	388	1,023
4. Amount at year-end	**732**	**1,738**

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

Section 11 – Non-current assets available for sale and disposal groups and associated liabilities - Item 110 (Assets) and item 70 (Liabilities)

11.1 Non-current assets held for sale and disposal groups: categories

	31.12.2022	31.12.2021
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	1,115
A.3 Property and equipment	-	-
of which:		
- *obtained through the enforcement of guarantees received*	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**1,115**
of which:		
- ***measured at cost***	**-**	***1,115***
- ***of which measured at fair value Level 1***	**-**	**-**
- ***of which measured at fair value Level 2***	**-**	**-**
- ***of which measured at fair value Level 3***	**-**	**-**
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
HFT financial assets	-	-
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
of which:		
- *obtained through the enforcement of guarantees received*	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which:		
- ***measured at cost***	**-**	**-**
- ***of which measured at fair value Level 1***	**-**	**-**
- ***of which measured at fair value Level 2***	**-**	**-**
- ***of which measured at fair value Level 3***	**-**	**-**
C. Liabilities associated with assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
of which:		
- ***measured at cost***	**-**	**-**
- ***of which measured at fair value Level 1***	**-**	**-**
- ***of which measured at fair value Level 2***	**-**	**-**
- ***of which measured at fair value Level 3***	**-**	**-**
D. Liabilities associated with discontinued operations	**-**	**-**
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which:		
- ***measured at cost***	**-**	**-**
- ***of which measured at fair value Level 1***	**-**	**-**
- ***of which measured at fair value Level 2***	**-**	**-**
- ***of which measured at fair value Level 3***	**-**	**-**

11.2 Non-current assets held for sale and disposal groups: other information

On 5 March 2021, Banca Generali's Board of Directors had approved the sale of an 80.1% interest in the share capital of Nextam Partners Sim S.p.A. to a new corporate structure led by the main key manager of the Nextam Group. After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on 20 January 2022. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate; Pursuant to IFRS 5, at 31 December 2021, the equity investment in the Company had been reclassified to Item 110. of the balance sheet assets "Non-current assets available for sale and disposal groups".

Section 12 – Other assets - Item 120

12.1 Breakdown of other assets

	31.12.2022	31.12.2021
Fiscal items	**153,198**	**80,858**
Advances paid to fiscal authorities – current account withholdings	-	80
Advances paid to fiscal authorities – stamp duty	85,201	56,691
Advances of substitute tax on capital gains	50,723	22,297
Other advances paid to and sums due from fiscal authorities	639	457
Fiscal Authorities/VAT	67	88
Fiscal Authorities/Superbonus	16,098	922
Sums due from fiscal authorities for other taxes to be refunded	470	323
Leasehold improvements	**8,603**	**7,942**
Operating loans not related to financial transactions	**489**	**307**
Sundry advances to suppliers and employees	**4,077**	**1,987**
Cheques under processing	**9,974**	**8,634**
Money orders and other amounts receivable	9,974	8,634
Other amounts to be debited under processing	**50,995**	**34,852**
Amounts to be settled in the clearing house (debits)	2,361	2,285
Clearing accounts for securities and funds procedure	38,419	24,030
Other amounts to be debited under processing	10,215	8,537
Amounts receivable for legal disputes related to non-credit transactions	**126**	**109**
Trade receivables from customers and banks that cannot be traced back to specific items	**50,242**	**52,864**
Other amounts	**196,731**	**186,964**
Prepayments for the new supplementary fees for sales network	71,759	73,451
Prepayments for ordinary incentives	92,325	93,031
Other accrued income and deferred charges that cannot be traced back to specific items	31,843	17,359
Term deposit to guarantee the deferred consideration related to Nextam (escrow account)	-	3,000
Sundry amounts	804	123
Total	**474,435**	**374,517**

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

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

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

Prepayments for ordinary incentives paid to the sales network qualify instead as incremental costs for obtaining a contract or costs incurred to fulfil a contract and consist of fees paid annually to the existing sales network based on the achievement of net inflow targets, irrespective of whether they have been achieved by acquiring new customers or by strengthening relationships already in place with existing customers.

This latter class of assets includes a portion of incentives paid to the management in respect of the recruitment of new Financial Advisors, essentially based on net inflow targets and akin to recruitment incentives, subject to recognition upon FTA of IFRS 15.

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

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

	31.12.2021	AMORTISATION	OF WHICH: RELATED TO THE PREVIOUS YEAR	INCREASES	OTHER CHANGES	31.12.2022
Supplementary fees	73,451	-35,715	-27,855	34,023	-	71,759
Ordinary incentives	93,031	-40,792	-32,147	43,220	-3,134	92,325
Three-year incentives	-	-3,361	-	16,808	-	13,447
Total network incentives	**166,482**	**-79,868**	**-60,002**	**94,051**	**-3,134**	**177,531**
Entry bonus on BG Solution	7,715	-3,095	-2,566	4,848	-	9,468
portfolio management	132	-79	-66	60	-	113
Bonus on JPM funds	**7,847**	**-3,174**	**-2,632**	**4,908**	**-**	**9,581**
Total other acquisition costs	**174,329**	**-83,042**	**-62,634**	**98,959**	**-3,134**	**187,112**
Total						

Other prepaid expenses include for 8,815 thousand euros prepaid expenses not accrued during the period and refer in particular to lease prepayments, insurance premiums and other general and administrative expenses.

PART B – INFORMATION ON THE BALANCE SHEET - LIABILITIES

Section 1 – Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: due to banks - categories

	31.12.2022				31.12.2021			
		FV				FV		
TYPE OF TRANSACTIONS/VALUES	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Due to Central Banks	**-**	**X**	**X**	**X**	**690,725**	**X**	**X**	**X**
2. Due to banks	**544,498**	**X**	**X**	**X**	**128,009**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	31,897	X	X	X	96,022	X	X	X
2.2 Term deposits	-	X	X	X	-	X	X	X
2.3 Loans	494,083	X	X	X	12,422	X	X	X
2.3.1 Repurchase agreements	477,028	X	X	X	11,752	X	X	X
2.3.2 Other	17,055	X	X	X	670	X	X	X
2.4 Liabilities for repurchase commitments of own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease debts	-	X	X	X	-	X	X	X
2.6 Other debts	18,518	X	X	X	19,565	X	X	X
Total	**544,498**	**-**	**544,498**	**-**	**818,734**	**-**	**818,734**	**-**

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

1.2 Financial liabilities measured at amortised cost: due to customers - categories

	31.12.2022				31.12.2021			
		FV				FV		
TYPE OF TRANSACTIONS/VALUES	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Current accounts and demand deposits	13,022,118	X	X	X	13,283,649	X	X	X
2. Term deposits	-	X	X	X	-	X	X	X
3. Loans	1,652,307	X	X	X	7,441	X	X	X
3.1 Repurchase agreements	1,372,093	X	X	X	-	X	X	X
3.2 Other	280,214	X	X	X	7,441	X	X	X
4. Liabilities for repurchase commitments of own equity instruments	-	X	X	X	-	X	X	X
5. Lease debts	149,375	X	X	X	151,856	X	X	X
6. Other debts	170,323	X	X	X	187,742	X	X	X
Total	**14,994,123**	**-**	**14,994,123**	**-**	**13,630,688**	**-**	**13,630,688**	**-**

Item 5 “Lease debts” includes the liability relating to lease payments determined on the basis of the IFRS 16 – *Leases*, which entered into force on 1 January 2019.

Item 6 “Other debts” refers for 32,311 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, and, for the remaining amount, to other sums made available to customers and trade payables to the sales network.

1.6 Lease debts

Lease debts recognised in the Financial Statements at 31 December 2022 amounted to 149,375 thousand euros.

The following table shows the maturity of these lease debts in accordance with paragraphs 53(g) and 58 of IFRS 16 – *Leases*:

RESIDUAL LEASE DEBTS - YEAR	AMOUNT
2023	19,126
2024	18,832
2025	17,651
2026	17,069
2027	15,295
2028	13,781
2029	11,717
2030	10,662
2031	9,412
2032	8,933
2033	4,884
2034	1,128
2035	585
2036	300

Section 2 – Financial liabilities held for trading - Item 20

2.1 HFT financial liabilities: categories

	31.12.2022					31.12.2021				
		FV					FV			
TYPE OF TRANSACTIONS/VALUES	NV	L1	L2	L3	FV (*)	NV	L1	L2	L3	FV (*)
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	
B. Derivatives										
1. Financial	**-**	**-**	**-**	**-**	**-**		**-**	**4,551**	**-**	**-**
1.1 Trading	X	-	-	-	X	X	-	4,551	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit		**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**-**	**-**	**X**	**X**	**-**	**4,551**	**-**	**X**
Total (A + B)	**X**	**-**	**-**	**-**	**X**	**X**	**-**	**4,551**	**-**	**X**

(*) FV measured without taking account of issuer's creditworthiness changes compared to issue date.

Section 4 – Hedging derivatives - Item 40

4.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

In the second half of 2019, the Bank began to operate in asset swap derivatives, trading interest rate swaps to hedge debt securities, mostly Italian and foreign fixed-rate and index-linked government bonds allocated to the HTCS and HTC portfolios. For each hedging derivative, a specific highly effective fair value hedging relationship is formed. At year-end, the notional value of the hedging derivatives outstanding amounted to approximately 4,076.0 million euros, of which 115 million euros relating to the HTCS portfolio with a positive fair value of 286.8 million euros and a negative fair value of 123.6 million euros.

	31.12.2022 - FAIR VALUE			NOTIONAL VALUE	31.12.2021 - FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**123,604**	**-**	**1,727,500**	**-**	**167,320**	**-**	**1,716,000**
1) Fair value	-	123,604	-	1,727,500	-	167,320	-	1,716,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**123,604**	**-**	**1,727,500**	**-**	**167,320**	**-**	**1,716,000**

4.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

	FAIR VALUE							CASH FLOWS		
	SPECIFIC									
HEDGING TRANSACTIONS/TYPE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND STOCK INDICES	CURRENCIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVESTMENTS
1. Financial assets measured at fair value through other comprehensive income	1,440	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	122,164	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**123,604**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**X**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax liabilities - Item 60

Section 10 (Assets) provides an analysis.

Section 8 – Other liabilities - Item 80

8.1 Breakdown of other liabilities

	31.12.2022	31.12.2021
Trade payables	**21,872**	**24,785**
Due to suppliers	21,395	24,048
Due for payments on behalf of third parties	477	737
Due to staff and social security institutions	**26,027**	**23,912**
Due to staff for accrued holidays, etc.	3,634	3,615
Due to staff for productivity bonuses	14,235	12,718
Contributions to be paid to social security institutions	3,093	2,764
Contributions to Financial Advisors to be paid to Enasarco	5,065	4,815
Tax authorities	**41,734**	**30,146**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	6,007	6,674
Current account withholdings	1,147	-
Withholding taxes on investment return payable to tax authorities	6,614	5,496
Notes to be paid into collection services	23,431	16,528
VAT and other tax payables	4,535	1,448
Amounts to be debited under processing	**82,829**	**66,487**
Bank transfers, cheques and other sums payable	1,304	986
Amounts to be settled in the clearing house (credits)	37,994	21,306
Liabilities from reclassification of portfolio subject to collection (SBF)	169	6,956
Other amounts to be debited under processing	43,362	37,239
Sundry items	**101,001**	**90,135**
Amounts to be credited	1,791	2,454
Sundry items	1,760	1,344
Amounts due to shareholders for dividends for financial years 2020-2021	96,191	80,874
Accrued expenses and deferred income	869	756
Sums made available to customers	390	206
Liabilities for deferred consideration (earn out) related to the acquisition of the Nextam Group	-	4,501
Total	**273,463**	**235,465**

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

Opening balance at 01.01.2022	**233**
Increases	81
Decreases due to the transfer to profit and loss	-127
of which:	
- *relating to prior years*	-110
Closing balance at 31.12.2022	**187**

Section 9 – Provisions for termination indemnity - Item 90

9.1 Provisions for termination indemnity: year changes

	31.12.2022	31.12.2021
A. Amount at year-start	**4,314**	**4,870**
B. Increases	**20**	**7**
B.1 Provisions for the year	20	7
B.2 Other increases	-	-
of which:		
- *business combinations*	-	-
C. Decreases	**654**	**563**
C.1 Amounts paid	419	380
C.2 Other decreases	235	183
D. Amount at year-end	**3,680**	**4,314**

9.2 Other information

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

The provision was measured based on the actuarial value using the methods described in Part. A.2 of these Notes and Comments.

The following are the main actuarial assumptions and the breakdown of the provision for the year and actuarial gains/(losses):

	31.12.2022	31.12.2021
Discount rate	3.54%	0.49%
Annual inflation rate	2.00%	1.00%
Salary increase rate	2.00%	1.80%
Average duration (years)	8	9

	31.12.2022	31.12.2021
1. Provisions:	20	7
- current service cost	-	-
- interest cost	20	7
2. Actuarial gains and losses:	-235	-168
- based on financial assumptions	-931	-159
- based on actuarial demographic assumptions	696	-9
Total provisions for the year	**-215**	**-161**
Actuarial value	**3,680**	**4,314**
Value calculated re. Article 2120 of the Italian Civil Code	**4,036**	**4,035**

Section 10 – Provisions for liabilities and contingencies - Item 100

10.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2022	31.12.2021
1. Provisions for credit risk relating to commitments and financial guarantees issued	52	43
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	-	-
4. Other provisions for liabilities and contingencies	239,452	223,333
4.1 Legal and tax disputes	16,955	24,114
4.2 Staff	11,634	17,969
4.3 Other	210,863	181,250
Total	**239,504**	**223,376**

Breakdown of other provisions for liabilities and contingencies

	31.12.2022	31.12.2021
Provision for staff expenses	**11,634**	**17,969**
Provision for restructuring plan	1,000	2,462
Provision for staff expenses - other	10,634	15,507
Provision for legal disputes	**14,510**	**16,058**
Provision for risks related to legal disputes connected with sales network's embezzlements	7,653	9,968
Provision for risks related to legal disputes with sales network	1,232	961
Provision for other legal disputes	5,625	5,129
Provision for termination indemnity of Financial Advisors	**152,550**	**147,070**
Provision for termination indemnity of sales network	74,753	83,104
Provision for managerial development indemnity	11,922	12,020
Provision for portfolio overfee indemnities	6,549	7,845
Provision for pension bonuses	8,214	10,292
Provision for Framework Loyalty Programme	34,304	33,809
Provision for three-year incentives	16,808	-
Provision for network incentives	**32,160**	**31,270**
Provision for network development plans	24,171	23,301
Provision for deferred bonus	56	59
Provision for managers' incentives with access gate	826	1,092
Provision for sales incentives	2,155	2,197
Provision for fees - travel incentives	4,700	3,700
Provision for fee plans	252	921
Provision for tax and contributions/pension dispute	**2,445**	**8,056**
Other provisions for liabilities and contingencies	**26,153**	**2,910**
Total	**239,452**	**223,333**

10.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED	PROVISIONS FOR PENSIONS	OTHER PROVISIONS FOR LIABILITIES AND CONTINGENCIES	TOTAL
A. Amount at year-start	**43**	**-**	**223,333**	**223,376**
B. Increases	**9**	**-**	**62,649**	**62,658**
B.1 Provisions for the year	9	-	62,649	62,658
C. Decreases	**-**	**-**	**46,530**	**46,530**
C.1 Use in the year	-	-	42,088	42,088
C.3 Other decreases	-	-	4,442	4,442
D. Amount at year-end	**52**	**-**	**239,452**	**239,504**

Other provisions for liabilities and contingencies - details of movements

	31.12.2021	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2022
Provision for staff expenses	**17,969**	**-2,782**	**-3,661**	**-2,706**	**2,814**	**11,634**
Provision for restructuring plan	2,462	-91	-162	-2,194	985	1,000
Provision for staff expenses - other	15,507	-2,691	-3,499	-512	1,829	10,634
Provision for legal disputes	**16,058**	**-5,524**	**-304**	**-**	**4,280**	**14,510**
Provision for risks connected with sales network's embezzlements	9,968	-2,956	-101	-	742	7,653
Provision for risks related to legal disputes with sales network	961	-39	-27	-	337	1,232
Provision for other legal disputes	5,129	-2,529	-176	-	3,201	5,625
Provision for termination indemnity of Financial Advisors	**147,070**	**-3,164**	**-11,392**	**13,446**	**6,590**	**152,550**
Provision for termination indemnity of sales network	83,104	-1,635	-7,851	-	1,135	74,753
Provision for managerial development indemnity	12,020	-1,320	-355	-	1,577	11,922
Provision for portfolio overfee indemnities	7,845	-85	-1,232	-	21	6,549
Provision for pension bonuses	10,292	-124	-1,954	-	-	8,214
Provision for Framework Loyalty Programme	33,809	-	-	-	495	34,304
Provision for three-year incentives	-	-	-	13,446	3,362	16,808
Provision for network incentives	**31,270**	**-17,942**	**-2,825**	**-**	**21,657**	**32,160**
Provision for network development plans	23,301	-13,013	-2,822	-	16,705	24,171
Provision for deferred bonus	59	-	-3	-	-	56
Provision for managers' incentives with access gate	1,092	-266	-	-	-	826
Provision for sales incentives	2,197	-42	-	-	-	2,155
Provision for incentive travels	3,700	-3,700	-	-	4,700	4,700
Provision for fee plans	921	-921	-	-	252	252
Provision for tax and contributions/ pension dispute	**8,056**	**-10,982**	**-**	**3,000**	**2,371**	**2,445**
Other provisions for liabilities and contingencies	**2,910**	**-1,694**	**-**	**-**	**24,937**	**26,153**
Total	**223,333**	**-42,088**	**-18,182**	**13,740**	**62,649**	**239,452**

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

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED				
	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	TOTAL
Commitments to disburse funds	-	-	-	-	-
Financial guarantees issued	46	6	-	-	52
Total	**46**	**6**	**-**	**-**	**52**

10.6 Provisions for liabilities and contingencies - other provisions

10.6.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:
- the share of the variable compensation of managers of the Banking Group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration Policy;
- allocations to the provision for the recruitment plans regarding new employed Relationship Managers (RMs), valued also based on the specific contractual conditions agreed upon and on the probability to achieve the net inflow targets set;
- allocations for post-employment medical benefits of Group's managers, valued using the actuarial method pursuant to IAS 19;
- the provision related to the performance bonus, if at the balance sheet date the company supplementary contract (CIA) has expired or has not been renewed yet.

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

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

10.6.2 Restructuring provisions - Redundancy incentives plan

The voluntary redundancy plan covered by the specific company restructuring provision was launched at the end of 2015 to encourage the rotation of resources through incentives for voluntary departure for groups of employees nearest to retirement age and the filling of the resulting vacant positions with professional and/or managerial profiles more suited to the specific skills now required from a business standpoint.

In December 2022, the Board of Directors extended the voluntary redundancy plan, for a final provision amounting to 1 million euros.

10.6.3 Provisions for legal disputes

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

10.6.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, portfolio overfee indemnities, pension bonus, the provisions associated with the Framework Loyalty Programme (approved by the General Shareholders' Meeting on 20 April 2017) and the provisions for managerial development indemnity, in addition to the provisions for three-year incentives.

Provisions covering the cost of the **termination indemnity** of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments to the Separate Financial Statements for the year ended on 31 December 2022.

The expenses associated with obligations extant at year-end relating to Financial Advisors are valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions adopted:

TERMINATION INDEMNITY	31.12.2022	31.12.2021
Discount rate [9]	3.8%	1.0%
Turnover rate (professionals)	1.40%	1.46%
Average duration (years)	13 years	13 years
IAS 37 DBOs/Indemnity provision at the measurement date	54.36%	67.01%

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

The decrease in the provision for termination indemnities accrued to Financial Advisors during the year was due to the combined effect of the increase in the discount rates applied and the significant rise in fee bases.

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

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.4 million euros, is still based on the payment criteria established by the previous employer and was recognised under provisions for risks. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The **portfolio overfee indemnities** are instead a contractual scheme (further details are provided in Part A.2 of the Notes and Comments to the Separate Financial Statements at 31 December 2022) that calls for Financial Advisors with at least five years of seniority who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reassignment of the latter.

The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.
Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the Bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

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

Within the framework of provisions for contractual indemnities, on 21 March 2017 the **Board of Directors granted its final approval for a Framework Loyalty Programme** for the Sales Network aimed at improving the retention of the Network and the customers acquired over time, and creating value for the Group by promoting stable, high-quality net inflows.
The Framework Loyalty Programme was initially divided into eight separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which could 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.
On 21 April 2022, the General Shareholders' Meeting resolved to suspend the Loyalty Framework Programme for the Financial Advisor network and accordingly the 6^{th} 2022-2026 cycle was not activated.
The individual plans of the Framework Loyalty Program for the Sales Network already underway will all expire on 31 December 2026, after decreasing lengths, and each will allow part of the bonus to be paid in cash and part in shares of Banca Generali (max 50%), after having assessed their effects at the level of capital ratios and free float. The Banca Generali shares for each of the plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.

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

9 The discount rate was determined on the basis of an average EURIRS curve for the last four quarters, increased linearly by the spread between the EURIRS rate and 10-year BTP.
The rate represented is the rate that corresponds to the average duration of the relevant liabilities, i.e., 13 years.

The new 2022-2024 **three-year Incentive Plan**, approved by the Board of Directors on 18 March 2022, is in addition to the annual incentives for the sales network and is tied to the achievement of both several overall objectives set at the Banking Group level in terms of total net inflows and recurring fee income, established in the new Strategic Plan, and individual objectives.

In particular, at the end of the Plan no incentives may be disbursed without full achievement of the three-year net inflow targets and of at least 90% of the cumulative recurring fee target at the end of 2024.
At the level of the individual beneficiary, accrual of the bonus is tied to individual net inflow and advanced inflow targets on a three-year basis to be reached collectively, with a floor below which the incentive is not awarded.
Special rules also apply to Financial Advisors eligible to participate in the previous Loyalty Framework Programme, for which a minimum bonus (bonus floor) applies, to be paid at the end of the three-year period if other conditions are met, but only in the absence of net outflows.

All Financial Advisors, Relationship Managers and Network Managers in service at 31 December 2019 are entitled to the three-year incentives.

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

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

The accrual of the bonus at the end of the three-year period is contingent on achieving the Banking Group access gates, as defined by the Remuneration Policy.

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

10.6.5 Provisions for sales network incentives

This aggregate includes:

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

10.6.6 Tax dispute

Accruals to other provisions for liabilities and contingencies also included amounts allocated to account for tax disputes, totalling 2 million euros and essentially in line with the amount required, to cover minor disputes that did not fall within the scope of the tax settlement, that are still pending and for which exchanges with the Italian Revenue Agency are underway.

10.6.7 Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies included provisions for operational risks and a prudential allocation of 23 million euros to cover commercial activities aimed at restoring customers' potential losses resulting from investments made in products distributed by the Bank and to sustain customer retention. This provision refers to potential complaints from customers regarding liquid and illiquid products distributed by the Bank during a year of exceptionally negative market performance.

Section 12 – Company net equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 Breakdown of share capital and treasury shares

	UNIT VALUE	NUMBER	BOOK VALUE (€ THOUSAND)
Share capital			
- ordinary shares	1	116,851,637	116,852
Treasury shares			
- ordinary shares	1	-2,809,497	-80,139
		114,042,140	**36,713**

12.2 Share capital - Number of shares: year changes

ITEMS/TYPES	ORDINARY	OTHER
A. Existing shares at year-start	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-
A.1 Treasury shares (-)	-2,219,469	-
A.2 Outstanding shares: at year-start	**114,632,168**	**-**
B. Increases	**307,472**	**-**
B.1 Newly issued shares		
- against payment:	-	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrants	-	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	307,472	-
B.3 Other decreases	-	-
C. Decreases	**-897,500**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-897,500	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**114,042,140**	**-**
D.1 Treasury shares (+)	2,809,497	-
D.2 Existing shares at year-end	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-

12.3 Share capital: further information

At the reporting date, the share capital of the Bank consisted of 116,851,637 ordinary shares with no nominal value, with regular dividend entitlement, and it was fully paid up.

12.4 Earnings reserves: further information

	31.12.2021	PROFIT ALLOCATION - DIVIDEND DISTRIBUTION	PURCHASES/ SALE OF TREASURY SHARES	ISSUE OF NEW SHARES	STOCK OPTION PLANS AND OTHER IFRS 2 CHARGES	STOCK GRANT PLANS	OTHER CHANGES	31.12.2022
Legal reserve	23,370	-	-	-	-	-	-	23,370
Restricted reserve for shares of the Parent Company	1,151	-	-	-	-	-	-120	1,031
Merger surplus reserve - BG SGR	3,853	-	-	-	-	-	-	3,853
Merger surplus reserve - BG Fiduciaria	10,901	-	-	-	-	-	-	10,901
Merger deficit reserve - Netxam S.p.A.	-802	-	-	-	-	-	-	-802
Reserves for IFRS 9 and IFRS 15 FTA	4,768	-	-	-	-	-	-	4,768
Share-based payments reserve (IFRS 2) – plans ended	507	-	-	-	-	-	-	507
IFRS 2 reserves - LTI plans based on BG shares	3,669	-	-2,340	-	1,573	-	-	2,902
IFRS 2 reserves - LTIP cycles ended	10,550	-	-	-	-	-	-	10,550
IFRS 2 reserve - Key Personnel remuneration	5,039	-	-4,507	-	6,813	-	-	7,345
IFRS 2 reserve - 2019-2022 share plan	389	-	-	-	-	99	-	488
IFRS 2 reserve - Framework Loyalty Programme	5,422	-	-	-	2,782	-	-	8,204
Reserve for AT1 BG Perpetual coupon	-3,263	-	-	-	-	-	-1,631	-4,894
Restricted reserve pursuant to Article 6, para. 1(a), of Leg. Decree No. 38/2005	2,062	-	-	-	-	-	-730	1,332
Reserve from profit (loss) carried forward	440,125	114,387	-	-	-	-	4,385	558,897
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	-	3,710
Total	**511,451**	**114,387**	**-6,847**	**-**	**11,168**	**99**	**1,904**	**632,162**

12.4.1 Disclosure pursuant to Article 2427, paragraph 7-*bis*, of the Italian Civil Code

As required by Article 2427, paragraph 7-*bis*, of the Italian Civil Code, the following table contains an analytical illustration of net equity items, including an indication of their origins, possible draw-downs and distribution, as well as draw-downs made during previous years.

						DRAW-DOWNS 2022-2021	
	31.12.2022	POSSIBLE DRAW-DOWNS (1)	RESTRICTED PORTION	UNRESTRICTED PORTION	DISTRIBUTABLE PORTION	DIVIDENDS	LOSSES
Share capital	**116,852**		**116,852**	**-**	**-**	**-**	**-**
Treasury shares	**-80,139**		**-80,139**	**-**	**-**	**-**	**-**
Share premium reserve	**53,767**	**A, B, C (3)**	**-**	**53,767**	**-**	**-**	**-**
Equity instruments	**50,000**		**50,000**	**-**	**-**	**-**	**-**
Reserves	**632,162**		**-3,333**	**635,495**	**593,186**	**89,982**	**-**
Legal reserve	23,370	B (4)	-	23,370	-	-	-
Restricted reserve for shares of the Parent Company	1,031	B	1,031	-	-	-	-
Merger surplus reserve - BG SGR	3,853	A, B, C	-	3,853	3,853	-	-
Merger surplus reserve - BG Fiduciaria	10,901	A, B, C	-	10,901	10,901	-	-
Merger deficit reserve - Netxam S.p.A.	-802		-802	-	-	-	-
Reserve for AT1 BG Perpetual coupon	-4,894		-4,894	-	-	-	-
Share-based payments reserve (IFRS 2) - plans ended	507	A, B, C	-	507	507	-	-
IFRS 2 reserves - LTIP cycles based on BG shares	2,902	A (5)	-	2,902	-	-	-
IFRS 2 reserves - LTIP cycles ended (6)	10,550	A, B, C	-	10,550	10,550	-	-
IFRS 2 reserve - Key Personnel remuneration	7,345	A (5)	-	7,345	-	-	-
IFRS 2 reserve - 2019-2022 share plan	488	A (5)	-	488	-	-	-
IFRS 2 reserve - Framework Loyalty Programme	8,204	A (5)	-	8,204	-	-	-
Restricted reserve pursuant to Article 6, para. 1(a), of Leg. Decree No. 38/2005	1,332		1,332	-	-	-	-
Reserve from profit (loss) carried forward	558,897	A, B, C (7)	-	558,897	558,897	89,982	-
Equity reserve from the transfer of the funds business unit	3,710	A, B, C	-	3,710	3,710	-	-
FTA reserve	4,768		-	4,768	4,768	-	-
Valuation reserves (2)	**-12,619**		**-12,619**	**-**	**-**	**-**	**-**
Reserve from valuation of actuarial gains and losses	-2,039		-2,039	-	-	-	-
Reserve from valuation of HTCS financial assets	-10,580		-10,580	-	-	-	-
Net profit (loss) for the year	**226,188**	**A, B, C**	**-**	**226,188**	**226,188**	**X**	**X**
Net equity for accounting purposes	**986,211**		**70,761**	**915,450**	**819,374**	**89,982**	**-**

(1) Availability refers to: A – capital increase; B – replenishment of losses; C – distribution to shareholders
(2) Restricted reserve pursuant to Article 6 of Legislative Decree No. 38/2005.
(3) May not be distributed until the legal reserve has reached 1/5th of share capital (Article 2431 of Italian Civil Code).
(4) Draw-downs for capital increases and distributions may be effected exclusively for portion exceeding 1/5th of share capital (Article 2430 of the Italian Civil Code).
(5) The reserve can only be used for stock option plans.
(6) This reserve shows the increase in capital ensuing from share-based payments to employees and Directors through assignment of shares of the parent company Assicurazioni Generali S.p.A.
(7) With regard to the realignments carried out in 2021 pursuant to Article 110 of Law Decree No. 104/2021, the implementation of this option had required that a tax restriction be placed on a portion of the retained earning reserve in an amount corresponding to the higher values subject to realignment, net of the substitute tax. The restriction put in place was subsequently ratified by the General Shareholders' Meeting on 21 April 2022.

Pursuant to Article 2427, paragraphs 1-22-*septies*, 2022 net profit will be allocated as follows:

- 192,805 thousand euros as dividend distributed to Shareholders;
- - 33,383 thousand euros to retained earnings.

Reserves subject to a tax restriction imposed on a portion of the retained earnings reserve

Retained earnings include a portion of earnings subject to a tax restriction pursuant to Article 110, paragraph 8, of Law Decree No. 104/2021, amounting to 31,827 thousand euros.

In 2021[10], Banca Generali had elected to realign the accounting and tax values of goodwill recognised at 31 December 2021, pursuant to Article 110 of Law Decree No. 104/2021.
However, implementing this option required, on pain of inefficacy, that a tax restriction be placed on a portion of reserves in the Financial Statements at 31 December 2020, in an amount corresponding to the higher values subject to realignment, net of the substitute tax (Article 110, paragraph 8).
The rules governing tax-suspended reserves for revaluation balances apply to the portion of the retained earnings reserve subject to this restriction. In particular, in the event of distribution of the reserve, the amounts allocated to shareholders form the taxable income of the Company, which is entitled to a tax credit equal to the 3% substitute tax paid, and of the shareholders.

Furthermore, as indicated by the Italian Revenue Agency in its response 539 of 9 August 2021 and the recent Circular No. 6/E of 1 March 2022, since the option was exercised after the date of approval of the Financial Statements for the year ended 31 December 2020, the application of the restriction was approved, at the proposal of the Bank's Board of Directors, by the Shareholders' Meeting on 21 April 2022, when approving the financial statements for the year ended 31 December 2021

The reserve to be subject to restriction amounted to 31,827 thousand euros, taking into account differences subject to realignment of 32,811 thousand euros and tax due of 984 thousand euros.

Tax-suspended reserve pursuant to Art. 110, para. 8, of Leg. Decree 104/2021	
Accounting differences subject to realignment	32,811,223
Substitute tax due	-984,337
Portion of retained earning reserve subject to restriction	**31,826,886**

12.5 Breakdown of equity instruments: year changes

On 23 December 2019, Banca Generali finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros that under IAS 32 is considered an equity instrument and meets the requirements under regulatory capital rules in force for being recognised as Additional Tier 1 instrument in the Issuer's financial statements.

The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer's sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent supervisory authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years.

(€ THOUSAND)	31.12.2022	31.12.2021
Amount at year-start	**50,000**	**50,000**
Issue-related increases	-	-
Decreases for reimbursements	-	-
Amount at year-end	**50,000**	**50,000**

[10] For further information on the realignment operations, reference should be made to the Notes and Comments, Part B, Section 10 – Tax assets and liabilities in the Separate Financial Statements of Banca Generali at 31 December 2021.

PART B – INFORMATION ON THE BALANCE SHEET

Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

TRANSACTIONS	NOMINAL VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED					
	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	31.12.2022	31.12.2021
1. Commitments to disburse funds	**200**	**-**	**-**	**-**	**200**	**453**
a) Central Banks	-	-	-	-	-	-
b) General governments	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial corporations	200	-	-	-	200	300
e) Non-financial corporations	-	-	-	-	-	-
f) Households	-	-	-	-	-	153
2. Financial guarantees issued	**95,697**	**1,286**	**-**	**-**	**96,983**	**66,501**
a) Central Banks	-	-	-	-	-	-
b) General governments	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial corporations	28,139	80	-	-	28,219	9,684
e) Non-financial corporations	20,209	105	-	-	20,314	22,119
f) Households	47,349	1,101	-	-	48,450	34,698
Total	**95,897**	**1,286**	**-**	**-**	**97,183**	**66,954**

Commitments to disburse funds include commitments subject to mandatory and optional use towards customers and refer to irrevocable lines of credit already granted.

Items 2 c) and 2 d) also include assets pledged as collateral of third-party bonds consisting of the Default Fund contributed to cover possible losses of defaulted operators within the collateralised interbank market and transactions concerning customers' securities and derivatives.

2. Other commitments and other guarantees issued

TRANSACTIONS	NOMINAL VALUE	
	31.12.2022	31.12.2021
1. Other guarantees issued	**446**	**313**
of which:		
- *non-performing*	*446*	*313*
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
e) Non-financial corporations	81	193
f) Households	365	120
2. Other commitments	**4**	**114,803**
of which:		
- *non-performing*	-	-
a) Central Banks	-	-
b) General governments	-	-
c) Banks	-	-
d) Other financial corporations	4	112,000
e) Non-financial corporations	-	2,803
f) Households	-	-
Total	**450**	**115,116**

3. Assets pledged as collateral for own liabilities and commitments

	31.12.2022				31.12.2021			
PORTFOLIOS	REPURCHASE AGREEMENTS	ECB	CC&G + OTHER	TOTAL	REPURCHASE AGREEMENTS	ECB	CC&G + OTHER	TOTAL
1. Financial assets measured at fair value through profit or loss	-	-	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	257,339	-	-	257,339	-	-	-	-
3. Financial assets measured at amortised cost	1,638,206	95,926	283,223	2,017,355	12,227	1,004,956	204,435	1,221,618
4. Property and equipment	-	-	-	-	-	-	-	-
of which:								
- *assets constituting inventories*	-	-	-	-	-	-	-	-
Total	**1,895,545**	**95,926**	**283,223**	**2,274,694**	**12,227**	**1,004,956**	**204,435**	**1,221,618**

Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di Compensazione e Garanzia, Eurex, Euroclear and ETD for ordinary operations.

4. Management and trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2022	31.12.2021
1. Execution of orders on behalf of customers	**27,090,641**	**26,691,922**
a) Purchases	16,606,914	13,839,190
1. Settled	16,410,756	13,772,532
2. To be settled	196,158	66,658
b) Sales	10,483,727	12,852,732
1. Settled	10,414,408	12,799,889
2. To be settled	69,319	52,843
2. Portfolio management	**8,256,440**	**7,785,822**
3. Custody and administration of securities	**48,479,527**	**41,151,192**
a) Third-party securities held in deposit: related to services provided as depository bank (excluding portfolio management)	-	-
1. Securities issued by the bank that prepares the financial statements	-	-
2. Other	-	-
b) Third-party securities held in deposit (excluding portfolio management): other	18,220,346	15,407,705
1. Securities issued by the bank that prepares the financial statements	16,098	14,861
2. Other	18,204,248	15,392,844
c) Third-party securities deposited with third parties	18,174,096	15,342,158
d) Own securities deposited with third parties	12,085,085	10,401,329

Securities under custody and administration are recognised at nominal value.

5. Financial assets offset in the financial statements or falling in the scope of master netting arrangements or similar agreements

TECHNICAL TYPE	GROSS AMOUNT OF FINANCIAL ASSETS (A)	AMOUNT OF FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL ASSETS RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS: FINANCIAL INSTRUMENTS (D)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS: CASH DEPOSITS AS COLLATERAL (E)	NET AMOUNT AT 31.12.2022 (F = C - D - E)	NET AMOUNT AT 31.12.2021
1. Derivatives	11,582	-	11,582	10,251	1,020	311	-
2. Repurchase agreements	397,723	-	397,723	382,178	16,036	-491	312
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2022	**409,305**	**-**	**409,305**	**392,429**	**17,056**	**-180**	**X**
Total at 31.12.2021	**199,805**	**-**	**199,805**	**199,493**	**-**	**X**	**312**

6. Financial liabilities offset in the financial statements or falling within the scope of master netting arrangements or similar agreements

TECHNICAL TYPE	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	AMOUNT OF FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS: FINANCIAL INSTRUMENTS (D)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS: CASH DEPOSITS AS COLLATERAL (E)	NET AMOUNT AT 31.12.2022 (F = C - D - E)	NET AMOUNT AT 31.12.2021
1. Derivatives	119,320	-	119,320	10,251	104,295	4,774	2,053
2. Repurchase agreements	1,849,121	-	1,849,121	1,849,121	2,682	-2,682	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2022	**1,968,441**	**-**	**1,968,441**	**1,859,372**	**106,977**	**2,092**	**X**
Total at 31.12.2021	**158,625**	**-**	**158,625**	**11,752**	**144,820**	**X**	**2,053**

IFRS 7 requires a detailed disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or financial instruments that can be potentially set off, under certain conditions, but have been recognised in the Balance Sheet without any offsetting as they fall within the scope of master netting arrangements of similar agreements that do not meet all the requirements under IAS 32 paragraph 42.

In this regard, it should be noted that Banca Generali has not entered into any netting arrangements that meet the requirements of IAS 32.42 on offsetting in the financial statements.
With reference to financial instruments that can be potentially set off under certain conditions, it should be noted that, as far as repurchase agreements (REPOs) are concerned, Banca Generali currently participates in the MTS S.p.A. Repo market through a Clearing Agreement with Cassa Compensazione e Garanzia (CC&G) concerning the centralised management of transaction clearing.
With reference to financial instruments that can be potentially set off under certain conditions, Banca Generali entered into bilateral netting arrangements that enable offsetting of credit and debt positions related to financial and credit derivatives in case of default of the counterparty, as well as into transactions such as Securities Financing Transactions (SFTs). In detail, ISDA (International Swaps and Derivatives Association) agreements and GMRAs (Global Market Purchase Agreements) are in place. As regard REPOs with banks, Banca Generali has in place master netting arrangements that enable offsetting of credit and debt positions in case of default of the counterparty and compliant with international standards (Global Master Repurchase Agreement – GMRA). Such transactions are also covered by GMRA - compliant financial guarantee agreements, envisaging the bilateral exchange of collaterals in cash and/or government bonds. These agreements, in the case of repurchase agreements, mitigate the liquidity risk by offsetting the debt to the counterparty up to the fair value of the collateral.
In the table, repurchase agreements are measured at amortised cost, whereas financial instruments used as collateral are measured at fair value up to the amount of the guaranteed liability. Banca Generali has entered into International Swap and Derivatives Association (ISDA) master netting arrangements as its main technique for mitigating the credit risk and the related impacts on fair value associated with OTC derivatives contracts with institutional counterparties. These arrangements as well envisage the bilateral exchange of cash collateral. These arrangements reduce the capital they absorb, in accordance with the conditions established in supervisory regulations. The ISDA master netting arrangements entered into with the main institutional counterparties to OTC derivatives have been appropriately reported to the Bank of Italy.

Banca Generali joined Eurex through the clearing broker Banca Intesa for the clearing of derivatives such as interest rate swaps subject to clearing obligations through the clearing house.

PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Section 1 – Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	2022	2021
1. Financial assets measured at fair value through profit or loss	**114**	**-**	**-**	**114**	**99**
1.1 HFT financial assets	4	-	-	4	1
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	110	-	-	110	98
2. Financial assets measured at fair value through other comprehensive income	**20,025**	**-**	**X**	**20,025**	**1,083**
3. Financial assets measured at amortised cost	**146,481**	**42,471**	**X**	**188,952**	**91,624**
3.1 Loans to banks	13,395	6,215	X	19,610	5,663
3.2 Loans to customers	133,086	36,256	X	169,342	85,961
4. Hedging derivatives	**X**	**X**	**-57,400**	**-57,400**	**-10,957**
5. Other assets	**X**	**X**	**253**	**253**	**8**
6. Financial liabilities	**X**	**X**	**X**	**7,530**	**10,682**
Total	**166,620**	**42,471**	**-57,147**	**159,474**	**92,539**
of which:					
- *interest income on impaired financial assets*	*-*	*486*	*-*	*486*	*441*
- *interest income on finance leases*	*X*	*-*	*X*	*-*	*-*

By convention, interest on “Financial liabilities” includes the negative interest expense accrued on funding transactions, as broken down in the following table.

Breakdown of negative interest expense

	2022	2021
Interest income on bank deposits and current accounts	4	33
TLTRO	4,398	6,636
Repurchase agreements with banks	168	161
Repurchase agreements with customers	647	295
Interest income on customer deposit and current accounts	2,313	3,557
Total interest income on financial liabilities	**7,530**	**10,682**

1.2 Interest income and similar revenues: further information

1.2.1 Interest income on financial assets in foreign currencies

	2022	2021
Interest income on financial assets in foreign currencies	541	119
Total	**541**	**119**

1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	2022	2021
1. Financial liabilities measured at amortised cost	**11,732**	**-**	**-**	**11,732**	**4,437**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	1,228	X	X	1,228	511
1.3 Due to customers	10,504	X	X	10,504	3,926
1.4 Securities issued	X	-	X	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and funds	**X**	**X**	**-**	**7,815**	**-**
5. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
6. Financial assets	**X**	**X**	**X**	**2,607**	**4,071**
Total	**11,732**	**-**	**-**	**22,154**	**8,508**
of which:					
- interest expense relating to lease debts	*3,131*	*X*	*X*	*3,131*	*3,277*

The Item 1.3 "Financial liabilities measured at amortised cost – Due to customers" includes a 3.1 million euro interest accrued on lease payment debts calculated in accordance with the provisions of IFRS 16.
By convention, interest on "Financial assets" includes the negative interest income accrued on lending transactions, as broken down in the following table.

Breakdown of negative interest income

	2022	2021
Interest expense on deposits with the ECB	721	2,729
Interest expense on current accounts and deposits with banks	782	873
Repurchase agreements with banks	272	443
Repurchase agreements with customers	3	18
Interest expense on customer deposits	829	8
Total	**2,607**	**4,071**

1.4 Interest expense and similar charges: further information

1.4.1 Interest expense on liabilities in foreign currencies

	2022	2021
Interest expense on liabilities in foreign currencies	733	66
Total	**733**	**66**

1.5 Hedging differentials

ITEMS	2022	2021
A. Hedging gains	67,367	46,413
B. Hedging losses	124,767	57,370
C. Total (A - B)	**-57,400**	**-10,957**

Hedging differentials refer to interest-rate swaps (IRSs) and inflation IRSs entered into in relation to fair-value hedging transactions for fixed-rate or inflation-linked debt securities.

The balance includes 37,450 thousand euros attributable to the hedging of debt securities classified to the portfolio of financial assets measured at amortised cost (4,305 thousand euros in 2021), with the remainder referring to debt securities classified to the portfolio of financial assets measured at fair value through other comprehensive income.

Section 2 – Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	2022	2021
a) Financial instruments	**395,854**	**412,630**
1. Placement of securities	276,134	295,042
1.1 With direct underwriting and/or a firm commitment	-	1,419
1.2 Without a firm commitment	276,134	293,623
2. Receipt and transmission of orders and execution of orders on customers' behalf	33,718	34,344
2.1 Receipt and transmission of orders for one or more financial instruments	7,616	10,633
2.2 Execution of orders on customers' behalf	26,102	23,711
3. Other fees related to activities linked to financial instruments	86,002	83,244
of which:		
- *trading for own account*	-	-
- *individual portfolio management*	*86,002*	*83,244*
b) Corporate finance	**-**	**-**
1. Consultancy on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees related to corporate finance services	-	-
c) Investment advisory	**45,516**	**42,332**
d) Offsetting and settlement services	**-**	**-**
e) Custody and administration services	**383**	**406**
1. Depository Bank	-	-
2. Other fees related to custody and administration services	383	406
f) Centralised administration services for collective portfolio management	**-**	**-**
g) Trust services	**-**	**-**
h) Payment services	**10,299**	**9,308**
1. Current accounts	5,459	4,927
2. Credit cards	-	-
3. Debit cards and other payment cards	380	288
4. Bank transfers and other payment services	1,370	1,328
5. Other fees linked to payment services	3,090	2,765
i) Distribution of third-party services	**267,564**	**272,712**
1. Collective portfolio management	1,149	1,067
2. Insurance products	263,631	268,180
3. Other products	2,784	3,465
of which:		
- *individual portfolio management*	*41*	*41*
- *BG Saxo services*	*2,099*	*2,766*
j) Structured finance	**-**	**-**
k) Servicing related to securitisations	**-**	**-**
l) Commitments to disburse funds	**-**	**-**
m) Financial guarantees issued	**536**	**432**
of which:		
- *credit derivatives*	-	-
n) Financing transactions	**-**	**-**
of which:		
- *factoring-related services*	-	-
o) Currency trading	**-**	**-**
p) Goods	**-**	**-**
q) Other fee income	**3,134**	**2,686**
of which:		
- *management of multilateral trading facilities*	-	-
- *management of organised trading facilities*	-	-
Total	**723,286**	**740,506**

Table 2.1 relating to the breakdown of fee income includes revenues arising from financial services falling within the scope of IFRS 15, broken down by type of service rendered. With reference to the provisions of IFRS 15, paragraph 113, fee income may be further divided into the following four categories:

(€ THOUSAND)	2022	2021
Underwriting fees	28,949	42,124
Management fees	598,647	604,781
Performance fees	5	1,326
Other fees for banking and financial services	95,685	92,275
Total fee income	**723,286**	**740,506**

Underwriting, management and performance fees refer, in particular, to individual (discretionary) and collective (Sicavs promoted by the Banking Group) portfolio management, placement of securities and distribution of third-party services.
Fees for BG Saxo services refer to the offering to the Bank's customers of the trading and order collection services rendered by BG Saxo Sim S.p.A. They were classified under banking products.

	UNDERWRITING FEES	MANAGEMENT FEES	PERFORMANCE FEES	OTHER	2022	2021
Individual portfolio management	-2,129	88,126	5	-	86,002	83,244
Placement of Group's UCITS	4,097	119,507	-	-	123,604	133,188
Placement of UCITS	3,913	129,251	-	-	133,164	137,348
Placement of securities and certificates	19,366	-	-	-	19,366	24,506
Distribution of third-party services	3,702	261,763	-	-	265,465	269,945
Other services and banking products	-	-	-	95,685	95,685	92,275
Total fee income	**28,949**	**598,647**	**5**	**95,685**	**723,286**	**740,506**

Underwriting fees refer to the support provided by the Bank's sales network to customers for the purchase of financial products and services and their useful lives end when the products and services concerned are subscribed. In particular, the item includes the distribution and private placement of certificates.

Variable performance fees refer to Banca Generali's individual portfolio management and advisory activities.
Management fees refer to:

- discretionary management of financial assets on behalf of customers according to the conditions specified in individual mandates, accruing on a quarterly basis;
- collective management of the assets of the Sicavs managed by the Banking Group's management company (Lux IM Sicav, BG Selection Sicav and BG Alternative Sicav) on the basis of the conditions established for each sub-fund in the relevant prospectuses, accruing on a monthly basis;
- the ongoing customer support activity carried out by the Financial Advisor network with regard to the placement of units of third-party UCITS and the distribution of insurance products.

Fees on other services include revenues on traditional banking services (custody and trading of financial instruments, collection and payment services, current account keeping and management services, etc.) and advisory fees, mostly consisting of recurring fees.

Fee income consist solely of short-term items, normally collected on a monthly or quarterly basis and therefore do not include a component of a financial nature relating to the passage of time.

In reference to IFRS 15, paragraph 116 b), fee income on the placement of securities includes revenues of 110 thousand euros on the recycling to the profit and loss account for the year of liabilities included in the opening balance attributable to contracts (deferred income).

2.2 Fee income: distribution channels of products and services offered

CHANNELS/VALUES	2022	2021
a) Group branches	**1,914**	**1,112**
1. Portfolio management	-	-
2. Placement of securities	1,914	1,112
3. Third-party products and services	-	-
b) Off-premises offer	**627,786**	**649,886**
1. Portfolio management	86,002	83,244
2. Placement of securities	274,220	293,930
3. Third-party products and services	267,564	272,712
c) Other distribution channels	**-**	**-**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
Total	**629,700**	**650,998**

2.3 Breakdown of fee expense

TYPE OF SERVICE/VALUES	2022	2021
a) Financial instruments	**7,232**	**8,149**
of which:		
- *trading of financial instruments*	*6,185*	*6,910*
- *placement of financial instruments*	-	-
- *individual portfolio management*	*1,047*	*1,239*
Own portfolio	1,047	1,239
Third-party portfolio	-	-
b) Offsetting and settlement services	**-**	**-**
c) Custody and administration services	**3,303**	**3,048**
d) Collection and payment services	**4,339**	**4,029**
of which:		
- *credit cards, debit cards and other payment cards*	*1,456*	*1,354*
e) Servicing related to securitisations	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**-**	**-**
of which:		
- *credit derivatives*	-	-
h) Off-premises offer of financial instruments, products and services	**413,932**	**418,103**
i) Currency trading	**-**	**-**
j) Other fee expense	**3,919**	**5,076**
Total	**432,725**	**438,405**

Fee expense for off-premises offer includes the costs incurred to obtain or fulfil contracts with customers of 83,042 thousand euros, of which 62,634 thousand euros relating to previous years.

Section 3 – Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	2022 DIVIDENDS	2022 SIMILAR INCOME	2021 DIVIDENDS	2021 SIMILAR INCOME
A. HFT financial assets	-	-	-	-
B. Other financial assets mandatorily measured at fair value	66	19	91	93
C. Financial assets measured at fair value through other comprehensive income	1,060	-	900	-
D. Equity investments	167,783	-	333,550	-
Total	**168,909**	**19**	**334,541**	**93**

Section 4 – Net income (loss) from trading activities - Item 80

4.1 Breakdown of net income (loss) from trading activities

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSSES FROM TRADING	NET RESULT
1. HFT financial assets	**-**	**95**	**19**	**117**	**-41**
1.1 Debt securities	-	62	19	29	14
1.2 Equity securities	-	26	-	81	-55
1.3 UCITS units	-	7	-	7	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**3,638**
4. Derivatives	**-**	**-**	**-**	**-**	**-7**
4.1 Financial	-	-	-	-	-7
- on debt securities and interest rates	-	-	-	-	-
- *interest rate swaps*	-	-	-	-	-
- *government bond forwards*	-	-	-	-	-
- on equity securities and stock indexes	-	-	-	-	-
- *options*	-	-	-	-	-
- *futures*	-	-	-	-	-
- on currency and gold [1]	X	X	X	X	-7
- other	-	-	-	-	-
4.2 Credit	-	-	-	-	-
of which:					
- *natural hedging related to the fair value option*	*X*	*X*	*X*	*X*	-
Total	**-**	**95**	**19**	**117**	**3,590**

(1) It includes currency options and currency outrights.

Section 5 – Net income (loss) from hedging - Item 90

5.1 Breakdown of net income (loss) from hedging

INCOME COMPONENTS/VALUES	2022	2021
A. Income from:		
A.1 Fair-value hedge derivatives	384,915	27,026
A.2 Hedged financial assets (fair value)	13,813	81,678
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	**398,728**	**108,704**
B. Charges from:		
B.1 Fair-value hedge derivatives	8,618	80,848
B.2 Hedged financial assets (fair value)	388,226	25,768
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	**396,844**	**106,616**
C. Net income (loss) from hedging (A - B)	**1,884**	**2,088**
of which:		
- *result of hedging of net positions*	-	-

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

6.1 Breakdown of gains (losses) on disposal/repurchase

	2022			2021		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
A. Financial assets						
1. Financial assets measured at amortised cost	**42,488**	**62**	**42,426**	**16,459**	**785**	**15,674**
1.1 Loans to banks	46	16	30	3,925	-	3,925
1.2 Loans to customers	42,442	46	42,396	12,534	785	11,749
2. Financial assets measured at fair value through other comprehensive income	**4,212**	**18,330**	**-14,118**	**5,299**	**2,820**	**2,479**
2.1 Debt securities	4,212	18,330	-14,118	5,299	2,820	2,479
2.2 Loans	-	-	-	-	-	-
Total assets	**46,700**	**18,392**	**28,308**	**21,758**	**3,605**	**18,153**
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

HTCS equity reserves transferred back to the profit and loss account due to the disposal of pre-existing equity reserves of the HTCS portfolio are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	3,100	-1,279	1,821
Total	3,100	-1,279	1,821

Section 7 – Net gains (losses) of other financial assets and liabilities measured at fair value through profit and loss - Item 110

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

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	**375**	**5**	**12,029**	**27**	**-11,676**
1.1 Debt securities	-	-	94	-	-94
1.2 Equity securities	-	-	469	-	-469
1.3 UCITS units	12	-	11,457	27	-11,472
1.4 Loans	363	5	9	-	359
2. Financial assets in foreign currencies: exchange differences	X	X	X	X	**110**
Total	**485**	**5**	**12,029**	**27**	**-11,566**

Section 8 – Net adjustments/reversals for credit risk - Item 130

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

	ADJUSTMENTS						REVERSALS					
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED							
TRANSACTIONS/INCOME COMPONENTS	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	2022	2021
A. Loans to banks	**1,790**	**106**	**-**	**-**	**-**	**-**	**72**	**-**	**-**	**-**	**-1,824**	**-808**
Loans	-	106	-	-	-	-	72	-	-	-	-34	-186
Debt securities	1,790	-	-	-	-	-	-	-	-	-	-1,790	-622
B. Loans to customers	**2,683**	**700**	**15**	**3,027**	**-**	**-**	**1**	**-**	**337**	**-**	**-6,087**	**-892**
Loans	318	617	15	3,027	-	-	1	-	337	-	-3,639	-862
Debt securities	2,365	83	-	-	-	-	-	-	-	-	-2,448	-30
Total	**4,473**	**806**	**15**	**3,027**	**-**	**-**	**73**	**-**	**337**	**-**	**-7,911**	**-1,700**

Specific adjustments to loans to customers classified under “Stage 3” amounted to 3,027 thousand euros and included 1,174 thousand euros for positions overdrawn by more than 90 days, 1,259 thousand euros for unlikely-to-pay positions, and, for the remainder, other operating loans and loans to the sales network.

These write-downs were partially offset through reversals relating to positions overdrawn at the end of the previous year (269 thousand euros) and reclassified out of the non-performing category, to bad loans (10 thousand euros) and to unlikely-to-pay exposures (58 thousand euros).

8.1a Breakdown of net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures

	NET ADJUSTMENTS							
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED			
TRANSACTIONS/INCOME COMPONENTS	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	2022	2021
1. Loans subject to forbearance measure in accordance with the GLs	-	-	-	-	-	-	-	-
2. Loans subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-56
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
4. Newly issued loans	12	9	-	1,065	-	-	1,086	-124
Total at 31.12.2022	**12**	**9**	**-**	**1,065**	**-**	**-**	**1,086**	**X**
Total at 31.12.2021	**-180**	**-**	**-**	**-**	**-**	**-**	**X**	**-180**

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

	ADJUSTMENTS						REVERSALS					
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED							
TRANSACTIONS/INCOME COMPONENTS	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	2022	2021
A. Debt securities	416	-	-	-	-	-	-	-	-	-	-416	-258
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**416**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-416**	**-258**

Section 10 – General and administrative expenses - Item 160

Breakdown of general and administrative expenses

	2022	2021
160 a) Staff expenses	97,175	94,509
160 b) Other general and administrative expenses	210,634	199,463
Total	**307,809**	**293,972**

10.1 Breakdown of staff expenses

TYPE OF EXPENSE/VALUES	2022	2021
1) Employees	**96,475**	**94,165**
a) Wages and salaries	52,136	50,147
b) Social security charges	13,992	13,135
c) Termination indemnity	720	724
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	84	36
f) Provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	5,422	4,966
- defined contribution	5,422	4,966
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	2,734	2,726
i) Other employee benefits	21,387	22,431
2) Other staff	**278**	**226**
3) Directors and Auditors	**1,193**	**1,177**
4) Retired personnel	**74**	**70**
5) Recovery of expenses for staff seconded to other companies	**-982**	**-1,301**
6) Repayments of expenses for staff seconded to the Company	**137**	**172**
Total	**97,175**	**94,509**

10.2 Average number of employees by category (*)

	2022	2021
Employees	**908**	**889**
a) Managers	60	59
b) Executives	318	302
c) Employees at other levels	530	528
Other personnel	**-12**	**-18**
Total	**896**	**871**

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

Breakdown of personnel

	2022	2021
Employees	**940**	**914**
a) Managers	61	60
b) Executives	331	306
of which:		
- *3rd and 4th level*	*160*	*153*
- *1st and 2nd level*	*171*	*153*
c) Employees at other levels	548	548
Other personnel	**-8**	**-17**
Contract and temporary workers	-	4
Staff seconded from other companies	1	1
Staff seconded to other companies	-9	-22
Total	**932**	**897**

10.4 Other employee benefits

	2022	2021
Short-term productivity bonuses	**14,251**	**14,331**
Long-term benefits	**379**	**2,512**
Charges for Relationship Manager recruitment plans	79	860
Charges for deferred variable remuneration (managers' MBO)	300	1,652
Charges for post-employment medical care plans	-	-
Other benefits	**6,757**	**5,588**
Charges for staff supplementary pensions	4,318	3,322
Amounts replacing cafeteria indemnities	1,039	1,012
Training expenses	990	784
Contributions to employees	149	192
Transfer incentives and other indemnities	246	263
Other expenses	15	15
Total	**21,387**	**22,431**

Short-term productivity bonuses include the portion of non-deferred variable remuneration payable in cash (MBO) for office and sales managers and portfolio managers, the performance bonus envisaged in the Supplementary Company Bargaining Agreement (CIA) and allocations in service of the plan for 2022 measures.

10.5 Breakdown of other general and administrative expenses

	2022	2021
Administration	**24,199**	**24,029**
Advertising	3,107	2,721
Audit fees	14,744	15,571
Auditing firms	438	425
Insurance	4,141	3,598
Entertainment expenses	574	337
Membership contributions	1,063	1,077
Charity	132	300
Operations	**27,944**	**22,415**
Rent and usage of premises and management of property	5,695	4,480
Outsourced administrative services	6,656	6,701
Post and telephone	2,237	2,250
Print material	1,162	1,238
Other expenses for sales network management	5,234	2,049
Other expenses and purchases	5,197	4,391
Other indirect staff expenses	1,763	1,306
Information system and equipment	**55,678**	**51,227**
Expenses related to outsourced IT services	36,549	34,096
Fees for IT services and databases	9,292	7,550
Software maintenance and servicing	7,712	7,489
Fees for equipment hired and software used	364	317
Other maintenance	1,761	1,775
Indirect taxation	**85,218**	**86,317**
Stamp duty on financial instruments	84,088	85,104
Substitute tax on medium/long-term financing	211	454
Other indirect taxes to be paid by the Bank	919	759
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	**17,595**	**15,475**
Total	**210,634**	**199,463**

The general and administrative expenses aggregate includes the costs of short-term leases (less than 12 months), consisting primarily of lease payments for parking spaces and low-value leases (less than 5 thousand euros), consisting of lease payments for photocopiers and faxes, for which the Bank has availed itself of the option not to apply the accounting treatment provided for in IFRS 16, as detailed below. There are no costs for variable payments other than those included in the measurement of lease liabilities.

	2022	2021
Lease costs <5,000 euros	364	316
Lease costs <12 months	110	116

The aggregate also includes other costs arising from lease transactions, but attributable to contractual components other than lease payments and not relevant to the valuation of lease liabilities, such as fees for additional services and non-deductible VAT, which amounted to 3,685 thousand euros.

Section 11 – Net provisions for liabilities and contingencies - Item 170

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

	2022			2021		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and financial guarantees issued	9	-	9	-	-81	-81
Total	**9**	**-**	**9**	**-**	**-81**	**-81**

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

	2022			2021		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	**2,436**	**-1,825**	**611**	**4,410**	**-1,207**	**3,203**
Provision for restructuring plan	985	-162	823	2,300	-	2,300
Provision for staff expenses - Other [(1)]	1,451	-1,663	-212	2,110	-1,207	903
Provision for legal disputes	**4,281**	**-304**	**3,977**	**6,051**	**-661**	**5,390**
Provision for risks related to legal disputes with subscribers	742	-101	641	2,752	-110	2,642
Provision for risks related to legal disputes with Financial Advisors	337	-27	310	599	-221	378
Provision for risks related to legal disputes with other parties	3,202	-176	3,026	2,700	-330	2,370
Provision for termination indemnity - Financial Advisors	**6,590**	**-11,392**	**-4,802**	**32,391**	**-2,075**	**30,316**
Provision for risks related to termination indemnity of sales network	1,135	-7,851	-6,716	12,236	-1,828	10,408
Provision for manager incentive indemnity	1,577	-355	1,222	2,922	-51	2,871
Provision for portfolio overfee indemnities	21	-1,232	-1,211	3,521	-68	3,453
Provision for pension bonuses	-	-1,954	-1,954	450	-128	322
Provision for Framework Loyalty Programme	495	-	495	13,262	-	13,262
Provision for three-year incentives	3,362	-	3,362	-	-	-
Provision for network incentives	**21,657**	**-2,825**	**18,832**	**23,138**	**-1,691**	**21,447**
Provision for network development plans	16,705	-2,822	13,883	17,156	-1,282	15,874
Provision for deferred bonus	-	-3	-3	8	-53	-45
Provision for sales incentives	-	-	-	700	-	700
Provision for managers' incentives with access gate	-	-	-	705	-150	555
Provision for incentive travels	4,700	-	4,700	3,700	-	3,700
Provision for fee plans	252	-	252	869	-206	663
Provision for tax and contributions dispute	**2,371**	**-**	**2,371**	**5,689**	**-**	**5,689**
Other provisions for liabilities and contingencies	**24,937**	**-**	**24,937**	**1,650**	**-785**	**865**
Total	**62,272**	**-16,346**	**45,926**	**73,329**	**-6,419**	**66,910**

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

Section 12 – Net adjustments/reversals of property and equipment - Item 180

12.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION (A)	ADJUSTMENTS FOR IMPAIRMENT (B)	REVERSALS (C)	NET RESULT 2022 (A + B - C)	NET RESULT 2021
A. Property and equipment	**21,040**	**-**	**-**	**21,040**	**20,632**
1. Operating:	21,040	-	-	21,040	20,632
- owned	1,790	-	-	1,790	1,719
- rights of use acquired through leases	19,250	-	-	19,250	18,913
2 Held as investments	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	X	-	-	-	-
Total	**21,040**	**-**	**-**	**21,040**	**20,632**

Section 13 – Net adjustments/reversals of intangible assets - Item 190

13.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION (A)	ADJUSTMENTS FOR IMPAIRMENT (B)	REVERSALS (C)	NET RESULT 2022 (A + B - C)	NET RESULT 2021
A. Intangible assets	**13,692**	**-**	**-**	**13,692**	**13,207**
of which:					
- software	*11,983*	-	-	*11,983*	*11,498*
A.1 Owned	13,692	-	-	13,692	13,207
- generated in-house	-	-	-	-	-
- other	13,692	-	-	13,692	13,207
A.2 Rights of use acquired through leases	-	-	-	-	-
Total	**13,692**	**-**	**-**	**13,692**	**13,207**

Breakdown of value adjustments of intangible fixed assets - amortisation

	2022	2021
Charges associated with the implementation of legacy CSE procedures	11,972	11,242
Customer relationships	1,709	1,709
Other intangible fixed assets	11	256
Total	**13,692**	**13,207**

Section 14 – Other operating income and expenses - Item 200

14.1 Breakdown of other operating expenses

	2022	2021
Adjustments of leasehold improvements	2,837	2,669
Write-downs of other assets	13	-
Indemnities and compensation for litigation and claims	872	359
Charges from accounting adjustments with customers	2,541	4,562
Charges for card compensation and guarantees	-	4
Costs associated with tax disputes, penalties and fines	89	27
Other contingent liabilities and non-existent assets	659	241
Other operating expenses	543	-
Total	**7,554**	**7,862**

14.2 Breakdown of other operating income

	2022	2021
Recovery of taxes from customers	83,084	84,433
Recovery of expenses from customers	671	507
Fees for outsourced services	243	172
Charge-back of portfolio overfee indemnities to incoming Financial Advisors	5,009	3,880
Indemnities for Financial Advisors' termination without notice	1,398	464
Other recoveries of repayments and costs from Financial Advisors	3,129	3,249
Contingent assets related to staff expenses	2,098	581
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training (FBA)	217	202
Other contingent assets and non-existent liabilities	5,409	3,031
Insurance compensation and indemnities	419	286
Tax credits (film partnership, sanitisation and PPE, investments in new capital goods)	96	54
Other income	304	1,580
Total	**102,077**	**98,439**
Total other net income	**94,523**	**90,577**

Section 15 – Gains (losses) from equity investments - Item 220

15.1 Breakdown of gains (losses) from equity investments

INCOME COMPONENTS/VALUES	2022	2021
A. Gains	**556**	**-**
1. Revaluations	-	-
2. Gains on disposal	556	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	**4,596**	**-**
1. Write-downs	4,596	-
2. Adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-4,040**	**-**

Section 18 – Gains (losses) on disposal of investments - Item 250

18.1 Breakdown of gains (losses) on disposal of investments

INCOME COMPONENTS/VALUES	2022	2021
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-4	-20
- Gains on disposal	-	2
- Losses on disposal	-4	-22
Net result	**-4**	**-20**

Section 19 – Income tax for the year from operating activities - Item 270

19.1 Breakdown of income tax for the year from operating activities

INCOME COMPONENTS/VALUES		2022	2021
1.	Current taxation (-)	-60,372	-40,442
2.	Change in prior years' current taxes (+/-)	-28,965	1,393
3.	Reduction of current taxes for the year (+)	-	-
3.*bis*	Reduction of current taxes for the year arising on tax credits, pursuant to Law No. 214/2011 (+)	-	-
4.	Changes of prepaid taxation (+/-)	3,097	13,778
5.	Changes of deferred taxation (+/-)	-274	5,713
6.	**Taxes for the year (-)**	**-86,514**	**-19,558**

19.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes due for 2022, including both current and deferred taxes, as indicated in Item 270 of the Profit and Loss Account, and the theoretical corporate income tax IRES calculated by applying the 27.5% current applicable tax rate to profit before taxation.

It should be noted that the effects of the reduction of the IRES tax rate from 27.50% to 24% introduced by the 2016 Stability Law with effect from 1 January 2017 for tax periods after that in progress at 31 December 2016 were neutralised for the Bank as a result of the introduction by that same Law of a surtax of 3.5 percentage points on credit and financial institutions in respect of the same tax periods.

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

	2022	2021
Current taxation	**-60,372**	**-40,442**
IRES	-46,009	-22,238
IRAP	-14,363	-14,178
Substitute tax on realignments	-	-4,026
Prepaid and deferred taxation	**2,823**	**19,491**
IRES	2,103	16,488
- *of which: due to realignment*	-	*10,839*
IRAP	720	3,003
- *of which: due to realignment*	-	*1,814*
Prior years' taxes	**-28,965**	**1,393**
Prior years' income taxes	1,096	1,393
Charges for tax dispute	-30,061	-
Income taxes	**-86,514**	**-19,558**

Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**312,701**	**361,805**
Theoretical taxation	**-85,993**	**-99,496**
Non-taxable income (+)		
Dividends	44,127	87,399
ACE	1,545	1,226
Other decreases (tax credits, PEX revaluation)	374	224
Non-deductible charges (-)		
Impairment of equity securities PEX	-1,297	-
Other non-deductible costs	-2,768	-5,903
Other taxes (+/-)		
IRAP	-13,643	-12,989
Prior years' taxes	-28,965	1,393
Effect of realignments (deferred taxes, IRES, IRAP, substitute taxes)	-	8,627
Change in deferred taxes without offsetting entry	106	-39
Actual tax expense	**-86,514**	**-19,558**
Total actual tax rate	**27.7%**	**5.4%**
Actual rate, excluding one-off components	**18.1%**	**7.8%**
Actual IRES rate, excluding one-off components	**13.7%**	**4.2%**
Actual IRAP rate, excluding one-off components	**4.4%**	**3.6%**

The total tax rate for the year, inclusive of the charges associated with the tax dispute, was 27.7%, whereas net of that one-off component it was 18.1%. By comparison, the estimated tax rate at the end of the previous year had been 7.8%, determined without considering the net benefits of the realignment operations (5.4% considering realignments).

The change was mainly attributable to the sharply lower weight on profit before taxation of the dividends received for equity investments in other Group companies and other PEX equity investments, subject to a 5% IRES surtax and a 50% IRAP surtax, as a result of the decrease in dividends distributed by the subsidiary BGFML partly due to the marked increase in net interest in the second half of the year.

In 2022, dividends not associated with Group equity investments amounted to 167.8 million euros, sharply decreasing compared to 333.6 million euros for the previous year (-165.8 million euros), thus leading to a decline in the tax rate of 14 percentage points compared to the IRES theoretical tax rate, only partially offset by other increases, calculated on the basis of an estimate of the cost components that are not classified as permanently deductible by the tax system.

Charges related to the tax settlement

	IRES	IRAP	TOTAL
Taxes paid	37,945	2,766	40,711
(Minus) Provision for litigation	-9,932	-718	-10,650
Total	**28,013**	**2,048**	**30,061**
Late payment interest	7,303	508	7,811
Total	**35,316**	**2,556**	**37,872**
Tax effect	-2,376	-165	-2,542
Total	**32,940**	**2,391**	**35,330**

Section 22 – Earnings per Share

22.1 Average number of ordinary shares with diluted capital

	2022	2021
Net profit for the year (€ thousand)	226,188	342,247
Earnings attributable to ordinary shares (€ thousand)	226,188	342,247
Average number of outstanding shares (thousand)	114,564	115,016
EPS - Earnings per share (euros)	**1.97**	**2.98**
Average number of outstanding shares with diluted capital (thousand)	114,564	115,016
EPS - Diluted earnings per share (euros)	**1.97**	**2.98**

PART D – STATEMENT OF COMPREHENSIVE INCOME

Analytical Statement of Comprehensive Income

ITEMS		2022	2021
10.	**Net profit (loss) for the year**	**226,188**	**342,247**
	Other income, without transfer to Profit and Loss Account	**326**	**-205**
20.	**Equity securities designated at fair value through other comprehensive income:**	**133**	**-312**
	a) fair value changes	133	-312
	b) transfers to other net equity components	-	-
30.	**Financial liabilities designated at fair value through profit or loss (change in own creditworthiness)**	**-**	**-**
	a) fair value changes	-	-
	b) transfers to other net equity components	-	-
40.	**Equity security hedges designated at fair value through other comprehensive income:**	**-**	**-**
	a) fair value changes (hedged instrument)	-	-
	b) fair value changes (hedging instrument)	-	-
50.	**Property and equipment**	**-**	**-**
60.	**Intangible assets**	**-**	**-**
70.	**Defined benefit plans**	**277**	**168**
80.	**Non-current assets available for sale and disposal groups**	**-**	**-**
90.	**Share of valuation reserves of equity investments valued at equity**	**-**	**-**
100.	**Income taxes on other income, without transfer to Profit and Loss Account**	**-84**	**-61**
	Other income, with transfer to Profit and Loss Account	**-12,562**	**-4,336**
110.	**Hedges of foreign investments:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
120.	**Exchange differences:**	**-**	**-**
	a) value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
130.	**Cash-flow hedges:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
	of which:		
	- *result of net positions*	-	-
140.	**Hedging instruments (non-designated items):**	**-**	**-**
	a) value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
150.	**Financial assets (other than equity securities) measured at fair value through other comprehensive income**	**-18,514**	**-6,391**
	a) fair value changes	-16,863	-3,002
	b) transfer to Profit and Loss Account	-1,651	-3,389
	- adjustments due to credit risk	170	-86
	- gains (losses) on disposal	-1,821	-3,303
	c) other changes	-	-
160.	**Non-current assets available for sale and disposal groups:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
170.	**Share of valuation reserves of equity investments valued at equity:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	- adjustments due to impairment	-	-
	- gains (losses) on disposal	-	-
	c) other changes	-	-
180.	**Income taxes on other income, with transfer to Profit and Loss Account**	**5,952**	**2,055**
190.	**Total other income components**	**-12,236**	**-4,541**
200.	**Comprehensive income (Item 10 + 190)**	**213,952**	**337,706**

PART E – INFORMATION ON RISKS AND RISK HEDGING POLICIES

Foreword

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework (RAF).
In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of organisational rules, procedures and structures aimed at ensuring compliance with company strategies, while also seeking to achieve:
- the efficiency and effectiveness of work processes;
- the maintenance of asset value and protection against losses;
- the reliability and integrity of accounting and operating information;
- operational compliance with the law and supervisory regulations;
- policies, plans, regulations and internal procedures; and
- the dissemination of a culture of control involving training initiatives for the various levels.

Banca Generali has designed an internal control model consistent with best practices at the national and international levels and structured on three different organisational levels:
- first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
- second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  - Risk Management Department: it is tasked with identifying, measuring/evaluating and monitoring all the types of risks to which the Banking Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and thereby contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies. The Department acts with a view to maintaining risk levels within the limits and tolerance thresholds indicated in the exposure profile and strategies established by the Board of Directors in the Risk Appetite Framework. It assures that risks are fully and transversally analysed, and to this end it applies a strategic, consistent and prospective approach and duly provides periodic reports;
  - Compliance Service: it is tasked with verifying the observance of obligations relating to the provision of services for the Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;
  - Anti-Money Laundering Service: it is responsible, within the Banking Group, for preventing and combating transactions involving money laundering and financing of terrorism;
- third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

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

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, the control body and the independent auditors (who are responsible for accounting control):
- the Internal Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code for Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal control and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;
- the Risk Committee is charged with ensuring coordinated coverage of the system for managing and controlling the risks assumed by the Group in compliance with the Risk Appetite Framework; it is vested with specific responsibility for monitoring the Group's risks, such as the management of risk containment measures, as well as decision-making powers for identifying and implementing said measures;
- the Supervisory Board, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
- the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

Section 1 – Credit Risk

Qualitative Information

1. General Aspects

Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in the creditworthiness of a counterparty, to which an exposure exists, may generate a corresponding unexpected change in the market value of the associated exposure.

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

In accordance with the Banca Generali Group's business model, this type of risk chiefly arises from liquidity invested in money markets (interbank deposits), financial instruments (mainly government bonds) held in portfolios measured at amortised cost or in FVOCI and loans to customers (revocable and/or fixed-term credit). With regard to the latter, in line with the provisions of the Risk Appetite Framework and in accordance with the Business Model and the lending policies adopted, credit activity is an ancillary means of achieving the priority objectives in the private banking sector. In this context, the Bank prefers a customer target with a strong capital position, mainly focused on natural persons. In fact, there is a clear prevalence of exposures to retail (made up primarily of private and affiliated customers), compared to the corporate segment.

With regard to the composition of the Banca Generali Group's portfolio, the portion classified as HTC consists primarily of debt security exposures towards governments and, to a lesser extent, lines of revocable and/or fixed-term credit to retail and corporate clients. As regards the latter case, in light of the Group's business model, there is a sharp prevalence of exposures to retail customers (private customers and customers subject to agreements) over corporate customers.
With regard to institutional borrowers, credit risk management is based on the allocation of appropriate credit lines, which are monitored by the Risk Management Department and established with the objective of maintaining a portfolio's risk profile that is consistent with the strategies and risk appetite approved by the Board of Directors.
Operational limits on the amounts of credit lines granted to institutional counterparties are governed by Group policies, which set out the maximum credit that may be extended to a counterparty based on its rating class. The overall consistency of ECAI ratings with internal credit assessments is verified by the Risk Management Department at least annually.
Credit lines are reviewed at least every year; this involves updating existing credit lines for counterparties that are already borrowing from the Bank or examining new credit line proposals with a view to diversifying the proprietary portfolio and developing new business linked to market opportunities.

The credit risk associated with business with customers is primarily managed by monitoring the performance of the overall portfolio and individual positions and by setting operating and process limits defined in the Risk Appetite Framework. More specifically:

- Loans to customers: the portfolio in question consists primarily in debt securities measured at amortised cost and loans to retail customers, in the form of Lombard loans, revocable current accounts, fixed-term loans and mortgage loans (in the latter case, for customers subject to agreements);
- Non-performing loans: the portfolio of NPLs to customers is mostly secured by pledges of securities and bank guarantees and has a good level of provisions in the residual cases in which the collateral is insufficient;
- Performing loans: the portfolio of loans to customers is approximately 82% composed of exposures to natural persons, whereas the remainder is composed of exposures to companies. Credit is primarily provided in the form of revocable facilities and Lombard loans, which together account for around 71% of the used exposure. In accordance with the Bank's lending policies and risk appetite, credit is mostly secured by pledges of highly liquid financial instruments and products.

In 2022, the Group also strengthened its origination and monitoring processes in accordance with the EBA Guidelines on loan origination and monitoring (GL EBA LOM).

First-tier control activities are conducted by the Lending Department and the Finance Department, which are responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.

The second-tier control activities are the responsibility of the Risk Management Department, which ensures the consistency of the processes, strategies and Risk Appetite Framework (RAF), yearly approved by the Bank's Board of Directors. In the specific case of portfolios of loans to retail and corporate investors, the Risk Management Department is tasked with identifying, measuring, assessing, monitoring and overseeing credit risk through monitoring of the performance of the overall portfolio, the control of the rules set forth by the Risk Appetite Framework, the drawing up of a prompt and adequate internal report to be submitted to the Bank and its corporate bodies.

Moreover, particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Department and established with the objective of always maintaining a level of risk of the portfolio that is consistent with the strategies and the Risk Appetite Framework.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Loans subject to Covid measures

In response to the pandemic emergency that broke out in 2020, the Bank took various initiatives in support of the real economy, to inject liquidity in Italy's businesses, participating in the initiatives launched by the Government in March and April 2020 ("Cure Italy Decree" and "Liquidity Decree").

In the April 2020 session of the Board of Directors, the Bank therefore approved:

› the possibility for customers to apply for the suspension of loan payments in application of either Articles 54 and 56 of the "Cure Italy Decree" (legislative moratoria) or an internal initiative extended to borrowers and loans not contemplated in the "Cure Italy Decree" (non-legislative moratoria which were not part of the industry's agreements and/or were promoted by specific bodies and thus could not be treated according to the EBA/GL/2020/02 guidelines, as announced by the Bank of Italy);
› the extension of the provisions of EBA/GL/2020/02 for non-legislative moratoria at the Bank's internal initiative, in the process of classification as forborne, in particular by assessing the individual positions in relation to the pandemic emergency and the time horizon of their difficulty, thus avoiding the introduction of automated classification mechanisms;
› the commencement of operations with the Mediocredito Centrale SME Guarantee Fund to obtain the guarantees provided for in the Liquidity Decree for loans to Italian companies according to the definition provided in the Decree (companies with fewer than 500 employees, including microenterprises and independent contractors, artisans and self-employment professionals).

In 2021, the Bank resolved i) to suspend the disbursement of loans falling within the scope of internal and legislative initiatives in support of the economy, and therefore including the loans secured by the SME fund, with effect from the second half of 2021, and ii) to extend the moratoria until 31 December 2021 in accordance with the Sostegni Bis decree. In 2022, the Bank therefore managed and monitored the lines of credit in place with the Mediocredito Centrale SME Guarantee Fund and the positions no longer subject to moratoria, without undertaking any further action.

For further details regarding the exposures subject to the measures applied in light of the Covid-19 crisis, as requested by the EBA (EBA/GL/2020/07 - Final Report - Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis), see the specific disclosure provided in "Pillar 3" disclosure provided at the consolidated level, available from Banca Generali's institutional website at www.bancagenerali.com.

2. Credit Risk Management Policies

2.1 Organisational aspects

The Bank's processes provide for the retail and corporate customer credit activity to be run by the Lending Department and loans to institutional counterparties and banks to be run by Banca Generali's Finance Department.

The Lending Department is in charge of the processing of loan applications and the management of overdraft facilities granted by the Bank, as established and governed by the specific Lending Rules, with a view to ensuring compliance with the law and regulations and the quality of approved loans and maintaining the risk/return targets established by the Board of Directors.

2.2 Management, measurement and control systems

In addition to issuing loans, the Lending Department is also charged with credit management and first-tier control, with a proactive approach aimed at anticipating and preventing the deterioration of the loan portfolio.
Within the Lending Department, responsibility for monitoring is assigned to specialised individual units on the basis of the supervisory classification of customers (performing and non-performing). The purpose of this is to maximise the efficacy of the actions aimed at monitoring and mitigating credit risk throughout the customer relationship.
Accordingly, internal credit governance control measures and processes were further refined and strengthened in 2022, in line with the new EBA regulations and the Bank's business model, in order to further reduce credit and operational risk.

The current NPL portfolio stands at moderate values compared to the total exposure, is primarily secured and has been written down for the unsecured portion, resulting in moderate residual risk. Nearly half of the NPL portfolio consists, in fact, of exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. (now EFG Bank AG) upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty. The increase in the NPL ratio compared to the previous year related to positions subject to thorough monitoring.

In recent years, the Bank has developed a system to monitor the performing portfolio based on triggers that make it possible to identify in advance signs of difficulty affecting counterparties.

The exposure to credit risk associated with the securities portfolio is mostly originated by investments in government bonds (approximately 80%) and investment grade bank bonds. The corporate securities in the portfolio are negligible.

2.3 Expected loss measurement methods

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

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

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

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

During the year, the Group updated its impairment model for securities by bringing the staging allocation phase into line with the regulators' instructions for managing the contingent crisis period and introducing new rules for identifying significant increases in credit risk (SICRs).

2.4 Credit Risk Mitigation Techniques

With regard to the portfolio of loans to retail and corporate customers, in order to mitigate credit risk toward customers and in line with its lending policies, the Bank mainly acquires collaterals and, only secondarily, personal guarantees provided by natural persons. These are in addition to the personal guarantees provided by the Mediocredito Centrale SME Guarantee Fund to secure credit facilities granted to support the economy in the Covid-19 pandemic scenario.

Collaterals are chiefly in the form of pledges on securities, such as Funds and Sicavs, discretionary mandates, AUC solutions and insurance products.

As limited to customers subject to agreements, the Bank also acquires mortgages, almost exclusively in residential properties used as a primary residences.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI S.A., now EFG Bank AG as a result of the merger of the two institutions in 2017, for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.
This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity was maintained for those positions managed with the aim of recovery and those positions that showed a default event for which payment of the indemnity was requested from the guarantor, BSI S.A., today EFG Bank AG.

At 31 December 2022, the guarantee covers bad loan positions of approximately 26.5 million euros, which net of adjustment declined to about 18.4 million euros (see paragraph 3. Credit exposures to non-performing loans).

3. Credit exposures to non-performing loans

3.1 Management strategies and policies

Non-performing financial assets are classified into several non-performing categories in accordance with the instructions issued by the supervisory authority, as provided for in Bank of Italy Circular No. 272 dated 20 July 2008 (as subsequently amended), which refers to the provisions of the European regulation as regards the definition of default.
The process for identifying non-performing loans requires constant monitoring of positions. In case of past-due loans, various debt recovery procedures are triggered. In general, considering that the vast majority of positions are secured by pledges of financial instruments, there are no residual debt exposures once the enforcement procedure has been concluded. If the exposure is unsecured or there is a residual unsecured exposure, the Bank activates the process for recovering it.

Expected losses are formulated specifically for each position on the basis of all relevant valuation elements (debtor's assets, earned income, date of expected recovery, etc.), with the exception of unsecured positions classified as past due and unlikely to pay of amounts less than 10 thousand euros, which are subject to impairment at a standard rate.

Net non-performing cash loans (hereinafter also referred as "NPLs") totalled 37,634 thousand euros, of which:

› net bad loans amounting to 19,389 thousand euros referring to financing, of which 18,434 thousand euros (95.1%) covered by indemnities, 910 thousand euros (4.7%) secured by mortgages and 45 thousand euros (0.2%) not secured;
› unlikely-to-pay loans of 10,043 thousand euros, of which just 374 thousand euros (3.7%) actually at risk, and the remaining 9,669 thousand euros (96.3%) secured by collateral (pledges or mortgages);
› non-performing past-due loans of 8,202 thousand euros, of which 7,051 thousand euros (86%) secured by collateral, and 1,151 thousand euros (14%) not secured.

Net non-performing loans in the form of financing may be broken down as follows:

› about 49% (18,434 thousand euros) of exposures referring to Banca del Gottardo Italia's customers and guaranteed by indemnity issued by the seller BSI S.A., now EFG Bank AG; as described above, these exposures do not entail any risk for the Bank. Therefore, no further adjustments were made to these positions with respect to the impairment already carried out by Banca del Gottardo Italia;
› about 51% (19,200 thousand euros) of exposures for which the Bank is at risk, mostly secured by pledges or mortgages.

Excluding positions covered by indemnities — which, as mentioned above, do not entail any risk for Banca Generali — non-performing cash positions amounted to 19,200 thousand euros, representing 0.2% of total net loans to customers. However, considering positions secured by collateral or similar guarantees, which at 17,630 thousand euros make up approximately 91.8% of total net non-performing loans, a residual total amount of 1,570 thousand euros of net non-performing loans are not secured by collateral, representing 8.2% of total net non-performing loans and an entirely marginal fraction of total net loans to customers (0.01%).

The NPL portfolio increased in 2022 compared to 2021, due to the inclusion of positions from performing categories, partly originated by guaranteed financing granted by the Mediocredito Centrale SME Guarantee Fund, or the inclusion of new relationships attributable to/associated with positions already classified as in default and greater drawdowns from positions already classified as non-performing.

3.2 Write-offs

The Bank has not adopted any write-off policy.

3.3 Acquired or originated impaired financial assets

The Bank's portfolio does not include acquired or originated impaired financial assets.

4. Financial assets subject to commercial renegotiations and forborne exposures

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

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

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

This assessment is performed by a specific specialised unit of the Lending Department as regards the portfolio portion of loans to customers.

At 31 December 2022, outstanding forborne exposures in the portfolio of loans to customers were mostly classified as performing positions (73%), with the remainder classified as non-performing (27%). Nearly all positions were secured by collateral (primarily pledges) or similar guarantees[11].
Exposures subject to forbearance measures at 31 December 2022 mostly consisted (approximately 71.2%) of exposures in amortisation and, to a lesser extent, uncommitted cash exposures. As for the impact on the net present value of the contractual cash flows of the forbearance measures granted over a period of 24 months, given the nature of the renegotiation transactions subject to forbearance measures, represented essentially by the renegotiation of the uncommitted cash exposure in amortising loans with a final variable rate, the impact of such exposures on net present value is believed not to be material.

In the pandemic period, the Bank continued to monitor the presence of signs of financial difficulty, assessing events and elements that could result in the granting of forbearance measures on a case-by-case basis. In the case of positions with (legislative- and non-legislative) moratoria, no automated mechanisms were adopted, but thorough assessments were carried out.

Quantitative information

A. Credit quality

A.1 Credit exposures to non-performing and performing loans: balances, adjustments, performance and income breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS.
For further information on credit assets underlying the Forward Fund (mainly non-performing loans to the Italian National Healthcare System), reference should be made to Section 1, Subsection E.

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets measured at amortised cost	19,389	10,043	8,202	17,252	13,622,101	13,676,987
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,101,926	1,101,926
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	19,562	19,562
5. HFS financial assets	-	-	-	-	-	-
Total at 31.12.2022	**19,389**	**10,043**	**8,202**	**17,252**	**14,743,589**	**14,798,475**
Total at 31.12.2021	**18,971**	**5,757**	**7,102**	**7,308**	**13,289,653**	**13,328,791**

11 “Similar guarantees” refer to authorisation to redeem insurance policies.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

	NON-PERFORMING				PERFORMING			
PORTFOLIOS/QUALITY	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets measured at amortised cost	54,418	16,784	37,634	-	13,650,473	11,120	13,639,353	13,676,987
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,102,487	561	1,101,926	1,101,926
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	19,562	19,562
5. HFS financial assets	-	-	-	-	-	-	-	-
Total at 31.12.2022	**54,418**	**16,784**	**37,634**	**-**	**14,752,960**	**11,681**	**14,760,841**	**14,798,475**
Total at 31.12.2021	**46,495**	**14,665**	**31,830**	**-**	**13,284,115**	**6,864**	**13,296,961**	**13,328,791**

	ASSETS WITH CLEARLY POOR CREDIT QUALITY		OTHER ASSETS
PORTFOLIOS/QUALITY	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	NET EXPOSURE
1. HFT financial assets	-	-	1,991
2. Hedging derivatives	-	-	286,776
Total at 31.12.2022	**-**	**-**	**288,767**
Total at 31.12.2021	**-**	**-**	**17,925**

A.1.3 Breakdown of financial assets by maturity brackets (book value)

	STAGE 1			STAGE 2			STAGE 3			IMPAIRED ACQUIRED OR ORIGINATED		
PORTFOLIOS/RISK STAGES	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets measured at amortised cost	10,851	64	2	2,598	2,970	759	181	73	28,788	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. HFS financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2022	**10,851**	**64**	**2**	**2,598**	**2,970**	**759**	**181**	**73**	**28,788**	**-**	**-**	**-**
Total at 31.12.2021	**2,930**	**-**	**-**	**2,603**	**1,431**	**344**	**6**	**30**	**21,352**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in total adjustments and total provisions

	TOTAL ADJUSTMENTS																							TOTAL PROVISIONS FOR COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED			
	ASSETS ALLOCATED TO STAGE 1						ASSETS ALLOCATED TO STAGE 2						ASSETS ALLOCATED TO STAGE 3						ACQUIRED OR ORIGINATE IMPAIRED FINANCIAL ASSETS								
CAUSES/RISK STAGES	DL	AC	OCI	HFS	IW	CW	DL	AC	OCI	HFS	IW	CW	DL	AC	OCI	HFS	IW	CW	AC	OCI	HFS	IW	CW	S1	S2	S3	TOTAL
Total adjustments at year-start	**46**	**5,173**	**392**	**-**	**-**	**5,611**	**38**	**1,300**	**-**	**-**	**-**	**1,338**	**-**	**14,664**	**-**	**-**	**14,664**	**-**	**-**	**-**	**-**	**-**	**-**	**33**	**9**	**-**	**21,655**
Increases from acquired or originated financial assets	-	4,569	214	-	-	4,783	-	97	-	-	-	97	-	-	-	-	-	-	X	X	X	X	X	17	2	-	4,899
Cancellations other than write-offs	-1	-834	-246	-	-	-1,081	-	-161	-	-	-	-161	-	-128	-	-	-128	-	-	-	-	-	-	-8	-1	-	-1,379
Net adjustments/ reversals for credit risk (+/-)	-9	274	202	-	-	467	12	703	-	-	-	715	-	2,224	-	-	2,224	-	-	-	-	-	-	5	-5	-	3,406
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the assessment methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	23	-	-	23	-	-	-	-	-	-	-	-	-	23
Total adjustments at year-end	**36**	**9,182**	**562**	**-**	**-**	**9,780**	**50**	**1,939**	**-**	**-**	**-**	**1,989**	**-**	**16,783**	**-**	**-**	**16,783**	**-**	**-**	**-**	**-**	**-**	**-**	**47**	**5**	**-**	**28,604**
Recovery from collection of written off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs directly recognised through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	-	10	-	-	-	-	-	-	-	-	-	10

DL: Demand loans to banks and central banks
AC: Financial assets measured at amortised cost
OCI: Financial assets measured at fair value through other comprehensive income
HFS: HFS financial assets
IW: of which: individual write-downs
CW: of which: collective write-downs
S1: Stage 1
S2: Stage 2
S3: Stage 3

Pursuant to IFRS 7, paragraph 35H, letter b) (iii), it is reported that the final total adjustments to Stage 2 trade receivables amounted to approximately 110 thousand euros and did not change considerably from their initial levels.
Total final adjustments on the securities portfolio amounted to 9,907 thousand euros and rose by approximately 3,915 thousand euros, mainly due to the expanded volume of investments and the greater incidence of investments in securities of financial and corporate issuers.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the different credit risk stages (gross and nominal values)

PORTFOLIOS/RISK STAGES	GROSS AMOUNTS/NOMINAL VALUE					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets measured at amortised cost	95,414	73,701	6,506	7	6,345	305
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. HFS financial assets	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	376	677	-	-	-	-
Total at 31.12.2022	**95,790**	**74,378**	**6,506**	**7**	**6,345**	**305**
Total at 31.12.2021	**79,324**	**5,325**	**1,754**	**-**	**8,133**	**-**

A.1.5a Loans subject to Covid-19 support measures: transfers between the different credit risk stages (gross and nominal values)

Exposures subject to Covid-19 support measures transferred from Stage 1 to Stage 2 amounted to approximately 1,686 thousand euros and those transferred form Stage 2 to Stage 3 were 252 thousand euros, whereas exposures transferred from Stage 1 to Stage 3 amounted to 7,497 thousand euros; they related solely to loans to SMEs secured by the Mediocredito Centrale SME Guarantee Fund and accounted for 8.8% of the total exposures subject to said measures.

PORTFOLIOS/RISK STAGES	GROSS VALUES					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
A. Assets measured at amortised cost	**1,686**	**171**	**252**	**-**	**7,497**	**-**
A.1 Subject to forbearance in accordance with the GLs	-	-	-	-	-	-
A.2 Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-
A.3 Subject to other forbearance measures	-	-	-	-	-	-
A.4 Newly issued loans	1,686	171	252	-	7,497	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Subject to forbearance in accordance with the GLs	-	-	-	-	-	-
B.2 Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-
B.3 Subject to other forbearance measures	-	-	-	-	-	-
B.4 Newly issued loans	-	-	-	-	-	-
Total at 31.12.2022	**1,686**	**171**	**252**	**-**	**7,497**	**-**
Total at 31.12.2021	**567**	**-**	**-**	**-**	**-**	**-**

A.1.6 Cash and off-balance sheet credit exposures with banks: gross and net amounts

	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS						
TYPES OF EXPOSURES/VALUES		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures												
A,1 On demand	726,954	713,156	13,798	-	-	87	36	51	-	-	726,867	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	726,954	713,156	13,798	X	-	87	36	51	X	-	726,867	-
A,2 Other	2,699,017	2,685,965	11,062	-	-	3,150	3,040	110	-	-	2,695,867	-
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	-	*X*	-	-	-	-	*X*	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past-due exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past-due exposures	-	-	-	X	-	-	-	-	X	-	-	-
of which:												
- forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	2,699,017	2,685,965	11,062	X	-	3,150	3,040	110	X	-	2,695,867	-
of which:												
- forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total A	**3,425,971**	**3,399,121**	**24,860**	**-**	**-**	**3,237**	**3,076**	**161**	**-**	**-**	**3,422,734**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	286,776	-	-	X	-	-	-	-	X	-	286,776	-
Total B	**286,776**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**286,776**	**-**
Total (A + B)	**3,712,747**	**3,399,121**	**24,860**	**-**	**-**	**3,237**	**3,076**	**161**	**-**	**-**	**3,709,510**	**-**

Cash exposures with banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets designated at fair value and other financial assets mandatorily measured at fair value.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.7 Cash and off-balance sheet credit exposures with customers: gross and net amounts

	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS						
TYPES OF EXPOSURES/VALUES		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures												
a) Bad loans	31,765	X	-	31,765	-	12,376	X	-	12,376	-	19,389	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	12,457	X	-	12,457	-	2,414	X	-	2,414	-	10,043	-
of which:												
- forborne exposures	*2,310*	*X*	-	*2,310*	-	*253*	*X*	-	*253*	-	*2,057*	-
c) Non-performing past-due exposures	10,196	X	-	10,196	-	1,994	X	-	1,994	-	8,202	-
of which:												
- forborne exposures	*62*	*X*	-	*62*	-	*12*	*X*	-	*12*	-	*50*	-
d) Performing past-due exposures	17,338	10,942	6,396	X	-	86	25	61	X	-	17,252	-
of which:												
- forborne exposures	*323*	-	*323*	*X*	-	-	-	-	*X*	-	*323*	-
e) Other performing exposures	12,058,158	11,791,400	247,195	X	-	8,446	6,913	1,533	X	-	12,049,712	-
of which:												
- forborne exposures	*6,140*	-	*6,140*	*X*	-	*14*	-	*14*	*X*	-	*6,126*	-
Total A	**12,129,914**	**11,802,342**	**253,591**	**54,418**	**-**	**25,316**	**6,938**	**1,594**	**16,784**	**-**	**12,104,598**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	446	X	-	446	-	-	X	-	-	-	446	-
b) Performing	1,167,804	1,164,891	1,286	X	-	51	45	6	X	-	1,167,753	-
Total B	**1,168,250**	**1,164,891**	**1,286**	**446**	**-**	**51**	**45**	**6**	**-**	**-**	**1,168,199**	**-**
Total (A + B)	**13,298,164**	**12,967,233**	**254,877**	**54,864**	**-**	**25,367**	**6,983**	**1,600**	**16,784**	**-**	**13,272,797**	**-**

Cash exposures with customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets designated at fair value and other financial assets mandatorily measured at fair value.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.
All non-performing off-balance sheet exposures refer to positions entirely secured by pledges.

The classification of non-performing loans to customers relating to the HTC accounting portfolio is shown below; loans and debt securities that reached maturity are thus included.

Bad loans
Gross bad loans to customers amounted to 31,765 thousand euros and included 12,376 thousand euros of value adjustments; therefore, net bad loans recognised totalled 19,389 thousand euros. Of this amount, 18,434 thousand euros (95% of the net bad loans alone) related to positions attributable to former Banca del Gottardo Italia's customers, fully covered by cash collateral deposits granted by BSI S.A., now EFG Bank AG, as part of the indemnity guarantee.
Excluding ex-indemnity positions, net bad loans to ordinary customers thus amounted to 955 thousand euros, equal to about 5% of total net bad loans and 0.01% of total net loans to customers. Considering bad loans secured by mortgages, which amounted to 910 thousand euros, the residual net bad loans amounted to 45 thousand euros.
The portfolio of bad loans also includes the exposure in debt instruments, amounting to 2,642 thousand euros gross, allocated to the HTC portfolio and deemed almost entirely irrecoverable.
The aggregate (see table A.1.9) increased by a gross amount of 473 thousand euros, primarily as a result of increases of 666 thousand euros — mainly relating to greater draw-downs from positions already classified as bad loans due to the charging of interest and, to a marginal extent, due to transfers from other categories of non-performing exposures — as well as of decreases of 193 thousand euros due to derecognitions and collections.

Unlikely to pay
At 31 December 2022, gross unlikely-to-pay loans amounted to 12,457 thousand euros, including adjustments of 2,414 thousand euros, resulting in a net balance of 10,043 thousand euros, of which 9,669 thousand euros (equal to 96.3%) referred to positions secured by collateral or similar guarantees (mandate to policy-related collections).

The aggregate (see table A.1.9) increased by 5,706 thousand euros compared to 31 December 2021 as a result of:
- increases of 8,620 thousand euros, consisting of new positions transferred from other performing categories amounting to 5,969 thousand euros and relating to originally performing positions that deteriorated during the year and were classified as unlikely to pay, transfers from other categories of non-performing exposures 2,235 thousand euros relating to positions already past due reclassified as unlikely to pay, and greater draw-downs from positions already classified as UTP of 416 thousand euros;
- decreases of 2,914 thousand euros, due mostly to collections of 2,619 thousand euros, referring to counterparties with exposures secured by collateral and similar guarantees, definitively recovered due to repayment and discharge of the exposure, as well as reclassifications to performing exposures of 273 thousand euros.

Non-performing past-due exposures
Non-performing past-due exposures amounted to 10,196 thousand euros, including impairment losses of 1,994 thousand euros, yielding a net balance of 8,202 thousand euros. The net aggregate mainly included:
- exposures largely secured by pledges or mortgages, totalling 7,051 thousand euros;
- other unsecured exposures with an average balance per position of approximately 1,151 euros.

The aggregate (see table A.1.9) increased by 1,745 thousand euros compared to 31 December 2021 as a result of:
- increases of 8,757 thousand euros, primarily attributable to new reclassifications from performing positions of 7,751 thousand euros and, to a residual extent, to increases in already non-performing positions of 1,006 thousand euros, referring to new reclassifications to positions already classified as non-performing exposures;
- decreases of 7,012 thousand euros, mainly consisting of collections on past-due positions with full repayment of the exposure of 3,984 thousand euros, transfers to other categories of non-performing exposures of 2,539 thousand euros, mainly relating to positions reclassified as unlikely to pay and, to a marginal extent, transfers to bad loans (45 thousand euros), return to performing status of past-due exposures due to repayment for 323 thousand euros, and write-offs with concurrent recognition of a credit loss for a total of 22 thousand euros.

Performing past-due exposures
Performing past-due exposures also include positions overdrawn or past due by more than 90 days, and for which the amount past due does not exceed the significance thresholds set following the entry into force of the new definition of default established by the European Regulation on prudential requirements for credit institutions and investment firms (Article 178 of Regulation No 575/2013).
In almost all cases, these are positions guaranteed by pledges found to be past due at the reporting date and currently being repaid.

Loans subject to Covid measures
The following table shows the figures relating to Covid-19 support measures. In particular, at 31 December 2022, loans that fall into the three specific clusters (Subject to forbearance measures in accordance with EBA GLs, Subject to other forbearance measures and Newly originated loans) amounted to 85,184 thousand euros, referring to loans to SMEs secured by the Mediocredito Centrale SME Guarantee Fund and granted until 2021, which the Bank managed and monitored in 2022.
The Bank did not grant new moratoria in the year, as these measures had ended at 31 December 2021.

A.1.7a Loans subject to Covid-19 measures: gross and net values

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS (*)
		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		
A. Bad loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely to pay	**5,251**	**-**	**-**	**5,251**	**-**	**852**	**-**	**-**	**852**	**-**	**4,399**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	5,251	-	-	5,251	-	852	-	-	852	-	4,399	-
C) Non-performing past-due loans	**2,453**	**-**	**-**	**2,453**	**-**	**213**	**-**	**-**	**213**	**-**	**2,240**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	2,453	-	-	2,453	-	213	-	-	213	-	2,240	-
D) Performing loans	**3,665**	**2,382**	**1,283**	**-**	**-**	**22**	**13**	**10**	**-**	**-**	**3,643**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	3,665	2,382	1,283	-	-	22	13	10	-	-	3,643	-
E) Other performing loans	**74,902**	**74,582**	**319**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74,902**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	74,902	74,582	319	-	-	-	-	-	-	-	74,902	-
Total (A + B + C + D + E)	**86,271**	**76,964**	**1,602**	**7,704**	**-**	**1,087**	**13**	**10**	**1,065**	**-**	**85,184**	**-**

(*) Value to be indicated for disclosure purposes.

A.1.9 Cash credit exposures with customers: changes in gross non-performing exposures

CAUSES/CATEGORIES	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES
A. Gross exposure at year-start	**31,292**	**6,751**	**8,451**
- *of which: exposures transferred but not written off*	-	-	-
B. Increases	**666**	**8,620**	**8,757**
B.1 New reclassifications from performing exposures	-	5,969	7,751
B.2 New reclassifications from acquired or originated impaired financial assets	-	-	-
B.3 Transfers from other categories of non-performing exposures	53	2,235	-
B.4 Contractual changes without cancellations	-	-	-
B.5 Other increases	613	416	1,006
C. Decreases	**193**	**2,914**	**7,012**
C.1 Reclassification to performing exposures	0	273	323
C.2 Write-offs	105	1	22
C.3 Repayments received	88	2,619	3,984
C.4 Gains on disposals	-	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfer to other categories of non-performing exposures	-	8	2,539
C.7 Contractual changes without cancellations	-	-	-
C.8 Other decreases	-	13	144
D. Gross exposure at year-end	**31,765**	**12,457**	**10,196**
- *of which: exposures transferred but not written off*	-	-	-

A.1.9-bis Cash credit exposures with customers: changes in gross forborne exposures, broken down by credit quality

CAUSES/QUALITY	NON-PERFORMING FORBORNE EXPOSURES	PERFORMING FORBORNE EXPOSURES
A. Gross exposure at year-start	**3,723**	**11,886**
- *of which: exposures transferred but not written off*	-	-
B. Increases	**1,149**	**1,009**
B.1 New reclassifications from performing non-forborne exposures	98	971
B.2 New reclassifications from performing forborne exposures	-	X
B.3 New reclassifications from non-performing forborne exposures	X	-
B.4 Other increases	1,051	38
C. Decreases	**2,500**	**6,432**
C.1 Reclassifications to performing non-forborne exposures	X	327
C.2 Reclassifications to performing forborne exposures	-	X
C.3 Reclassifications to non-performing forborne exposures	X	-
C.4 Write-offs	-	-
C.5 Repayments received	1,496	3,963
C.6 Gains on disposals	-	-
C.7 Losses on disposals	-	-
C.8 Other decreases	1,004	2,142
D. Gross exposure at year-end	**2,372**	**6,463**
- *of which: exposures transferred but not written off*	-	-

Forborne exposures

Forborne exposures consist largely of performing positions amounting to 6,461 thousand euros gross, almost all of which were secured by collateral or similar guarantees, the reduction in which compared to 2021 (11,886 thousand euros) was attributed to the transfer to other categories of several positions due to the lapse of the probation period for 327 thousand euros, to collections of 3,963 thousand euros and to lower draw-downs from positions already subject to forbearance measures of 2,144 thousand euros, against new reclassifications of 971 thousand euros relating to performing positions for which a new line of credit (new finance or refinancing of existing debt) was granted with a forbearance measure.
The residual share consisted of non-performing forborne exposures of 2,372 thousand euros gross (accounting for 27% of total performing and non-performing forborne exposures), almost all of which were fully secured by pledges (93%).

The non-performing cash forborne positions aggregate declined by 1,350 thousand euros overall (in gross terms), as a result of:

- increases due to new reclassifications from performing categories (98 thousand euros relating to performing positions), new reclassifications from other non-performing categories (past-due loans) for 1,003 thousand euros, and greater draw-downs from non-performing positions already subject to forbearance measures for 48 thousand euros;
- decreases due to collections of 1,496 thousand euros due to repayment of the forborne exposure and lesser draw-downs or partial repayments of non-performing positions already subject to forbearance measures for 1,004 thousand euros.

A.1.11 Non-performing cash credit exposures with customers: changes in total adjustments

	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST-DUE EXPOSURES	
CAUSES/CATEGORIES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total adjustments at year-start	**12,321**	**-**	**994**	**237**	**1,349**	**18**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-
B. Increases	**179**	**-**	**1,538**	**53**	**1,182**	**1**
B.1 Adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other adjustments	141	-	1,306	46	1,171	1
B.3 Losses on disposals	8	-	-	-	11	-
B.4 Transfers from other categories of non-performing exposures	30	-	226	7	-	-
B.5 Contractual changes without cancellations	-	X	-	X	-	X
B.6 Other increases	-	-	6	-	-	-
C. Decreases	**124**	**-**	**118**	**37**	**537**	**7**
C.1 Reversal of adjustments	10	-	67	10	163	-
C.2 Reversal of collections	9	-	42	9	103	-
C.3 Gains on disposals	-	-	-	-	-	-
C.4 Write-offs	105	-	1	-	22	-
C.5 Transfers to other categories of non-performing exposures	-	-	7	-	249	7
C.6 Contractual changes without cancellations	-	X	-	X	-	X
C.7 Other decreases	-	-	1	18	-	-
D. Total adjustments at year-end	**12,376**	**-**	**2,414**	**253**	**1,994**	**12**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-

Besides the exposures included in the previous tables, other non-performing positions are recognised in the Financial Statements for a net amount of 2,163 thousand euros, attributable to operating receivables not involving lending transactions, mostly relating to disputes and pre-dispute positions against former Financial Advisors (terminated or expired contracts).

OPERATING RECEIVABLES UNDER DISPUTE	31.12.2022 GROSS	WRITE-DOWNS	NET
Receivables related to FA litigation	3,434	1,416	2,018
Advances to FAs	79	79	-
Write-downs of receivables from FAs	**3,513**	**1,495**	**2,018**
Write-downs of operating receivables	630	485	145
Write-downs of operating receivables	**630**	**485**	**145**
Total write-downs	**4,143**	**1,980**	**2,163**

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued based on internal and external rating

Banca Generali has always regarded lending as instrumental to its ability to attract and manage its customers' assets. Accordingly, the Bank has not traditionally used an internal rating system to assess its customers' creditworthiness. The Bank therefore largely uses external ratings published by the main rating companies (Moody's, S&P and Fitch) in making portfolio decisions regarding its trading activities.

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating classes (gross values)

EXPOSURES	EXTERNAL RATING CLASSES AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	<B-	WITHOUT RATING	TOTAL
A. Financial assets measured at amortised cost	**2,372,032**	**691,494**	**6,957,804**	**145,083**	**5,157**	**29,801**	**3,503,521**	**13,704,892**
- Stage 1	2,367,932	691,494	6,937,583	145,083	-	29,801	3,213,994	13,385,887
- Stage 2	4,100	-	20,221	-	5,157	-	235,154	264,632
- Stage 3	-	-	-	-	-	-	54,373	54,373
- impaired acquired or originated	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**185,710**	**95,811**	**749,836**	**71,130**	**-**	**-**	**-**	**1,102,487**
- Stage 1	185,710	95,811	749,836	71,130	-	-	-	1,102,487
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- impaired acquired or originated	-	-	-	-	-	-	-	-
Total (A + B)	**2,557,742**	**787,305**	**7,707,640**	**216,213**	**5,157**	**29,801**	**3,503,521**	**14,807,379**
of which: acquired or originated impaired financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. HFS financial assets								
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- impaired acquired or originated	-	-	-	-	-	-	-	-
Total C	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments to disburse funds and financial guarantees issued								
- Stage 1	-	-	844	-	-	-	95,052	95,896
- Stage 2	-	-	-	-	-	-	1,286	1,286
- Stage 3	-	-	-	-	-	-	446	446
- impaired acquired or originated	-	-	-	-	-	-	-	-
Total D	**-**	**-**	**844**	**-**	**-**	**-**	**96,784**	**97,628**
Total (A + B + C + D)	**2,557,742**	**787,305**	**7,708,484**	**216,213**	**5,157**	**29,801**	**3,600,305**	**14,905,007**

Financial assets measured at amortised cost without rating include trade receivables and advances to Financial Advisors totalling 149,057 thousand euros.

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Guaranteed cash and off-balance sheet credit exposures with banks

	EXPOSURE		COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)									
							CREDIT DERIVATIVES					SIGNATURE LOANS				
								OTHER DERIVATIVES								
	GROSS	NETT	BUILDINGS - MORTGAGES	BFL	SECURITIES	OCLG	CLNS	CC	BK	OFC	OE	CG	BK	OFC	OE	TOTAL (1)+(2)
1. Guaranteed cash credit exposures	**397,804**	**397,723**	**-**	**-**	**397,723**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**397,723**
1.1 Totally guaranteed	397,804	397,723	-	-	397,723	-	-	-	-	-	-	-	-	-	-	397,723
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non-performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Legend:

BFL: Buildings - Finance leases
OCLG: Other Collateralised Guarantees
CC: Central counterparties
OE: Other Entities
CG: Central governments
BK: Banks
OFC: Other financial corp.

A.3.2 Guaranteed cash and off-balance sheet credit exposures with customers

	EXPOSURE		COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)									
							CREDIT DERIVATIVES					SIGNATURE LOANS				
								OTHER DERIVATIVES								
	GROSS	NETT	BUILDINGS - MORTGAGES	BFL	SECURITIES	OCL	CLNS	CC	BK	OFC	OE	CG	BK	OFC	OE	TOTAL (1) + (2)
1. Guaranteed cash credit exposures	**2,550,198**	**2,535,652**	**337,149**	**-**	**1,695,631**	**312,517**	**-**	**-**	**-**	**-**	**-**	**179,887**	**1,500**	**338**	**2,145**	**2,529,167**
1.1 Totally guaranteed	2,494,241	2,480,759	331,717	-	1,665,779	306,046	-	-	-	-	-	175,140	-	336	1,775	2,480,793
- *of which: non-performing*	*39,539*	*30,047*	*11,894*	-	*7,066*	*8,779*	-	-	-	-	-	*1,853*	-	-	*490*	*30,082*
1.2 Partially guaranteed	55,957	54,893	5,432	-	29,852	6,471	-	-	-	-	-	4,747	1,500	2	370	48,374
- *of which: non-performing*	*6,867*	*5,854*	-	-	*829*	*15*	-	-	-	-	-	*4,717*	-	-	*270*	*5,831*
2. Guaranteed off-balance sheet credit exposures	**858,320**	**858,271**	**-**	**-**	**639,222**	**212,762**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46**	**296**	**852,326**
2.1 Totally guaranteed	827,718	827,675	-	-	621,814	205,635	-	-	-	-	-	-	-	46	180	827,675
- *of which: non-performing*	*2,705*	*2,705*	-	-	*2,289*	*416*	-	-	-	-	-	-	-	-	-	*2,705*
2.2 Partially guaranteed	30,602	30,596	-	-	17,408	7,127	-	-	-	-	-	-	-	-	116	24,651
- *of which: non-performing*	*270*	*270*	-	-	*163*		-	-	-	-	-	-	-	-	-	*163*

Legend:

BFL: Buildings - Finance leases
CC: Central counterparties
BK: Banks

All assets held as guarantee (whether financial or non-financial) may only be liquidated in the event of default by the primary debtor, subject to formal notification of the guarantor. Accordingly, the Bank cannot sell or reuse as collateral such assets unless the debtor defaults.

B. Breakdown and concentration of credit exposures

B.1 Sector breakdown of cash and off-balance sheet credit exposures with customers

EXPOSURES/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
A. Cash exposures		
1. General governments	**8,742,592**	**2,951**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	-	-
- *of which: forborne exposures*	-	-
A.4 Performing exposures	8,742,592	2,951
- *of which: forborne exposures*	-	-
2. Financial corporations	**750,535**	**1,909**
A.1 Bad loans	5,865	79
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	245	208
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	395	114
- *of which: forborne exposures*	-	-
A.4 Performing exposures	744,030	1,508
- *of which: forborne exposures*	*12*	-
3. Financial corporations (of which insurance companies)	**41,458**	**7**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	-	6
- *of which: forborne exposures*	-	-
A.4 Performing exposures	41,458	1
- *of which: forborne exposures*	-	-
4. Non-financial corporations	**402,101**	**13,315**
A.1 Bad loans	11,391	11,501
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	4,458	886
- *of which: forborne exposures*	*50*	*1*
A.3 Non-performing past-due exposures	2,522	435
- *of which: forborne exposures*	-	-
A.4 Performing exposures	383,730	493
- *of which: forborne exposures*	*1,882*	*4*
5. Households	**2,167,912**	**7,134**
A.1 Bad loans	2,133	796
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	5,340	1,320
- *of which: forborne exposures*	*2,007*	*252*
A.3 Non-performing past-due exposures	5,285	1,439
- *of which: forborne exposures*	*50*	*12*
A.4 Performing exposures	2,155,154	3,579
- *of which: forborne exposures*	*4,244*	*10*
Total A – Cash exposures	**12,104,598**	**25,316**

EXPOSURES/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
B. Off-balance sheet exposures		
1. General governments	**-**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	-	-
2. Financial corporations	**34,940**	**3**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	34,940	3
3. Financial corporations (of which insurance companies)	**2,442**	**1**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	2,442	1
4. Non-financial corporations	**226,243**	**20**
B.1 Non-performing exposures	81	-
B.2 Performing exposures	226,162	20
5. Households	**904,574**	**27**
B.1 Non-performing exposures	365	-
B.2 Performing exposures	904,209	27
Total B – Off-balance sheet exposures	**1,168,199**	**51**

	NET EXPOSURE	TOTAL ADJUSTMENTS
General governments	8,742,592	2,951
Financial corporations	785,475	1,912
Financial corporations (of which insurance companies)	43,900	8
Non-financial corporations	628,344	13,335
Households	3,072,486	7,161
Overall total (A + B) at 31 December 2022	**13,272,797**	**25,367**
Overall total (A + B) at 31 December 2021	**13,019,066**	**20,425**

B.2 Geographical breakdown of cash and off-balance-sheet credit exposures with customers

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
EXPOSURES/GEOGRAPHICAL AREA	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash credit exposures										
A.1 Bad loans	19,389	11,659	-	717	-	-	-	-	-	-
A.2 Unlikely to pay	8,310	2,380	1,733	34	-	-	-	-	-	-
A.3 Non-performing past-due exposures	8,201	1,986	1	7	-	1	-	-	-	-
A.4 Other performing exposures	8,306,009	5,910	3,293,859	2,225	74,569	188	94,008	79	298,519	130
Total A	**8,341,909**	**21,935**	**3,295,593**	**2,983**	**74,569**	**189**	**94,008**	**79**	**298,519**	**130**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	446	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,134,814	52	29,085	-	1,014	-	2,810	-	30	-
Total B	**1,135,260**	**52**	**29,085**	**-**	**1,014**	**-**	**2,810**	**-**	**30**	**-**
Total at 31.12.2022	**9,477,169**	**21,987**	**3,324,678**	**2,983**	**75,583**	**189**	**96,818**	**79**	**298,549**	**130**
Total at 31.12.2021	**9,342,512**	**18,874**	**3,351,209**	**1,429**	**75,957**	**81**	**65,958**	**18**	**183,430**	**23**

B.3 Geographical breakdown of cash and off-balance-sheet credit exposures with banks

EXPOSURES/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	1,233,623	1,755	2,033,530	1,362	24,660	12	-	-	130,921	107
Total A	**1,233,623**	**1,755**	**2,033,530**	**1,362**	**24,660**	**12**	**-**	**-**	**130,921**	**107**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	275,431	-	11,344	-	-	-	-	-	-	-
Total B	**275,431**	**-**	**11,344**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2022	**1,509,054**	**1,755**	**2,044,874**	**1,362**	**24,660**	**12**	**-**	**-**	**130,921**	**107**
Total at 31.12.2021	**2,141,075**	**888**	**765,721**	**325**	**29,207**	**14**	**5,034**	**1**	**38,909**	**3**

B.4 Large exposures

Regulation (EU) No. 575/2013 (CRR) and Directive No. 2013/36/EU (CRD IV), published on the *Official Journal of the European Union* on 27 June 2013, enacted the new rules defined by the Basel Committee on banking supervision governing "Large Exposures". On 17 December 2013, the Bank of Italy applied the above provisions by issuing Circular No. 285 "New Prudential Supervisory Provisions Concerning Banks" — further amended in various years (latest update, No. 41, dated 20 December 2022) — and Circular No. 286 "Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies". The latter Circular as well was subject to several amendments during the years (latest update, No. 15, on 2 November 2022). In detail, according to the aforementioned rules, exposure values of a bank to a counterparty or to a group of connected counterparties must be defined as a "large exposure" if it is equal to or above 10% of the bank's Tier 1 capital.

Based on CRR 575/2013, "Tier 1 capital" is defined as the sum of Total Common Equity Tier 1 capital and Additional Tier 1 capital of the entity.

The exposure value of an asset item shall be its accounting value and not its weighted value. Therefore, the positions which fall within the meaning of "Large Exposure" are recognised at both book value and weighted value.

BIG RISKS	31.12.2021	31.12.2020
a) Amount of the exposure	13,820,286	10,575,570
b) Weighted amount	521,231	289,072
c) Number	20	16

C. Securitisation

Qualitative information

Banca Generali's appetite for investments in securitised instruments is very limited (the exposure is 1.22% of the total banking book bond portfolio). All investments undertaken were directed towards the most senior tranches of the securitised structures.

Quantitative information

C.2 Breakdown of exposures resulting from main third-party securitisations by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/ EXPOSURES	CASH EXPOSURES						CASH EXPOSURES						CASH EXPOSURES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR	BV	AR
GIM NL LUX 12.06.2018	20,128	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRADO VIII FRN 2055	3,098	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRISMA SPV FRN 2039	12,485	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CREDIMI 20.07.2026	46,144	673	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LANTERNA M FRN 2065	10,252	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ERIDANO II SPV FRN 3	4,063	37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROG QUIN 36 A 1 FR	2,257	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORDATUS VIII FRN 34	7,532	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EURO-GAL VII FRN 35	7,529	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AQUEDUCT EUROPEAN CL	6,219	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RRME 2X A1R	6,026	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AURIUM VIII FRN 2034	7,500	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INVESCO VI FRN 2035	7,533	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Legend

BV = book value

AR = Adjustments/Reversals

D. Information on structured entities (other than securitisation vehicle companies) not consolidated for accounting purposes

For further qualitative and quantitative information on other structured entities, reference should be made to Part E, Section 1 – Accounting consolidation risks – B. Information on structured entities (other than securitisation companies) - B.2.2 Other structured entities.

E. Transfers

E.1 Transferred financial assets fully recognised and related financial liabilities: book value

	TRANSFERRED FINANCIAL ASSETS FULLY RECOGNISED				RELATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SECURITISED	OF WHICH: REVERSE REPURCHASE AGREEMENTS	OF WHICH: NON-PERFORMING	BOOK VALUE	OF WHICH: SECURITISED	OF WHICH: REVERSE REPURCHASE AGREEMENTS
A. HFT financial assets	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	257,339	-	257,339	-	257,346	-	257,346
1. Debt securities	257,339	-	257,339	-	257,346	-	257,346
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	1,638,206	-	1,638,206	-	1,591,775	-	1,591,775
1. Debt securities	1,638,206	-	1,638,206	-	1,591,775	-	1,591,775
2. Loans	-	-	-	-	-	-	-
Total at 31.12.2022	**1,895,545**	**-**	**1,895,545**	**-**	**1,849,121**	**-**	**1,849,121**
Total at 31.12.2021	**12,228**	**-**	**12,228**	**-**	**11,752**	**-**	**11,752**

C. Transferred financial assets fully derecognised

In accordance with the Bank of Italy Communication of 23 December 2019, this section contains information regarding the restructuring of a portfolio of senior notes issued by SPVs in the securitisation of healthcare receivables by Banca Generali in 2021 as it is considered to constitute a transfer of a loan portfolio to a mutual investment fund with concurrent subscription of the units by the transferring intermediary.
For further information on the process of this operation, reference should be made to the corresponding Section of the Financial Statements at 31 December 2021.

The healthcare receivable restructuring operation

In 2021, Banca Generali had performed an extensive restructuring of a portfolio of senior notes issued by an SPV of securitising healthcare receivables, with a notional amount of 478.5 million euros, held by its professional clients, in order to protect them against a potential loss on the investments concerned. In particular, the restructuring of the portfolio entailed the following:

1. the purchase of the senior securitised notes from the clients for an amount of 457.6 million euros [12 13];
2. the simultaneous sale of the notes thus purchased to a newly formed Italian fund (AIF), the "Forward Fund", managed by Gardant Investor SGR, for 377.7 million euros, with the Bank recognising a trading loss of 79.9 million euros, accounting for approximately 79% of the principal amount outstanding of these notes;

[12] In particular, Banca Generali promoted a purchase offer addressed to all interested clients in reference to the full outstanding amount of the senior notes relating to the Astrea Due, Astrea Tre, Astrea Quattro and Chiron Due and Argo securitisations for consideration of 95% of the principal amount outstanding (97.5% for Argo).
[13] The total outstanding amount of the securitisations amounted to 542 million euros, inclusive of mezzanine notes not distributed to customers of the Bank and junior notes held by the arranger of the transaction.

3. the subscription by the Bank of the majority of the shares of the above Fund, with a 98% stake, equal to 490 million euros (A shares), of which 378 million euros already paid at the time of purchase of the notes, whereas the remaining 10 million euros (B shares) were subscribed by Gardant S.p.A., the parent company of the management firm that promoted the formation and assumed full, independent management of the fund.

The strategic goal of the restructuring was thus essentially to transfer the aforementioned notes from the Bank's customers to a specialised, independent professional operator with specific expertise in managing illiquid portfolios and the servicing of securitisations, capable of optimising the process of recovering the cash flows generated by the notes by restructuring their maturities and ensuring better management of the repayment of the underlying receivables and concurrent reinvestment of the proceeds of such payments.
It should be noted that the securitisations subject to transfer did not refer to underlying transactions originated by Banca Generali and had not been previously held by the Bank. Rather, the Bank only acquired title to them on an entirely temporary basis at the time of the twofold transfer.
In fact, the Bank has acted only as Placement Agent in these securitisation transactions, however it has nonetheless decided to undertake the restructuring operation to protect its clients and strengthen its trust-based relationship with them.

The portfolio of transferred receivables
At 31 December 2021, the assets underlying the securitisations amounted to 595.1 million euros, mostly related to:
› 86.0 million euro cash balance;
› 509.1 million euro healthcare receivables from local healthcare authorities, with a residual share consisting of receivables from the Italian central government (e.g., municipalities, regions, ministries, etc.).

In particular, exposures to healthcare companies also included types of receivables with a high risk profile, such as "out-of-budget" healthcare receivables (268 million euros) and late payment interest from past-due healthcare receivables (162.5 million euros, of which 62.0 million euros transferred without the originating receivables).
At the geographical level, exposures mainly consist of receivables from healthcare companies based in Campania and Lazio, which accounted for 77% of the total outstanding.
Most of the receivables underlying the securitisations could also be deemed to be non-performing as overdrawn or under dispute, with the exception of the liquidity and revolving loans component.
Recoverable amounts were estimated at approximately 397 million euros (311 million euros net of cash), and their fair value was estimated at 377.3 million euros (291.3 million euros net of cash).

In 2022, the asset management company prepared an updated business plan based on the analysis of each position, confirming and improving the initial measurement of the recoverable amount of the underlying receivables.
In particular, collections made and planned exceeded the forecast in the initial projection, albeit spread over a longer period.
As at 31 December 2022, the exposure to healthcare receivables in the Forward Fund amounted to 287 million euros. The decrease in the value of the exposure compared to the original purchase amount primarily related to the distribution of cash from the notes to the Fund, for approximately 85 million euros, deriving from recovery activity and the interruption of the revolving receivables included in the securitisations. The cash generated will be used by the Fund to invest in the other asset classes provided for in the Fund regulations beside that of healthcare receivables.

The Forward Fund
The Forward Fund is a reserved, closed-end Italian alternative investment fund (AIF), formed by Gardant Investor SGR S.p.A. following the authorisation received on 2 August 2021.
In accordance with the Fund Regulation, approved by the Board of Directors of the Fund on 10 September 2021, two classes of units were issued that grant their holders different economic and governance prerogatives:
› 490 class A units, subscribed by Banca Generali, in the total amount of 490 million euros, of which 378 million euros paid in cash upon the purchase of the senior notes by the Fund[14], and the remaining 112 million euros paid in 2022 and aimed at constructing an alternative investment portfolio[15];
› 10 class B units, subscribed by Gardant S.p.A., the parent company of the asset management company, in the total amount of 10 million euros.

The A and B units enjoy the same **economic rights**, except for the right of the B investor to an increase, by way of incentive, of 15% of the fund's return in excess of 3%, with effect from the fifth year and solely on the investments undertaken directly by the management company.
With reference to the **governance**, the Fund Rules provide that within the framework of the guidelines established, all powers relating to relevant decisions regarding management of the fund be irrevocably transferred to the management company, which may therefore operate in full autonomy, reserving only rights of a protective nature for the Bank, as the A investor.

[14] The Fund's units were subscribed on 30 September 2021. On 1 October 2021, the management company then drew down its commitments for the subscription of the first 378 of the 490 units subscribed by Banca Generali with settlement date of 7 October 2021.
[15] In particular, consideration for the remaining portions subscribed were paid up for 17 million euros with a value date of 30 March 2022 and for 95 million euros with a value date of 5 December 2022.

The fund, which has a duration of 15 years[16], pursues the twofold goal of:
- optimising the process of recovering the cash flows generated by the receivables, through the restructuring of maturities and better management of repayment of the underlying receivables and concurrent reinvestment of their proceeds;
- managing a complex portfolio of alternative investments, also including infrastructure and corporate lending investments[17], up to a maximum investment of 550 million euros, in order to achieve an expected total return of between 2% and 4% over the life of the Fund.

The first investments in alternative investments of 23.3 million euros, along with corporate lending of 33.2 million euros, were launched in 2022. In addition, as at 31 December 2022, 108.0 million euros of the Fund's cash balances, pending reinvestment, were allocated to a portfolio of government bonds.

The initial results indicate essential stability of the expected IRR on the healthcare receivables asset class and an improvement for the other two asset classes. Overall, the Fund's net IRR is expected to be 3.8%, compared to the initial forecast of 3%.

In view of the current macroeconomic scenario of severe economic and geopolitical uncertainty, the investment continues to be subject to possible revaluation effects, including to a significant degree, due to the increase in interest rates and the ability of the asset management company to recover cash flows from the underlying healthcare receivables, according to the times and amounts (recovery rate) envisaged by the business plan.

In view of the estimated FV of the notes with underlying healthcare receivables, a DCF model was applied on the basis of the flows estimated by the special servicer/asset management company, discounted in relation to their risk profile, at an average rate of approximately 6%.

In light of the nature of the instrument, i.e., units of a closed-ended, unlisted (illiquid) mutual fund, and the mark-to-model valuation approach for determining fair value (FV), based on inputs that are not fully observable, it was assigned to Level 3 of the FV hierarchy.
Accordingly, a standalone sensitivity analysis was performed assuming a change in the discount rate of +100 bps and a change in the collection of underlying receivables of -5%.
The analysis identified a decrease of approximately 9.5 million euros in relation to the change in discount rates (+100 bps) and a decrease of approximately 3.5 million euros in relation to the recovery of the positions (-5%).
At 31 December 2022, the fair value of the investment in the Forward Fund was estimated at 478.5 million euros, with a cumulative capital loss of 11.5 million euros (10.8 million euros in 2022), primarily due to the increase in market rates.

The initial commitment of 120 million euros, to undertake, *inter alia*, additional investment transactions, was fully called up during the year. Accordingly, the residual commitment was zero at 31 December 2022.

Section 2 – Market risks

The Bank's exposure to market risk is mainly due to the trading of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a financial instrument or a portfolio of financial instruments associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

The Bank monitors market risks with reference both to the banking book and the trading book. Specifically, as regards monitoring this risk the Risk Management Department applies the regulatory method to the trading book, whilst the rate risk on the banking book follows the regulations specified in annex C of Bank of Italy Circular No. 285/2013 and subsequent updates.
With regard to market risk management, the Bank has formally defined a Financial Portfolio Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority. The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Regulation of limits and escalation process.
Second-tier checks are a responsibility of the Risk Management Department, as is the monitoring of operating limits aimed at maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

[16] The Fund has an overall duration of 15 years, subject to extension by a maximum of two years, with a first investment period with a duration of 8 years and a management and collection period of 7 years.
[17] In particular, the Fund's investment policy calls for the cash flows from the repayment of the senior notes and the additional share of 120 million euros of the commitments entered into by the subscribers be invested in:
(i) fundamental infrastructure funds and networks; and
(ii) lending activities to:
  a) corporate lending with a focus on secured lending to Italian companies with adequate guarantees of cash generation not reclassified as non-performing and, possibly,
  b) performing senior real estate lending with adequate guarantees (i.e., first-degree mortgage with advance level of up to 60% of the market value of the asset).

The Internal Audit Department conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Spiralling energy and food prices, demand-side pressures in some sectors due to the reopening of economic activities and supply bottlenecks have pushed inflation upwards, with a significant slowdown in growth in the Euro area. Moreover, the adverse geopolitical situation, with Russia's aggression against Ukraine, has impacted business and consumer confidence. Central banks are implementing a rate-increase policy aimed at reducing inflationary pressure, although the persistent vulnerabilities caused by the pandemic continue to represent a risk for the orderly transmission of the monetary policy. This year as well, in line with the path undertaken, the Bank reacted by increasing the diversification policy for its portfolio and continuing in the direction of containing the exposure to interest rate risk by adopting a policy of transforming risk through the use of hedging instruments (such as asset swaps).

The own bond portfolio is mainly invested in government securities, securities issued by domestic and international banks and, to only a lesser extent, in securities of corporate issuers and ABSs.
With a view to further strengthening the management and monitoring of the credit risk profile, the Bank has adopted a portfolio management policy which, in addition to the aforementioned credit lines, provides, *inter alia*, for certain minimum and maximum investment limits on specific geographical-industry clusters and minimum thresholds for investments in government securities or securities with a high credit standing. This framework also sets specific maximum maturity limits for investments in the proprietary bond portfolio and strict limitations on exposures to complex instruments or hard-to-value assets.
In addition, to complement its market risk analyses, the Bank performs scenario analyses by both exploiting the macroeconomic forecasts published by institutions and research centres and drawing on internal calculations and management tools.

The portfolio's exposure to the equity market remains modest.
The Bank uses derivatives for hedge accounting purposes (e.g., Interest Rate Swaps), both in order to safeguard the banking book against adverse changes in the fair value of loans caused by movements in rate curves, and to contain duration levels in view of changing trends in the proprietary portfolio.

The main objective of exchange rate operations is to contain open positions in foreign currencies. Regarding the rate activity, the main objective is to align balance sheet assets and liabilities.
Banca Generali holds marginal amounts of securities denominated in foreign currencies.

2.1 Interest Rate and Price Risk – Regulatory Trading Book

Qualitative information

A. General Aspects

The exposure of the trading book is residual. The Bank's main activity that contributes to interest rate risk relates to a position in a financial bond nearing maturity.

B. Management processes and interest rate and price risk measurement techniques

Market risks are measured for management purposes according to a daily sensitivity analysis, prudentially monitored at the level of the Bank's entire own portfolio with the aim of identifying interest rate and spread risk. These are supplemented by the monitoring of deterministic metrics (level measurements such as the notional and Mark to Market values) defined in the Bank's "Regulation of Limits and Escalation Process".

In detail, the model adopted by the Risk Management Department to conduct the sensitivity analysis is based on the Fundamental Review of Trading Book rules and has been developed to calculate sensitivity:
- on interest-rate risk: the possibility of calculating sensitivity according to a full-evaluation approach, based on shocks to the base risk-free curve in foreign currency;
- on country risk: the possibility of calculating sensitivity according to a full-evaluation approach, based on shocks to loan/sector curves.

The sensitivities of the two components described above are calculated as a parallel shock of +100 bps on all nodes of the curve, with regard to both the interest-rate risk and country risk portions.

The following table shows the interest-rate risk sensitivity of the proprietary HTS portfolio at 31 December 2022:

(€ THOUSAND)	HTS
Interest-rate risk sensitivity	-4.2

Quantitative information

Regulatory trading book: breakdown by time-to-maturity (repricing date) of cash financial assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY
1. Cash assets	**-**	**1,988**	**-**	**-**	**2**	**-**	**-**	**-**
1.1 Debt securities	-	1,988	-	-	2	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	1,988	-	-	2	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**62,862**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	62,862	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	62,862	-	-	-	-	-	-
+ long positions	-	31,431	-	-	-	-	-	-
+ short positions	-	31,431	-	-	-	-	-	-

2. Regulatory trading book: breakdown of exposures in equity securities and stock indices by main countries on the market of listing

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question, or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of equity instruments such as shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to UCITS units held in the portfolio.

However, the Bank's exposure to this risk is moderate given the limited weight of such securities in its portfolio of HFT financial assets.

TYPE OF TRANSACTION/INDEX	LISTED				NOT LISTED
	ITALY	USA	GERMANY	OTHER	
A. Equity securities					
- long positions	-	1	-	-	-
- short positions	-	-	-	-	-
B. Equity security purchases/sales to be settled					
- long positions	-	-	-	4	1
- short positions	-	-	-	-	-
C. Other derivatives on equity securities					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
D. Stock index derivatives					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-

3. *Regulatory trading book: internal models and other methods of sensitivity analysis*

The sensitivity analysis was also employed to assess the market risks originating in the trading book.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali are interest-rate and price risk.
In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 bps in the rate curve.
The next stage involves establishing the potential effects on the profit and loss account both in terms of the actual change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.
In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the actual impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +362/-362 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

A change in interest rates of +100/-100 bps would have an overall effect on the fair value of the debt securities trading book of -4.17/+4.17 thousand euros, gross of the tax effect.

(€ THOUSAND)	HTS
FV equity delta (+10%)	362.3
FV equity delta (-10%)	-362.3
FV bonds delta (+1%)	-4.17
FV bonds delta (-1%)	+4.17

2.2 Interest Rate and Price Risk - Banking Book

Qualitative information

A. General aspects, management processes and interest rate and price risk measurement techniques

The interest rate risk to which the banking book is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, the value of net equity.

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

The Finance Department and the Lending Department conduct first-tier controls on the management of interest rate risk.
The Risk Management Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking book is exposed. It is also responsible for updating the models and metrics, including on the basis of analyses of legal requirements, market best practices and the contributions of the business functions involved (and the Finance Department in particular).
The Internal Audit Department is responsible for third-tier controls of loans and net inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking book and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

During the year, the Bank monitored its interest rate risk profile by applying its control framework, checking the exposure against the limits approved by the Board of Directors upon approval of the Risk Appetite Framework. Containment of the risk to changes in interest rates is also based on monitoring of the duration of the Bank's own portfolio or on stress tests that aim to identify in advance significant sources of risk upon the occurrence of adverse situations.
In line with supervisory regulations, the Bank also determines the exposure to interest rate risk of the banking book by reference to net interest income or expected profits.

Most of the interest rate risk in the Bank's banking book arises from:
- trading on the collateralised deposits market (REPOs);
- customer lending activities; and
- investment operations of the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items of net inflows, with a negative impact on the Group's objectives in terms of net interest income.

B. Fair value and cash flow hedging

The Bank currently uses fair value hedging strategies to contain the interest rate risk on the banking book. These strategies are formulated according to the Bank's Risk Appetite and are designed to keep banking book's duration within the established limits by using hedging derivative instruments such as interest rate swaps.

In particular, by establishing hedging relationships, the Bank seeks to stabilise the fair value of the bond in respect of changes in interest rates and to decrease the duration of the hedged bond.

All derivative instruments are designated as hedges against the specific risk hedged, as identified for each hedging relationship and pursuant to IFRS 9.

There are currently no cash flow hedging transactions generated by the Bank's operations.

Quantitative information

1. Banking book: breakdown by time-to-maturity (repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY
1. Cash assets	**3,597,449**	**2,348,180**	**2,597,200**	**806,316**	**3,993,702**	**1,831,954**	**350,541**	**-**
1.1 Debt securities:	-	1,800,017	2,594,989	802,085	3,989,039	1,829,218	350,198	-
- with early repayment option	-	120,706	24,699	19,467	30,842	21,194	5,347	-
- other	-	1,679,311	2,570,290	782,618	3,958,197	1,808,024	344,851	-
1.2 Loans to banks	852,050	547,547	-	-	-	-	-	-
1.3 Loans to customers:	2,745,399	616	2,211	4,231	4,663	2,736	343	-
- current accounts	1,790,667	18	261	2,496	24	-	-	-
- other loans	954,732	598	1,950	1,735	4,639	2,736	343	-
- with early repayment option	723,331	505	140	169	1,786	2,736	343	-
- other	231,401	93	1,810	1,566	2,853	-	-	-
2. Cash liabilities	**13,657,678**	**1,809,282**	**39,350**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers:	13,589,980	1,332,482	39,350	-	-	-	-	-
- current accounts	13,022,118	-	-	-	-	-	-	-
- other debts	567,862	1,332,482	39,350	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	567,862	1,332,482	39,350	-	-	-	-	-
2.2 Due to banks:	67,698	476,800	-	-	-	-	-	-
- current accounts	30,002	-	-	-	-	-	-	-
- other debts	37,696	476,800	-	-	-	-	-	-
2.3 Debt securities:	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities:	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**10,000**	**1,963,500**	**3,537,500**	**211,500**	**601,000**	**1,390,000**	**438,500**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	10,000	1,963,500	3,537,500	211,500	601,000	1,390,000	438,500	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	10,000	1,963,500	3,537,500	211,500	601,000	1,390,000	438,500	-
+ long positions	10,000	1,878,500	2,082,500	16,500	88,500	-	-	-
+ short positions	-	85,000	1,455,000	195,000	512,500	1,390,000	438,500	-
4. Other off-balance sheet transactions	**1,456,290**	**1,456,290**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	1,456,290	-	-	-	-	-	-	-
+ short positions	-	1,456,290	-	-	-	-	-	-

2. Banking book: internal models and other methods of sensitivity analysis
The sensitivity analysis was conducted only for the interest rate risk component also for the banking book, with regard to the portfolio of financial assets measured at fair value through other comprehensive income, the portfolio of financial assets measured at amortised cost, and the portfolio of loans to customers and banks.

As regards the price risk, a change of +100/-100 basis points would yield a change in the valuation reserves on debt securities in the HTCS category of -6.9/+6.9 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the HTCS portfolio would amount to -5.6/+5.6 million euros as a result of the hypothesised shift in the rate curve, or about 80% of the fair value delta of the entire HTCS bond portfolio.

To provide a complete information, the following table shows the effect of a similar price shock in the fair value of portfolios recognised at amortised cost.

(€ THOUSAND)	HTCS	HTC	LOANS (*)	TOTAL
FV bonds delta (+1%)	-6,905	-105,623	-15,581	-128,109
- *of which: government bonds*	*-5,600*	*-78,740*	-	*-84,340*
FV bonds delta (-1%)	6,905	105,623	15,603	128,131
- *of which: government bonds*	*5,600*	*78,740*	-	*84,340*

(*) Loans to banks and Loans to customers.

The same criteria were also applied to a sensitivity analysis of net interest income of the entire banking book. It resulted in a potential impact on the Profit and Loss Account of +58.2 million euros, gross of the tax effect, in case of increase of interest rates by 1%, and -57.9 million euros in case of decrease by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%) (*)	87,408	-29,186	58,223
Net interest income delta (-1%) (*)	-87,767	29,775	-57,992

(*) Sensitivity analysis calculated using a constant balance sheet, considering current funding pricing conditions, which mostly involve the application of implicit optionality.

2.3 Exchange Rate Risk

Qualitative information

A. General aspect, management processes and exchange rate risk measurement techniques
Exchange rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.
With regard to exchange rate risk management, the Group has formally defined a Financial Portfolio Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department performs first-tier controls of exchange rate risk management.
The Risk Management Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the exchange rate risk.
The Internal Audit Department is responsible for third-tier controls of loans and net inflows in foreign currency.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the exchange rate risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Most of the exchange rate risk arises from:
› trading of securities and other financial assets in foreign currency;
› interest to be collected and/or paid, reimbursements, fees or dividends in foreign currency;
› bank transfers in foreign currency to customers (institutional and retail customers);
› currency trading on behalf of customers.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.
Exchange rate risk is mitigated through funding activities in the same currency as that of lending transactions.

Quantitative information

1. Breakdown by currency of denomination for assets, liabilities and derivatives

ITEMS	CURRENCIES US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	CANADIAN DOLLAR	AUSTRALIAN DOLLAR	OTHER CURRENCIES
A. Financial assets	**58,846**	**1,718**	**22,362**	**10,708**	**2,441**	**-**	**6,460**
A.1 Debt securities	29,262	-	12,204	4,497	-	-	-
A.2Equity securities	5,708	-	-	-	-	-	-
A.3 Loans to banks	23,875	1,718	8,820	6,211	2,441	-	6,460
A.4 Loans to customers	1	-	1,338	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**59,077**	**1,705**	**20,820**	**10,968**	**2,612**	**-**	**3,312**
C.1 Due to banks	-	-	461	241	-	-	758
C.2 Due to customers	59,077	1,705	20,359	10,727	2,612	-	2,554
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**338**	**72**	**3**	**-104**	**34**	**-**	**-146**
- Options	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
- Other derivatives	338	72	3	-104	34	-	-146
- long positions	11,668	72	453	3,349	66	-	206
- short positions	11,330	-	450	3,453	32	-	352
Total assets	**70,514**	**1,790**	**22,815**	**14,057**	**2,507**	**-**	**6,666**
Total liabilities	**70,407**	**1,705**	**21,270**	**14,421**	**2,644**	**-**	**3,664**
Excess	**107**	**85**	**1,545**	**-364**	**-137**	**-**	**3,002**

2. Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has been also conducted on assets and liabilities denominated in currencies other than the euro, regardless of the portfolio to which they have been allocated.

A shock of +10%/-10% on equity instruments denominated in currencies other than the euro would have an effect on the fair value of approximately +519/-634 thousand euros, whereas a shock of +100/-100 bps in rates would have an effect on the fair value of debt securities and assets other than equity instruments in foreign currency of -885/+885 thousand euros, gross of the tax effect.

(€ THOUSAND)	ASSETS
FV equity delta (+10%)	519
FV equity delta (-10%)	-634
FV non-equity delta (+1%)	-885
FV non-equity delta (-1%)	+885

By contrast, an interest rate movement of +100/-100 bps would have an effect of -376/+375 thousand euros on the flow of interest on assets and liabilities denominated in currencies other than the euro.

(€ THOUSAND)	TOTAL ITEMS
Net interest income delta (+1%)	-376
Net interest income delta (-1%)	+375

Section 3 – Derivatives and hedging policies

3.1 Trading derivatives

A. Financial derivatives

A.1 HFT financial derivatives: notional values at year-end

	31.12.2022				31.12.2021			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
UNDERLYING ASSETS/ TYPES OF DERIVATIVES	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**20,758**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	20,758	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**20,758**	**-**

A.2 HFT financial derivatives: positive and negative gross fair value – breakdown by products

TYPE OF DERIVATIVES	31.12.2022 OVER THE COUNTER CENTRAL COUNTER-PARTIES	31.12.2022 OVER THE COUNTER WITHOUT CENTRAL COUNTERPARTIES WITH NETTING ARRANGE-MENTS	31.12.2022 OVER THE COUNTER WITHOUT CENTRAL COUNTERPARTIES WITHOUT NETTING ARRANGE-MENTS	31.12.2022 ORGANISED MARKETS	31.12.2021 OVER THE COUNTER CENTRAL COUNTER-PARTIES	31.12.2021 OVER THE COUNTER WITHOUT CENTRAL COUNTERPARTIES WITH NETTING ARRANGE-MENTS	31.12.2021 OVER THE COUNTER WITHOUT CENTRAL COUNTERPARTIES WITHOUT NETTING ARRANGE-MENTS	31.12.2021 ORGANISED MARKETS
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	4,558	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**4,558**	**-**
1. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	4,551	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**4,551**	**-**

A.3 OTC HFT financial derivatives: breakdown of notional values and positive and negative gross fair value by counterparties

No HFT financial derivatives were recognised in the Financial Statements of Banca Generali at 31 December 2022.

A.4 Time-to-maturity of OTC HFT financial derivatives: notional values

UNDERLYING ASSETS/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2022	**-**	**-**	**-**	**-**
Total at 31.12.2021	**20,758**	**-**	**-**	**20,758**

3.2 Hedging instruments

The proprietary portfolio managed by the Bank includes hedging derivatives entered into both through a central counterparty (CCP) clearing house and on a bilateral basis under a CSA, affected by the benchmark interest rate reform introduced by Regulation (EU) No. 34 of 15 January 2020.
For such contracts, which normally call for the use of Eonia rates, the transition to the new overnight rate, €STR, was therefore completed in 2021.

Since 1 September 2022, concurrently with the parent company, Assicurazioni Generali, the Bank has been subject to an obligation to apply all risk mitigation techniques mandated by the EMIR Regulation in reference to contracts not subject to clearing through central counterparties. Specifically, the Bank entered into contracts for the exchange of collateral to hedge the initial margins in OTC derivatives with each counterparty, indicating Euroclear as the Triparty Agent with which to segregate the securities hedging the exposure. The Bank has also adopted ACADIA software for calculating the initial margins of existing positions, with daily monitoring of both observance of regulatory thresholds and covering margin calls.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: notional values at year-end

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2022				31.12.2021			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Debt securities and interest rates	**-**	**4,076,000**	**-**	**-**	**-**	**2,543,500**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	4,076,000	-	-	-	2,543,500	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**4,076,000**	**-**	**-**	**-**	**2,543,500**	**-**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by products

TYPE OF DERIVATIVES	31.12.2022				31.12.2021				CHANGE IN VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	
	OVER THE COUNTER				OVER THE COUNTER					
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES				
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	31.12.2022	31.12.2021
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	286,776	-	-	-	11,357	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**286,776**	**-**	**-**	**-**	**11,357**	**-**	**-**	**-**	**-**
1. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	123,604	-	-	-	167,320	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**123,604**	**-**	**-**	**-**	**167,320**	**-**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: breakdown of notional values and positive and negative gross fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL CORPORATIONS	OTHER ENTITIES
Contracts other than netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts within the scope of netting arrangements				
1) Debt securities and interest rates				
- notional value	-	3,876,000	200,000	-
- positive fair value	-	286,776	-	-
- negative fair value	-	97,708	25,896	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Time-to-maturity of OTC hedging financial derivatives: notional values

UNDERLYING ASSETS/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	335,000	1,267,500	2,473,500	4,076,000
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2022	**335,000**	**1,267,500**	**2,473,500**	**4,076,000**
Total at 31.12.2021	**170,000**	**997,000**	**1,376,000**	**2,543,000**

D. Hedged instruments

D.1 Fair value hedging

	SPECIFIC HEDGES: CARRYING AMOUNT	SPECIFIC HEDGES - NET POSITIONS: CARRYING AMOUNT OF ASSETS OR LIABILITIES (BEFORE NETTING)	SPECIFIC HEDGES			GENERIC HEDGES: CARRYING AMOUNT
			CUMULATIVE FAIR VALUE CHANGES OF THE HEDGED INSTRUMENT	TERMINATION OF HEDGING POSITION: RESIDUAL CUMULATIVE FAIR VALUE CHANGES	CHANGE IN VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging of:	116,439	-	-2,469	-	-	-
1.1 Debt securities and interest -rates	116,439	-	-2,469	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedging of:	3,812,932	-	-287,057	-	-	-
1.1 Debt securities and interest-rates	3,812,932	-	-287,057	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total at 31.12.2022	**3,929,371**	**-**	**-289,526**	**-**	**-**	**-**
Total at 31.12.2021	**2,717,142**	**-**	**91,908**	**-**	**-**	**-**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging of:	-	-	-	-	-	-
1.1 Debt securities and interest-rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total at 31.12.2022	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2021	**-**	**-**	**-**	**-**	**-**	**-**

3.3 Other information on derivatives (held for trading and for hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: breakdown of net fair value by counterparties

	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL CORPORATIONS	OTHER ENTITIES
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	-	3,876,000	200,000	-
- positive fair value	-	286,776	-	-
- negative fair value	-	97,708	25,896	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase and protection	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sale and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Section 4 – Liquidity risk

Qualitative information

A. General aspect, management processes and liquidity risk measurement techniques

Exposure to liquidity risk derives from funding and lending transactions in the course of the Bank's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

The Bank's liquidity risk governance model is based on "centralised" management for all Group companies. As the Parent Company, the Bank:

› is responsible for the liquidity policy;
› manages liquidity risk.

The structure of the liquidity risk management system is intended to ensure sound and prudent management of liquidity and liquidity risk and purses the following goals:
- ensuring that the Bank remains solvent in both the normal course of business and crisis conditions;
- complying with instructions from the supervisory authority and the guidelines on banking supervision issued by the various international authorities, while also taking account of the specificity of the Bank's business;
- maintaining a liquidity profile that is consistent with the risk tolerance statements issued by its governing bodies;
- ensuring liquidity levels capable of allowing the Group to fulfil its contractual commitments at any times, maximising the cost of funding with respect to current and forecast market conditions.

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

Both risk profiles are measured on a going concern basis and in stress scenarios and are analysed from a current and a forward-looking standpoint.

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

The Finance Department is responsible for first-tier controls and managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, secondly, where present, through the measures provided by the ECB. The funding structure is mainly focused on net inflows from retail customers, which are characterised by a stable performance, and on institutional sources of funding. In addition, the Group maintains a portfolio of listed, highly liquid financial instruments (high quality liquid assets) in order to respond to potential crisis scenarios characterised by a sudden interruption of net inflows.

The Risk Management Department is responsible for second-tier controls. Liquidity risk is managed within appropriate short-term and structural (beyond one year) limits, monitored by the Department, assuming that financial markets will continue to function normally or in conditions of particular stress, aimed at ensuring that the risk level expressed is consistent with the strategies and risk appetite established by the Board of Directors.

The Internal Audit Department is responsible for third-tier controls of loans and net inflows transactions.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Moreover, the Group has a Contingency Funding Plan in order to ensure the orderly management of any systemic and idiosyncratic liquidity crises, the safeguarding of the Bank's assets and a guarantee of business continuity. This Plan detects, through early warning monitoring, any signs of liquidity tension and identifies the actions or tools to be activated. On an annual basis, the Bank also initiates and prepares a self-assessment on liquidity risk management during the ILAAP process, providing the results to the supervisory authorities.

The liquidity risk is also monitored using a maturity ladder designed on the basis of the guidelines set out in the prudential supervisory provisions governing the measurement of net financial position. Through the maturity ladder, the Bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative mismatches, the calculation of the net balance of funding requirement (or surplus) over the holding period considered.

Commission Implementing Regulation (EU) No. 2016/322, which contains the Implementing Technical Standards for the liquidity coverage ratio, was published in the *Official Journal of the European Union* on 10 March 2016. With effect from 30 September 2016, the Bank is required to report this ratio on a monthly basis according to the new reporting framework.

The Bank's LCR at 31 December 2022 amounted to 338%, far in excess of the current mandatory minimum level, thanks to high quality liquid assets (HQLAs) of approximately 8 billion euros, primarily Italian government bonds, offsetting the estimated net cash outflows in the following 30 days.
During the year, the structural regulatory indicator (Net Stable Funding Ratio) also remained consistently above the established limits, amounting to 203% as at 31 December 2022, owing to long-term stable funding in excess of the on-balance sheet assets requiring such long-term stable funding. With regard to the net stable funding ratio, with effect from June 2021 the Bank adopted the modifications relating to the production and monitoring of reports of the NSFR structural indicator in response to the changes introduced by the new provisions of Regulation (EU) No. 2019/876 of the European Parliament (CRR2), as further updated.

As a participant in payment, settlement and netting systems, the Group is exposed to intraday liquidity risk due to a mismatch in the timing of daily payment inflows and outflows, which may in turn give rise to potentially large temporary imbalances than expected at the end of the day.
Intraday liquidity management is the responsibility of the Treasury and Portfolio Management Service and seeks to ensure that available liquidity is constantly sufficient to cover cash outflows. The Risk Management Department is responsible for ex-post second-tier controls.

Structural liquidity risk is also measured by adopting Additional Liquidity Monitoring Metrics (pursuant to Article 415, paragraph 3(b), of Regulation (EU) No. 575/2013), involving an analysis of the concentration of borrowings by counterparty and product type. These analyses enable a more complete vision of the liquidity risk profile, providing the level of diversification of sources of funding in the wholesale and retail markets in order to emphasise excessive dependency on individual product types, which could be subject to severe outflows during a liquidity crisis.

In the year, the Bank constantly monitored its short- and long-term liquidity profile through the application of its control framework, ensuring prudent and sound management.

Quantitative information

1. Breakdown of financial assets and liabilities by time to contractual maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY, UP TO 7 DAYS	OVER 7 DAYS, UP TO 15 DAYS	OVER 15 DAYS, UP TO 1 MONTH	OVER 1 MONTH, UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
A. Cash assets										
A.1 Government securities	93	300	6,460	39,610	325,744	614,264	1,172,018	4,616,248	2,153,095	-
A.2 Other debt securities	2,500	308	2,424	45,209	36,732	73,399	63,184	1,361,907	1,178,805	-
A.3 UCITS units	482,169	-	-	-	-	-	-	-	-	-
A.4 Financing	2,240,130	12,064	14,019	368,881	52,958	42,419	82,310	314,771	265,255	137,889
- to banks	207,292	12,010	-	368,775	28,965	-	-	-	-	137,889
- to customers	2,032,838	54	14,019	106	23,993	42,419	82,310	314,771	265,255	-
Total	**2,724,892**	**12,672**	**22,903**	**453,700**	**415,434**	**730,082**	**1,317,512**	**6,292,926**	**3,597,155**	**137,889**
B. Cash liabilities										
B.1 Deposits and current accounts	13,054,015	-	-	-	-	-	-	-	-	-
- from banks	31,897	-	-	-	-	-	-	-	-	-
- from customers	13,022,118	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	635,974	1,300,380	131,546	327,992	49,364	39,350	-	-	-	-
Total	**13,689,989**	**1,300,380**	**131,546**	**327,992**	**49,364**	**39,350**	**-**	**-**	**-**	**-**
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap	-	62,862	-	-	-	-	-	-	-	-
- long positions	-	31,431	-	-	-	-	-	-	-	-
- short positions	-	31,431	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital swap	-	70	381	852	4,829	29,948	49,434	-	-	-
- long positions	-	50	143	568	3,854	29,103	47,011	-	-	-
- short positions	-	20	238	284	975	845	2,423	-	-	-
C.3 Deposits and loans receivable	1,456,290	1,456,290	-	-	-	-	-	-	-	-
- long positions	1,456,290	-	-	-	-	-	-	-	-	-
- short positions	-	1,456,290	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	177,306	-	-	-	-	70,000	686	870	136	-
- long positions	52,807	-	-	-	-	70,000	686	870	136	-
- short positions	124,499	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	7,640	-	50	-	-	63	139	13,712	10,020	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
Total	**1,641,236**	**1,519,222**	**431**	**852**	**4,829**	**100,011**	**50,259**	**14,582**	**10,156**	**-**

Section 5 – Operational risks

Qualitative information

A. General aspect, management processes and operational risk measurement techniques

The exposure to operational risks is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advisors) and the direct involvement of all employees in operations structurally expose the Group to operational risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, *inter alia*, losses due to fraud, human error, interruptions of operations, unavailability of systems, breach of contract, natural disasters and legal risk.

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

The functions dealing with Organisation, IT Management and Security guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Bank and, if necessary, implements measures to guarantee a higher general level of security.
The Risk Management Department carries out risk assessment and scoring activities, monitors incidents/operational risk events and the related and loss data collection processes. It also monitors the action plans adopted to mitigate material risks and has defined and controls KRIs (Key Risk Indicators) instrumental to monitoring of the areas of highest risk.
The Internal Audit function supervises the regular conduct of the Bank's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operational risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Department.

Moreover, Banca Generali has insurance coverage for operational risks deriving from acts of third parties or caused to third parties and adequate contractual clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

Quantitative information

The impact of operating losses in 2022 is broken down below by event type (€ thousand):

BUSINESS LINE	ET 01 – INTERNAL FRAUD	ET 02 – EXTERNAL FRAUD	ET 03 – EMPLOYMENT PRACTICES AND WORKPLACE SAFETY	ET 04 – CLIENTS, PRODUCTS AND BUSINESS PRACTICES	ET 05 – DAMAGE TO PHYSICAL ASSETS	ET 06 – BUSINESS DISRUPTION AND SYSTEM FAILURES	ET 07 – EXECUTION, DELIVERY AND PROCESS MANAGEMENT	TOTAL
Asset Management	-	-	-	-23	-	-	-	-23
Commercial Banking	-	-	-	-	-	-	27	27
Corporate Finance	-	-	-	23,802	-	-	-	23,802
Corporate Items	10	520	377	4,378	-	-3	-27	5,256
Payment and Settlement	537	87	-	5	-	-	20	650
Retail Banking	-120	-	-		-	-	11	-108
Retail Brokerage	2,475	-	-	102	-	10	225	2,812
Trading and Sales	-636	-	-	-	-	70	30	-536
Overall total	**2,267**	**608**	**377**	**28,264**	**-**	**77**	**287**	

Breakdown of frequency ratio by business line and type of event:

BUSINESS LINE	ET 01 – INTERNAL FRAUD	ET 02 – EXTERNAL FRAUD	ET 03 – EMPLOYMENT PRACTICES AND WORKPLACE SAFETY	ET 04 – CLIENTS, PRODUCTS AND BUSINESS PRACTICES	ET 05 – DAMAGE TO PHYSICAL ASSETS	ET 06 – BUSINESS DISRUPTION AND SYSTEM FAILURES	ET 07 – EXECUTION, DELIVERY AND PROCESS MANAGEMENT	TOTAL
Asset Management	-	-	-	-	-	-	-	-
Commercial Banking	-	-	-	-	-	-	1	1
Corporate Finance	-	-	-	3	-	-	-	3
Corporate Items	1	5	5	1	-	-	9	21
Payment and Settlement	5	21		1	-	-	2	29
Retail Banking	-	-	-	-	-	-	3	3
Retail Brokerage	3	-	-	2	-	2	22	29
Trading and Sales	-	-	-	-	-	1	4	5
Overall total	**9**	**26**	**5**	**7**	**-**	**3**	**41**	

The event type recording the highest impact was the Event Type "ET 04 – Clients, products and business practices"; this category includes losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients by the Bank or its Financial Advisors.

Significant impact is also attributable to "ET 01 – Internal fraud", which includes losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy by internal staff, including Financial Advisors, in the performance of their duties and which also involves the Bank in that it is liable for the actions of its employees. The Bank carefully examines the individual disputes and complaints and, where necessary, makes an appropriate provision for the risk of legal disputes and continually monitors any developments, adjusting the amount set aside as circumstances change.

All other event types reported minor losses.

The cases reported under "ET 02 – External fraud" include losses due to acts of a type intended to defraud, misappropriate property or circumvent the law carried out by persons outside the Bank; they are mostly attributable to counterfeit of payment instruments and cyber risks (smishing/vishing).

Item "ET 03 – Employment practices and workplace safety" reported losses due to labour disputes.

"ET 07 – Execution, delivery and process management" includes losses from failed transaction processing or process management with regard to the Bank's operations and losses from relations with trade counterparties and vendors.

There were no losses due to damages to property and equipment, whereas those of event type "ET 06 – Business disruption and system failures" were residual. This latter category includes events resulting from the blockage or malfunction of the IT systems used by the Bank as a consequence of which operating losses and events with damages to property and equipment are recorded.

PART F – INFORMATION ON NET EQUITY

Section 1 – Net equity

A. Qualitative information

The Bank's capital management strategy mainly aims is to ensure that the capital and ratios are consistent with its risk profile and regulatory requirements.
The Bank is subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by European Union and applied by the Bank of Italy.

Such rules envisage the specific concept of "Own Funds", which is separate from the net equity stated in the financial statements. Own funds are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Compliance with minimum capital requirements is monitored by the Risk Management Service, whereas the Regulatory Reporting function is responsible for calculating and disclosing of own funds and capital requirements on a regular basis, as well as safeguarding the related databases (historical regulatory archive).

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items.
Additional analyses and control of the capital adequacy is also carried out upon any extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

Distribution of 2020 and 2021 dividend

In 2022, the second tranche of the 2020 dividend was distributed, for a total amount of 68.8 million euros, net of the portion to be assigned to treasury shares.
In addition, the first tranche of the 2021 dividend was also distributed, for a total amount of 132.2 million euros, net of the portion to be assigned to treasury shares.
As approved by the Shareholders' Meeting on 21 April 2022, the second tranche of the 2021 dividend will be paid in February 2023, for a total amount of 93.5 million euros.

B. Quantitative information

At 31 December 2022, net equity, including net profit for the year, amounted to 986.2 million euros compared to 1,011.2 million euros at the end of the previous year.

			CHANGE	
(€ THOUSAND)	31.12.2022	31.12.2021	AMOUNT	%
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	53,767	55,866	-2,099	-3.8%
3. Reserves	632,163	511,451	120,712	23.6%
4. (Treasury shares)	-80,139	-64,822	-15,317	23.6%
5. Valuation reserves	-12,620	-384	-12,236	n.a.
6. Equity instruments	50,000	50,000	-	-
7. Net profit (loss) for the year	226,188	342,247	-116,059	-33.9%
Total net equity	**986,211**	**1,011,210**	**-24,999**	**-2.5%**

The -25 million euro decrease in net equity in 2022 was attributable to the aforementioned allocation to: the 2021 dividend approved by the General Shareholders' Meeting on 21 April 2022 for an amount of 227.9 million euros; the plan to buy-back treasury shares ended in early October; the negative performance of fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and other reserves included in other comprehensive income; the change in reserves for share-based payments (IFRS 2); and net profit for the year, as shown in the following table.

	31.12.2022	31.12.2021
Net equity at year-start	**1,011,210**	**1,071,587**
Dividends approved and distributed	-224,324	-379,549
Dividend on AT1 equity instruments	-1,631	-1,631
Buy-back/disposal of treasury shares	-24,263	-25,788
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	11,168	8,715
Matured IFRS 2 reserves on the AG Group's IFRS 2-related plans	99	171
Change in OCI valuation reserves	-12,236	-4,542
Net profit (loss) for the year	226,188	342,247
Net equity at year-end	**986,211**	**1,011,210**
Change	**-24,999**	**-60,377**

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 307,472 treasury shares, with a value of 8,979 thousand euros, were allotted to employees and Financial Advisors qualifying as Key Personnel of the Banking Group and to Network Managers.

On 21 April 2022, the General Shareholders' Meeting also authorised the repurchase of a maximum of 897,500 treasury shares in service of remuneration plans for Key Personnel for 2022 and the new Long Term Incentive Plan (LTIP) for the three-year period 2022-2024.
The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 1 July 2022, was completed on 7 October 2022 for a total number of treasury shares equal to 24,296 thousand euros.

At 31 December 2022, the Parent Company, Banca Generali, thus held 2,809,497 treasury shares, with a value of 80,139 thousand euros.

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 12.4 million euros, due to the stronger volatility that impacted financial markets as a result of the inflation forecasts.

B.1 Breakdown of net equity

ITEMS/VALUES	31.12.2022	31.12.2021
1. Share capital	116,852	116,852
2. Share premium reserve	53,767	55,866
3. Reserves	632,163	511,451
- retained earnings	598,457	482,165
a) legal reserve	23,370	23,370
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	575,087	458,795
- Other	33,706	29,286
4. Equity instruments	50,000	50,000
5. (Treasury shares)	-80,139	-64,822
6. Valuation reserves	-12,620	-384
Equity securities designated at fair value through OCI	-713	-837
Equity security hedges designated at fair value through OCI	-	-
Financial assets (other than equity securities) measured at fair value through OCI	-9,868	2,694
Property and equipment	-	-
Intangible assets	-	-
Hedges of foreign investments	-	-
Cash-flow hedges	-	-
Hedging instruments	-	-
Exchange differences	-	-
Non-current assets available for sale and disposal groups	-	-
Financial liabilities designated at fair value through profit or loss (change in the own creditworthiness)	-	-
Actuarial gains (losses) from defined benefit plans	-2,039	-2,241
Share of valuation reserves relating to investee companies valued at equity	-	-
Special revaluation laws	-	-
7. Net profit (loss) for the year	226,188	342,247
Total net equity	**986,211**	**1,011,210**

B.2 Breakdown of valuation reserves of financial assets measured at fair value through other comprehensive income

Valuation reserves of financial assets measured at fair value through other comprehensive income (OCI) account for the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value. The change in these reserves contributes to determining the overall company performance in relation to OCI, without passing through Profit and Loss.
However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

Fair value valuation reserves of the portfolio of financial assets measured at fair value through OCI decreased compared to the end of the previous year, primarily due to the reduction in debt securities reserves.

The aggregate had an overall negative balance of -10.6 million euros, down 12.4 million euros compared to year-end 2021.
This reduction was influenced by the portfolio of Italian government bonds, for which net reserves amounted to -7.2 million euros compared to 2.0 million euros at year-end 2021.

	31.12.2022		31.12.2021	
ASSETS/VALUES (€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	1,457	-11,325	3,623	-929
2. Equity securities	527	-1,240	415	-1,252
Total	**1,984**	**-12,565**	**4,038**	**-2,181**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: year changes

Valuation reserves on the HTCS portfolio showed a net reduction of 12.4 million euros in 2022, as a result of the following factors:

- an increase in net valuation capital losses totalling -16.5 million euros, net of 0.2 million euros referring to the reversal of collective reserves;
- the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-1.8 million euros);
- a positive net tax effect (+5.9 million euros) associated with the above changes and mainly resulting from a net reduction in DTLs.

	31.12.2022				
	DEBT SECURITIES				
(€ THOUSAND)	CORPORATE	GOVERNMENT	EQUITY SECURITIES	FINANCING	TOTAL
1. Amount at year-start	**706**	**1,988**	**-837**	**-**	**1,857**
Adjustment of opening balances	**-**	**-**	**-**	**-**	**-**
1. Amount at year-start	**706**	**1,988**	**-837**	**-**	**1,857**
2. Increases	**1,979**	**6,541**	**344**	**-**	**8,864**
2.1 Fair value increases	3	941	332	-	1,276
2.2 Adjustments for credit risk	261	-	X	-	261
2.3 Transfer to Profit and Loss Account of negative reserves: due to disposal	41	1,238	X	-	1,279
2.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
2.5 Other changes	1,674	4,362	12	-	6,048
3. Decreases	**5,334**	**15,748**	**220**	**-**	**21,302**
3.1 Fair value decreases	5,122	12,684	200	-	18,006
3.2 Reversals for credit risk	-	92	-	-	92
3.3 Transfer to Profit and Loss Account of positive reserves due to disposal	128	2,972	X	-	3,100
3.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
3.5 Other changes	84	-	20	-	104
4. Amount at year-end	**-2,649**	**-7,219**	**-713**	**-**	**-10,581**

B.4 Valuation reserves relating to defined benefit plans: year changes

	31.12.2022		
	RESERVE	DTAS	NET RESERVE
1. Amount at year-start	**-3,051**	**810**	**-2,241**
2. Increases	**278**	**-76**	**202**
Decreases of actuarial losses	278	-76	202
Other increases	-	-	-
3. Decreases	**-**	**-**	**-**
Increases of actuarial losses	-	-	-
Other decreases	-	-	-
4. Amount at year-end	**-2,773**	**734**	**-2,039**

Section 2 – Own funds and banking capital ratios

In accordance with Circular No. 262 of 22 December 2005, 7th update of 29 October 2021, for the details of Own Funds and regulatory capital ratios, reference is made to the information regarding own funds and capital adequacy provided in the Pillar 3 Disclosure provided at the consolidated level, available from Banca Generali's corporate website at the address www.bancagenerali.com.

PART G – BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.
The results of impairment testing on goodwill recognised in the Financial Statements of Banca Generali S.p.A. are also stated for purposes of consistency of presentation.

Section 1 – Transactions undertaken during the year

In 2022, no new business combination transactions were undertaken.
However, it should be noted that the sale of an 80.1% equity interest in the subsidiary Nextam Partners Sim to a group of investors, also including some of the Nextam Group's former shareholders, was finalised on **20 January 2022**.
On that date, settlement agreements became effective that aimed to identify any amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to permit the termination of the relationship of employment between Banca Generali and the main key manager of the acquired group, whereas the relationship of employment with the other two key managers was maintained.

Section 2 – Transactions after the close of the period

No business combination transactions were undertaken after 31 December 2022 and until the date of approval of Banca Generali's Financial Statements by the Board of Directors.

Section 3 – Retrospective Adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2022 pursuant to paragraphs 61 and B7 of IFRS 3.
The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

At 31 December 2022, Banca Generali's goodwill totalled 79.4 million euros, unchanged compared to the previous year.

(€ THOUSAND)	31.12.2022	31.12.2021
Merger of Prime Consult Sim and INA Sim	2,991	2,991
Merger of Banca del Gottardo	31,352	31,352
Acquisition of Credit Suisse Italy's business unit	27,433	27,433
Merger of BG Fiduciaria Sim S.p.A.	4,289	4,289
Merger of Nextam SGR and Nextam S.p.A.	12,201	12,201
Acquisition of Binck Bank Italy business unit	1,100	1,100
Total	**79,366**	**79,366**

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill must be allocated to cash-generating units (CGUs), which may be no larger than the segments identified, pursuant to IFRS 8, for management reporting.

The identification of CGUs must reflect the reporting methods used by the management of the Parent Company and its management characteristics. In particular, Banca Generali's management has adopted an integrated model that applies without regard to the structure of the individual legal entities and that aggregates into larger CGUs the activities of these entities together with the operating activities carried out directly by the Parent Company.

The CGUs identified by the Bank are therefore

› the Wealth Management CGU (WM CGU), formed by the part of the activities of Banca Generali and all the Group's management companies serving the WM sales network that comprised all Financial Advisors with total customer assets of more than 50 million euros;
› the Private Banking CGU (PB CGU), consisting of the part of the activities of Banca Generali and all the Group's management companies serving the sales networks formed by the other Financial Advisors and employed Relationship Managers.

The impairment testing of goodwill at the consolidated level is therefore also relevant at the parent company level.

For information regarding impairment testing of goodwill, see Part G, Section 3, of the Notes and Comments to the Consolidated Financial Statements.

If the goodwill attributable to a certain CGU is found to have become impaired at the consolidated level, the impairment loss must be allocated at the parent company level to assets attributable to the same CGU that have not already been separately tested, or the goodwill must be recognised directly or reflected in the carrying amounts of the controlling interests.

As described in Part G, Section 3, of the Notes and Comments to the Consolidated Financial Statements, there was not found to be any need for impairment at the CGU level in the Consolidated Financial Statements. Accordingly, on the basis of the results of the impairment testing at the consolidated level, there was not found to be any need for impairment at the parent company level.

PART H – RELATED PARTY TRANSACTIONS

Procedural aspects

In accordance with Article 2391-*bis* of the Italian Civil Code, the Consob Regulation containing provisions relating to transactions with related parties[18] and the provisions of Part III, Chapter 11, of Bank of Italy Circular No. 285, as further amended, Banca Generali's Board of Directors approved its "Procedure for Related Party and Connected Party Transactions", which entered into effect on 1 January 2011 and was last updated on 22 June 2021 with effect from 1 July 2021. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, at the Banking Group level, rules on transactions with Banca Generali's related parties and connected parties governing the related investigation, approval, reporting and disclosure activities.
Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that, in certain cases, the said transactions may be subject to prior approval by the Parent Company, where necessary.
The related party perimeter

Based on Consob Regulation, the Provisions issued by the supervisory authority, and the Procedure, the following parties are considered as Banca Generali's related parties:

› subsidiaries of the Banking Group;
› the ultimate parent Assicurazioni Generali S.p.A., its subsidiaries (companies subject to common control), including the direct parent Generali Italia S.p.A., and pension funds established for the benefit of the Generali Group companies' employees;
› Managers with Strategic Responsibilities of the Bank and the parent company Assicurazioni Generali (Key Personnel), close relatives of the above personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Banking Group and the Insurance Generali Group are also considered related parties.

With specific regard to **Key Managers,** the following persons have been designated as such:

› the Directors and the members of the Board of Statutory Auditors of the Banking Group's companies;
› the members of the Top Management, as defined in the Remuneration Policies of the Banking Group[19], namely the General Manager and the two Deputy General Managers[20];
› representatives of the parent company Assicurazioni Generali S.p.A. identified as Managers with Strategic Responsibilities in the corresponding procedure regarding transactions with related parties adopted by the Insurance Group.

Significance thresholds of Related Party transactions
The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

› **Highly Significant Transactions** — i.e., transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution No. 17221, reduced to 2.5% for transactions carried out with the Parent Company that is listed on regulated markets or with undertakings thereto related which are in turn related to the Company — must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
› **Moderately Significant Transactions** — i.e., transactions with related parties the amount of which falls between the Modest amount transactions and the Highly Significant Transactions — are approved pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
› **Low Value Transactions** — i.e., transactions whose value, defined pursuant to the Bank of Italy's Provisions, cannot exceed the amount of **250,000 euros** for banks with Own Funds below 1 million euros — are excluded from the scope of application of the regulation on approval and disclosure transparency.

In addition to low value transactions, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

› **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-*bis* of TUF, and related implementing transactions;

[18] Adopted by Consob Resolution No. 17221 of 12 March 2010, as further amended.
[19] Banking Group's Remuneration and Incentive Policies approved by the General Shareholders' Meeting on 21 April 2022.
[20] Chief Executive Officer/General Manager, Deputy General Manager Wealth Management Markets and Products, Deputy General Manager Commercial Networks, Alternative and Support Channels.

- **resolutions on the remuneration of Directors** entrusted with specific tasks other than those determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and **resolutions regarding the remuneration of Managers with Strategic Responsibilities**, provided that the Company has adopted a remuneration policy with certain characteristics;
- **ordinary transactions** falling within the scope of ordinary operations and any and all related financial activities that are effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Highly Significant threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
- **transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any significant interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated Own funds, the threshold of Highly Significant transactions currently stands at around **38.1 million euros**, reduced to **19 million euros** for transactions with the parent company Assicurazioni Generali and the latter's related parties.

Moreover, the provisions issued by the Bank of Italy impose prudential restrictions, based on Own funds, on risk assets in respect of Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk assets with regard to entities qualifying as non-financial related parties. Exposure in respect of the Generali Group's connected parties, on the other hand, is capped at 7.5% of consolidated Own funds.
Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given group of connected parties may in no event exceed **20%** of individual Own Funds.

1. Disclosure of remuneration of Directors and Executives

As required by IAS 24, the total remuneration recorded in the Profit and Loss Account for the year is disclosed below, broken down by personnel category and type.

	31.12.2022					
	DIRECTORS	STATUTORY AUDITOR	MANAGERS WITH STRATEGIC RESPONSIBILITIES	TOTAL	31.12.2021	CHANGES
Short-term benefits (current remuneration and social security charges) (1)	882	214	1,936	3,032	3,163	-131
Post-employment benefits (2)	-	-	295	295	274	20
Other long-term benefits (3)	-	-	277	277	315	-38
Severance indemnities	-	-	-	-	-	-
Share-based payments (4)	-	-	1,276	1,276	1,516	-240
Total	**882**	**214**	**3,784**	**4,879**	**5,268**	**-388**
Total at 31.12.2021	**879**	**255**	**4,134**	**5,268**		

(1) Includes current remuneration and the related social security charges payable by the Company and short-term benefits.
(2) Includes the Company's pension fund contribution and allocation to the provisions for termination indemnity provided for by the law and company regulations.
(3) Includes 40% of the bonus with access gate.
(4) Includes the estimated cost for share-based payment plans, determined based on IFRS 2 criteria and recognised in the financial statements.

The table presents the total expenses recognised in the Profit and Loss Account presented in the Financial Statements on the basis of the application of international accounting principles (IAS/IFRS). It therefore also includes the social security charges for which the Company is liable, the allocation to the provisions for termination indemnity, the expenses associated with share-based payment plan determined in accordance with IFRS 2, and the estimate of the variable remuneration accrued during the year on the basis of the Remuneration and Incentive Policy for the Key Personnel of the Banking Group.
It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes the estimate of the portion of variable remuneration for the year payable on a deferred basis over the following years, contingent upon specific access gate conditions being met, in accordance with the aforementioned Remuneration Policy.
The item "Short-term benefits" includes the fixed remuneration and the portion of variable remuneration accrued in the reporting year and payable in the following one.
For detailed information concerning Remuneration Policies, reference is made to the specific document concerning Remuneration Policies prepared as per Consob Resolution No. 18049 of 23 December 2011.
A 25% portion of the variable remuneration — both current and deferred — is paid in Banca Generali shares.

The plan for payments based on own financial instruments are analysed in further detail in Part I to these Notes and Comments.

The item “Share-based payments” accounts for the costs associated with IFRS 2 accrued in the year and regarding:
- the three LTI Plans based on Banca Generali S.p.A.’s shares for a total of 1.0 million euros;
- the share-based payments envisaged in the Remuneration Policy for 0.3 million euros

2. Disclosure on Related Party Transactions

As part of its normal business operations, Banca Generali carries out numerous financial and commercial transactions with related parties included in the scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group’s operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the “Parent Company” of Banca Generali, in compliance with IAS 24.

In the banking area, such activities include relationships referring to current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.

As regard the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisors network’s placement of asset management and insurance products, as well as banking products and services.
To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

In addition, as part of its normal operations, the Bank also maintains relationships pertaining to outsourcing of IT and administration services, insurance and leasing relationships, as well as other minor relationships with Generali Group companies.

Transactions with related parties outside the Generali Group are mostly confined to direct and indirect funding activities and loans to Key Managers (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm’s length. Banca Generali’s direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

2.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in 2022, nor were such transactions undertaken with parties other than related parties such as intra-group entities or third parties.
Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, atypical and unusual transactions are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly Significant Transactions

In 2022, no transactions qualifying as “highly significant”, non-ordinary transactions, entered into at non-market or non-standard conditions were carried out that, in accordance with the Procedure on Related Party Transactions, could have given rise to an obligation to publish the related market disclosure document.
Intra-group highly significant transactions of the Bank
With respect to intra-group highly significant transactions of the Bank — which, pursuant to the Procedure on Related Party Transactions, are exempt from the escalated decision-making process and the obligation to publish a market disclosure document, unless there are significant interests in the subsidiary by other related parties — no transaction was made in the reporting year.

Other significant transactions

In 2022, several transactions were approved qualifying as “moderately significant” transactions, which were subject to the prior non-binding opinion of the Internal Audit and Risk Committee (the amount of which exceeded the materiality threshold); in this regard, reference should be made to the dedicated section of the Consolidated Report on Operations.

2.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties during 2022 are presented in the following sections.

Transactions with the Assicurazioni Generali Group

Balance Sheet data

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	31.12.2022	31.12.2021	% WEIGHT 2021
Financial assets measured at fair value through profit or loss	-	1,031	-	1,031	1,151	0.2%
c) other financial assets mandatorily measured at fair value	-	1,031	-	1,031	1,151	0.2%
Financial assets measured at fair value through other comprehensive income	-	246	-	246	246	-
Financial assets measured at amortised cost:	28,426	25,985	447	54,858	59,895	0.4%
b) loans to customers	28,426	25,985	447	54,858	59,895	0.5%
Equity investments	28,888	-	3,270	32,158	25,572	100.0%
Tax assets	-	-	-	-	7,908	-
Property, equipment and intangible assets	-	68,619	-	68,619	72,687	25.0%
Assets held for sale	-	-	-	-	1,115	n.a.
Other assets	40	714	-	754	1,878	-
Total assets	**57,354**	**96,595**	**3,717**	**157,666**	**170,452**	**0.9%**
Financial liabilities measured at amortised cost:	49,476	374,898	6,175	430,549	632,550	2.8%
b) due to customers	49,476	374,898	6,175	430,549	632,550	2.9%
Other liabilities	852	3,671	-	4,523	4,390	1.7%
Tax liabilities	-	22,338	-	22,338	-	69.8%
Equity instruments	-	50,000	-	50,000	50,000	100.0%
Total liabilities	**50,328**	**450,907**	**6,175**	**507,410**	**686,940**	**3.0%**
Guarantees issued	**-**	**2,091**	**-**	**2,091**	**2,142**	**2.9%**

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 96.6 million euros, compared to 100.4 million euros recognised at the end of 2021, equal to 0.6% of Banca Generali's total balance sheet assets.
This exposure includes 68.6 million euros referring to the net value of the ROU recognised under property and equipment pursuant to IFRS 16 and relating primarily to the lease payments for the Milan and Trieste administrative offices and the commercial network offices.
By contrast, the total debt position reached 450.9 million euros, accounting for 2.6% of liabilities, down by 172.8 million euros (-27.7%) compared to the end of the previous year, mainly due to the change in temporary liquidity in the Group companies' current accounts.
Following the introduction of IFRS 16 on 1 January 2019, amounts due to customers include lease liabilities for 72.1 million euros.

As part of assets, **financial assets mandatorily measured at fair value through other comprehensive income (FVOCI)** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolio of Banca Generali.
As part of the **financial assets measured at fair value through other comprehensive income (HTCS)** portfolio, shareholdings in subsidiaries of the Generali Insurance Group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions).

At 31 December 2022, **equity investments** amounted to 32.2 million euros, up by 6.6 million euros compared to the end of 2021.

This increase was largely due to the 10.1 million euro contribution to BG Suisse S.A.'s capital increase in November 2022, partly offset by the approximately 4 million euro impairment loss recognised for the said equity investment at the end of the year, chiefly due to the continuation throughout 2022 of the authorisation process filed with FINMA (aimed at obtaining the Swiss banking licence), which led to unexpected pre-operating losses incurred due to the costs borne for starting up and maintaining the company's operating structure.

The item “Associates subject to joint control or significant influence” includes the 19.9% interest in the share capital of BG Saxo Sim S.p.A. that was acquired on 31 October 2019, and the interest held in Nextam Partners Sim S.p.A., with regard to which on 20 January 2022, after obtaining prior authorisation by the Bank of Italy, Banca Generali finalised the sale of its 80.1% interest to a new corporate structure led by the main key manager of the Nextam Group. The residual equity investment of 19.9% was recognised at 0.5 million euros and, in light of the relations between the two companies, classified as an equity investment in an associate.
The value of the equity investment in BG Saxo Sim S.p.A. amounted to 2.8 million euros at 31 December 2022.

Exposures to Generali Group companies recognised as loans to customers amounted to 26.0 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2022		31.12.2021	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Genertellife	Subsidiaries of the AG Group	Operating loans	22,000	-	22,131	-
Assicurazioni Generali	Parent company	Operating loans	-	-	-	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Operating loans	3,319	-	2,832	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Medium/Long-term loans	659	17	801	18
Other exposures with Group companies	Subsidiaries of the AG Group	Temporary current account exposures	7	207	16	1,166
Total			**25,985**	**224**	**25,780**	**1,184**

Operating receivables are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies.

Amounts due to customers attributable to the Generali Group’s related parties totalled approximately 374.9 million euros at year-end and included amounts due to the parent company Assicurazioni Generali S.p.A. for 74.7 million euros, and amounts due to Generali Italia S.p.A. for 45.5 million euros, in addition to lease liabilities arising from the lease contracts for the administrative offices and the commercial network offices for 72.1 million euros.

Amounts due to the Parent Company and classified as **tax liabilities** consisted of Banca Generali S.p.A.’s net tax debt resulting from the balance between tax prepayments, withholdings and tax credits and the estimated IRES tax due at the end of the year.

It should also be noted that on 23 December 2019 Banca Generali had finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros, which under IAS 32 is considered an **equity instrument** and meets the requirements under regulatory capital rules for being included among Additional Tier 1 instruments in the issuer’s financial statements. The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer’s sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent Supervisory Authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years. On 23 June 2022 and 23 December 2022, the instalments amounting to 1,125 thousand euros each were paid, following those already paid in 2021.

In addition, a total of 2.1 million euros signature loans were issued to Generali Group companies, of which 0.8 million euros to Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 31 December 2022, the profit and loss components recognised with regard to transactions with companies of the Generali Group amounted to 252.5 million euros, or 80.7% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2022	2021	% WEIGHT 2022
Interest income	145	224	37	406	1,514	0.3%
Interest expense	-113	-1,684	-11	-1,808	-1,690	8.2%
Net interest income	**32**	**-1,460**	**26**	**-1,402**	**-176**	**-1.0%**
Fee income	118,714	274,063	2,099	394,876	405,178	54.6%
Fee expense	-	-	-	-	-280	-
Net fees	**118,714**	**274,063**	**2,099**	**394,876**	**404,898**	**135.9%**
Dividends	-	66	-	66	91	5.8%
Operating income	**118,746**	**272,669**	**2,125**	**393,540**	**404,813**	**87.2%**
Staff expenses	368	333	69	770	990	-0.8%
General and administrative expenses	-876	-13,700	-	-14,576	-12,849	6.9%
Net adjustments/reversals of property and equipment	-	-6,861	-	-6,861	-6,932	19.8%
Other net operating income	237	27	-481	-217	1,408	-0.2%
Net operating expenses	**-271**	**-20,201**	**-412**	**-20,884**	**-17,383**	**8.4%**
Operating result	**118,475**	**252,468**	**1,713**	**372,656**	**387,430**	**183.4%**
Dividends and income from equity investments	167,783	-	-	167,783	333,550	100.0%
Gains (losses) from equity investments	**-4,001**	**-**	**-39**	**-4,040**	**-**	**100.0%**
Operating profit	**282,257**	**252,468**	**1,674**	**536,399**	**720,980**	**171.5%**
Net profit (loss) for the year	**282,257**	**252,468**	**1,674**	**536,399**	**720,980**	**237.1%**
Net profit (loss) for the year attributable to the Parent Company	**282,257**	**252,468**	**1,674**	**536,399**	**720,980**	**237.1%**

Overall **net interest income** accrued in dealings with members of the Insurance Group was negative at 1.5 million euros overall. By convention, interest income also includes the negative interest expense applied to the deposits of Generali Group companies for most of 2022.
Interest expense amounted to 1.7 million euros, equal to 7.6% of the total amount recognised in the Profit and Loss Account and refers for 1.5 million euros to the interest accrued on the IFRS 16-related liability.

Fee income paid back by companies of the Insurance Group amounted to 274.1 million euros, equal to 37.9% of the aggregate amount, and was broken down as follows:

	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2022	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2021	ABSOLUTE CHANGE	%
Fees for the placement of UCITS	118,700	4,868	-	123,568	124,497	3,160	-	127,657	-4,089	-3.2%
Fees for distribution of insurance products	-	261,372	-	261,372	-	266,309	-	266,309	-4,937	-1.9%
Fees for distribution of discretionary mandates	14	1,135	-	1,149	12	1,036	-	1,048	101	9.6%
Advisory fees	-	6,595	-	6,595	-	7,173	-	7,173	-578	-8.1%
Other banking fees	-	93	2,099	2,192	-	225	2,766	2,991	-799	-26.7%
Total	**118,714**	**274,063**	**2,099**	**394,876**	**124,509**	**277,903**	**2,766**	**405,178**	**-10,302**	**-2.5%**

The most significant component consists of fees for the **distribution of insurance products** paid back by **Genertellife**, reaching 261.4 million euros, slightly down by 1.9% compared to the same period of the previous year.

Fees for the placement of units of UCITS of the Insurance Group were largely related to the fee income on the distribution of GI Focus funds, promoted by Generali Insurance Asset Management S.p.A. SGR.

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2022 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 6.6 million euros.

Other banking fees refer both to SDD collection activity on behalf of Group companies and current account keeping fees.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the Banking and Insurance Group. Such fees are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.
The Bank also directly collects from customers — through the correspondent bank — underwriting fees for the Sicavs promoted by the Group (Lux IM Sicav, BG Selection Sicav, Generali Investments Sicav).

The **net operating expenses** recognised by the Bank in relation to transactions with related parties of the Generali Group amounted to 20.2 million euros, accounting for 8.1% of the aggregate total, and referred to outsourced services in the insurance, leasing, administrative and IT areas.

	BANKING GROUP	GENERALI GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2022	BANKING GROUP	GENERALI GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2021	CHANGE ABSOLUTE	CHANGE %
Insurance services	-	2,850	-	2,850	-	2,634	-	2,634	216	8.2%
Property services	-	401	-	401	-	588	-	588	-187	-31.8%
Administration, IT and logistics services	638	10,422	481	11,541	-445	8,695	-31	8,219	3,322	40.4%
Staff services	-367	-333	-69	-769	-541	-408	-41	-990	221	-22.3%
Depreciation of ROUs (IFRS 16)	-	6,861	-	6,861	-	6,932	-	6,932	-71	-1.0%
Total general and administrative expenses	**271**	**20,201**	**412**	**20,884**	**-986**	**18,441**	**-72**	**17,383**	**3,501**	**20.1%**

Following the introduction of IFRS 16, property services relate solely to additional costs of leases and rentals of motor vehicles and ATMs (former condominium fees, VAT and sundry additional expenses).
Administrative expenses incurred in relation to Generali Italia S.p.A. amounted to 2.8 million euros and mainly refer to insurance services.

Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

The 6.9 million euro value adjustments of property and equipment refers to the amortisation of the IFRS 16-related right of use.

Transactions with other related parties

Exposures in respect of **Key Managers** of the Bank and its parent company Assicurazioni Generali mainly referred to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other Executives of the Banking and Insurance Group.

Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the Banking and Insurance Group.

(€ THOUSAND)	MANAGERS WITH STRATEGIC RESPONSIBILITIES
Loans to customers	10,359
Amounts due to customers	15,588
Other liabilities	32
Interest income	66
Interest expense	-30
Fee income	4
Guarantees issued	45

Transactions with the Banking Group's companies

Within the Banking Group, the exposure to subsidiaries amounted to 57.4 million euros, of which 28.9 million euros refers to the Parent Company's equity investments and 28.4 million euros to operating receivables associated with financial product distribution activity.

Net inflows from Group companies amounted to 50.3 million euros, of which 49.5 million euros referring to balances of current account deposits.

The profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Banking Group amounted to 282.3 million euros overall and primarily consist of:

- negative interest expense and interest expense applied to the deposits of the Luxembourg-based subsidiary BGFML, amounting to 145 thousand euros and 112 thousand euros, respectively;
- fee income given back to the Group's management companies in connection with the distribution of financial products and services by such companies (118.7 million euros);
- dividends distributed by the Luxembourg-based subsidiary BGFML (167.8 million euros).

With respect to the aggregate of operating expenses, the services rendered by the Parent Company to the companies the Banking Group are highly limited and essentially refer to the secondment of staff and the outsourcing of key administrative services. Adjustments of equity investments amounted to approximately 4 million euros, attributable to the write-down of the equity investment in BG Suisse S.A., as mentioned above.

Direction and coordination

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

2021 highlights of Assicurazioni Generali

The highlights of the Parent Company Assicurazioni Generali S.p.A shown above were taken from the company's Financial Statements for the year ended 31 December 2021. These are available together with the Independent Auditors' Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm engaged by Banca Generali.

(€ MILLION)	2021
Net profit	**1,846.9**
Aggregate dividend	1,691.0
Increase	*-26.95%*
Total net premiums	1,999.0
Total gross premiums	3,596.9
Total gross premiums from direct business	768.0
Increase on equivalent terms [(a)]	-
Total gross premiums from indirect business	2,828.9
Increase on equivalent terms [(a)]	-
Acquisition and administration costs	353.9
Expense ratio [(b)]	*17.70%*
Life business	
Life net premiums	1,100.5
Life gross premiums	1,560.0
Increase on equivalent terms [(a)]	-
Life gross premiums from direct business	198.0
Increase on equivalent terms [(a)]	-
Life gross premiums from indirect business	1,362.0
Increase on equivalent terms [(a)]	-
Life acquisition and administration costs	186.4
Expense ratio [(b)]	*16.90%*
Non-life business	
Non-life net premiums	898.5
Non-life gross premiums	2,036.9
Increase on equivalent terms [(a)]	-
Non-life gross premiums from direct business	570.0
Increase on equivalent terms [(a)]	-
Non-life gross premiums from indirect business	1,466.9
Increase on equivalent terms [(a)]	-
Non-life acquisition and administration costs	167.5
Expense ratio [(b)]	*18.60%*
Loss ratio [(c)]	*71.6%*
Combined ratio [(d)]	*90.3%*
Current financial result	**2,742.0**
Technical provisions	7,577.7
Life segment technical provisions	4,458.3
Non-life segment technical provisions	3,119.4
Investments	44,907.6
Capital and reserves	16,074.2

(a) At constant exchange rates.
(b) Ratio of administration cost to total premiums.
(c) Ratio of accrued claims to accrued premiums.
(d) Total (b) + (c).

PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

At 31 December 2022, Banca Generali activated the following payment agreements based on own equity instruments:
- the plans launched with respect to the Banca Generali Group's Remuneration and Incentive Policy, in effect from time to time, which calls for a part of the variable remuneration of Key Personnel to be paid by assigning Banca Generali's own financial instruments;
- the plans launched in service of the Framework Loyalty Programme 2017-2026, approved by the General Shareholders' Meeting on 20 April 2017 and now in its fifth annual cycle (2021-2026), which calls for a maximum of 50% of the indemnity accrued to be paid using own financial instruments;
- the LTI (Long term Incentive) plans for the Banking Group's top management, based on Banca Generali shares, launched in 2018.

Qualitative Information

1. Share-based payment plans linked to the variable components of remuneration based on performance objectives

The Remuneration and Incentive Policy for the Key Personnel of the Banca Generali Group — adopted in compliance with the Supervisory Provisions[21] currently in force — requires a portion of the variable component of remuneration, both current and deferred, to be paid by assigning Banca Generali's own financial instruments, based on the rules annually submitted for approval to the General Shareholders' Meeting.

In addition to Top Managers, who qualify as Managers with Strategic Responsibilities, Key Personnel includes employees with special managerial responsibilities, Financial Advisors who serve as network managers and Financial Advisors whose total remuneration is a particularly high amount.

As of 2022, if the variable component of the Key Personnel's remuneration exceeds 50 thousand euros and one third of ordinary remuneration, at least 40% of it is subject to deferred payment systems for a period of time of no less than four years and will be at least 50% paid in Banca Generali shares according to the following assignment and retention mechanism:
- 60% of the bonus is paid up-front, normally by the first half of the year after that of reference, 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one calendar year;
- 40% of the bonus will be paid according to a linear pro-rated approach and will be further deferred by four years from the payment of the first instalment, 50% in cash and 50% in Banca Generali shares, which will be subject to a retention period of one calendar year.

For Non Top Key Personnel whose variable remuneration is a particularly high amount, the portion subject to deferral is increased to 60%, without prejudice to the payment of 50% of it in Banca Generali shares, whereas for Top Key Personnel the deferral period is increased to five years, with a 56% paid in shares.

Up to 2021, 40% of Key Personnel's variable remuneration, exceeding the threshold of 75 thousand euros, had been subject to deferral but for a period of no less than 2 years, with a 25% paid in Banca Generali shares according to the following assignment and retention mechanism:
- 60% of the bonus was paid up-front during the year after that of reference, 75% in cash and 25% in Banca Generali shares, which were subject to a retention period until the end of the year of assignment;
- 40% of the bonus was paid in two instalments of equal amount and deferred for one year and for two years, respectively, to be paid 75% in cash, and 25% in Banca Generali shares, subject to a retention period until the end of the year of assignment.

In calculating the number of shares to be assigned, a method is applied where:
- the numerator is the portion of variable remuneration subject to payment in shares accrued in relation to the achievement of objectives set for the year in question; and
- the denominator is equal to the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that in which the cycle in question begins.

The payment in shares is executed after the Board of Directors verifies the earnings results for the year in question and is conditional not only upon the achievement of the pre-set objectives[22], but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio, LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and, where appropriate, for the following years of deferral.

[21] Bank of Italy Circular No. 285/2013, "Supervisory Provisions for Banks", Part I, Title IV, Chapter 2, Remuneration and Incentive Policies and Procedures, as updated on 24 November 2021 (37th update).
[22] Provided for by the Management by Objectives (MBO) mechanism or by specific incentive/recruitment plans.

The Banking Group's Remuneration Policies for the reference year together with the authorisation to buy back treasury shares to be used to service them are submitted annually to the General Shareholders' Meeting that approves the previous year's Financial Statements. The resolution authorising the buy-back of treasury shares is also subject to authorisation by the Bank of Italy.

These plan categories also include any other compensation paid in the form of shares related to:
- ordinary sales incentives and recruitment plans for Financial Advisors other than the main network managers and employed sales personnel;
- agreements entered into in view or upon the early termination of the employment or agency relationship, with regard to the beneficiaries falling within the category of Key Personnel.

1.1 Measurement of fair value and accounting treatment

The mechanisms to recognise variable remuneration — discussed in the previous section — are considered as equity-settled share-based payment transactions, falling within the scope of application of IFRS 2 – Share-based Payments.

The accounting treatment set forth for these transactions requires an entity to reflect in its accounts, under the most appropriate items (staff expenses, fee expense), the estimated expense associated with services received, determined on the basis of the fair value of the rights granted (stock options/stock grants), as an offsetting entry to an increase in net equity through allocation to a specific equity reserve.

As the agreements relating to share-based payments based on the above-mentioned plans do not call for an exercise price, they can be considered similar to a stock grant and recognised in compliance with the rules set forth for this category of transactions.
The overall expense regarding said agreements is therefore determined based on the number of shares expected to be assigned, multiplied by the fair value of the Banca Generali stock at the date of assignment.

The fair value of Banca Generali stock at the assignment date is measured based on the market price reported at the date of the General Shareholders' Meeting that is called annually to approve the Remuneration Policy for the year of reference, adjusted to account for the estimate of expected dividends, that will not be received by the beneficiaries during the deferral period.

The recognition through the equity reserve of the value of the plans — determined as described above — is measured *pro-rata temporis*, based on the vesting conditions, i.e., the period between assignment and final maturity of the right to receive the shares, likewise taking into account the probability that exercise conditions will not be realised for all beneficiaries.
Since the plans are organised into different tranches with differentiated vesting periods, each plan is valued separately.

In detail, the vesting period for the first instalment paid up-front assigned after the approval of the Financial Statements for the year of reference lasts from 1 January to 31 December of the year of reference of the remuneration (12 months), The vesting period of the subsequent instalments, whose payment is conditional upon both the continuation of service and the satisfaction of the access gates established on an annual basis, is further extended to 31 December of the year preceding that in which the shares are actually disbursed, according to a graded vesting criteria[23] [24].

However, the number of shares actually granted to beneficiaries may change based on the assessment of satisfaction of the individual objectives.

The IFRS 2 expense relating to any beneficiaries belonging to Banking Group companies other than the parent company Banca Generali is recognised directly by those companies. However, when the treasury shares bought back are actually assigned to them, the Bank charges back to the companies involved an amount corresponding to the fair value of the relevant plans[25].

1.2 Information on the share-based payment plans in connection to the Remuneration Policies

At 31 December 2022, there are three active cycles of share-based plans in connection to the Remuneration Policies relating to 2020, 2021 and 2022, whereas the 2019 cycle ended in the year, with the payment of the second deferred tranche.
Moreover, a limited number of non-standardised entry plans envisaging a longer, multi-year deferment are active.

[23] On the basis of the new Remuneration Policy in effect from 2022, the vesting period of portions of deferred variable remuneration may be extended from 24 to 72 months for Top Key Personnel with a particularly high remuneration.
[24] Since 2018, IFRS 2-related charges regarding ordinary incentives accrued by Financial Advisors and linked to objectives of net inflows or acquisition of new customers, where paid in shares, are expensed over the longer time period of 5 years. In addition, share grants relating to various recruitment plans for Financial Advisors who are included among Key Personnel only after the plan is concluded may be covered by previous provisions for fees.,
[25] They include, in particular, the bonuses paid in shares to Key Personnel and some managers of the subsidiary BGFML and the Key Personnel of BG Valeur.

The main features of the share-based plan, linked to the **2019** Remuneration Policies and approved by the General Shareholders' Meeting on **18 April 2019**, are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 10 December 2018 to 8 March 2019, was determined to be **20.25 euros**;
- the fair value of Banca Generali stock at the assignment date had been equal to the market price (approximately **24.23 euros**) reported on 18 April 2019, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, total shares assigned to the beneficiaries had amounted to **215.3 thousand, for a total fair value of 4.7 million euros**. In 2022, **41.8 thousand shares** referring to the second tranche were assigned and the plan was then terminated.

The main features of the share-based plan, linked to the **2020** Remuneration Policies and approved by the General Shareholders' Meeting on **23 April 2020**, are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 9 December 2019 to 9 March 2020, was determined to be **29.71 euros**;
- the fair value of Banca Generali stock at the assignment date had been equal to the market price (approximately **20.76 euros**) reported on 23 April 2020, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the total shares to be assigned to Key Personnel had amounted to **152.8 thousand**, for a total fair value of approximately **2.8 million euros**.
Shares already assigned to beneficiaries had amounted to 123.3 thousand (up-front amount and first tranche subject to deferral), of which 28.8 thousand disbursed in 2022.
The remaining shares to be assigned amounted to 26,9 thousand, which will become payable in the first half of 2023.

The main features of the share-based plan, linked to the **2021** Remuneration Policies and approved by the General Shareholders' Meeting on **22 April 2021**, are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period from 7 December 2020 to 5 March 2021, had been determined to be **27.58 euros**;
- the fair value of Banca Generali stock at the assignment date had been equal to the market price (approximately **30.69 euros**) reported on 22 April 2021, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the total shares to be assigned to Key Personnel had amounted to 191.8 thousand, for a total fair value of approximately **2.8 million euros**.
In 2022, **111.5 thousand shares**, referring to the up-front portion, were paid to the beneficiaries.
Shares still to be assigned amounted to 76 thousand and refer to the two tranches subject to deferral that will become payable in 2023 and 2024.

The main features of the share-based plan, linked to the **2022** Remuneration Policies and approved by the General Shareholders' Meeting on **21 April 2022**, are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 9 December 2021 to 9 March 2022, was determined to be **36.0 euros**;
- the fair value of Banca Generali stock at the assignment date had been equal to the market price (approximately **32.35 euros**) reported on 21 April 2022, subsequently adjusted to account for the loss of dividends expected in the longer deferral period.

In respect of the assessment of the achievement by Key Personnel of the objectives set for 2022, it was estimated that the portion of variable remuneration subject to share-based payment amounted to approximately **268.7 thousand shares**, for a total plan fair value of **7.4 million euros**.
This amount also includes an estimate of the shares in the process of accruing, which at 31 December 2022 amounted to 36 thousand and can be allotted to Key Personnel within the sales network (Financial Advisors and Relationship Managers) under the 2022-2024 three-year Incentive Plan launched by the Bank in 2022.

Other plans

There are other share-based plans, activated within the framework of the Remuneration Policies in force at the time, which call for periods of long-term deferral greater than those in effect when the plans were activated or for vesting periods not in line with those envisaged in the Remuneration Policies.
In relation to such plans, the shares to be assigned to Key Personnel are estimated at a total of 35.3 thousand, corresponding to a fair value of 0.9 million euros, of which 18.8 thousand shares already allotted to the beneficiaries.

These plans include, in particular:

- a recruitment plan launched in 2016 that envisages the assignment of ten annual variable instalments to be paid from 2016 to 2025, also conditional upon deferral and payment in shares according to the Remuneration Policy in force from time to time. Accordingly, the plan's last instalment shall be paid in 2028;

› a recruitment plan launched in 2020 that envisages the assignment of twelve annual variable instalments to be paid from 2020 to 2031, also conditional upon deferral and payment in shares according to the Remuneration Policy in force from time to time. Accordingly, the plan's last instalment shall be paid in 2033.

In both cases, the granting of the bonus is also subject to the maintenance of the net inflow targets initially achieved, in addition to the continuation of service.

Quantitative information

In the reporting year, on the basis of the achievement of the performance objectives set out in the 2019, 2020 and 2021 Remuneration Policy, **187,824** treasury shares were granted to company managers and network managers, of which **155,341** shares assigned to Area Managers and Financial Advisors, **27,36**4 shares allotted to employees, and **5,119** shares to other beneficiaries of Banking Group companies.

In particular, the shares assigned for 2019 and 2020 related, respectively, to the first and second tranches deferred by one year (20%), whereas the shares assigned for 2021 related to the up-front amount (60%); a residual amount of shares were granted under previous years' plans with different deferral mechanisms.

(THOUSANDS OF SHARES)	DEFERRAL	DATE OF SHARE-HOLDERS' MEETING	BANK OF ITALY'S AUTHO-RISATION	ASSIGN-MENT PRICE	WEIGHTED AVERAGE FV	TOTAL SHARES (/000)	SHARES ALREADY ASSIGNED (/000)	OF WHICH ASSIGNED IN 2022	SHARES TO BE ASSIGNED (/000)	FAIR VALUE (€ MILLION)	IFRS 2 RESERVE (€ MILLION)
Year 2019	2020-2022	18.04.2019	21.06.2019	20.25	21.80	215.3	-215.3	-41.8	0.0	4.7	0.0
Year 2020	2021-2023	23.04.2020	16.07.2020	29.71	18.07	152.8	-123.3	-28.8	29.5	2.8	0.5
Year 2021	2022-2024	22.04.2021	01.07.2021	27.58	26.36	191.8	-111.5	-111.5	80.3	5.1	1.7
Year 2022	2022-2027	22.04.2022	01.07.2022	36.00	28.38	232.3	-	-	232.3	6.6	4.9
Year 2022 three-year incentives	2022-2028	22.04.2022	01.07.2022	36.00	21.61	36.4	-	-	36.4	0.8	0.2
Other long-term plans	-	-	-	-	25.32	35.3	-18.8	-5.6	16.5	0.9	0.3
Total	**-**	**-**	**-**	**-**	**-**	**864.0**	**-469.0**	**-187.8**	**395.0**	**20.8**	**7.5**

2. Framework Loyalty Programme for the Sales Network 2017-2026

The 2017-2026 Framework Loyalty Programme for the Network was approved by the Board of Directors on 21 March 2017 and ratified by the General Shareholders' Meeting on 20 April 2017.

The Framework Loyalty Programme is divided into eight annual individual plans, all set to expire on 31 December 2026 and of decreasing lengths, to be activated following prior authorisation by the General Shareholders' Meeting of Banca Generali.
The indemnities accrued over the term of the Programme will be, in any event, paid out in one tranche, within 60 days from the General Shareholders' Meeting called to approve the 2026 Financial Statements.

For each plan, a portion of the accrued indemnity may be paid out in Banca Generali shares (up to a maximum of 50%), following an assessment of the potential effects at the level of capital ratios and floating capital by the corporate bodies (Board of Directors and General Shareholders' Meeting).

Participation in each of the plans envisaged by the Programme is reserved for Financial Advisors and Relationship Managers who have at least five years of company seniority by 31 December of the financial year before the reference year for each Plan.

To be eligible to access the benefits of the plans activated it is necessary:
› to achieve at the end of the reference year a minimum volume of total AUM and qualified AUM increasing over time and with non-negative net inflows (vesting condition);
› to be regularly employed and not in a notice period on the disbursement date, except when the termination of employment is caused by death or permanent incapacity, retirement or withdrawal from the relationship by Banca Generali not for cause (condition of service).

In the event of death, the indemnities accrued are understood to be permanently acquired, but are payable to the heirs under the same conditions specified for the other beneficiaries.

In addition, the accrued indemnity is commensurate for each individual plan with a rate for verified AUM and is differentiated according to the type of person (Financial Advisor/RM) and service seniority until a cap is reached.
Recognition of the indemnities on the disbursement date is also subject to the Banking Group's access gates being exceeded as defined in the Remuneration Policies applicable from time to time and the rules of propriety.

The number of Banca Generali shares due is determined in the same way as for the share-based payment plans connected with the Remuneration Policies, namely based on the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that of the annual plan of reference.

2.1 Measurement of fair value and accounting treatment

Without prejudice to the accounting framework already analysed in point 1.1 above, set out below are the specific details of the share-based payment plans that can be activated as part of the Loyalty Programme.

The fair value of the Banca Generali share for plan valuation purposes is determined starting from the market stock price reported on the date of the General Shareholders' Meeting that approves their activation, adjusted to take account of the estimate of expected dividends that the Bank will distribute along all the time horizon, decreasing for each successive plan, running up to the date the shares are actually assigned.

The plans' impact on the profit and loss account is measured *pro-rata temporis* based on the vesting period, which decreases for each successive plan, i.e., the period between the year of reference and final maturity of the right to receive the shares, taking into account the probability that the vesting conditions for the year will not be realised for all beneficiaries.

2.2 Information on the share-based payment plans linked to the Framework Loyalty Programme

For all the annual plans launched up to the reporting date, 50% of the indemnity accrued can be paid out in shares.
The accrued indemnity value was determined based on the AUM of the plan's potential beneficiaries at end of the year of reference, whilst the number of financial instruments that can be assigned was determined based on the same reference value as the Banca Generali stock applied for the Remuneration Policies in force in the respective years.

Overall, the total number of shares, either assigned or in the process of accruing, in service of the five plans amounted to about 1,415 thousand (1,336 thousand net of the estimated turnover), for a total value of 20.2 million euros, of which 8.2 million euros already recognised through profit and loss.

	MAXIMUM NO. OF SHARES	NO. OF SHARES NET OF THE ESTIMATED TURNOVER	PLAN'S FAIR VALUE	IFRS 2 RESERVE	2022 EXPENSE
	THOUSANDS OF SHARES		€ MILLION		
2017-2026 Plan	204	193	2.4	1.4	0.3
2018-2026 Plan	162	153	2.3	1.2	0.3
2019-2026 Plan	334	315	4.4	2.1	0.6
2020-2026 Plan	278	263	2.7	1.1	0.4
2021-2026 Plan	437	412	8.4	2.5	1.3
Total	**1,415**	**1,336**	**20.2**	**8.2**	**2.8**

3. Long Term Incentive (LTI) plans

The Long Term Incentive (LTI) Plan, based exclusively on Banca Generali S.p.A. shares, is governed by Banca Generali's Remuneration Policies for Key Personnel and is approved annually by the Shareholders' Meeting of the Bank[26].
The plan aims at increasing the value of Banca Generali shares, by further strengthening the link between the remuneration of beneficiaries and the performance of the Banking Group, without prejudice to the consistency required with the expected results set forth in the Insurance Group's strategic plan.

This incentive instrument was introduced in 2018 to replace an incentive of a similar nature activated annually by the parent company, Assicurazioni Generali, for an extensive group of Key Managers of the Insurance Group and based on the assignment of shares of the Assicurazioni Generali.

Within this framework, the performance objectives envisaged by the plans assign a weight of 80% to the Banking Group's objectives and 20% to the Insurance Group's objectives.

The performance indicators identified, to which various weights are assigned, may vary year by year and present the following characteristics:
› Banking Group's objectives (80%): tROE and adjusted EVA, ESG AUM ratio;
› Insurance Group's objectives (20%): ROE (Return on Equity), rTSR (relative Total Shareholders' Return compared to a peer group), Net cash flows, sustainability indicators.

The main characteristics of the plans approved as of 2020 are:
› the maximum number of the shares to be granted is determined at the beginning of the period of reference using a multiplier of the beneficiary's current remuneration;

26 For further details on the Plan, reference should be made to the Report on Remuneration Policy and Compensations Paid approved annually by the Shareholders' Meeting and published on the Bank's website.

- each year, it is determined that the access gate conditions of the Banking Group and of the Insurance Group have been met with regard to the specific year of the plan and the attainment of the targets set at the beginning of the three-year period is assessed;
- at the end of the three years, once it has been determined that the access gates have been exceeded, the overall level of achievement of the objectives set at the beginning of the three years is assessed on the basis of the average annual results achieved in order to determine the actual number of shares due;
- the total shares accrued are then disbursed to the plan beneficiaries, provided that there is still a work relationship between the beneficiary and a Banking Group company (service condition), through the free allotment of ordinary treasury shares bought back on the market (stock granting), in two tranches:
  - 50% of the shares is assigned immediately, subject to a further retention period of one year;
  - the remaining 50% is subject to a deferral of two additional years, without prejudice to a retention period of an additional year;
- the plan does not include dividend equivalent mechanisms, in accordance with the law and common practice in the banking sector;
- the plans envisage the customary malus and claw-back clauses.

The level of achievement of objectives, expressed in percent terms, is determined separately for each basket, consisting in an indicator and the weight assigned to it, using the linear interpolation method on the basis of the reference levels set at the outset of the plan (minimum, target and maximum)[27].
Here below is a presentation of the performance indicators defined for the plans activated up to now.

3.1 Measurement of fair value and accounting treatment

Without prejudice to the accounting framework already analysed in point 1.1 above, set out below are the specific details of the share-based payment plans that can be activated as part of the LTI plans launched by Banca Generali.

The number of shares due shall be valued separately for each plan year and for each of the weighted baskets linked to the objectives of the Banking Group and the Insurance Group.

In particular, baskets tied to the performance indicator formed by the Insurance Group's rTSR contain a market condition, whereas the other baskets are based on achievement of performance conditions.

	WEIGHT OF BANKING/ INSURANCE GROUP'S KPIS	BANKING GROUP'S ACCESS GATES	INSURANCE GROUP'S ACCESS GATES	BANKING GROUP'S OBJECTIVES	INSURANCE GROUP'S OBJECTIVES
2018 LTI	80%-20%	Total Capital Ratio (TCR) Liquidity Coverage Ratio (LCR) (*)	Regulatory Solvency ratio	1. tROE, 2. EVA	1. Operating ROE, 2. rTSR
2019 LTI	80%-20%			1. tROE, 2. Recurring net Profit (b), 3. adjusted EVA	1.Net average ROE, 2. EPS growth 3.rTSR
2020 LTI	80%-20%			1. tROE, 2. adjusted EVA	1. Net Holding cash flow, 2. rTSR
2021 LTI	80%-20%			1. tROE, 2. adjusted EVA, 3. AUM ESG (g)	1. Net holding cash flow, 2. rTSR 3. Sustainability indicators (MSCI ESG rating and S&P Global Corporate Sustainability Assessment Percentile)
2022 LTI	80%-20%			1. tROE, 2. adjusted EVA, 3. AUM ESG (g)	1. Net holding cash flow, 2. rTSR 3. Sustainability indicators (MSCI ESG rating and S&P Global Corporate Sustainability Assessment Percentile)

a) tROE (tangible – Return on equity): the ratio of net profit and average net equity, excluding net profit for the year, intangible assets and, for the 2018 Plan, the OCI component.
b) Adjusted EVA: recurring income, net profit less the following one-off components: gains/losses on the proprietary securities portfolio, performance fees, one-off component of the contributions to the FITD/BRRD bank rescue funds and the income and costs related to the extraordinary transactions completed during that period.
c) Adjusted EVA – Embedded value added: an indicator that expresses the value creation as the difference between recurring net profit (as defined above) and the cost of capital (Ke * average absorbed capital).
d) Net ROE (return on equity): ratio of consolidated net result and IFRS consolidated net equity of the Generali Group (excluding item "Other Comprehensive Income").
e) Earnings Per Share Growth: the percentage change (compound average) of the EPS of Generali stock with reference to the net result normalised by gains/losses on disposal.
f) rTSR – relative Total Shareholder Return: the total return on shareholder investment, calculated as the change in the market price of the Generali Group's shares, in which distributions or dividends reinvested in the shares are included, as compared to a peer group of competitor included in the STOXX Euro Insurance index.
g) Assets Under Management (AUM) of retail funds and insurance and financial underlying with ESG (Environmental, Social e Governance) rating by an external provider. The parameter is applied as a multiplier from 0.8 to 1.2 based on the period-end volume of the ESG component of AUM (in a range of 8%-13% of the AUM of reference).
h) Net Holding cash flow (Generali Group): net cash flows available at the level of the parent company in a given period, after holding expenses and interest expense. Its main components, from a cash perspective, are: remittances from subsidiaries; the result of centralised reinsurance; interest on borrowings; and expenses and taxes paid or reimbursed at the level of the Parent Company.
(*) In detail, the 2022 banking access gates are TCR >=13% and LCR >=130%, whereas the insurance access gate is TRR >150%.

[27] In particular, the maximum performance level is associated with a percentage of 175%.

Market conditions are assessed solely at the assignment date on the basis of a statistical model that estimates the probable future positioning of the rTSR for Generali shares compared to a peer group identified by the STOXX Euro Insurance Index for each plan year. The fair value of the rights associated with this plan component is thus determined by multiplying the fair value of a Banca Generali share at the assignment date by the level of achievement of the objective associated with the resulting positioning.

Baskets associated with the achievement of performance conditions are assessed on the basis of the fair value of a Banca Generali share and the number of shares potentially assignable.

In this case as well, the fair value of the Banca Generali share used for evaluating the plan is determined starting from the market stock price reported on the date of the General Shareholders' Meeting that approves their activation, adjusted to take account of the estimate of expected dividends that the Bank will distribute along all the time horizon, running up to the date the shares are actually assigned.

The total cost of the LTI plans is therefore equal to the sum of the cost calculated for each basket on the basis of the fair value of the rights assigned, determined according to the above methods, multiplied by the number of shares that may potentially be granted in respect of the level of achievement of the performance condition, the market condition, the likelihood that the service condition will be met and the achievement of the minimum eligibility threshold.

The recognition through the equity reserve of the value of the plans — determined as described above — is measured *pro-rata temporis*, based on the vesting conditions, i.e., the period between assignment and final maturity of the right to receive the shares, likewise taking into account the probability that exercise conditions will not be realised for all beneficiaries.
In particular, for plans activated from 2020 onwards, the vesting period of the first tranche is three years from the year of its approval to the end of the final year of the three years of reference, whereas the vesting period of the second tranche extends to the end of the year before that of the actual assignment of the shares (five years).

3.2 Information on the LTI (Long Term Incentive Plan) share-based payment plans

In 2022, the shares relating to the first 2019-2021 LTI Plan were assigned. In detail, based on the objectives reached, a total of 119,648 shares were assigned out of a maximum number of shares that could be assigned of 129,650 shares.
The overall value for the 2019 LTI Plan was 2.3 million euros, entirely recognised in the profit and loss account in the three-year vesting period.

Overall, the total number of shares in the process of accruing for the three plans amounted to about 316 thousand, for a total value of 6.0 million euros, of which 2.9 million euros already recognised through profit or loss (3.7 million euros for 2021).

(THOUSANDS OF SHARES)	MAX NO. OF SHARES (THOUSANDS OF SHARES)	PLAN'S FAIR VALUE (€ MILLION)	IFRS 2 RESERVE (€ MILLION)
Plans ended			
2018-2020 Plan (2021 allotments)	82.7	1.8	1.8
2019-2021 Plan (2022 allotments)	129.7	2.3	2.3
Vesting plans			
2020-2022 Plan (2023-2025 allotments)	90.4	1.2	1.0
2021-2023 Plan (2024-2026 allotments)	123.4	2.5	1.3
2022-2024 Plan (2025-2027 allotments)	102.3	2.2	0.6
Total plans underway	**316.1**	**6.0**	**2.9**

Quantitative Information

The value of treasury shares assigned during the year was 9.0 million euros, against IFRS 2 reserves totalling 6.9 million euros, with a negative net effect on the share premium reserve of about 2.1 million euros.
New provisions have also been made to the reserve totalling 11.3 million euros.

At 31 December 2022, total IFRS 2 reserves allocated therefore amounted to 18.4 million euros, of which:
- 7.3 million euros in relation to the Remuneration Policies;
- 8.2 million euros in relation to the Loyalty Framework Programme;
- 2.9 million euros in relation to the Long Term Incentive Plan of Banca Generali.

PART M – INFORMATION ON LEASES

Section 1 – Lessee

Qualitative information

With regard to qualitative information required pursuant to paragraphs 59 and 60 of IFRS 16, reference should be made to Part A, namely Part A.2 – Main Financial Statements Aggregates, Section 15 – Other information of these Notes and Comments.

Quantitative information

As regards quantitative information, reference should be made to the details given in these Notes and Comments, and in particular:

› Rights of use acquired through leases in Part B, Section 8 – Property and equipment – Item 80, Table 8.1 Breakdown of operating property and equipment: assets measured at cost;
› Lease debts in Part B, Section 1 – Financial liabilities measured at amortised cost – Item 10, Table 1.6 Lease debts;
› Interest expense on lease liabilities/debts in Part C, Section 1 – Interests – Items 10 and 20, Table 1.3 Breakdown of interest expense and similar charges;
› Other costs associated with rights of use acquired through leases in Part C, Section 10 – General and administrative expenses – Item 160, Table 10.5 Breakdown of other general and administrative expenses;
› Depreciation of rights of use acquired through leases in Part C, Section 12 – Net adjustments/reversals of property and equipment – Item 180, Table 12.1 Breakdown of net adjustments of property and equipment.

Trieste, 8 March 2023

The Board of Directors

Independent Auditors' Report on the Financial Statements

Report of the Board of Statutory Auditors

pursuant to Article 153 of Legislative Decree No. 58/98.

Shareholders,

The Board of Statutory Auditors (the "**Board**") is required to report to the General Shareholders' Meeting of Banca Generali S.p.A. (hereinafter also "**Banca Generali**", the "**Bank**" or the "**Company**"), convened, inter alia, to approve the Financial Statements for the year ended 31 December 2022, on the supervisory activity performed and any omissions and censurable facts identified, pursuant to Article 153 of Legislative Decree No. 58/1998 ("**TUF**"). This activity was carried out in accordance with the code of conduct recommended by the Roll of Certified Public Accountants and Commercial Experts, while also taking account of the provisions issued by Consob and the Bank of Italy, the instructions set out in the Corporate Governance Code and the provisions of Article 19 of Legislative Decree No. 39/10. The following information also takes account of the Consob recommendations contained in Communication No. 1025564/2001.
It bears recalling that on 22 April 2021 the General Shareholders' Meeting of Banca Generali had appointed this Board of Statutory Auditors until the approval of the Financial Statements for the year ending 31 December 2023, in the persons of Natale Freddi (Chairman), Flavia Daunia Minutillo and Mario Francesco Anaclerio (Acting Auditors). The Board of Directors also granted the Board of Statutory Auditors the functions attributed to the Supervisory Board pursuant to Article 6 of Legislative Decree No. 231/2001 on that same date.
During the year, the Board of Statutory Auditors met 20 times. It also took part in 19 meetings of the Board of Directors, 15 meetings of the Internal Audit and Risks Committee, 9 meetings of the Remuneration Committee, 8 meetings of the Nomination, Governance and Sustainability Committee and 9 meetings of the Credit Committee. The Board of Statutory Auditors also took part in the induction programme for members of the Bank's corporate bodies.

1. Supervisory activity concerning compliance with the law and Articles of Association

The Board of Statutory Auditors periodically obtained information from the Directors — including by participating in the meetings of the Board of Directors and its Board Committees — regarding the activity carried out and management acts undertaken. On the basis of the information available, it may reasonably confirm that those activities and acts were implemented in compliance with the law and the Articles of Association.
The material events during the year that the Board of Statutory Auditors deems appropriate for mention in light of their importance include:

- the resilience of the 2022-2024 Strategic Plan, which — despite the turbulence and uncertainties of 2022 — remained in line with the targets disclosed to the market on the 2022 Investor Day;
- the setting up of the organisational structure of the subsidiary BG Suisse SA, incorporated in 2021, with a view to starting operations after obtaining the banking licence from the Swiss supervisory authority, expected in 2023;
- the completion of the Bank of Italy's assessment, which focused, inter alia, on the efficiency of the governance arrangement of the Bank and the Group, as well as on their risk management and control systems;
- the settlement of the transfer pricing tax dispute for the 2014-2019 tax periods through the framework agreement signed with the Italian Tax Authority, Regional Direction of Friuli-Venezia Giulia;

It should also be noted that, at 31 December 2022, CET1 ratio was 15.6% and Total Capital Ratio (TCR) was 16.7%, compared to the SREP minimum requirement of 8% and 12.3%, respectively. The main information on capital adequacy, risk exposure and the general characteristics of the systems implemented to identify, measure and manage said risks are illustrated in the Pillar 3 disclosures prepared pursuant to Part VIII of Regulation (EU) No. 575/2013.
With regard to the Russia-Ukraine conflict, it bears noting that Banca Generali is not exposed to the countries involved in the conflict, either with its own securities portfolio, or with the customer loans portfolio. In addition, the exposure of the Bank's clients is also quite limited.
With regard to relations with the supervisory authorities, the Board of Statutory Auditors was updated by the responsible company functions regarding the requests and inquiries made and the responses given. In turn, when requested, it provided responses to the above Authorities on specific topics relating to the reports received and the audits carried out by the Board of Statutory Auditors.

2. Supervisory activity concerning compliance with the principles of sound management

The Board of Statutory Auditors acknowledged and supervised the compliance with the principles of sound management by obtaining information from the Heads of the competent Control Functions and the Manager in Charge of preparing the Company's financial reports, as well as from meetings with the Independent Auditors as part of the mutual exchange of relevant data and information. It also met on several occasions during the year with the Chief Executive Officer and the Deputy General Managers to obtain information regarding operating performance, the internal control system and main company risks. During such meetings, the Board of Statutory Auditors observed the regular, constant flow of information from the main corporate operating functions and, in the case of the Board of Directors, its constant updating.
The Board of Statutory Auditors may therefore reasonably state that the transactions carried out are inspired by the principles

of sound management, and that management decisions were made on the basis of adequate flows of information and awareness of their risk level.
In particular, as regard the most significant economic, financial and equity transactions implemented by the Bank, subject to supervisory activity, the Board of Statutory Auditors may reasonably confirm that they were implemented in compliance with the law and the Articles of Association and were not manifestly imprudent, risky, in conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets. The transactions in which Directors had an interest were approved in accordance with the law, regulations and Articles of Association. As part of the information provided on the preparation of the annual and half-yearly financial statements, the information pursuant to Article 150 of TUF was provided by the Chief Executive Officer and also by the Manager in charge of preparing the Company's financial reports.
In addition, the Board of Statutory Auditors determined that there had been no atypical and/or unusual transactions with companies of the Banca Generali Group (the "**Group**"), third parties or related parties, i.e., transactions that, in view of their characteristics, may give rise to doubts as to the correctness/completeness of the information in the financial statements, conflict of interest, integrity of company assets and the protection of minority shareholders.
No critical issues came to light from the meetings held with the Chairman of the Board of Statutory Auditors of Generfid S.p.A. and the control bodies of BG Fund Management Luxembourg S.A. and BG Valuer S.A. or from the examination of the Directors' reports included in the financial statements. Moreover, at such meetings, no issues were reported relating to the activities carried out, where required, in our capacity as Supervisory Body pursuant to Legislative Decree No. 231/2001.

3. Supervisory activity concerning adequacy of the organisational structure

The Board of Statutory Auditors supervised the adequacy of the Bank's organisational structure by holding meetings with the Bank's operating functions, and in particular with the COO & Innovation Area and the Organisation Department, in order to verify the adequacy of the company structure, system of delegated powers, internal control and risk management system and information flows.

The Bank's organisational structure did not change substantially during the year, although the process of rationalising some of its internal structures continued. With regard to the operating structures, worth of mention is the setting up of:
- the Blockchain Transformation OU within the Innovation Department;
- the new Digital Platform Department focused on managing the Network and Customer Front End (previously divided among the WM Area and the Products Department);
- the new Digital Marketing structure, whose mission is to coordinate, in a unified manner, the implementation of all promotional and communication activities on digital channels.

With regard to the organisational changes made within the control functions, worth of mention are:
- the alignment of the Anti-Financial Crime Function with the new tasks identified by the EBA with respect to the Banking Group subsidiaries and with the reporting activities required by the Assicurazioni Generali Group Anti-Financial Crime;
- the setting up of the new AFC Coordination & Controls OU, whose mission is to coordinate relations with the subsidiaries and Assicurazioni Generali, in addition to preparing the function's reports.

The Board of Statutory Auditors also supervised the proper performance of the management and coordination activities carried out by the Bank as Parent Company and has no observations to make in this regard.

In fact, the Parent Company performs its steering and governance tasks and provides support to its subsidiaries, in accordance with the Consolidated Law on Banking (TUB), supervisory regulations and Group regulations, adopting risk management procedures and internal control mechanisms that ensure coordinated, unified management of the various Group companies in order to:
- ensure satisfaction of the requirements imposed by supervisory regulations at Group level;
- safeguard the profitability and value of the equity investments of the Parent Company and all its subsidiaries;
- avoid any harm to the integrity of the assets of each Group entity by also providing instructions through specific instruments, such as Group regulations and policies on specific subjects.

The Board of Statutory Auditors supervised the adequacy of the instructions provided by the Company to its subsidiaries pursuant to Article 114, paragraph 2, of TUF.
In addition, the Bank continued to keep up to date the measures adopted in the previous year to manage the Covid-19 emergency and in this context ensured security safeguards for access to offices and rules of conduct to protect health. As of 1 April 2022, following the end of the health emergency, the Bank gradually implemented plans for returning to the office according to a hybrid mode, so as to better support the new work model.

4. Corporate governance

The Board of Statutory Auditors assessed the methods whereby the Borsa Italiana's Corporate Governance Code adopted by the Bank was implemented, according to the terms illustrated in the "2022 Report on Corporate Governance and Ownership Structures" (the "**Corporate Governance Report**"). It bears noting that the company bodies also acknowledged the latest recommendations formulated in the letter from the Chairperson of the Corporate Governance Committee of 25 January 2023, as well as of the "Guidelines on the composition and functioning of the Board of Directors in the LSIs" published on 29 November 2022 by the Bank of Italy.

In line with the legislation of reference, Banca Generali's Board of Directors, with support from the external professional Egon Zehnder — appointed as independent expert for the entire three years of the term — launched the Board Review 2022, i.e., the annual self-assessment on the functioning of the Board and Board Committees, as well as of their size and composition. The Board Review involved the participation of all Directors in office and the Chairman of the Board of Statutory Auditors (who shared the self-assessment exercise with the two other Acting Auditors). The Board of Statutory Auditors also performed the 2022 annual self-assessment to evaluate its functioning, size and composition. The results of the two assessments are reported in detail in the Corporate Governance Report.
Furthermore, during the year the Board of Statutory Auditors verified that the Statutory Auditors met the relevant requirements in accordance with the MEF Decree No. 169 of 23 November 2020, as well as, in general, with the applicable legal, regulatory and self-regulatory provisions in force.
In detail, pursuant to Article 23 of the MEF Decree, the Board of Statutory Auditors conducted new specific assessments of the continuing satisfaction of eligibility requirements and criteria, including that of independence, by its members, where supervening events might have affected possession of such requisites. Most recently, on 7 March 2023, pursuant to recommendation 9 of the Corporate Governance Code, the annual verification of the independence requirements and the prohibition of interlocking was carried out. In conclusion, all Statutory Auditors were found to be independent under the provisions of TUF, the MEF Decree and the Corporate Governance Code.
Additionally, during the year the Board of Statutory Auditors verified the proper application of the assessment criteria and procedures adopted by the Board of Directors to assess possession of the fit and proper requirements of its members, pursuant to applicable legislation.

5. Supervisory activity concerning transactions with related and connected parties

The Board of Statutory Auditors supervised the compliance with applicable legislation of the Procedure for Related Party and Connected Party Transactions adopted by the Bank (as most recently updated on 22 June 2021 to reflect the changes in the legislative framework of reference) and its proper application, participating in all the meetings of the Internal Audit and Risk Committee — which also functions as the Committee for the preliminary review of transactions with related and connected parties and is tasked with issuing the related opinions required by applicable legislation — set up in accordance with the relevant procedure, periodically receiving and analysing information regarding the transactions performed. The Board of Statutory Auditors has no record of related and connected party transactions undertaken in conflict with the Company's interest.
No "transactions of greater importance" were undertaken with related parties during the year. However, transactions qualifying as "moderately significant transactions" were undertaken with related parties, as illustrated in detail in the Report on Operations, in addition to "ordinary or recurring transactions" effected at arm's length, the effects of which are analysed in the dedicated section of Notes and Comments.
The Board of Statutory Auditors verified that in the Report on Operations and the Notes and Comments the Board of Directors provided adequate disclosure of transactions with related and connected parties and intragroup transactions in light of applicable legislation.
Following a review of the activity carried out by the various functions involved in related party procedures and discussions with the Internal Audit Function, the Board of Statutory Auditors believes that transactions with related and connected parties are adequately supervised and, to the best of its knowledge, that the procedure has been properly applied.

6. Supervisory activity concerning the internal control and risk management system

The Board of Statutory Auditors supervised the adequacy of the internal control and risk management system through:

- meetings with the Bank's top managers, the purpose of which included examining the internal control and risk management system;
- periodic meetings with the Heads of the Internal Audit, Compliance and Anti-Money Laundering, and Risk and Capital Adequacy Functions (hereinafter the "**Control Functions**") in order to assess the methods of planning of the work, based on identifying and assessing the main risks present in processes and organisational units;
- examination of periodic reports (Tableaux de Bord) of the Control Functions and periodic information on the results of monitoring of the implementation of the corrective actions identified;
- acquisition of information from the Heads of other Company Functions;
- meetings with the control bodies of the main subsidiaries pursuant to paragraphs 1 and 2 of Article 151 of TUF during which the Board of Statutory Auditors obtained information on the matters deemed material, affecting Group companies and the internal control system;
- discussion of the results of the Independent Auditors' work;
- participation in the proceedings of the Internal Audit and Risks Committee, acquiring information on the criticalities considered of particular interest to the Board of Statutory Auditors' activity.

It also acknowledged the assessment of the internal control system by the Board of Directors, which was deemed mostly adequate, also in light of the Internal Audit and Risks Committee's opinion.
Banca Generali has long adopted an internal control system policy that identifies the bodies and functions involved in the definition of the internal control system, the methods and tools for identifying and assessing risks, coordination between control functions, the Banking Group's internal control system and reports and flows of information. The system is structured on three levels: the first level performs line controls aimed at ensuring the proper performance of transactions; the second level concerns the monitoring of risks and compliance; and the third is aimed at identifying breaches of procedures and internal regulations.

With reference to the first-tier controls, Banca Generali has operational procedures in place (process flows) that relate to all activities carried out and identify the activities, roles, tools and line controls according to the company process tree.
These procedures are constantly updated by the Organisation Department to bring them into line with changes in regulations, internal rules, the organisational structure and operating methods and to incorporate the suggestions for improvement that emerge from the activities performed by the Control Functions. With regard to the second- and third-tier checks, the Board of Statutory Auditors engaged in constant dialogue with the Control Functions in carrying out its activities. The control system, in addition to the business functions and control functions, involves other company functions, such as the Head of the Security and Business Continuity Plan Service, who acts as the Chief Security Officer (CSO) and whose roles also include that of Chief Information Security Officer (CISO) of the Bank, and the Supervisory Body of the Parent Company pursuant to Legislative Decree No. 231/2001; the latter's activity is described in a subsequent chapter.
The Control Functions submit periodic reports to the Board of Directors and the Board of Statutory Auditors on the activities performed and their main observations. Each quarter, Tableaux de Bord are presented; these are informational documents that provide an update on the risks and state of progress of the annual plan of each Function. At the end of the year, as required by the law, the Functions submit an annual Report, which in addition to underscoring the work done during the year, conclude with a concise assessment of the adequacy of the internal control system with regard to matters within their purview. The Board of Statutory Auditors acknowledges that the annual reports of the Control Functions conclude with a mostly adequate opinion of the structure of the Company's internal control system.
The final report on the Internal Audit Function's activity during the year indicates that all activities planned had been concluded at the date of this report. No significant critical issues emerged from this activity. However, the control activities performed (including at Group level) identified a need for the competent Company Functions to implement remedial actions to mitigate the risks inherent in some processes and operating practices, typical of all banking business, without jeopardising the reliability of the Internal Control System as a whole, which is thus confirmed to be mostly adequate. However, there are some areas for improvement with regard to the outsourcing of trading processes, the management of functional relationships of some subsidiaries with the Parent Company and the updating of some regulations regarding the IT Department.
Interaction between the Board of Statutory Auditors and the Internal Audit Function is constant over the year, as the Function takes part in most meetings of the Board of Statutory Auditors. In any case, the Function informs the Board of Statutory Auditors promptly of any issues or areas of concerns emerged from its activities.
Upon the conclusion of the Compliance Function's activities carried out in the year, of both an ex-ante nature (ex-ante risk assessment, participation in projects and consulting support) and an ex-post nature (audits of compliance, processes and monitoring of the compliance control measures set out in the annual plan, which were all concluded, and monitoring of the state of progress of the regularisation measures established in the ex-post audits conducted), the Function found an overall medium-low exposure to non-compliance risk with regard to the overall design and effective operational development of company processes, reiterating the need to ensure constant oversight of processes deemed to be at greatest risk of non-compliance, such as investment advisory processes and the management of portfolios and new product development. The Function confirms the need for constantly and thoroughly monitoring the scheduling of remedial actions.
The Compliance Function also supported the Data Protection Officer with the activities set out in the GDPR and the external and internal data protection regulations in effect from time to time.
With regard to control activity relating to the distribution network, there continues to be a need to keep high levels of supervision, in addition to further reinforcing them to pursue constant improvement in the efficient monitoring of various risk elements that may lead to behaviour of Financial Advisors not compliant with the law and result in economic impacts on the company. In this regard, worth of mention is the strengthening of the control measures that the Bank adopted for collecting orders.
With reference to complaints — relating to both investors and consumers — each quarter the Function presents a report stating the number of complaints, those that resulted in litigation and reimbursements paid by the Bank during the period. Overall, in 2022 complaints increased on the previous period due to massive phishing phenomena, the recent complaints received from the former customers of Binck Bank, whose retail banking business unit of the Italian branch was acquired in 2021, and the theft of credentials of debit and credit cards. In light of the limited number of complaints and the absence of concentration regarding specific types, the Function does not detect any new compliance-related criticalities in the processes analysed.
Turning to the AML Function, the self-assessment conducted in accordance with the law confirmed that the risk of money laundering and financing of terrorism is MEDIUM, in line with the previous year. This assessment is attributable to several improvement actions still underway by the Bank, and in particular with reference to the prompt updating of the KYC questionnaires and the replacement of the GIANOS suite with Netech and the additional related implementations. The strengthening of the second-tier transaction monitoring systems was completed with the introduction of the new system Faraday.
The Board of Statutory Auditors examined the Internal Capital Adequacy Assessment Process (ICAAP) documents, which quantify the current and prospective internal capital to be held for the risks to which the Group is exposed, as well as those for liquidity (ILAAP), which aim to assess the adequacy of the liquidity held by the Bank, both approved by the Board of Directors on 21 April 2022. The ICAAP and ILAAP confirm the adequacy of the Bank's capital and liquidity. The Board of Statutory Auditors formulated its observations also on the basis of the Report of the Internal Audit Function, which acknowledges compliance with regulations.
The Board of Statutory Auditors examined the new Risk Appetite Framework (RAF), which indicates the Bank's risk appetite, with effect from 2023, taking account of the recommendations of the Supervisory Authorities and regulatory indications. The structure of the RAF indicators was revised to separate strategic and tactical indicators (primary, secondary and relevant) from operating indicators, described in the internal policies/regulations. Primary and secondary indicators were integrated with indicators linked to the business model, customers, Financial Advisors and the network, in addition to the updating required by the amendments to the three-year Plan. The RAF governance was integrated by improving the escalation procedures. The remedial actions for operational risks and the implementation timescales were also identified with reference to risk appetite. The RAF confirms the Bank's solidity, with capital and liquidity rations above the minimum regulatory requirements.

Adequacy of Control Functions

In order to assess the internal control system, particular importance is attached to the analysis of the operational procedures and methods that the Control Functions adopt to pursue their objectives, as well as the adequacy of their staff. The Control Functions operate on the basis of procedures that are approved by the Board of Directors and kept up to date, and analyse in detail the activity to be carried out. As far as the resources are concerned, these are evaluated every year in the Annual Plan. The Board of Statutory Auditors monitored the effective implementation of the previous year's recommendations emerged from the analyses conducted by an external consultant, with particular regard to the increase in FTEs to fulfil the tasks.
The Board of Statutory Auditors oversaw the remuneration of the control functions, for purposes of the variable component payment. In concert with the Remuneration Committee, it analysed the assessment records of their qualitative performance in terms of the objectives set for 2022.

Business continuity and cyber risk

The Bank has prepared the Report on the IT risk required by the supervisory provisions in force. Banca Generali analyses and monitors the two cyber and IT risk components through three macro-activities: an operational risk self-assessment, a specific risk assessment on the IT and cyber components and monitoring of the Key Performance Indicators and Key Risk Indicators. The activities performed detected several areas for improvement, still to be defined.

The Bank also performed a cyber security assessment applying the NIST (National Institute of Standards and Technology) methodology, a market best practice, which gave a positive evaluation.
The Bank, in line with the Business Continuity Policy, which is updated every year, carried out the tests that had been planned for 2022. At group level, the tests concerned the unavailability of the IT system, of logistics and of human resources. With regard to disaster recovery, the tests focused on the main critical service providers. The tests confirmed the effectiveness of the business continuity system.

As mentioned above, in 2022, the Bank was subject to a comprehensive ordinary inspection by the Bank of Italy that focused, inter alia, on the efficiency of the governance arrangement of the Bank and Group, as well as on their risk management and control systems, with particular reference to operational, reputational and legal risks.
The contents of the Inspection Report was immediately examined and analysed in detail by the Bank's Board of Directors. In its response to the Bank of Italy, the Bank promptly illustrated its considerations on the inspection outcomes, the initiatives already undertaken and those planned with respect to the remarks.
The Board of Statutory Auditors constantly monitors the actual implementation of the measures in the terms and manners indicated in the said remedial plan.

Based on the work carried out, the information acquired, the content of the half-yearly and annual reports of the Control Functions, and particularly the overall favourable opinion expressed by the Control Functions regarding the internal control system, the Board of Statutory Auditors considers that there are no significant critical elements such as to affect the structure of the internal control and risk management system.

7. Supervisory activities regarding the administrative accounting system and the financial reporting process

The Board of Statutory Auditors, in its capacity as Internal Audit and Risk Committee pursuant to Article 19, paragraph 2(c), of Legislative Decree No. 39/2010, monitored the process and checked the effectiveness of the internal control and risk management systems with regard to financial reporting, overseeing compliance with the general principles on financial reporting adopted by the Group, based on the provisions of the Group Policy on the subject.
The financial reporting is monitored by the Manager in charge of preparing the Company's financial reports (hereinafter the "Manager in charge"), adopting models that refer to best market practice and that provide reasonable security on the reliability of financial reporting, on the effectiveness and efficiency of operating activities and on compliance with laws and internal regulations. The processes and controls are reviewed and updated annually.
The year 2022 saw work continue on keeping the mapping of processes up to date in line with the projects carried out, the new operating methods and organisational changes
Control of the proper functioning of the Bank's model is ensured by a series of checks carried out on a self-assessment basis by the individual process owners, supplemented by checks implemented both by the Internal Audit Function and by Independent Auditors.
The Board of Statutory Auditors met the Manager in Charge at regular intervals to exchange information on the reliability of the administrative-accounting system for purposes of representing operating events correctly and verified the Attestation of the Annual Integrated Report pursuant to Article 154-*bis*, issued by the Chief Executive Officer and the Manager in Charge, which certifies the adequacy and effective application of the administrative and accounting procedures for preparing the Annual Integrated Report during the 2022 financial year.
The Board of Statutory Auditors also examined the statements of the Chief Executive Officer and the Manager in charge in accordance with the provisions contained in Article 154-*bis* of TUF.

With regard to the preparation of the financial statements and consolidated financial statements, it should be noted that they were prepared, in accordance with Legislative Decree No. 38/2005, according to the international IAS/IFRS standards issued by the IASB (International Accounting Standard Board) that have been endorsed by the European Commission, as established by

Community Regulation No. 1606/2002, and following the indications of Circular No. 262/2005 and in particular of the 7th update published by the Bank of Italy on 2 November 2021 and entered into force with effect from the financial statements for the year ended 31 December 2021. The Board of Statutory Auditors reports the following:

- no new international accounting standards, amendments to existing standards or related interpretations with a material impact on the Banking Group's operations entered into effect in financial year 2022;
- with regard to the restructuring of the portfolio of senior securities issued by SPVs for the securitisation of healthcare receivables carried out in the previous year, it should be noted that at 31 December 2022, the fair value of the investment in the Forward Fund was estimated at 478.5 million euros, with a cumulative capital loss of 11.5 million euros (10.8 million euros in 2022), primarily due to the increase in market rates;
- the Bank allocated a prudential provision of 23 million euros to cover commercial actions aimed at restoring customers' potential losses from investments made in products distributed by the Bank and to sustain customer retention. This provision refers to potential claims from customers regarding liquid and illiquid products distributed by the Bank during a year of exceptionally negative market performance;
- on 19 September 2022, Banca Generali signed a framework agreement with the Italian Tax Authority, Regional Direction of Friuli-Venezia Giulia, establishing the terms and conditions for the settlement of the transfer pricing tax claims for the tax periods from 2014 to 2019. Under the agreement, Banca Generali incurred a charge of 45.9 million euros, inclusive of additional taxes and net interest for late tax payment, but without any penalties due to the application of the penalty protection. The charge was partly already covered by the 10.6 million euros provision for tax disputes recognised in the financial statements; the actual charge recognised in the financial statements thus amounted to 35.3 million euros. It should be noted that the agreement paved the way for full implementation of the Cooperative Compliance regime to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period. The Provincial Tax Court's judgement on the minor claims not concerning transfer pricing and included in the above-mentioned assessment notices for 2014 and in two further assessment notices for 2015 is still pending, as these claims were not covered by the settlement agreement;
- at its meeting on 9 February 2023, the Board of Directors approved the impairment process, as required by the joint Bank of Italy/Consob/ISVAP document of 3 March 2010.

With regard to tax risks, the Board of Statutory Auditors draws attention to the contents of the Notes and Comments to the Consolidated Financial Statements regarding settled and ongoing tax disputes.
The Independent Auditors, in regular meetings with the Board of Statutory Auditors, have not reported elements that could affect the internal control system concerning administrative and accounting procedures.
The Board of Statutory Auditors ascertained that the flows provided by the non-EU subsidiaries of significant importance are adequate to conduct the control of the annual and interim accounts as required by Article 15 of the Market Rules.
Based on the above, no evidence emerged of significant deficiencies that could affect the judgement of the internal control system's adequacy with regard to the financial reporting process and the reliability of administrative-accounting procedures in representing the operating events.

8. Oversight of the statutory audit activity

In accordance with the provisions of Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors carried out the prescribed supervisory activities regarding the Independent Auditors' operations. KPMG S.p.A. ("**KPMG**" or the "**Independent Auditors**") is the firm to which the Ordinary Shareholders' Meeting of 22 April 2021 awarded the statutory audit of the financial statements and consolidated financial statements of Banca Generali S.p.A. up to the financial statements for the year ending 31 December 2029. The assignment also includes responsibility for verifying the proper keeping of company accounts, the correct recognition of operating events in the accounting records, the limited audit of the half-yearly report and interim reports, the checks related to signing tax returns and the attestations issued to the National Guarantee Fund.
The Board of Statutory Auditors met the Independent Auditors several times also pursuant to Article 150 of TUF in order to exchange information about the Independent Auditors' activity, taking particular account of the Audit Plan, timing of activities and dedicated resources. In these meetings, the Independent Auditors never highlighted events deemed to be censurable or irregularities such as to require reporting pursuant to Article 155, paragraph 2 of TUF.

On 28 March 2023, the Independent Auditors issued, pursuant to article 14 of Legislative Decree No. 39/2010, the Audit Reports on the financial statements and consolidated financial statements for the year ended 31 December 2022. With regard to the opinions and attestations, the Independent Auditors in the Audit Report on the financial statements:

- issued an opinion showing that Banca Generali's financial statements and consolidated financial statements provide a true and fair view of the financial performance and position of Banca Generali and the Group at 31 December 2022, of the operating result and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/05 and Article 43 of Legislative Decree 136/15;
- presented the key aspects of the audit that, according to their professional judgement, are most significant and that contribute to the formation of the overall opinion on the financial statements;
- issued a consistency opinion showing that the Reports on Operations accompanying the financial statements and the consolidated financial statements at 31 December 2022 and certain specific information contained in the "Report on Corporate Governance and Ownership Structure" indicated in Article 123-*bis*, paragraph 4, of TUF, responsibility for which lies with the Bank's directors, are prepared in accordance with the law;
- declared, with regard to any material errors in the Reports on Operations, based on a knowledge and understanding of the business and the related context acquired during the audit activity, that it has nothing to report;

› verified the approval by the Directors of the Non-Financial Statement.

On 28 March 2023, the Independent Auditors also submitted to the Board of Statutory Auditors the Additional Report provided for in Article 11) of Regulation (EU) No. 537/2014. As an annex to this Report, the Independent Auditors submitted to the Board of Statutory Auditors the declaration relating to independence, as required by Article 6 of Regulation (EU) No. 537/2014, which revealed no situations that could compromise their independence. Finally, the Board of Statutory Auditors took note of the 2022 Transparency Report, prepared by the Independent Auditors and published on their website pursuant to Article 18 of Legislative Decree no. 39/2010.
Banca Generali has adopted a specific "Procedure for the assignment of non-audit services to the Independent Auditors" which regulates the award to the Independent Auditors and their network of tasks additional to those involved in the statutory audit activities pursuant to Article 14 of Legislative Decree No. 39/2010. For these assignments, which legislation states must be authorised in advance by the Board of Statutory Auditors and — if they are not incompatible with the statutory audit — cannot in any case exceed 70% of the average remuneration for the last 3 financial years for the statutory audit (fee-cap), the aforementioned procedure provides for a prior process of authorisation and monitoring by the Board of Statutory Auditors in order to oversee the independence of the Independent Auditors, consistent with the provisions of Legislative Decree No. 39/2010.

The Manager in charge submits regularly for the attention of the Board of Statutory Auditors a report on the services provided to the Group by the main Independent Auditors and their network as well as information on the amount of the annual cap used, as defined by the fee-cap rule. The Board of Statutory Auditors has complied with the provisions of current legislation on the approval of the services conferred on the main Independent Auditors and other companies belonging to their network. The services charged to the consolidated Profit and Loss Account, also shown in the annex to the Financial Statements, as required by Article 149-*duodecies* of the Rules for Issuers, are as follows:

(EURO/000) TYPE OF SERVICE	KPMG	KPMG NETWORK
Attestation services	-	-
Other services	60	-
Total	**60**	**-**

The item Attestation services amounted to 60 thousand euros and referred for 46 thousand euros to the limited audit of the 2021 Non-Financial Statement, in compliance with the provisions of the Decree and the GRI Standards, carried out in accordance with the principle "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information", for 12 thousand euros to the compliance certification for the 2021 tax returns for the purposes of netting tax receivables, and for 2 thousand euros to the attestation to the annual report to the National Guarantee Fund.
Taking into account the non-audit assignments awarded to KPMG and its network by Banca Generali and Group companies, their nature and the total fees paid, as well as, more generally, the procedures adopted by KPMG regarding independence, the Board of Statutory Auditors does not see any critical issues regarding the independence of KPMG S.p.A.
The Independent Auditors also confirmed to the Board of Statutory Auditors that during the year they did not issue opinions pursuant to the law, as no conditions occurred as to warrant their issue.

9. Omissions or censurable events, opinions given and initiatives taken

On 31 Many 2022, the Board of Statutory Auditors, in its capacity as Supervisory Board, received a report from a Bank shareholder pursuant to Article 2408 of the Italian Civil Code for facts attributable to a Financial Advisor. The Board of Statutory Auditor examined the report considering it on a par with a complaint, carrying out the in-depth investigations and analyses deemed necessary and acquiring information from the Bank's relevant structures, the analysis of which did not reveal any elements of concerns. Therefore, the Board of Statutory Auditors decided not to proceed with the report received.
The Board of Statutory Auditors is not aware of any other events or matters to report to the Shareholders' Meeting.

The Board of Statutory Auditors, in addition to the matters already indicated in this Report, issued opinions or expressed observations that current legislation and supervisory provisions for banks state are within its remit. In particular, the Board of Statutory Auditors expressed:
› its comments on the Annual Reports and Tableaux de Bord submitted by the control functions;
› its observations on the ICAAP and ILAAP reports;
› its opinion on the processes and procedures relating to the remuneration of Directors when required. In particular, the remuneration of the Chief Executive Officer and Board Committee members, the proposal to raise the variable remuneration component to 2:1, the 2022 long-term incentive plan;
› its opinion on the occasion of the presentation to the Board of Directors of transactions falling within the scope of Article 136 of the TUB;
› considerations on the Annual Report regarding the outsourcing of important operational functions.

In the course of the activity carried out and based on the information obtained, no omissions, censurable matters, irregularities or significant circumstances were found that needed to be reported to the Supervisory Authorities or mentioned in this Report.

10. Consolidated Non-Financial Statement

The Board of Statutory Auditors, in the exercise of its functions, oversaw compliance with the provisions contained in Legislative Decree No. 254 of 30 December 2016, and Consob Regulation implementing the Decree adopted by Resolution No. 20267 of 18 January 2018, in particular with reference to the drafting process and the content of the Non-Financial Statement ("NFS") drawn up by Banca Generali.
Although the Bank is not subject to this obligation, it has prepared its NFS on a voluntary basis and this has been included in the body of the Sustainability Report which, in turn, is included in the Annual Financial Report, which has become the Annual Integrated Report.
The Independent Auditors, which have been assigned the task of carrying out the limited audit of the NFS pursuant to Article 3, paragraph 10, of Legislative Decree No. 254/2016, in the report issued on 28 March 2023, state that no elements have come to their attention to suggest that Banca Generali's NFS for the year ended 31 December 2022 has not been drawn up, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of Legislative Decree No. 254/2016 and by the "Global Reporting Initiative Sustainability Reporting Standards".
The Board of Statutory Auditors has not become aware of violations of the relevant regulatory provisions.

11. Supervisory Board

After being assigned the functions attributable to the Supervisory Board referred to in Article 6, paragraph 4-*bis* of Legislative Decree no. 231/2001 on the administrative liability of entities, the Board of Statutory Auditors has overseen the functioning and compliance with the Model 231 adopted by the Bank and analysed the periodic information flows received from the Control Functions.
The Model 231 currently in force was adopted by the Board of Directors at its meeting on 20 December 2022 and endorsed, following the periodic updating activity, the new predicated offences introduced by the statutes issued up to that date, as well as the regulatory amendments referring to the predicated offences already contemplated in the Model and the organisational amendments made after the previous update.
The Board of Statutory Auditors, in its capacity as Supervisory Board, reported on the activities carried out during the year ended 31 December 2022 without reporting any critical issues, illustrating an overall satisfactory situation and substantial alignment with the provisions of Model 231 adopted by the Bank.

12. Outcome

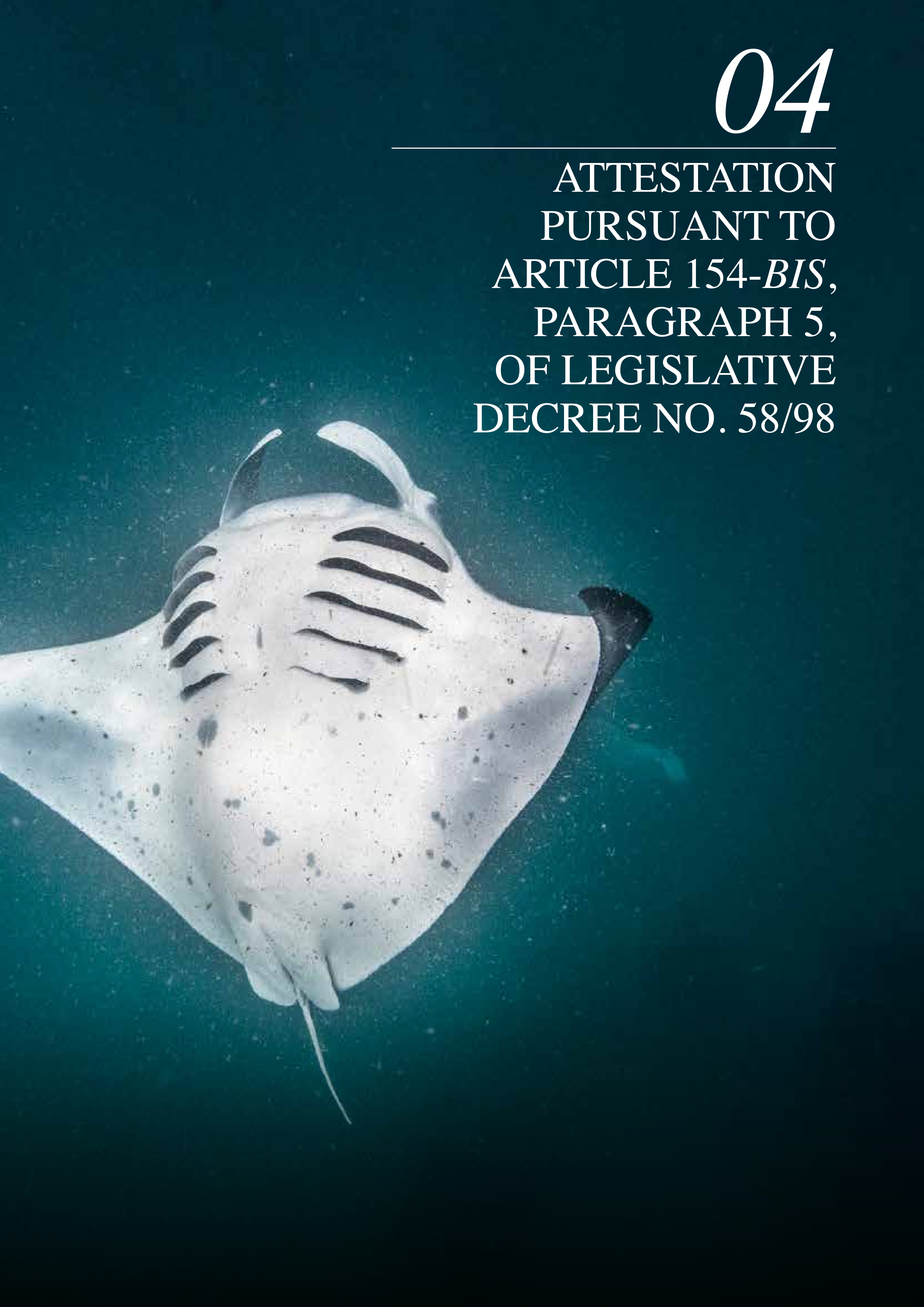
In view of the Ordinary Shareholders' Meeting convened, in first call, on 19 April 2023 (as per the notice of calling published on 17 March 2023), the Board of Statutory Auditors, without prejudice to the specific duties and responsibilities of the Independent Auditors in terms of auditing the accounts and verifying the reliability of the financial statements, has no comments to make to the Shareholders' Meeting, pursuant to Article 153 of TUF, regarding the approval of the Financial Statements as at 31 December 2022, accompanied by the Annual Integrated Report, as presented by the Board of Directors and the proposal for the distribution of the profit for the year.

Milan, 28 March 2023

The Board of Statutory Auditors

04

ATTESTATION PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5, OF LEGISLATIVE DECREE NO. 58/98



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Attestation

pursuant to Article 154-*bis*, paragraph 5, of Legislative Decree No. 58/98

BANCA GENERALI

Attestation to the Annual Integrated Report pursuant to the provisions of art. 154-*bis*, paragraph 5, of Legislative Decree 58 of 24 February 1998 and art. 81-*ter* of CONSOB Regulation 11971 of 14 May 1999, as amended

1. The undersigned Gian Maria Mossa, in his capacity as Chief Executive Officer, and Tommaso Di Russo, in his capacity as Manager in charge of the Financial Reports of Banca Generali S.p.A., taking into account the provisions set out in article 154-*bis*, paragraphs 3 and 4, of the Legislative Decree dated 24 February 1998, Nr. 58, hereby declare that the administrative and accounting procedures for preparing the Annual Integrated Report for the year 2022:

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

2. The appropriateness of administrative and accounting procedures for preparing the Annual Integrated Report at 31 December 2022 was assessed using a process established by Banca Generali S.p.A. based on the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which is generally accepted as a reference framework worldwide.

3. The undersigned further declare that:

3.1 the Annual Integrated Report at 31 December 2022:

a) was prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) Nr. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of the Italian Civil Code, and of Legislative Decree Nr. 38 of 28 February 2005, and og Legislative Decree Nr. 254/2016 and further applicable provisions, regulations and circular letters issued by the Supervisory Board;

b) reflects the accounting books and records;

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

3.2 The Directors' report on operations includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Trieste, 08 March 2023

Gian Maria Mossa
Chief Executive Officer

BANCA GENERALI S.p.A.

Tommaso Di Russo
Manager in Charg of
the Company's Financial Reports
BANCA GENERALI S.p.A

14 LIFE BELOW WATER

On this occasion, the photographer's lens focused on investigating the situation related to Sustainable Development Goal (SDG) number 14 "Conserve and sustainably use the oceans, seas and marine resources for sustainable development."To analyse the situation, the photographer went to explore some corners of the Maldives away from the big organized travel circuits to discover cooperative projects aimed at preserving marine fauna and flora.
In, Dharavandoo, for example, the Manta Trust is an association that works for the conservation of mobulids, a species that is highly threatened by litter in the seas. In Dhigurah, on the other hand, the Whale Shark Research Program protects whale sharks, a native species facing extinction due to changes in Maldivian marine ecosystems. Intensive beach exploitation, on the other hand, is increasingly reducing space for turtles that do not know where to lay their eggs, but help is coming from the Olive Ridley Project in Dhuni Kholu, which cares for these species before they become endangered.
Tourism, however, is not the only problem facing the Maldives.
Another major challenge for the archipelago is climate change.

05

ANNEXES TO THE FINANCIAL STATEMENTS

Annex 1

Disclosure of compensation for auditing pursuant to Article 149-duodecies of Consob Resolution No. 11971/1999

The following table shows a breakdown of the fees paid by the Banca Generali Group companies to the independent auditors KPMG S.p.A. engaged to audit the Financial Statements in accordance with Legislative Decree No. 58/98, as well as to the Italian and foreign entities in the network to which the auditing firm belongs.

	KPMG S.P.A.	KPMG S.A.	KPMG S.A.
	(€ THOUSAND)	(€ THOUSAND)	(CHF THOUSAND)
Parent Company	**369**	**-**	**-**
Audit	309	-	-
Attestation services	14	-	-
Other services	46	-	-
Subsidiaries	**18**	**123**	**95**
Audit	18	123	95
Attestation services	-	-	-
Other services	-	-	-
Total	**387**	**123**	**95**

With regard to the parent company Banca Generali, the amount of 369 thousand euros reported in the table above refers for 135 thousand euros to the audits carried out in 2022 in relation with the 2021 Financial Statements, for 108 thousand euros to the advance paid for the audits of the 2022 Financial Statements, for 66 thousand euros to the activities carried out until 31 December 2022 and consisting in accounting audits and audits of the 2022 half-yearly and nine-month reports, and for 46 thousand euros to auditing of the Annual Integrated Report 2021 (net of VAT, out-of-pocket expenses and Consob contributions).

With regard to the subsidiaries, the auditing and bookkeeping fees for KPMG S.p.A. for 2022 amounted to 18 thousand euros (excluding VAT and out-of-pocket expenses) for Generfid.

The fees approved by the Board of Directors of BG Fund Management Luxembourg S.A. on 6 May 2022 for auditing of the financial statements and bookkeeping services for 2021 amounted to 122.7 thousand euros (excluding VAT and out-of-pocket expenses).

The fees approved by the General Shareholders' Meeting of BG Valeur S.A. on 30 March 2022 for the auditing of the financial statements and bookkeeping services for 2022 amounted to CHF 40 thousand for the year (excluding VAT and out-of-pocket expenses).

The fees approved by the General Shareholders' Meeting of BG Suisse S.A. on 16 January 2023 for the auditing of the financial statements and bookkeeping services for 2022 amounted to CHF 55 thousand for the year (excluding VAT and out-of-pocket expenses).

Annex 2

Reconciliation between official and reclassified statements

Reconciliation between the reclassified consolidated balance sheet and the consolidated balance sheet

RECLASSIFIED BALANCE SHEET ITEMS - ASSETS	CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	31.12.2022	31.12.2021
Financial assets at fair value through profit or loss		**507,346**	**415,558**
	Item 20. Financial assets measured at fair value through profit or loss	507,346	415,558
Financial assets at fair value through other comprehensive income		**1,120,101**	**2,543,065**
	Item 30. Financial assets measured at fair value through other comprehensive income	1,120,101	2,543,065
Financial assets measured at amortised cost		**14,478,596**	**12,447,258**
a) Loans to banks		3,284,113	2,811,785
	Item 40. a) Financial assets measured at amortised cost – loans to banks	2,536,670	1,218,138
	Item 10. (partial) Demand deposits with central banks and banks	747,443	1,593,647
b) Loans to customers		11,194,483	9,635,473
	Item 40. b) Financial assets measured at amortised cost – loans to customers	11,194,483	9,635,473
Equity investments		**3,091**	**2,048**
	Item 70. Equity investments	3,091	2,048
Property, equipment and intangible assets		**295,279**	**295,184**
	Item 90. Property and equipment	154,865	159,012
	Item 100. Intangible assets	140,414	136,172
Tax assets		**72,266**	**72,627**
	Item 110. Tax assets	72,266	72,627
Other assets		**790,170**	**413,176**
	Item 10. Cash and cash equivalents	774,239	1,620,334
	Item 10. (partial) Demand deposits with central banks	-747,443	-1,593,647
	Item 50. Hedging derivatives	286,776	11,357
	Item 60. Adjustment of financial assets subject to macro-hedging (+\-)	-	-
	Item 130. Other assets	476,598	375,132
HFS assets		**-**	**2,694**
	Item 120. Non-current assets available for sale and disposal groups	-	2,694
Total assets	**Total assets**	**17,266,849**	**16,191,610**

RECLASSIFIED BALANCE SHEET ITEMS - LIABILITIES AND NET EQUITY	CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES AND NET EQUITY	31.12.2022	31.12.2021
Financial liabilities measured at amortised cost		**15,503,979**	**14,412,354**
a) Due to banks		544,531	818,734
	Item 10. a) Financial liabilities measured at amortised cost – due to banks	544,531	818,734
b) Due to customers		14,959,448	13,593,620
	Item 10. b) Financial liabilities measured at amortised cost – due to customers	14,959,448	13,593,620
Financial liabilities held for trading and hedging		**123,604**	**171,871**
	Item 20. HFT financial liabilities	-	4,551
	Item 40. Hedging derivatives	123,604	167,320
Tax liabilities		**44,577**	**28,320**
	Item 60. Tax liabilities	44,577	28,320
Other liabilities		**281,248**	**242,037**
	Item 80. Other liabilities	281,248	242,037
Liabilities associated with disposal groups		**-**	**318**
	Item 70. Liabilities associated with disposal groups	-	318
Special purpose provisions		**244,921**	**230,843**
	Item 90. Provisions for termination indemnity	3,705	4,335
	Item 100. Provisions for liabilities and contingencies	241,216	226,508
Valuation reserves		**-9,972**	**522**
	Item 120. Valuation reserves	-9,972	522
Equity instruments		**50,000**	**50,000**
	Item 140. Equity instruments	50,000	50,000
Reserves		**724,536**	**624,033**
	Item 150. Reserves	724,536	624,033
Share premium reserve		**53,767**	**55,866**
	Item 160. Share premium reserve	53,767	55,866
Share capital		**116,852**	**116,852**
	Item 170. Share capital	116,852	116,852
Treasury shares (-)		**-80,139**	**-64,822**
	Item 180. Treasury shares (-)	-80,139	-64,822
Net equity attributable to minority interests		**442**	**313**
	Item 190. Net equity attributable to minority interests (+/-)	442	313
Net profit (loss) for the year (+/-)		**213,034**	**323,103**
	Item 200. Net profit (loss) for the year	213,034	323,103
Total liabilities	**Total liabilities and net equity**	**17,266,849**	**16,191,610**

Reconciliation between the consolidated Profit and Loss Account and the consolidated Profit and Loss Account

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	PROFIT AND LOSS ACCOUNT ITEMS	31.12.2022	31.12.2021
Net interest		**144,979**	**83,334**
	Item 30. Net interest income	137,168	83,334
	(Minus) Item 20. Interest expense (partial) - tax late payment interest	7,811	-
Net income (loss) from trading activities and dividends		**23,330**	**28,673**
	Item 70. Dividends and similar income	1,145	1,084
	Item 80. Net income (loss) from trading activities	3,559	-73,426
	(Minus) Item 80. (partial) Losses on securitisations of healthcare receivables	-	79,931
	Item 90. Net income (loss) from hedging	1,884	2,088
	Item 100. Gain (loss) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	28,308	18,154
	Item 110. Net result on other financial assets and liabilities measured at fair value through profit and loss	-11,566	145
	(Minus) Item 110. b) (partial) Capital losses on Forward Fund	-	697
Net financial income		**168,309**	**112,007**
Recurring fee income		**940,689**	**942,653**
	Item 40. Fee income	960,005	1,163,203
	Item 40. (partial) Variable fee income	-19,316	-220,550
Fee expense		**-488,473**	**-495,894**
	Item 50. Fee expense	-469,639	-474,447
	Item 200. (partial) Provisions for fee plans	-18,834	-21,447
Net recurring fees		**452,216**	**446,759**
Variable fee income		**19,316**	**220,550**
	Item 40. (partial) Variable fee income	19,316	220,550
Net fees		**471,532**	**667,309**
Net banking income		**639,841**	**779,316**
Staff expenses		**-114,789**	**-107,844**
	Item 190. a) Staff expenses (363)	-114,789	-107,844
Other general and administrative expenses		**-116,576**	**-103,664**
	Item 190. b) Other general and administrative expenses	-217,470	-203,790
	Item 190. b) (partial) Charges related to the banking system	17,595	15,475
	Item 230. (partial) Recovery of indirect and direct taxes	83,299	84,651
Net adjustments of property, equipment and intangible assets		**-36,668**	**-35,654**
	Item 210. Net adjustments/reversals of property and equipment	-22,448	-21,949
	Item 220. Net adjustments/reversals of intangible assets	-14,220	-13,705
Other operating expenses/income		**11,488**	**4,891**
	Item 230. Other operating expenses/income	94,787	89,542
	Item 230. (partial) Recovery of indirect and direct taxes	-83,299	-84,651
Net operating expenses		**-256,545**	**-242,271**
Operating result		**383,296**	**537,045**

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	PROFIT AND LOSS ACCOUNT ITEMS	31.12.2022	31.12.2021
Net adjustments to non-performing loans		**-8,334**	**-2,524**
	Item 130. Net adjustments/reversals due to credit risk	-8,334	-2,524
Net provisions		**-27,101**	**-45,383**
	Item 200. Net provisions for liabilities and contingencies	-45,935	-66,830
	Item 200. (partial) Provisions for fee plans	18,834	21,447
Other one-off charges		**-**	**-80,628**
	Item 80. (partial) Losses on securitisations of healthcare receivables	-	-79,931
	Item 110. b) (partial) Capital losses on Forward Fund	-	-697
Contributions and charges related to the banking system		**-17,595**	**-15,475**
	Item 190. b) (partial) Charges related to the banking system	-17,595	-15,475
Gains (losses) from investment and equity investments		**-107**	**-289**
	Item 250. Gains (losses) from equity investments	-103	-266
	Item 280. Gains (losses) on disposal of investments	-4	-23
Operating profit before taxation		**330,159**	**392,746**
One-off charges due to tax dispute		**-35,331**	**-**
	Plus: Item 300. Income taxes on operating activities (partial) - prior years' taxes	-30,061	-
	Plus: Item 20. Interest expense (partial) - tax late payment interest	-7,811	-
	Plus: Item 300. Income taxes on operating activities (partial) - tax effect of interest deduction	2,542	-
Income taxes for the year on operating activities		**-81,856**	**-69,639**
	Item 300. Income taxes for the year on operating activities	-109,375	-69,639
	(Minus) Item 300. Income taxes on operating activities (partial) - prior years' taxes	27,519	-
Net profit (loss) for the year		**212,973**	**323,107**
Net profit (loss) attributable to minority interests		**-61**	**4**
	Item 340. Net profit (loss) for the year attributable to minority interests	-61	4
Net profit (loss) for the year attributable to the Parent Company		**213,034**	**323,103**

Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste - Italy

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

Tax code and Trieste register
of companies: 00833240328
VAT number: 01333550323

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

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BANCA GENERALI S.P.A.

REGISTERED OFFICE
Via Machiavelli 4
I - 34132 Trieste

MILAN HEAD OFFICE
Piazza Tre Torri 1
I - 20145 Milan
T. +39 02 40826691

TRIESTE HEAD OFFICE
Corso Cavour 5/A
I - 34132 Trieste
T. +39 040 777 111

BANCAGENERALI.COM