



# PILLAR 3

## DISCLOSURES





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## **Situation at 31.12.2018**

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



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## KEY REGULATORY INDICATORS

(€ MILLION)	31.12.2018	31.12.2017	CHANGE %
Net equity	734.9	736.1	-0.2
Common Equity Tier 1 capital (CET1)	494.9	475.2	4.1
Tier 1 capital (T1)	494.9	475.2	4.1
Own funds	537.9	518.6	3.7
Excess capital	311.4	313.5	-0.7
Risk-weighted assets (RWAs)	2,831.9	2,563.2	10.5
Tier 1 Capital Ratio (Tier 1 capital /Risk-weighted assets)	17.5%	18.5%	-5.7
Total Capital Ratio (Total own funds/Risk-weighted assets)	19.0%	20.2%	-6.1

## FOREWORD

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

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

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

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

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

The subject is therefore governed directly by:

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

The following EBA guidelines were adopted with the 22nd update to Circular No. 285, “Supervisory Provisions for Banks”, issued in June 2018:

- > the “EBA/GL/2014/14 Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013”, governing the publication of confidential, proprietary and material information and information for which banks are asked to assess the need for publication more frequently than annually, as generally required;
- > “Guidelines on disclosure requirements under Part Eight of Regulation (EU) No. 575/2013” (EBA/GL/2016/11, version 2), which envisage:
  - a table-based reporting format aimed at increasing

the comparability of the figures published by European banks on own funds and capital requirements, with regard to credit, market and counterparty risk;

- the submission of specific information on governance and the governing body, with particular regard to: a) the number of positions held by members of the governing body; b) the gender equality policy; and c) the risk reporting process;
- > the “EBA/GL/2017/01 Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No. 575/2013”, aimed at specifying and harmonising the methods of disclosure of the liquidity coverage ratio (LCR);
- > the “EBA/GL/2018/01 Guidelines on uniform disclosures under Article 473 of Regulation (EU) No. 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds”.

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

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

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

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

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

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

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

The Pillar 3 public disclosures are drafted at the **consolidated level** by the Banking Parent Company. Unless otherwise specified, all amounts are in **thousands of euros**.

Compliance with public disclosure obligations is an essential condition for the Banca Generali Group to be eligible, for prudential purposes, for the effects of credit risk mitigation (CRM) techniques.

Given the public significance of Pillar 3, the document is submitted to the competent Corporate Boards for approval under the responsibility of the manager in charge of preparing the Company's financial reports. In accordance with Article 154-bis of Legislative Decree No. 58/98 (TUF), the document is then submitted for the required certification. In order to ensure compliance with disclosure requirements, the Banca Generali Group has adopted organisational measures suitable to ensuring the fulfilment of disclosure obligations. Top management analyses the assessment and verification of information quality, inasmuch as the law specifies that these activities fall within the remit of company bodies on an independent basis.

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

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

Additional information concerning the Group's risk profile, pursuant to Article 434 of the CRR, was also published in the Annual Report for the year ended 31 December 2018, Corporate Governance Report and Remuneration Report. In light of the above Article, if similar information is already disclosed in two or more media, a reference to that information is included in each medium.



# 1. RISK MANAGEMENT OBJECTIVES AND POLICIES

## 1.1 GENERAL INFORMATION

### Business model and risk governance

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

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

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

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

Through the RAF, the Bank:

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

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

- > maintenance of adequate capital levels, including in stress conditions, by monitoring the levels of the CET1 ratio, Total Capital Ratio, ICAAP Total Capital Ratio and Leverage Ratio and individual risk assumption limits;
- > suitable coverage of liquidity needs, including during periods of stress, through the monitoring of short-term indicators such as the Liquidity Coverage Ratio, and long-term indicators such as the Net Stable Funding Ratio;
- > the reliability and sustainability of risk-adjusted returns, including in stress conditions, through the identification of risk factors, the measurement of risk through the estimation of earnings at risk, the adoption of adequate governance tools and the monitoring of the creation of value;
- > maintenance of a low risk profile at the level of credit and operational risk, through the adoption of appropriate management processes and mitigation tools;

- > complete identification of risks potentially detrimental to the Company's image and assessment of the related exposure, and adoption of measures and controls mitigating reputational risk.

### Stress Test

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

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

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

In the systemic scenario, the main risk events assumed are: interest rate shock on equity markets, demand, domestic consumption and the interbank market.

The stress assumptions adopted in defining the idiosyncratic scenario relate to the development of the business model (in terms of the reduction of net inflows provided for in the plan, loss of performance fees and deposit runoff), the occurrence of losses of an operational/reputational nature (i.e., fraud committed by a Financial Advisor within the sales network) and deterioration of the credit risk concentration level.

### Risk governance

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

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

Risk management extends to executive bodies, operating units and control units at both the Parent Company and subsidiaries – each with their various tasks and attributes – with the goal of identifying, preventing, measuring, assessing, monitoring, mitigating and reporting to the various appropriate hierarchy levels the exposure to the various types of risk actually or potentially assumed by the Group's various operating segments, while analysing, within an integrated framework, the relationships between them

and the trend in the external scenario. In general terms, Banca Generali supervises the implementation of effective risk management in its Group within the framework of the powers of management and coordination that the Bank exercises as Parent Company.

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

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

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

The main company **committees** involved are:

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

dence to formulate its assessments concerning Banca Generali's nominations, governance and sustainability.

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

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

### Internal Control System

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

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

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

systems and the verification of any conduct departing from the established rules.

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

### Risk culture

The Bank's objectives, strategies, risk profile, tolerance thresholds and guidelines for its internal control system fall within the purview of the Board of Directors (OFSS/SSFB). Within the framework of his or her delegated management powers, and in accordance with the guidelines approved by the Board of Directors, the Chief Executive Officer is responsible for constant implementation of the risk management process, ensuring that it is consistent with the risk appetite and risk governance policies, while facilitating the development and spread to all levels of the Bank of an integrated risk culture.

Accordingly, considerable attention is devoted to preparing and circulating the relevant reports (**Tableau de Bord, ICAAP, ILAAP and Risk Appetite Framework**) and the set of information needed to monitor operating limits.

In order to ensure that the Top Management receives a constant stream of timely information regarding the status of the Bank's risk profile, the Risk and Capital Adequacy Department has also planned and circulated regular reports (known as "**Dashboards**") containing an analysis of the trend in the Bank's exposure in terms of risk profile of the securities portfolio, Loans to customers, net inflows evolution, and risk indicators/operating losses. Reports are a useful supporting tool in **(i)** monitoring the main indicators for interest rate risk (i.e., sensitivity), credit risk, operating and reputational risk, liquidity risk and leverage, and **(ii)** assessing capital adequacy and variance from the RAF targets.

**Induction** sessions are also organised regularly for members of the Board of Directors and Board of Statutory Auditors.

In accordance with the Corporate Governance Code, the induction sessions were aimed at equipping the directors and statutory auditors with an adequate understanding of the Bank's business model and major strategic decisions, with support, where needed, from company control functions, depending on the matter at issue.

## 1.2 GOVERNANCE STRUCTURE BY RISK CATEGORY

### 1.2.1 Credit risk

The Bank's credit activity, in accordance with its industrial plan, set to expire in 2018, is an ancillary means of achieving its priority objectives in the private banking business. Considering that lending is instrumental to the Group's core business, such activity essentially consists of granting credit facilities secured by pledges, and primarily for customers who hold assets under management with the Parent Company or other Group companies.

With regard to credit risk management process, the Group has formally defined lending policy guidelines within the Lending Rules of Banca Generali S.p.A., assigning specific responsibilities to each company unit involved. Within the

same Rules, the Group has defined an extensive system of powers and limits associated with loan authorisation. Within this framework, levels of autonomy and specific operating procedures have been formally defined at the various decision-making levels.

### Loans to customers

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

In short, the Lending Department:

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

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

The Lending Department is the decision-making authority for forborne positions (both performing and non-performing).

The Risk and Capital Adequacy Department plays the role of second-tier control function, which it performs by measuring and monitoring credit risk on an ongoing basis and periodically informing the Risk Committee and the Board of Directors, through a periodic report, of the activity performed and the result of the analyses conducted, while also providing a descriptive analysis of the loan portfolio, the development of its quality, and lists of irregularities, if any. The Risk and Capital Adequacy Department conducts a monthly performance analysis to monitor the value and detailed composition of guarantees, given the important role that guarantees has always played, in accordance with the Bank's lending policies – a role that has increased following the introduction of new forms of lending (Lombard loans) launched in 2018.

Within the framework of the aforementioned activities, as provided for in Bank of Italy Circular No. 285, the Risk and Capital Adequacy Department is thus responsible for:

- > conducting assessments, at the overall level and by specific exposure drivers and coverage levels, with a



particular focus on monitoring the value of guarantees over time;

- > conducting an assessment of the degree of concentration of the portfolio at the level of individual borrowers;
- > collective and individual measurement of past-due positions;
- > collective and individual measurement of non-performing exposures;
- > assessment of the consistency of classification; for this purpose, each month the Department sends the level-one units a list of the performing and non-performing positions in portfolio, with the classification proposed by the rules set during the phase of thorough revision of credit processes;
- > assessment of the appropriateness of provisions and the adequacy of the process of recovering non-performing exposures, in coordination with the competent units (Lending Department, Administration Department and Legal Affairs Department), in accordance with the new internal processes implemented following the comprehensive review of the target operating model within the IFRS 9 project;
- > ongoing assessment, based on the findings and results of second-tier checks, of processes and credit performance assessment models in view of ensuring their ongoing improvement over time;
- > advance opinions regarding credit risk in Transactions of Greater Importance.

#### Loans to banks and financial investments

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

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

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

Approved credit limits are reviewed with a frequency of no more than one year.

All transactions are periodically monitored on the basis of a system of credit limits approved by the Parent Company's Board of Directors and the organisational control measures adopted and must be compliant with the target levels of the Risk Appetite Framework (RAF) approved by the Board of Directors.

The Risk and Capital Adequacy Department is responsible

for second-tier controls and conducts specific independent control and monitoring of credit risk.

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

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

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

The Risk and Capital Adequacy Department is also responsible for verifying the efficacy of the credit risk mitigation (CRM) techniques employed.

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

The Group has decided to adopt the standard method for measuring credit risk, using Moody's as the ECAI, as well as S&P and Fitch (solely, for Moody's securitisations).

#### 1.2.2 Counterparty risk

The counterparty risk management and monitoring sy-

stems prepared by the Group take account of the transactions concerning derivative instruments, both proprietary and on behalf of clients, and SFTs (Securities Financing Transactions, i.e., repurchase agreements and securities lending).

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

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

For management purposes, the use of lines of credit for transactions in OTC derivatives and SFTs, in the presence of collateral agreements, is measured at the greater of the mark-to-market and the differential of the collateral exchanged. In the absence of collateral agreements, this method also involves the use of an add-on coefficient applied to the entire notional amount as a function of the residual term of the contract.

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

All transactions are periodically monitored on the basis of a system of credit limits approved by the Parent Company's Board of Directors and the organisational control measures adopted and must be compliant with the target levels of the Risk Appetite Framework (RAF) approved by the Board of Directors.

The Finance Department of Banca Generali S.p.A. performs first-tier controls of counterparty risk, ensuring compliance with the credit limits for institutional counterparties established by the Board of Directors.

The Lending Department participates in the definition of operating policies governing transactions that may generate counterparty risk for the Group.

Second-tier control activities are the responsibility of the Risk and Capital Adequacy Department, which is tasked with specific activities relating to the identification, measurement, control and reporting of the counterparty risk. With reference to the main instruments used for monitoring, the Risk and Capital Adequacy Department has adopted appropriate IT solutions allowing for *ex-ante* and *ex-post* review of the capacity of credit lines with institutional counterparties and/or the presence of any overdrafts, and a detailed inquiry into the deals and technical instruments

that contribute to the amount drawn down.

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

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

### 1.2.3 Risk of Credit Valuation Adjustment (CVA)

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

The requirement is measured by applying the standard method.

### 1.2.4 Market risk

The Finance Rules of Banca Generali S.p.A. establish formal guidelines for transactions in financial instruments that may give rise to market risk, requiring that such transactions (i) be subject to a system of operating limits, as defined in the Regulation of Limits and Escalation Process, and (ii) be conducted in accordance with the objectives of the Risk Appetite Framework (RAF) approved by the Board of Directors.

In particular, the following types of operating limits have been defined: limits by book, allocation limits by type of instrument (structured bonds, certificates and options), open position limits for exposures in foreign currencies and alerts by asset class and individual financial instrument, in terms of both mark-to-market and change in creditworthiness.

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

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

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

- > in collaboration with relevant corporate functions, identifying and monitoring market risks which the Banking Group is exposed to by means of developing suitable methods for measuring these risks and the verification of the implementation of actions to hedge the identified risks by the operating units involved;
- > assessing the appropriateness of the procedures for establishing and checking the limits, whilst ensuring that any and all breaches of said limits, as well as increases in risk exposure levels, are promptly reported to Top Management, as well as the heads of the individual operating units in question;
- > verifying the integrity of the information flows underlying timely risk monitoring and the immediate flagging of any and all anomalous transactions;
- > submitting periodic reports to company bodies on the

overall status of the market risk management system and its capacity, in particular, to respond to the development of such risks, as well as the existence of breaches of established limits and the corrective action taken accordingly;

- > verifying the consistency of market risk measurement models with the operating processes in force at the Banking Group, ensuring they are adjusted as the business and operations develop;
- > carrying out stress tests.

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

In further detail:

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

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

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

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

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

### 1.2.5 Operating risk

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

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

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

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

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

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

- > Banca Generali S.p.A.;
- > BGFML S.A.;
- > Generfid S.p.A.

Moreover, the Banca Generali Group entered insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services.

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

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

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

- > identifying the risk-assessment model;
- > developing, maintaining and validating the risk assessment methods;
- > assessing the credit risk exposure through, among others:
  - identifying key risk indicators (KRIs) in collaboration with the affected company functions;

- using the qualitative assessments gathered during the Operational Risk Assessment conducted primarily through interviews with the relevant process owners, with assistance, if appropriate, from any other function involved;
- > promptly notifying the Regulations and Organisational Analysis Service of any changes to processes resulting from the Operational Risk Assessment;
- > determining any corrective measures to cover the operational risks determined and evaluating their proper implementation by the relevant process owners, with assistance from the Organisation and IT Coordination Department;
- > collaborating with the other control functions by sharing information on the Bank's risk areas identified within its assessment activities.
- > identifying the Group's interest rate risk;
- > measuring exposure to interest rate risk;
- > verifying compliance with limits;
- > generating and transmitting reports in the area within its remit;
- > preparing and verifying methods of measuring interest rate risk and implementation and maintenance of said methods within calculation applications.

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

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

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

In order to determine the capital requirements to be held for Operating Risk, the Group adopted the Basic Indicator Approach (BIA) method.

#### 1.2.6 Interest rate risk on the banking book

With reference to the **management process** of this risk, the Lending Department and the Finance Department are responsible for first-tier controls.

In particular, the Finance Department is responsible for proprietary trading of financial instruments, trading of financial instruments on behalf of customers and the Group's treasury management.<sup>1</sup>

The Lending Department is responsible for loan approval activities and the management of the loans issued by the Banking Group.

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

The Risk and Capital Adequacy Department is responsible for second-tier controls, namely for the following activities (including the implementation of stress tests):

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

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

To determine the exposure to interest rate risk on the banking book, the Group, in accordance with supervisory regulations<sup>2</sup>, measures potential changes in economic value, net interest income or expected earnings.

In particular, to measure the internal capital covering interest rate risk on the banking book, the Group has adopted the method set out in Schedule C to Circular No. 285/2013<sup>3</sup> of the Bank of Italy and the recent guidelines on the subject from the European Banking Authority (EBA)<sup>4</sup>; a method developed internally by the Bank is instead used to measure interest rate risk in terms of changes in net interest income or expected earnings.

#### 1.2.7 Concentration risk

From the standpoint of the concentration of the loan portfolio, the Bank aims at a sound level of diversification consistent with its business model, with credit activity mainly focusing on Italian private-banking clients evenly distributed in geographical terms, in accordance with regulatory limits on exposures to connected parties and large risks.

Banca Generali's Lending Rules identify the segments of reference for lending business and risk is distributed in accordance with the concentration limits set out in the RAF. In addition, considering that most of the loans granted to ordinary customers are secured by pledges on financial instruments, the problem of the concentration of the residual risk, net of the value of guarantees, appears marginal and of modest significance.

Furthermore, the Lending Rules of Banca Generali S.p.A. set additional operating limits relating to the total exposure to each customer, including linked positions.<sup>5</sup>

<sup>1</sup> Cf.: "Internal Rules and Procedures" of Banca Generali S.p.A.

<sup>2</sup> Cf. Bank of Italy's Circular No. 285/2013, Part I, Title III, Chapter 1.

<sup>3</sup> Cf. Part I, Title III, Chapter I.

<sup>4</sup> EBA/GL/2015/08: "Guidelines on the management of interest rate risk arising from non-trading activities"; EBA/CP/2017/19: "Consultation Paper. Draft Guidelines on the management of interest rate risk arising from non-trading book activities".

<sup>5</sup> Regarding associated positions, the legislation defines a "group of related customers" as two or more entities that constitute a single unit in terms of risk profile inasmuch as: a) one has the power to control the other or others ("legal" connection); b) regardless of the existence of the relationships of control set out in a) above, there exist links between the entities in question such that, in all probability, if one of them were in financial difficulties, the other or all the others could also encounter difficulties in repaying the debt ("financial" connection).



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

The Finance Department and Lending Department are responsible for first-tier controls of concentration risk.

The Finance Department is responsible for lending to institutional counterparties (loans to banks) and investment in securities considered in determining the Group's overall credit exposure.

The Lending Department is responsible for loans to customers, primarily retail and corporate customers.

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

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

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

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

### 1.2.8 Liquidity risk

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

- > managing operating liquidity risk, i.e., events that affect the Group's liquidity position on the short-term time horizon, with the primary objective of maintaining the Group's capacity to meet its ordinary and extraordinary payment obligations, while minimising the related costs;
- > managing structural liquidity risk, i.e., all events that affect the Group's liquidity position, including in the

medium/long term, with the primary objective of maintaining an adequate dynamic relationship between liabilities and assets on the various time horizons. In particular, the management of structural liquidity allows:

- pressure on current and prospective sources of liquidity to be avoided;
- the cost of funding to be optimised.

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

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

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

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

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

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

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

The Plan identifies two types of liquidity crises:

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

The Plan formally defines the roles and responsibilities of all the bodies and functions involved.

In addition, the Plan formally defines several indicators intended to detect/anticipate liquidity tensions/acute crises and the process of identifying, measuring, monitoring and reporting said indicators.



Three different scenarios have been identified depending on the values assumed by these indicators and their persistence over time:

- > ordinary operation;
- > liquidity tension;
- > acute liquidity crises.

The Contingency Funding Plan lays out the strategies that the Group is to follow in conditions of liquidity tension/acute crises, according to the scenario in question.

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

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

EURO	LIQUIDITY COVERAGE RATIO
Liquidity Buffer	6,293,928,989
Total Net Cash Outflows	1,537,765,332
Liquidity Coverage Ratio (%)	409%

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

### 1.2.9 Risk of excessive leverage

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

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

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

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

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

### 1.2.10 Residual risk

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

The process of obtaining, finalising and managing guarantees is fundamental to preventing and monitoring residual risk.

The portfolio of Loans to Customers is primarily secured by guarantees in the form of collaterals, financial guarantees and mortgages.

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

The Lending Department shall:

- > during the approval and disbursement of loans, supervise the process of acquiring and finalising guarantees by implementing the measures laid down in the Lending Rules and the Credit Risk Mitigation (CRM) Technique Management Policy;
- > during first-tier controls:
  - periodically request a massive update of the properties that represent the collateral for outstanding mortgage loans;
- > establish mid-monthly controls to monitor changes in the value of guarantees with respect to the value at their approval, in consideration of the volatility typical of financial instruments. In accordance with the Credit Risk Mitigation (CRM) Technique Management Policy, the Risk and Capital Adequacy Department:
  - collaborates with the departments involved in the process, the Lending Department, the Legal Affairs Department and the Administration Department in *ex-ante* verification in the event of new forms of collateral and to ensure the consistency of the process (and the policy) with the updates to the legislation;
  - is responsible for defining and monitoring credit risk mitigation techniques in collaboration with the other functions involved.

### 1.2.11 Reputational risk

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

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

the Company's resources and attaining commercial targets.

The Group's appetite for reputational risk, in accordance with the risk management policy approved by the Parent Company's Board of Directors, underlies the organisational control systems adopted.

The Risk and Capital Adequacy Department and the Compliance and Anti-Money Laundering functions (to the extent of their remittance) are responsible for second-tier controls.

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

In light of its business model and the external context in which it operates, the Group pays particular attention to the following reputational risk assessment areas:

- > products and services offered to customers through the commercial network;
- > partnerships/outsourcing;
- > cybercrimes.

These risk areas are monitored through:

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

In this context, the Group has also adopted specific codes of conduct and codes of ethics that govern the Group's operations and its dealings with its main stakeholders. In detail, the Group has adopted the following main codes:

- > Internal Code of Conduct;
- > Code on Inside information;
- > Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance;
- > Internal Dealing Code;
- > Code of Ethics for the Generali Group's suppliers.

In 2018, the Risk and Capital Adequacy Department put in place a systematic process for proactively managing reputational risk based on a method aimed at identifying and qualitatively assessing exposure to this risk, in view of *ex-ante* identification of potential reputational risks re-

levant to its scenario, while also improving the ability to prevent and mitigate such risks.

In particular, the approach calls for the Risk and Capital Adequacy Department – with the active contribution of the different departments and based on events that had affected other companies in the sector, to identify the possible reputational risk scenarios – adding them to the Repository of Reputational Risks. It shall also assess such risks by directly involving the company "Assessor" functions<sup>6</sup>.

In detail, in the matters falling within their remit, Assessors are tasked with formulating qualitative estimates of frequencies and impacts of potential future reputational risk events on the basis of their own judgement and experience of any prior events. The functions concerned are also responsible for contributing to the identification of possible additional measures for reinforcing the safeguards mitigating specific reputational risks where they deem it necessary to do so by virtue of the Bank's potential exposure to the various risk scenarios.

The findings of the process of analysis conducted with the involvement of the internal stakeholders are used to identify the main reputational risks, which are brought to the attention of the Bank's top management through a dedicated reporting system managed by the Risk and Capital Adequacy Department.

#### 1.2.12 Strategic risk

In the Parent Company's Internal Rules and Procedures, the Group has identified and formalised the Functions/Departments responsible for preparing the industrial plan and related annual budgets.

The Group has also identified specific control and monitoring activities performed by the competent functions on the performance and development of the results achieved with respect to the strategic objectives set.

The Group's strategic risk appetite, in accordance with the risk management policy approved by the Parent Company's Board of Directors, is subject to the organisational control systems adopted.

The CFO & Strategy is responsible for the process of drafting the Banking Group's Strategic Plan, annual budget and operational planning, as well as for constant monitoring for the purposes of ensuring that objectives for the period are met through the preparation of periodic reports and the interpretation of results in order to direct all necessary measures, in addition to providing specific reports to the Top Management and the necessary support to the Banking Group's other departments.

As part of the process of setting the strategic guidelines for the preparation of the Strategic Plan and strategic objectives, the CFO & Strategy Area performs specific analyses in terms of expected value, assessment of strategic projects, and collection of information concerning the competitive scenario, thereby identifying possible strengths and areas of improvement for the Banking Group.

The CFO & Strategy Area, through the Strategic Planning Service and other organisational units in its area, is responsible for coordinating the three-year Planning process, analysing the levers and any extraordinary operations, as well as for drafting the related detailed in-depth analyses envisaged in the plan. Moreover, the Planning and Control Department coordinates the process of collecting data and

<sup>6</sup> The Bank's main operating and business functions responsible for monitoring the consequences of the possible occurrence of reputational risk.

information from other internal organisational units for the purposes of preparation of the Bank's Industrial Plan in accordance with the guidelines and medium-/long-term performance targets set by the Company's management, in consultation with the Risk and Capital Adequacy Department so as to verify consistency with the targets set in terms of risk appetite.

In collaboration with the company functions involved, the Risk and Capital Adequacy Department supports the Top Management in defining allocated capital, conducting prospective capital balance analyses, and assessing corrective measures for divergence from risk targets.

The second-tier controls are carried out by the Risk and Capital Adequacy Department, responsible for identifying the Group's strategic risk, assessing exposure to the strategic risk, monitoring the strategic risk and drafting and sending the reports within its remit.

The strategic risk analysis focuses in particular on monitoring the risk associated with new recruitment.

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

The strategic risk assessment, given that its risk configuration is difficult to measure, focuses on a qualitative analysis of the drivers that can affect the achievement of the levels of profitability, and hence of capitalisation, defined at the strategic planning stage.

In 2018, the new framework for strategic risk assessment and management was presented, based on the following lines:

- > identification of the Bank's main business model areas (Bank, Asset Management and Distribution) and the main internal/external sources of risk;
- > measurement of risk factors through an analysis of business strategies costs and income, supplemented by a risk analysis in normal and stress contexts;
- > monitoring through the set up of KPIs linked to the creation of risk adjusted value (i.e., ROE, RORAC, EaR).

### 1.2.13 Compliance risk

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

With regard to the compliance risk **management process**, the Group has adopted a Risk Management Policy, duly approved by the Parent Company's Board of Directors.

The Policy defines the bodies, functions and guidelines for the management of said risk. Compliance rules and procedures, which identify all of the entities involved in the management of such risk, with a focus on the Compliance Function's activities, have also been drafted.

The compliance control function has been centralised within the Compliance and Anti-Money Laundering Department<sup>8</sup>. A contact person has also been identified for each Group Company. This person is charged with providing support to the Group's Compliance Function, particularly regarding the application of the management policies set at the Group level to individual companies.

Chief among the activities assigned to the Compliance Function is thus the definition of control functions aimed at managing the risk of non-compliance. Specifically, such functions take the form of:

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

In order to perform these activities, the Group has drawn up a Compliance Risk Matrix, which thus represents the main tool used in compliance risk assessment, adopted for *ex-ante* mapping of exposure to non-compliance risks for all significant processes of Banking Group Companies.

Compliance risk management is supported by the Multi-compliance Evolution application, an IT tool that aids the compliance function in monitoring, assessing and thus containing compliance risk.

In addition, the Bank has defined a dashboard of Key Risk Indicators (KRIs) identified by the Compliance Function with the aim of permitting the detection of anomalous tendencies and potential discrepancies.

The scope of the Compliance Service's control activity also extends to evaluating the suitability and efficacy of compliance procedures. It follows that the Compliance Function is tasked with playing a propositional role with regard to the updating of the compliance policy and compliance regulations.

### 1.2.14 Other risks

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

- > equity investment risks: risk of overly illiquid assets as a result of equity investments in financial and non-financial companies;
- > risks related to risk assets and conflicts of interest with connected parties: the risk that the closeness of certain persons to the Bank's decision-making centres could compromise the objectivity and impartiality of decisions pertaining to the approval of loans and other

<sup>7</sup> The Group's operations are diversified in that the legal entities within the Group's scope of consolidation each have their own specialisations: traditional banking (deposit-taking and lending), integrated investment services and products and asset management. The Group's organisational structure appears complex both in terms of the Group's composition and the presence of the network of Financial Advisors on which the Group relies for the distribution of its financial products. These elements give rise to the Group's adoption of stringent rules of various kinds in order to prevent compliance risk resulting from non-compliance with laws, regulations and internal policies.

<sup>8</sup> In the interest of allowing adequate coordination of activities, Banca Generali and the other Group Companies decided to centralise the second-tier compliance control function with the Compliance and Anti-Money Laundering Department directly reporting to the body with managing functions, in line with industry regulations (Cf. Circular No. 285 dated 17 December 2013 "Supervisory Provisions for Banks").



transactions involving the said persons, and potentially give rise to distortions in the resource-allocation process, expose the Bank to risks that are not adequately measured or contained, and/or result in harm and losses to depositors and shareholders;

- > **risk of money-laundering and financing of terrorism:** the risk that the Bank may become involved, possibly without its knowledge, in phenomena of money-laundering and financing of terrorism;
- > **information technology risk:** the risk of sustaining financial losses or reputational damage, or losing market share, in connection with the use of information and communication technology (ICT).

#### **Equity investment risk**

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

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

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

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

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

#### **Risk arising on related party transactions**

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

- > defining risk appetite levels in terms of a maximum amount of risk assets in relation to Connected Parties deemed acceptable with respect to Own Funds, in reference to total exposures to all Connected Parties;
- > identifying, in regard to transactions with Connected Parties, the sectors of activity and types of dealings of an economic nature, in relation to which conflicts of interest may arise;
- > governing organisational processes made for thoroughly identifying and cataloguing Connected Parties, and identifying and quantifying the pertinent tran-

sactions throughout all phases of the relationship;

- > governing control processes meant for ensuring that the risks assumed in relation to Connected Parties are properly measured and managed and verifying that internal policies have been properly designed and effectively applied.

With reference to second-tier controls:

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

The Internal Audit Department is responsible for third-tier controls, verifies compliance with the Policies and reports any anomalies in a timely manner.

The Bank's Independent Directors play a role of evaluation, support and proposition in the area of the organisation and performance of internal controls on the overall activity of assuming and managing risks in relation to Connected Parties, as well as a general review of the consistency of activity with strategic and managerial guidelines.

#### **Risk of money-laundering and financing of terrorism**

The Group has adopted specific internal rules, procedures, training programmes, monitoring activities and checks aimed at ensuring compliance with laws and regulations and mitigating the risk that an activity or transaction may be linked to phenomena of money-laundering or financing of terrorism, as defined in Legislative Decree No. 231/2007, as amended.

Strategic decisions regarding the risk of money-laundering and financing of terrorism<sup>9</sup> fall within the remit of the Parent Company's Board of Directors, whereas the governing bodies of individual Group Companies are responsible for implementing such decisions within the framework of their specific company situations.

To this end, the Banking Group has adopted a specific "Policy for Managing the Risk of Money-Laundering and Financing of Terrorism", the most recent update to which was approved by the Parent Company's Board of Directors on 7 February 2019 and then implemented by all Banking Group Companies.

This Policy lays down the principles and guidelines that the entire Banking Group must follow when preventing and managing the risk in question.

The Anti-Money Laundering Function (the Parent Company's Anti-Money Laundering Service) is responsible for preventing and combating money-laundering and operations for financing of terrorism with respect to the Banking Group Companies based in Italy. It collaborates with the Compliance Service on matters within its purview and

<sup>9</sup> In the classification of risks for regulatory purposes, the risk of money laundering is primarily placed among risks of a legal and reputational nature, although it is possible that losses may be sustained on loans or financial instruments due to the unknown financing of criminal activities. Legal risk is included among operating risks and as such contributes to determining the capital requirement envisaged by what is known as the "first pillar"; reputational risk is handled in the context of what is known as the "second pillar" and thus contributes to estimating the degree of adequacy of the intermediary's total capital.

on *ex-ante* assessment of the residual risk associated with company processes, availing itself of the same IT tools used in support of efficacy assessment, reporting, and monitoring of remedial measures.

### **Information technology risk**

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

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

The management process involves:

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

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

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

## 2. SCOPE OF APPLICATION

The public disclosure obligations apply to the Banca Generali Group. Banca Generali S.p.A. is the Parent Company.

The following table shows the Subsidiaries and scope of consolidation relevant for prudential and financial reporting purposes.

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

The consolidated accounts include the separate financial statements of the Parent Company and the Subsidiaries at 31 December 2018, reclassified and adjusted where necessary, to take account of consolidation requirements.

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

The carrying amount of equity investments in subsidiaries consolidated line by line is derecognised against the corresponding shares of equity in the said subsidiaries.

The resulting differences are allocated to the assets or liabilities of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Negative differences are charged to the profit and loss account.

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

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

The following is a description of the Banca Generali Group's

organisational structure at 31 December 2018:

- > **Banca Generali S.p.A.**, the Parent Company, engages primarily in the offering of traditional banking products, and the offering and placing of asset management and insurance products;
- > **Generfid S.p.A.** is a company specialised in setting up and managing trusts;
- > **BG Fund Management Luxembourg S.A.** is a Luxembourg company specialised in the management of Sicavs.

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

It should be noted that the merger of the subsidiary BG Fiduciaria SIM S.p.A. into the Parent Company, Banca Generali, became effective 1 January 2018.

The merger did not require an increase in the capital of Banca Generali, as the Bank already held 100% of the merged company.

As this business combination qualified as a transaction between entities under common control, it was accounted for in accordance with the principle of the continuity of values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali's 2017 Consolidated Financial Statements, and therefore it did not have any effects on the Consolidated Financial Statements for 2018.

### 3. OWN FUNDS

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

The regulations cited above have been transposed into the Italian system by the following circular letters:

- > Bank of Italy's Circular No. 285: Supervisory Provisions for Banks;
- > Bank of Italy's Circular No. 286: Instructions for the Preparation of Prudential Reports for Banks and Securities Brokerage Companies;

- > update to Bank of Italy's Circular No. 154: Supervisory Reporting by Credit and Financial Institutions. Reporting Templates and Instructions for Submitting Data Streams.

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

## Qualitative Information

As in the previous regulations, Own funds are calculated as the sum of positive components, included with some limitations, and negative items, based on their capital quality. They consist of the following aggregates:

- > Common Equity Tier 1 capital (CET1);
- > Additional Tier 1 capital (AT1);
- > Tier 2 capital (T2).

The introduction of the Basel 3 rules is being phased in gradually, with full application being achieved between 2019 and 2023; in the phase-in period the new rules will be applied at an increasing rate.

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

### 3.1 Common Equity Tier 1 – CET1

#### 3.1.1 Common Equity Tier 1 capital (CET 1)

CET1 includes paid-in capital, additional paid-in capital, earnings reserves, valuation reserves (AFS valuation reserve, IAS 19 actuarial losses reserve), with the exception of the cash flow hedge reserve.

CET1 own instruments (treasury shares) and loss for the period are deducted from this aggregate.

Net profit for the period may be calculated, net of the provision for dividends (retained earnings) in compliance with Article 26 of the CRR and national discretionary measures provided for by the Bank of Italy.

#### 3.1.2 Elements to be deducted from CET1

CET1 is then subject to the following deductions:

- a) intangible assets, including goodwill;
- b) deferred tax assets (DTAs) that are based on future profitability and do not arise on temporary differences, or differences involving tax losses;
- c) deferred tax assets that rely on future profitability and arise on temporary differences (net of the correspon-

- d) deferred tax liabilities; deferred tax assets convertible to credits pursuant to Law No. 214/2011 are however not deducted, but calculated in risk weighted assets (RWAs) with a 100% weighting;
- d) deferred tax assets relating to multiple redemptions on the same goodwill for the portion that has not yet been reflected in the current tax position;
- e) direct, indirect and synthetic non-significant investments (<10%) in CET 1 instruments issued by financial institutions;
- f) direct, indirect and synthetic significant investments (>10%) in CET1 instruments issued by financial institutions;
- g) any deductions exceeding AT1 capital instruments.

Deductions relating to equity investments in financial institutions and deferred tax assets apply only to amounts exceeding given CET1 thresholds, known as **allowances**, according to a particular mechanism described below:

1. **non-significant investments** in CET1, AT1 and T2 instruments issued by financial institutions are deducted for the portion exceeding 10% of the amount of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets, that rely on future profitability and derive from temporary differences, to direct, indirect and synthetic investments in CET1 instruments issued by financial institutions, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
2. **net deferred tax assets** that rely on future profitability and arise on temporary differences are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets, that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
3. **significant investments in CET1 instruments** issued by financial institutions are deducted for the portion exceeding 10% of CET1 obtained after applying pruden-



tial filters and all the deductions other than those relating to deferred tax assets, that rely on future profitability and arise on temporary differences, any deductions exceeding ATI capital instruments and deductions of qualified investments in financial institutions;

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

### 3.1.3 Phase-in – Impact on CET1

The main aspects of the **phase-in** are set out below:

1. following the introduction of the new IFRS 9 with effect from 1 January 2018, the positive and negative valuation reserves of the OCI portfolio relating to exposures to central governments are fully included in the calculation of own funds;
2. the OCI portfolio's positive valuation reserves, other than those relating to exposures to central governments, are calculated in CET1 from 2015 for 40% and then through a progressive phase-in of 20% per annum (60% in 2016, 80% in 2017, and 100% in 2018);
3. the OCI portfolio's negative valuation reserves, other than those relating to exposures to central governments, are calculated in CET1 through a progressive phase-in of 20% per annum (60% in 2016, 80% in 2017, and 100% in 2018);
4. actuarial gains/losses deriving from the IAS 19 valuation of Termination Indemnity (TFR) (and defined benefit pension funds) are reported, net of the prudential filter activated by the Bank of Italy for 2013 in order to sterilise the effects of the new IAS 19, through a progressive phase-in of 20% per annum as from 2015 (80% in 2015, 60% in 2016, 40% in 2017 and 20% in 2018);
5. deferred tax assets (DTAs) that rely on future profitability and do not arise on temporary differences (tax losses) are deducted at 100% for 2018;
6. deferred tax assets (DTAs) that rely on future profitability and arise on temporary differences existing at 1 January 2014 are deducted from CET1 with the progressive phase-in of 10% per annum as from 2015 (20% in 2016, 30% in 2017 and 100% in 2024);
7. other deferred tax assets (DTAs) that rely on future profitability and derive from temporary differences, generated after 1 January 2014 are deducted from CET1 with the progressive phase-in of 20% per annum as from 2014 (60% in 2016, 80% in 2017 and 100% in 2018);
8. non-significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned

allowances are deducted from CET1 through a progressive phase-in of 20% per annum as from 2014 (60% in 2016, 80% in 2017 and 100% in 2018); direct investments in financial institutions not deducted from CET1 in the phase-in are deducted for 50% from AT1 and for 50% from T2; indirect and synthetic investments are subject to capital requirements and included in risk weighted-assets;

9. significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances are deducted from CET1 through a progressive phase-in of 20% per annum as from 2014 (60% in 2016, 80% in 2017 and 100% in 2018); direct investments in financial institutions not deducted from CET1 in the phase-in are deducted for 50% from AT1 and for 50% from T2; indirect and synthetic investments are subject to capital requirements and included in risk weighted-assets;

The phase-in of IAS 19 actuarial loss reserves, provided for in Article 473 of the CRR and adopted amongst the national discretionary measures by Bank of Italy Circular No. 285/2013, is designed to neutralise the impact on own funds of the amendments to IAS19, which came into force on 1 January 2013 following the issue of Regulation (EU) No. 475/2012 and provide for actuarial gains and losses relating to defined benefit plans to be recognised in full in other comprehensive income (OCI) and offset by an equity reserve (actuarial gains and losses valuation reserve).

The previous version of IAS 19 instead recognised an alternative accounting treatment known as the “corridor method,” which allowed:

- > the amount of the actuarial gains and losses in excess of the significance threshold of 10% of the present value of the defined benefit obligation (the “overcorridor”) to be recognised through profit and loss; and
- > the actuarial gains and losses below that threshold to be deferred, without recognising them in the financial statements.

Since for entities that previously adopted the corridor method, the new equity reserve would have a negative impact on capital for regulatory purposes and considering the stance taken at the Community level in conjunction with the approval of the new prudential regulations implementing Basel 3 (the CRR/CRD IV Package) in favour of the gradual recognition over five years of the difference in equity between the old and new approach, the Bank of Italy had introduced as from 2013 a specific prudential filter to neutralise all balance sheet effects of the revision of IAS 19. On the basis of the subsequent provisions of the CRR, the effects of this filter were fully reabsorbed in the phase-in period from 1 January 2014 to 31 December 2018 (from 100% to 20%).

For 2018, the percent weight of the filter was therefore limited to 20% of the difference between the liability relating to the termination indemnity calculated in accordance with IAS 19 revised and the previous version of the Standard, net of the tax effect.



31.12.2018

Termination indemnity as per IAS 19 revised (Reg. 475/2012)	-4,831
Termination indemnity as per IAS 19 (2012)	-4,345
Gross difference	486
Tax effect	-134
<b>Gross positive prudential filter</b>	<b>352</b>
Relevant share for 2018 (Art. 473, para. 4)	20%
<b>Net positive prudential filter</b>	<b>70</b>

### 3.1.4 CET1 prudential filters

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

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

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

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

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

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

In addition, for years ending on or before 31 December 2012, intermediaries may distribute the neutralisation over a period of five years, including one-fifth of the value of those DTAs at 31 December 2012, net of the amount that, each year, is to be reversed to the Profit and Loss Account or transformed into a tax credit, among the negative items of Tier 1 capital.

In the Banking Group's case, the above filter only affects the share of goodwill associated with the acquisition of Banca del Gottardo Italia S.p.A., originally subject to the redemption of taxes on goodwill by Banca BSI Italia and subsequently once more by BG SGR S.p.A. following the

contribution by the former of its portfolio management business unit. Both companies were then merged into the Parent Company, Banca Generali.

The tax value of the goodwill subject to tax redemption amounted to 4,932 thousand euros, of which deferred tax assets for Italian corporate income tax (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2018 thus amounted to 881 thousand euros.

## 3.2 Additional Tier 1 capital (AT1)

Additional Tier 1 capital includes capital instruments regulated under Articles 51 et seqq. of CRR.

This aggregate is not present in the Banking Group's own funds.

## 3.3 Tier 2 capital (T2)

### 3.3.1 Tier 2 capital (T2)

Tier 2 capital includes Tier 2 capital instruments and subordinated liabilities, regulated by Articles 63 et seqq. of the CRR and having the following characteristics:

- > the original term is not less than 5 years and no incentives are envisaged for early repayment;
- > call options, where applicable, may be exercised at the issuer's sole discretion and in any event no earlier than 5 years, subject to the authorisation of the Supervisory Authority granted in special circumstances;
- > early repayment is also allowed before 5 years only in the event of significant changes to the tax or regulatory regime and always with the prior authorisation of the Supervisory Authority;
- > subscription and purchase must not be financed by the Parent Company or its subsidiaries;
- > they are not subject to guarantees issued by the Parent Company, its subsidiaries or other companies that have close links with them, which increase their seniority;
- > interest does not change based on the Parent Company's credit rating;
- > these instruments are amortised pro-rata over the past 5 years for T2 calculation purposes.

The following Tier 2 subordinated liability is included in the year-end Tier 2 capital of the parent company Banca Generali:

	EFFECTIVE AS OF	EXPIRY	AMOUNT	REMAINING AMOUNT
Generali Beteiligungs GmbH subordinated loan	30.10.2014	30.10.2024	43,000	43,000

The subordinated loan agreed with the German company Generali Beteiligungs GmbH relates to the acquisition of the Credit Suisse (Italy) S.p.A. business unit.

The loan disbursed on 30 October 2014, for the amount of 43 million euros, has a ten-year term and is repayable on maturity in one instalment.

Provision is also made for an early repayment option, as from the sixth year, subject to the Supervisory Authority's prior approval.

The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparametrized to the 3-month Euribor, plus the same spread identified when the original fixed rate was determi-

ned. The loan is subordinated for repayment in the event of a default by the Bank.

### 3.3.2 Elements to be deducted from T2

T2 is subject to the following main deductions:

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

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

## Quantitative Information

**Consolidated own funds**, calculated in accordance with the Basel 3 rules in effect since 1 January 2014, and net of the expected dividend payout, amounted to 537.9 million

euros, up by 19.3 million euros compared to the end of the previous year.

ITEMS/VALUES (€ THOUSAND)	31.12.2018	31.12.2017	CHANGE	
			AMOUNT	%
Common Equity Tier 1 capital (CET1)	494,915	475,232	19,683	4.14%
Additional Tier 1 capital (AT1)	-	-	-	n.a.
Tier 2 capital (T2)	43,000	43,370	-370	-0.85%
<b>Own funds</b>	<b>537,915</b>	<b>518,602</b>	<b>19,313</b>	<b>3.72%</b>
<b>Consolidated net equity</b>	<b>734,875</b>	<b>736,070</b>	<b>-1,195</b>	<b>-0.16%</b>

### Reconciliation statement between consolidated book net equity and Tier 1 capital

(€ THOUSAND)	31.12.2018
<b>Consolidated net equity</b>	<b>734,875</b>
Dividend for shareholders	-144,900
Adjustments for instruments that may be included in AT1 or T2	-
Net profit for the year, not to be calculated	-
Treasury shares included in regulatory adjustments	-
Other items that may not be included upon full application	-
<b>Tier 1 capital before regulatory adjustments</b>	<b>589,975</b>
Regulatory adjustments (including adjustments of the phase-in period)	-95,060
<b>Tier 1 capital net of regulatory adjustments</b>	<b>494,915</b>

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

### Composition of own funds

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

	31.12.2018
<b>A. Tier 1 capital before application of prudential filters</b>	<b>589,975</b>
<i>of which: CET1 instruments covered by phase-in provisions</i>	-
B. CET1 prudential filters (+/-)	-2,078
<b>C. CET1 gross of elements to be deducted and effects of the phase-in provisions</b>	<b>587,897</b>
D. Elements to be deducted from CET1	-93,052
E. Phase-in – impact on CET1	70
<b>F. Total Common Equity Tier 1 capital - CET1 (C-D+/-E)</b>	<b>494,915</b>
<b>G. Additional Tier 1 capital (AT1) gross of elements to be deducted and effects of the phase-in provisions</b>	<b>-</b>
<i>of which: AT1 instruments covered by phase-in provisions</i>	-
H. Elements to be deducted from AT1	-
I. Phase-in – impact on AT1	-
<b>L. Total additional Tier 1 capital (AT1)</b>	<b>-</b>
M. Tier 2 capital (T2) gross of elements to be deducted and effects of the phase-in provisions	43,000
<i>of which: T2 instruments covered by phase-in provisions</i>	-
N. Elements to be deducted from T2	-
O. Phase-in provisions – impact on T2	-
<b>P. Total Tier 2 capital (T2)</b>	<b>43,000</b>
<b>Q. Total own funds</b>	<b>537,915</b>

More in detail, own funds are composed as follows.

OWN FUNDS TIER 1 CAPITAL (T1)	31.12.2018		
	FULL APPLICATION	ADJUSTMENT	PHASE IN
Share capital	116,852	-	116,852
Share premium	57,889	-	57,889
Treasury shares	-22,724	-	-22,724
CET1 instruments which the entity has the real or potential obligation to purchase	-	-	-
<b>CET1 instruments</b>	<b>152,017</b>	<b>-</b>	<b>152,017</b>
Reserves	414,368	-	414,368
Net profit (loss) for the period	180,126	-	180,126
Share of net profit for the year not included in CET1	-144,900	-	-144,900
<b>Earnings reserves</b>	<b>449,594</b>	<b>-</b>	<b>449,594</b>
OCI reserves – equity securities and UCITS	-	-	-
OCI reserves – EU government securities – neutralisation option up to 2017	-6,180	-	-6,180
OCI reserves – debt securities	-3,477	-	-3,477
Reserve for exchange rate differences	-131	-	-131
Actuarial reserves IAS 19	-1,848	-	-1,848
Other (neutralisation of actuarial losses – IAS 19)	-	70	70
<b>Other components of other comprehensive income (OCI)</b>	<b>-11,636</b>	<b>70</b>	<b>-11,566</b>
Prudent valuation	-2,078	-	-2,078
Cash flow hedge	-	-	-
<b>Negative prudential filters</b>	<b>-2,078</b>	<b>-</b>	<b>-2,078</b>
Goodwill	-66,065	-	-66,065
Goodwill DTLs	2,939	-	2,939
Intangible assets	-29,045	-	-29,045
DTAs to P&L not arising from temporary differences (tax losses)	-	-	-
Other negative items (neutralisation of DTAs arising on multiple goodwill tax redemption)	-881	-	-881
<b>Total negative items</b>	<b>-93,052</b>	<b>-</b>	<b>-93,052</b>
Adjustments of DTAs/DTLs through P&L arising on temporary differences	-	-	-
Portion exceeding non-significant investments (<10%) in CET1 instruments	-	-	-
Portion exceeding significant investments (>10%) in CET1 instruments	-	-	-
General deduction - portion exceeding DTAs	-	-	-
General deduction - portion exceeding significant investments	-	-	-
<b>General deduction with threshold 17.65%-15%</b>	<b>-</b>	<b>-</b>	<b>-</b>
Phase-in – DTAs – impact on CET1	-	-	-
Significant investments: phase-in provisions – impact on CET1	-	-	-
Significant investments: 50% of items to be deducted from CET1	-	-	-
<b>Phase-in provisions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Common Equity Tier 1 capital (CET1)</b>	<b>494,845</b>	<b>70</b>	<b>494,915</b>
Significant investments: phase-in provisions – impact on AT1	-	-	-
Significant investments: excess of items to be deducted from AT1	-	-	-
<b>Total Additional Tier 1 capital (AT1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tier 1 capital</b>	<b>494,845</b>	<b>70</b>	<b>494,915</b>
T2 instruments (subordinated liabilities)	43,000	-	43,000
Significant investments: 50% excess portion deducted from Tier 1 capital	-	-	-
50% positive OCI reserves – phase-in provisions - impact on T2 (80%)	-	-	-
<b>Total Tier 2 capital (T2)</b>	<b>43,000</b>	<b>-</b>	<b>43,000</b>
<b>Total own funds</b>	<b>537,845</b>	<b>70</b>	<b>537,915</b>

In the year under review, CET1 performance was chiefly attributable to the contribution of net profit for the year which was not allocated as dividend to be distributed to shareholders (35.2 million euros), equal to about 19.6% of the consolidated net profit.

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

<b>Own funds at 31.12.2017</b>	<b>518,602</b>
<b>Change in Tier 1 capital</b>	
<b>IFRS 9 and IFRS 15 FTA</b>	<b>-2,827</b>
Repurchase commitments of CET1 instruments	-
Purchase of treasury shares and repurchase commitments of CET1 instruments	-12,841
Change in reserves for share-based payments (IFRS 2)	5,507
2017 dividend payout	-
Estimated regulatory provisions for retained earnings	35,226
Change in OCI reserves on HTCS	-5,043
Change in IAS 19 OCI reserves (net of filter)	-130
Change in goodwill and intangibles	-2,794
Negative prudential filters	2,585
Deductions for significant investments, DTAs; general deductions	-
Phase-in provisions – CET1	-
<b>Total changes in Tier 1 capital</b>	<b>19,683</b>
<b>Change in Tier 2 capital</b>	
Tier 2 subordinated loans (regulatory amortisation)	-
Phase-in provisions: change in positive HTCS reserves	-370
Other effects	-
<b>Total changes in Tier 2 capital</b>	<b>-370</b>
<b>Own funds at 31.12.2018</b>	<b>537,915</b>
<b>Change</b>	<b>19,313</b>

## 4. CAPITAL REQUIREMENTS

### Qualitative Information

The adequacy of internal capital is constantly monitored by the Parent Company for the purposes of both current assessments and prospective planning.

Assessment and planning are closely related inasmuch as the forecasting phase must be based on knowledge of the current situation, especially as regards the measurement of risk-weighted assets (RWAs), market risk, operating risk and balance sheet items.

The management of the Group's capital, at both the current and prospective level, aims to ensure that Banca Generali's capital and ratios, as well as those of its subsidiaries, are consistent with the risk profile assumed and comply with regulatory requirements.

Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the EU (CRR/CRD IV) and applied by the Bank of Italy.

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

At 31 December 2018, the Banca Generali Group had a Total Capital Ratio<sup>10</sup> of **19.0%** compared to a minimum requirement of 10.2% indicated by the Supervisory Authority following the SREP.

Ongoing compliance with minimum capital requirements is

monitored by the Risk and Capital Adequacy Department, whereas the Administration Department is tasked with drafting all of the reports to be submitted to the Supervisory Authorities required under applicable legislation, ensuring their accuracy and compliance with deadlines, requesting support from the organisational units directly involved, where necessary. It is also responsible for the related databases (historical regulatory archive).

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

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

<sup>10</sup> Ratio of total Own funds to risk-weighted assets.

## Quantitative Information

The following table shows the details of the Group's capital adequacy at 31 December 2018 in thousands of euros.

	31.12.2018	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
<b>A. RISK ASSETS</b>	<b>10,684,810</b>	<b>1,908,850</b>
<b>A.1 Credit and counterparty risk</b>		
1. Standardised method	10,684,810	1,908,850
2. Internal rating method		
2.1 basic	-	-
2.2 advanced	-	-
3. Securitisations	-	-
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>		
<b>B.1 Credit risk</b>	X	<b>152,708</b>
<b>B.2 Risk of credit valuation adjustment</b>	X	-
<b>B.3 Regulation risk</b>	X	-
<b>B.4 Market risks</b>	X	<b>575</b>
1. Standard methodology	X	575
2. Internal models	X	-
3. Concentration risk		-
<b>B.5 Operating risk</b>	X	<b>73,274</b>
1. Basic method	X	73,274
2. Standardised method	X	-
3. Advanced method	X	-
<b>B.6 Other variables</b>	X	-
<b>B.7 Total prudential requirements</b>	X	<b>226,557</b>
<b>C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS</b>		
<b>C.1 Risk-weighted assets</b>	X	<b>2,831,965</b>
<b>C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)</b>	X	<b>17.5%</b>
<b>C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)</b>	X	<b>17.5%</b>
<b>C.4 Total own funds/Risk-weighted assets (Total Capital Ratio)</b>	X	<b>19.0%</b>

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

### CREDIT RISK

REGULATORY PORTFOLIO	RISK-WEIGHTED ASSETS	REQUIREMENT
Central governments and central banks	111,272	8,902
Supervised intermediaries	218,644	17,492
Companies	830,972	66,478
Detail	339,777	27,182
Exposures secured by immovable	133,435	10,675
Past-due	19,713	1,577
UCITS	11,685	935
Equity instruments	36,385	2,911
Other	206,967	16,557
Securitisations	-	-
<b>Total requirements</b>	<b>1,908,850</b>	<b>152,708</b>

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

been included in the credit risk.

**RISK OF CREDIT VALUATION ADJUSTMENT**

STANDARD METHODOLOGY	RISK-WEIGHTED ASSETS	REQUIREMENT
OTC derivatives	-	-

The capital requirement for **counterparty risk alone** amounted to 13 thousand euros at 31 December 2017.

At 31 December 2018, the capital requirement for credit risk amounted to **152,708** thousand euros, consisting of the sum of all requirements for the Group's regulatory asset classes.

For measurement purposes, the Group only uses the agency Moody's as ECAI. However, any other available ECAIs may be used for the securitisation portfolio, where activated.

The following table shows capital requirements (in thousands of euros) for market risk, by type of risk.

**MARKET RISK – STANDARDISED METHOD**

POSITION RISK – REGULATORY PORTFOLIO	RISK-WEIGHTED ASSETS	REQUIREMENT
Generic risk on debt securities	3,251	260
Generic risk on equity securities	1	-
Specific risk on debt securities	3,935	315
Specific risk on equity securities	1	-
Specific securitisations risk	-	-
UCITS position risk	-	-
Additional risk options	-	-
<b>Total</b>	<b>7,188</b>	<b>575</b>

The capital requirement for market risk amounted to approximately **575** thousand euros.

At 31 December 2018, the capital requirement for operating risk was **73,274** thousand euros, as shown in the previous table, calculated by the Group using the basic model (BIA – Basic Indicator Approach) proposed by the Bank

of Italy for determining the capital requirement for Operating Risk.

At 31 December 2018, phase-in consolidated Tier 1 capital ratio was **17.5%** and phase-in consolidated Total Capital Ratio was **19.0%**, as shown in the previous table.



## 5. CREDIT RISK: GENERAL INFORMATION

### Qualitative Information

Credit risk is managed through the implementation of credit management processes (as provided for in the Lending Rules and the Finance Rules), which provide for the monitoring of the performing portfolio and the non-performing portfolio (NPLs) among the various phases.

Accordingly, each quarter the Bank updates the impairment losses recognised on on-balance sheet loans to take account of the development of the situation, the guarantees covering the risk and the time horizon for recovering its loans.

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

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

Forborne positions are assigned the “forbearance” attribute.

In individual measurement of UTP and bad debt positions, the amount of the impairment loss on each loan is calculated as the sum of two components, the first of which is the outcome of a professional assessment by the unit responsible for managing the position, resulting in an expected loss, and the other of the assessment of the amount to be recovered and the estimated recovery time. The expected loss depends on the presumed realisable value of any guarantees and the costs that it is believed will be incurred in the recovery process. The second component is calculated as the difference between the value of the loan at the time of measurement (less expected losses) and the present va-

lue of the loan based on future cash flows discounted at the original effective interest rate.

In the case of past-due positions, a provision is set aside on the basis of the value of the exposure, the expected recoverable amount and the existing guarantees.

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

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

Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In view of the method used to determine the presumed realisable value of non-performing exposures, the mere passage of time, with the ensuing approach of the recovery deadlines, entails an automatic reduction in the implicit financial expenses previously recognised as a reduction in the value of the loans.

Write-backs due to the passage of time are taken among reversals.

At 31 December 2018, net non-performing exposures on loans to customers amounted to 36.8 million euros, or 1.69% 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.<sup>11</sup> upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty.

Net of this aggregate, non-performing exposures on loans to customers amounted to 17.0 million euros and consisted for 95% of credit facilities secured by financial collaterals mainly in the form of pledges of financial instruments and/or similar products, such as mandate to policy redemption. Unsecured exposures on loans to customers, for which risk is effectively borne by the Bank, amounted to just 0.8 million euros, or around 0.04% of total loans to customers.

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

The process of identifying doubtful loan positions requires constant monitoring of positions. When limits are exceeded, various debt procedures are triggered. In general, considering that the vast majority of positions are secured by pledges of financial instruments, there are no residual debt exposures once the enforcement procedure has been concluded. If the exposure is unsecured or there is a resi-

<sup>11</sup> As of 7 April 2017, the Swiss operations of BSI S.A. were totally transferred to EFG Bank AG - Lugano Branch, as per the Swiss law on mergers.

dual unsecured exposure, the Bank can avail itself of the services of major debt collection agencies.

A position is classified as bad loan when it is no longer possible to recover the exposure from the borrower within a period of time deemed reasonable.

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

In detail, following the introduction of the accounting standard 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. 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 traditional form of account overdrafts and mortgage/unsecured loans take account of the counterparty's status, any forbearance measures, decline in creditworthiness compared with origination and limits exceeded for more than 30 days.

When calculating impairment, the probability of default is determined on the basis of the counterparty's rating class (the Bank adopts a management rating model, developed with the CSE consortium) and the residual term of the loan. LGD is instead largely determined on the basis of loan type and counterparty type, and considering whether certain guarantees are present. Finally, the parameter EAD (Exposure At Default) is equal to the accounting balance for demand positions, individual contractual cash flows discounted according to the internal rate of return (IRR) for term positions and the accounting balance adjusted by the regulatory Credit Conversion Factor (CCF) for off-balance sheet exposures.

Within the debt securities portfolio, securities classified to the HTC and HTCS portfolios that have passed the SPPI test are instead tested for impairment.

When calculating impairment, it is fundamental to classify the staging of individual positions in order to identify any decline in creditworthiness (credit quality) between the purchase of the security and the reporting date. This process (stage assignment) determines the residual quantities and the date with which to associate the credit quality/rating upon purchase, to be compared with the credit quality/rating observed at the reporting date for the purposes of identifying any "significant decline" in credit quality.

The impairment of securities subject to the IFRS 9 rules is calculated according to the following variables.

**PD:** the model adopted for calculating the probability of default (PD) to be applied to the proprietary portfolio within the impairment scope is based on an estimate of a term structure default probability for each security. The component generating the return for an operator's risk appetite is eliminated from default probability measures so as to isolate the credit component (this is known as the "real world approach");

**LGD:** the estimate of the loss given default (LGD) to be applied to the portfolio is calculated according to a deterministic approach in which the LGD parameter is assumed to be constant over the financial asset's entire time horizon as a function of the ranking of the instrument and the classification of the issuer's country;

**EAD:** in the case of the proprietary finance portfolio, reference is made to the nominal value, inclusive of the coupon accrued at the measurement date, discounting both values at the security's rate of return.

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

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

## Quantitative Information

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

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	21,473	10,555	4,793	22,962	6,114,515	6,174,298
2. Financial assets at fair value through other comprehensive income	-	-	-	-	1,978,314	1,978,314
3. Financial assets at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	20,690	20,690
5. HFS financial assets	-	-	-	-	-	-
<b>Total at 31.12.2018</b>	<b>21,473</b>	<b>10,555</b>	<b>4,793</b>	<b>22,962</b>	<b>8,113,519</b>	<b>8,173,302</b>
<b>Average exposures</b>	<b>22,683</b>	<b>24,894</b>	<b>7,060</b>	<b>32,456</b>	<b>7,920,796</b>	<b>8,007,887</b>
<b>Total at 31.12.2017</b>	<b>23,892</b>	<b>39,232</b>	<b>9,326</b>	<b>41,949</b>	<b>7,728,073</b>	<b>7,842,472</b>

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

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS			PERFORMING ASSETS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	
1. Financial assets at amortised cost	51,945	15,124	36,821	6,147,692	10,215	6,137,477	6,174,298
2. Financial assets at fair value through other comprehensive income	-	-	-	1,981,551	3,237	1,978,314	1,978,314
3. Financial assets at fair value	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	X	X	20,690	20,690
5. HFS financial assets	-	-	-	-	-	-	-
<b>Total at 31.12.2018</b>	<b>51,945</b>	<b>15,124</b>	<b>36,821</b>	<b>8,129,243</b>	<b>13,452</b>	<b>8,136,481</b>	<b>8,173,302</b>
<b>Average exposures</b>	<b>70,478</b>	<b>15,842</b>	<b>54,636</b>	<b>7,952,243</b>	<b>9,336</b>	<b>7,953,252</b>	<b>8,007,887</b>
<b>Total at 31.12.2017</b>	<b>89,010</b>	<b>16,560</b>	<b>72,450</b>	<b>7,775,242</b>	<b>5,220</b>	<b>7,770,022</b>	<b>7,842,472</b>

PORTFOLIOS/QUALITY	ASSETS WITH OBVIOUSLY POOR CREDIT QUALITY		OTHER ASSETS
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	
1. HFS financial assets	-	-	33,887
2. Hedging derivatives	-	-	-
<b>Total at 31.12.2018</b>	<b>-</b>	<b>-</b>	<b>33,887</b>
<b>Average exposures</b>	<b>-</b>	<b>-</b>	<b>41,451</b>
<b>Total at 31.12.2017</b>	<b>-</b>	<b>-</b>	<b>49,015</b>

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

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

EXPOSURES/GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST.	NET EXPOSURE	TOTAL VALUE ADJUST.	NET EXPOSURE	TOTAL VALUE ADJUST.	NET EXPOSURE	TOTAL VALUE ADJUST.	NET EXPOSURE	TOTAL VALUE ADJUST.
<b>A. Cash exposure</b>										
A.1 Bad loans	21,473	12,920	-	629	-	-	-	-	-	-
A.2 Unlikely to pay	10,555	1,294	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	4,793	273	-	8	-	-	-	-	-	-
A.4 Other performing exposures	7,270,057	11,198	209,280	1,556	45,327	38	6,703	4	3,638	3
<b>Total A</b>	<b>7,306,878</b>	<b>25,685</b>	<b>209,280</b>	<b>2,193</b>	<b>45,327</b>	<b>38</b>	<b>6,703</b>	<b>4</b>	<b>3,638</b>	<b>3</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	31	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	274,901	86	165	-	-	-	-	-	-	-
<b>Total B</b>	<b>274,932</b>	<b>86</b>	<b>165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2018</b>	<b>7,581,810</b>	<b>25,771</b>	<b>209,445</b>	<b>2,193</b>	<b>45,327</b>	<b>38</b>	<b>6,703</b>	<b>4</b>	<b>3,638</b>	<b>3</b>
<b>Average exposures</b>	<b>7,494,917</b>	<b>22,258</b>	<b>206,063</b>	<b>2,339</b>	<b>31,281</b>	<b>40</b>	<b>4,091</b>	<b>2</b>	<b>3,639</b>	<b>8</b>
<b>Total at 31.12.2017</b>	<b>7,408,025</b>	<b>18,745</b>	<b>202,681</b>	<b>2,486</b>	<b>17,235</b>	<b>42</b>	<b>1,479</b>	<b>-</b>	<b>3,640</b>	<b>13</b>

EXPOSURES/GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST.	NET EXPOSURE	TOTAL VALUE ADJUST.	NET EXPOSURE	TOTAL VALUE ADJUST.	NET EXPOSURE	TOTAL VALUE ADJUST.	NET EXPOSURE	TOTAL VALUE ADJUST.
<b>A. Cash exposure</b>										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	405,818	518	202,079	149	4,376	3	17,581	12	5,011	4
<b>Total A</b>	<b>405,818</b>	<b>518</b>	<b>202,079</b>	<b>149</b>	<b>4,376</b>	<b>3</b>	<b>17,581</b>	<b>12</b>	<b>5,011</b>	<b>4</b>
<b>B. Off-balance sheet credit exposures</b>										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	258	-	-	-	-	-	-	-
<b>Total B</b>	<b>-</b>	<b>-</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2018</b>	<b>405,818</b>	<b>518</b>	<b>202,337</b>	<b>149</b>	<b>4,376</b>	<b>3</b>	<b>17,581</b>	<b>12</b>	<b>5,011</b>	<b>4</b>
<b>Average exposures</b>	<b>393,886</b>	<b>446</b>	<b>132,650</b>	<b>122</b>	<b>9,242</b>	<b>2</b>	<b>12,560</b>	<b>15</b>	<b>5,004</b>	<b>7</b>
<b>Total at 31.12.2017</b>	<b>381,954</b>	<b>374</b>	<b>62,963</b>	<b>94</b>	<b>14,107</b>	<b>-</b>	<b>7,539</b>	<b>17</b>	<b>4,996</b>	<b>9</b>

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

A breakdown of net exposures and value adjustments (spe-

cific and portfolio-related) in thousands of euros is also provided for each individual business segment.

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

EXPOSURE/COUNTERPARTY	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
<b>A. Cash exposures</b>		
<b>1. Governments</b>	<b>5,163,119</b>	<b>9,035</b>
A.1 Bad loans	-	-
<i>of which: with forbearance measures</i>	-	-
A.2 Unlikely to pay	-	-
<i>of which: with forbearance measures</i>	-	-
A.3 Non-performing past-due exposures	-	-
<i>of which: with forbearance measures</i>	-	-
A.4 Performing exposures	5,163,119	9,035
<i>of which: with forbearance measures</i>	-	-
<b>2. Financial companies</b>	<b>489,333</b>	<b>476</b>
A.1 Bad loans	5,085	90
<i>of which: with forbearance measures</i>	-	-
A.2 Unlikely to pay	1,627	44
<i>of which: with forbearance measures</i>	-	-
A.3 Non-performing past-due exposures	7	10
<i>of which: with forbearance measures</i>	-	-
A.4 Performing exposures	482,614	332
<i>of which: with forbearance measures</i>	-	-
<b>3. Financial companies (of which insurance companies)</b>	<b>47,103</b>	<b>7</b>
A.1 Bad loans	-	-
<i>of which: with forbearance measures</i>	-	-
A.2 Unlikely to pay	-	-
<i>of which: with forbearance measures</i>	-	-
A.3 Non-performing past-due exposures	-	-
<i>of which: with forbearance measures</i>	-	-
A.4 Performing exposures	47,103	7
<i>of which: with forbearance measures</i>	-	-
<b>4. Non-financial companies</b>	<b>399,530</b>	<b>15,469</b>
A.1 Bad loans	14,376	12,530
<i>of which: with forbearance measures</i>	-	-
A.2 Unlikely to pay	4,527	612
<i>of which: with forbearance measures</i>	536	457
A.3 Non-performing past-due exposures	677	11
<i>of which: with forbearance measures</i>	453	4
A.4 Performing exposures	379,950	2,316
<i>of which: with forbearance measures</i>	25,457	192
<b>5. Households</b>	<b>1,472,741</b>	<b>2,936</b>
A.1 Bad loans	2,012	929
<i>of which: with forbearance measures</i>	-	-
A.2 Unlikely to pay	4,401	639
<i>of which: with forbearance measures</i>	1,896	143
A.3 Non-performing past-due exposures	4,109	255
<i>of which: with forbearance measures</i>	190	10
A.4 Performing exposures	1,462,219	1,113
<i>of which: with forbearance measures</i>	60,920	201
<b>Total A - Cash exposures</b>	<b>7,571,826</b>	<b>27,923</b>

EXPOSURE/COUNTERPARTY	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
<b>B. Off-balance sheet exposures</b>		
<b>1. Governments</b>	<b>173,365</b>	<b>-</b>
B.1 Non-performing exposures	-	-
B.2 Performing exposures	173,365	-
<b>2. Financial companies</b>	<b>458</b>	<b>-</b>
B.1 Non-performing exposures	-	-
B.2 Performing exposures	458	-
<b>3. Financial companies (of which insurance companies)</b>	<b>3,847</b>	<b>-</b>
B.1 Non-performing exposures	-	-
B.2 Performing exposures	3,847	-
<b>4. Non-financial companies</b>	<b>59,646</b>	<b>58</b>
B.1 Non-performing exposures	31	-
B.2 Performing exposures	59,615	58
<b>5. Households</b>	<b>37,781</b>	<b>28</b>
B.1 Non-performing exposures	-	-
B.2 Performing exposures	37,781	28
<b>TOTAL B - Off-balance sheet exposures</b>	<b>275,097</b>	<b>86</b>

	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
Governments	5,336,484	9,035
Financial companies	489,791	476
Financial companies (of which insurance companies)	50,950	7
Non-financial companies	459,176	15,527
Households	1,510,522	2,964
<b>Overall total (A+B) at 31.12.2018</b>	<b>7,846,923</b>	<b>28,009</b>
<b>Overall total (A+B) at 31.12.2017</b>	<b>7,586,139</b>	<b>21,286</b>

The following table shows a breakdown of the entire portfolio by type of exposure in thousands of euros.

TYPES/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
<b>1. Cash assets</b>	<b>1,407,274</b>	<b>1,311,463</b>	<b>1,698,571</b>	<b>571,696</b>	<b>1,991,414</b>	<b>996,121</b>	<b>196,762</b>	<b>-</b>	<b>8,173,301</b>
1.1 Debt securities									
- with early repayment option	-	30,622	-	-	23,098	12,001	-	-	65,721
- other	-	920,314	1,659,850	491,136	1,637,150	836,300	-	-	5,544,750
1.2 Loans to banks	262,901	100,326	-	-	-	-	-	-	363,227
1.3 Loans to customers									
- current accounts	979,048	8	5,433	1,375	42	-	-	-	985,906
- other loans	165,325	260,193	33,288	79,185	331,124	147,820	196,762	-	1,213,697
- with early repayment option	16,794	24,559	30,972	79,183	329,784	147,820	196,762	-	825,874
- other	148,531	235,634	2,316	2	1,340	-	-	-	387,823
<b>2. Cash liabilities</b>	<b>8,443,818</b>	<b>140,223</b>	<b>25,932</b>	<b>-</b>	<b>-</b>	<b>43,282</b>	<b>-</b>	<b>-</b>	<b>8,653,255</b>
2.1 Due to customers									
- current accounts	8,187,797	-	25,932	-	-	-	-	-	8,213,729
- other payables	127,296	140,223	-	-	-	43,282	-	-	310,801
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	127,296	140,223	-	-	-	43,282	-	-	310,801
2.2 Due to banks									
- current accounts	107,081	-	-	-	-	-	-	-	107,081
- other payables	21,644	-	-	-	-	-	-	-	21,644
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 With underlying security									
- Options	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying security									
- Options	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
<b>4. Other off-balance sheet transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-

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

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE		TOTAL VALUE ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
	NON-PERFORMING LOANS	PERFORMING LOANS			
<b>A. Cash exposures</b>					
a) Bad loans	35,022	X	13,549	21,473	-
<i>of which: with forbearance measures</i>	-	X	-	-	-
B) Unlikely to pay	11,849	X	1,294	10,555	-
<i>of which: with forbearance measures</i>	3,032	X	595	2,437	-
c) Non-performing past-due exposures	5,074	X	281	4,793	-
<i>of which: with forbearance measures</i>	657	-	14	643	-
d) Performing past-due exposures	X	23,186	224	22,962	-
<i>of which: with forbearance measures</i>	X	2,204	41	2,163	-
e) Other performing exposures	X	7,524,618	12,575	7,512,043	-
<i>of which: with forbearance measures</i>	X	84,567	352	84,215	-
<b>Total A</b>	<b>51,945</b>	<b>7,547,804</b>	<b>27,923</b>	<b>7,571,826</b>	<b>-</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non performing	31	X	-	31	X
b) Performing	X	275,152	86	275,066	-
<b>Total B</b>	<b>31</b>	<b>275,152</b>	<b>86</b>	<b>275,097</b>	<b>-</b>
<b>Total (A+B)</b>	<b>51,976</b>	<b>7,822,956</b>	<b>28,009</b>	<b>7,846,923</b>	<b>-</b>

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE		TOTAL VALUE ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
	NON-PERFORMING LOANS	PERFORMING LOANS			
<b>A. Cash exposures</b>					
a) Bad loans	-	X	-	-	-
<i>of which: with forbearance measures</i>	-	X	-	-	-
B) Unlikely to pay	-	X	-	-	-
<i>of which: with forbearance measures</i>	-	X	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-
<i>of which: with forbearance measures</i>	-	X	-	-	-
d) Performing past-due exposures	X	-	-	-	-
<i>of which: with forbearance measures</i>	X	-	-	-	-
e) Other performing exposures	X	635,551	686	634,865	-
<i>of which: with forbearance measures</i>	X	-	-	-	-
<b>Total A</b>	<b>-</b>	<b>635,551</b>	<b>686</b>	<b>634,865</b>	<b>-</b>
<b>B. Off-balance sheet credit exposures</b>					
a) Non performing	-	X	-	-	-
b) Performing	X	258	-	258	-
<b>Total B</b>	<b>-</b>	<b>258</b>	<b>-</b>	<b>258</b>	<b>-</b>
<b>Total (A+B)</b>	<b>-</b>	<b>635,809</b>	<b>686</b>	<b>635,123</b>	<b>-</b>



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

At 31 December 2018, there were no non-performing exposures to banks.

CAUSES/CATEGORIES	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST-DUE EXPOSURES	
	TOTAL	OF WHICH: WITH FORBEARANCE MEASURES	TOTAL	OF WHICH: WITH FORBEARANCE MEASURES	TOTAL	OF WHICH: WITH FORBEARANCE MEASURES
<b>A. Total adjustments at year-start</b>	<b>14,960</b>	-	<b>1,191</b>	<b>42</b>	<b>409</b>	<b>5</b>
<i>of which: Exposures transferred but not written off</i>	-	-	-	-	-	-
<b>B. Increases</b>	<b>333</b>	-	<b>889</b>	<b>584</b>	<b>251</b>	<b>14</b>
B.1 Value adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other value adjustments	250	-	802	584	251	14
B.3 Losses on disposals	-	-	-	-	-	-
B.4 Transfer from other categories of non-performing exposures	83	-	87	-	-	-
B.5 Contractual changes without cancellations	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
<b>C. Decreases</b>	<b>1,744</b>	-	<b>786</b>	<b>31</b>	<b>379</b>	<b>5</b>
C.1 Reversal on adjustments	36	-	117	29	192	-
C.2 Reversals of collections	29	-	594	2	45	5
C.3 Gains on disposals	-	-	-	-	-	-
C.4 Write-offs	1,679	-	19	-	28	-
C.5 Transfer to other categories of non-performing exposures	-	-	56	-	114	-
C.6 Contractual changes without cancellations	-	X	-	X	-	X
C.7 Other decreases	-	-	-	-	-	-
<b>D. Total adjustments at year-end</b>	<b>13,549</b>	-	<b>1,294</b>	<b>595</b>	<b>281</b>	<b>14</b>
<i>of which: Exposures transferred but not written off</i>	-	-	-	-	-	-

At 31 December 2018, consolidated net adjustments recognised through profit and loss amounted to 7.3 million euros, up 1.8 million euros compared to the previous year, which had been significantly impacted by losses generated by the Alitalia bond known as “Dolce Vita”, allocated to the HTC portfolio following the airline’s default. They mainly include 7.2 million euros adjustment on financial assets and 0.1 million euros adjustments on receivables.

Value adjustments on securities held in portfolio refer for 2.3 million euros to debt securities reclassified to HTCS and for 4.9 million euros to debt securities at amortised cost and arising from the adjustment of the collective re-

serve allocated for contingent losses on the bond portfolio.

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

As regard loans to customers, value adjustments and reversals on positions classified under “Stage 3” amounted to a negative 0.6 million euros, partially offset by net reversals on reserves covering expected losses on loans classified to Stage 1 and Stage 2 (0.5 million euros).

## 6. CREDIT RISK: USE OF ECAIS

### Qualitative Information

The Banca Generali Group adopts the ratings provided by the following external rating agencies in determining the credit risk weightings under the standardised method:

- > Moody's Investors Service for all regulatory portfolios;
- > other available ECAIS (e.g., Fitch) for the portfolio "se-

curitisation positions", where applicable.

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

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

### Quantitative Information

The following table shows, in thousands of euros, the values of exposures, with and without credit risk mitigation, along with the respective weightings and the values of the

exposures deducted from regulatory capital, for each regulatory asset class.

STANDARDISED METHOD – REGULATORY PORTFOLIO	EXPOSURE NET OF VALUE ADJUSTMENTS AND PROVISIONS	BREAKDOWN OF EXPOSURES BY RISK WEIGHT				
		2	10	20	35	
Central governments and central banks	6,523,136	6,473,762	-	-	-	-
Multilateral development banks	4,355	4,355	-	-	-	-
Supervised intermediaries	899,072	-	8,082	-	647,248	-
Companies and other entities	1,220,702	-	-	-	-	-
Detail	1,231,065	-	-	-	-	-
Secured by property	377,519	-	-	-	-	366,642
Past due	39,294	-	-	-	-	-
Equity instruments	36,385	-	-	-	-	-
UCITS	11,685	-	-	-	-	-
Other	318,865	21,017	-	-	113,602	-
Securitisations	-	-	-	-	-	-
<b>Total</b>	<b>10,662,078</b>	<b>6,499,134</b>	<b>8,082</b>	<b>-</b>	<b>760,850</b>	<b>366,642</b>

	BREAKDOWN OF EXPOSURES BY RISK WEIGHT						INITIAL EXPOSURE	EXPOSURE
	50	70	75	100	150	250	BEFORE APPLI- CATION OF RISK WEIGHT	DEDUCTED FROM REGULATORY CAPITAL
	-	-	-	8,107	-	41,266	6,529,430	-
	-	-	-	-	-	-	4,355	-
	183,115	-	-	58,077	2,550	-	899,492	-
	40,676	-	-	1,180,026	-	-	1,223,405	-
	-	-	1,231,065	-	-	-	1,231,771	-
	10,877	-	-	-	-	-	377,688	-
	-	-	-	7,389	31,905	-	51,726	-
	-	-	-	36,385	-	-	36,385	-
	-	-	-	11,685	-	-	11,685	-
	-	-	-	184,247	-	-	318,873	-
	-	-	-	-	-	-	-	-
	<b>234,668</b>	-	<b>1,231,065</b>	<b>1,485,916</b>	<b>34,455</b>	<b>41,266</b>	<b>10,684,810</b>	-

## 7. CREDIT RISK MITIGATION TECHNIQUES

### Qualitative Information

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

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

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

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

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

#### SECURED GUARANTEES USED BY THE GROUP

GUARANTEE DESCRIPTION	CATEGORY CIRCULAR NO. 285/2013
First lien on property	Mortgages on property - secured guarantee
Second or inferior lien on real property	Mortgages on property - secured guarantee
Pledge on cash	Financial collateral
Pledge on shares	Financial collateral
Pledge on government and non-government securities	Financial collateral
Pledge on other financial instruments	Financial collateral
Revolving pledge on securities account under administration	Financial collateral
Pledge on UCITS with floating or fixed charge	Financial collateral
Pledge on assets under management	Financial collateral
Pledge on policy	Financial collateral

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

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

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

- > where necessary, the Legal Affairs Department examines the contractual documentation to assess whether the requirements of legal certainty and promptness of liquidation have been satisfied and updates or drafts the said documentation;

- > the Lending Department:
  - supports the Legal Affairs Department with drafting non-standard contracts associated with the collateral type;
  - verifies that the general and specific requirements imposed by law have been met;
  - ensures that existing credit processes involving the acquisition, management and enforcement of the collateral types being analysed are consistent and effective.

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

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

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

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

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

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

In the case of mortgages of property, it particularly bears considering that the Bank normally grants loans intended solely for the purchase of first homes; all other cases are

marginal. To determine the precautionary prudential value of the property to be mortgaged, Banca Generali draws on support from CRIF S.p.A., a leading Italian provider of credit information, business information and decision-making support systems. By means of a formal process, channelled through the information technology procedures made available by the information technology outsourcer CSE, the Bank requests evaluations of the properties to be mortgaged in each case. Through its network of independent experts<sup>12</sup>, CRIF provides the Bank with a full, thorough appraisal, accompanied by complete checks of the property's urban planning and administrative compliance, culminating in an indication of the property's value on a prudent and conservative basis. The maximum amount of mortgage loans is 80% of the value of the property as appraised through the above process, in accordance with the instalment/income ratios consistent with best practice.

The appraisal is part of a guarantee management process that also includes the acquisition, control and enforcement of guarantees.

In the case of a mortgage, once the loan is approved a preliminary notary's report is requested to verify the degree of mortgage registered and establish the actual extent and ownership of the property to be mortgaged. This report – issued by a Notary – certifies whether the property to be mortgaged is encumbered (by mortgages, foreclosures, etc.) and/or subject to detrimental transactions.

Following the actual deed of sale and the subsequent mortgage financing, the Notary issues an executive copy of the deed and registers the mortgage, delivering the mortgage registration note to the Bank.

The executive copy of the mortgage deed is the document that, if it becomes necessary to enforce the mortgage, allows the Bank to exercise its rights by initiating the foreclosure procedure. The registration note represents confirmation that the mortgage has been registered with the property register archive.

The Bank draws on the support of CRIF, which verifies the value of mortgaged properties. In particular, the value of properties is verified annually.

The organisational units within the Lending Department select the properties to be appraised; CRIF then proceeds to the appraisal using statistical methods or drawing on a network of independent experts.

Forms of collateral other than mortgages used by the Group as credit risk mitigation techniques are managed similarly, albeit with slight differences related to the diversity of the underlying security.

Once the documentation is approved, the Lending Department's organisational units prepare the deed of pledge to be signed by the customer. The deed specifies the guarantee to be acquired.

The customer signs the deed of pledge. The Lending Department's organisational units then verify that the customer has placed his signatures on the deed and establish the certified date of execution of the deed.

The type of collateral determines the statutes that govern the legal consummation of the pledge. For example, when a static pledge on securities is used, a specific securities account is created within the Securities Procedure.

The creation of a collateral securities account automati-

cally prevents the client from trading the pledged financial instruments, since it is no longer possible to perform trades directly involving such accounts, with the exception of revolving collateral, in which the client may replace the pledged assets in view of optimal asset allocation, but may not under any circumstances release collateral or transfer financial instruments (in such cases, the value of the entire securities account is posted as collateral). Except for revolving pledges, any requests to unfreeze the pledged securities portfolio must be authorised by the Lending Department's organisational units.

Said organisational units then enter the date on which the deed of pledge was signed and the certified date into the Credit Limits and Guarantees Procedure.

Financial instruments in the Securities Procedure securities account are assigned values on a daily basis (by an overnight batch) using figures automatically downloaded from Ced Borsa (Italian securities) and/or Telekurs (foreign securities for listed securities).

The market value of the guarantee may be viewed in a management table.

The value of each financial instrument provided as collateral is subject to a prudential haircut, at a percentage that varies according to the underlying risk level, in most cases ranging from 10% to 40%; in some cases, this percentage may even be higher, in consideration of particular circumstances Monitoring is performed monthly or more frequently for certain categories of credit products.

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

If the guarantee present is insufficient, the Offices in question identify the positions to be reviewed. The positions are then analysed and an operating decision is reached for each of them as to whether to "request an additional guarantee or decrease the credit limit."

When a guarantee is changed, the agreement explicitly states that "should the value of the pledged securities decrease from the initially established level for any reason whatsoever and the guarantee fail to be integrated with other rights of enjoyment by the Bank, the Bank may either reduce the credit limit proportionally, effective immediately, informing the debtor thereof, including solely in verbal form, or revoke the line of credit granted, effective immediately."

Any increases in the value of the pledged securities exceeding the value of the pledge, without prejudice to the efficacy of the pledge as limited to said value, do not entitle the pledgor to dispose of the securities presenting value in excess.

In terms of enforcement, if the debtor defaults, the Bank may enforce the guarantee with advance written notice of five days, or fifteen days if the pledgor is an entity separate from the debtor.

Enforcement results in the sale on the market of the pledged financial instruments, and the Bank uses the proceeds to satisfy its credit claims.

At 31 December 2018, the Banca Generali Group had not made any use of credit derivatives.

<sup>12</sup> "Independent expert" is defined as a person with the necessary qualifications, skills and experience to conduct an appraisal, not having taken part in the loan approval process and not being involved in the monitoring thereof.

## Quantitative Information

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

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

### VALUE OF THE TOTAL EXPOSURE COVERED BY FINANCIAL COLLATERAL AND OTHER ADMITTED COLLATERAL

STANDARDISED METHOD: CREDIT RISK MITIGATION TECHNIQUES – AMOUNT PROTECTED

	VALUE OF THE GUARANTEE		LOAN RECIPIENT
<b>Guaranteed exposures: cash assets at risk</b>			
Value of collateral	196,764	S.A. portfolio (1)	Companies and other entities
Value of collateral	198,351	S.A. portfolio (1)	Individual exposures
Value of collateral	22,152	S.A. portfolio (1)	Past-due exposures
<b>Total guaranteed exposures: cash assets at risk</b>	<b>417,267</b>		
<b>Guarantees provided and commitments to disburse funds</b>			
Value of collateral	20,558	S.A. portfolio (1)	Companies and other entities
Value of collateral	117,408	S.A. portfolio (1)	Individual exposures
Value of collateral	58	S.A. portfolio (1)	Past-due exposures
<b>Total guarantees provided and commitments to disburse funds</b>	<b>138,024</b>		
<b>SFT transactions and transactions with long-term settlement</b>			
Value of collateral	325,421	S.A. portfolio (1)	Supervised intermediaries
<b>Total SFT transactions and transactions with long-term settlement</b>	<b>325,421</b>		
<b>Total</b>	<b>880,712</b>		

(1) S.A.: Standard Approach.

### VALUE OF THE TOTAL EXPOSURE COVERED BY PERSONAL GUARANTEES

STANDARDISED METHOD: CREDIT RISK MITIGATION TECHNIQUES – AMOUNT PROTECTED

	VALUE OF THE GUARANTEE		LOAN RECIPIENT
<b>Guaranteed exposures: cash assets at risk</b>			
Value of collateral covered by personal guarantee	38,492	S.A. portfolio (1)	Companies and other entities
Value of collateral covered by personal guarantee	71,999	S.A. portfolio (1)	Individual exposures
Value of collateral covered by personal guarantee	611	S.A. portfolio (1)	Past-due exposures
Value of personal guarantee	66	S.A. portfolio (1)	Individual exposures
Value of personal guarantee	59	S.A. portfolio (1)	Exposures secured by property
<b>Total guaranteed exposures: cash assets at risk</b>	<b>111,227</b>		
<b>Guarantees provided and commitments to disburse funds</b>			
Value of collateral covered by personal guarantee	17,058	S.A. portfolio (1)	Companies and other entities
Value of collateral covered by personal guarantee	52,262	S.A. portfolio (1)	Individual exposures
<b>Total guarantees provided and commitments to disburse funds</b>	<b>69,320</b>		
<b>Total</b>	<b>180,547</b>		

(1) S.A.: Standard Approach.



## 8. COUNTERPARTY RISK

### Qualitative Information

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

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

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

The Risk and Capital Adequacy Department is responsible for ensuring second-tier checks on the proper use of the credit facilities approved, as well as for monitoring changes in the ratings of borrowers in order to take action

where a change results in a credit rating that is no longer consistent with the amount of the existing credit facility. Any breaches detected are promptly reported to the liaisons identified by the process (according to a specific escalation sequence) for timely remedial action.

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

## Quantitative Information

The following table contains a breakdown of over-the-counter financial derivatives having a positive and negative fair value, and which therefore generate counterparty risk, in thousands of euros.

At 31 December 2018, the Group had not undertaken any credit derivatives transactions.

CONTRACTS OTHER THAN NETTING ARRANGEMENTS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
<b>1) Debt securities and interest-rates</b>				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>2) Equity securities and equity indices</b>				
- notional value	-	-	-	-
- positive fair value	-	-	111	-
- negative fair value	-	-	-	-
<b>3) Currencies and gold</b>				
- notional value	-	6,753	-	6,753
- positive fair value	-	258	-	130
- negative fair value	-	129	-	255
<b>4) Other values</b>				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

DERIVATIVE CONTRACTS	AMOUNT
Weighted amount	-
Appropriate value of the exposure	-
Credit equivalent of guarantees and commitments	-
Capital requirement	-

SFTS AND TRANSACTIONS WITH LONG-TERM SETTLEMENT	AMOUNT
Weighted amount	163
Value of the exposure	330,792
Appropriate value of the exposure	8,146
Capital requirement	13
Capital requirement for counterparty risk	13

The capital requirement for counterparty risk alone amounted to 13 thousand euros at 31 December 2018.

## 9. SECURITISATION

### Qualitative Information

At 31 December 2018, the Group does not deal in third-party securitisations<sup>13</sup>.

In fact, the investment in the bond QUARZO CL1 – a fully senior residential mortgage securitisation (RMBS) programme that had been measured at 9,466 thousand euros in the financial statements for the year ended 31 December 2017 – was sold in the first half of 2018.

<sup>13</sup> The Group does not carry out securitization on own exposures.

## 10. OPERATING RISK

### Qualitative Information

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

The Risk and Capital Adequacy Department is responsible for applying the Operational Risk Framework adopted by the Banking Group, primarily consisting of the following activities:

- > process analysis and identification of operating risks according to the legal classification;
- > risk assessment for the qualitative evaluation of the risks identified;
- > application of the method for scoring and identifying significant risks;
- > monitoring of action plans to mitigate significant risks;
- > application of the LDC (Loss Data Collection) process;
- > monitoring of KRIs (Key Risk Indicators).

### Quantitative Information

In order to determine the capital requirements to be held for Operating Risk, the Group adopted the Basic Indicator Approach (BIA) method.

Under the BIA method, the capital requirement is commensurate to an economic indicator, the so-called “Relevant indicator”, to which a risk coefficient ( $\alpha$ ) is applied, conventionally 15%.

This indicator, calculated in accordance with Article 316 of Regulation (EU) No. 575/2015 (CRR), is equal to the sum of the following components:

- > Interest and similar expenses/income;
- > Fee and commission expense/income;

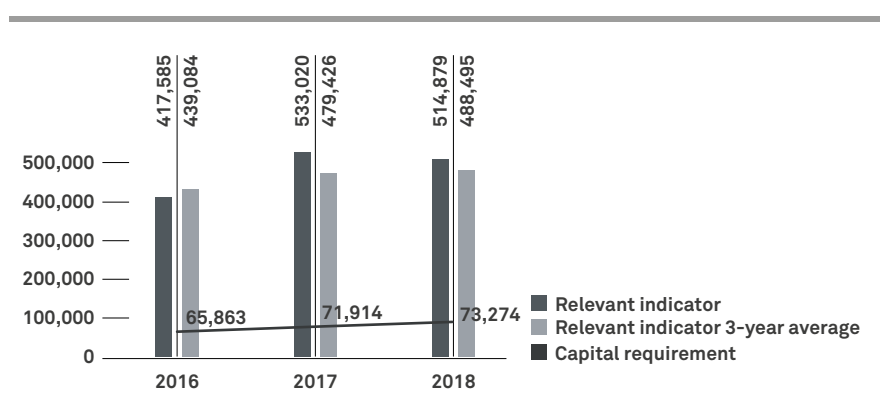
- > Income from shares, units and other variable/fixed-yield securities;
- > Profit (loss) from financial transactions<sup>14</sup>;
- > Other operating income<sup>15</sup>.

In order to calculate the capital requirement for operating risk, the average value of the observations of the Relevant Indicator in the previous three years (if positive) is weighted according to the risk coefficient  $\alpha$ .

At 31 December 2018, the capital requirement for Operating Risk was approximately 73.3 million euros.

The figure below shows an exact breakdown of the Relevant indicator of the Banca Generali Group.

Graph 1: Banca Generali Group – Operating risk (€ thousand)



Source: Administration Department analysis

The value of the Relevant indicator over the three years increased at 31 December 2018 compared to 31 December 2017, growing from about 479 million euros to about 488 million euros.

<sup>14</sup> The following components are excluded from the calculation of the indicator: profits and losses realised through the sale of “items” not included in the trading book; income from extraordinary or irregular items; income from insurance products.

<sup>15</sup> Fees paid for outsourced services may not be deducted from the Relevant Indicator if they are awarded to “third” parties other than: the Parent company, subsidiaries and other companies belonging to the same banking group; third parties subjected to oversight pursuant to EU Regulation No. 575/2013 or equivalent provisions.

## 11. CAPITAL INSTRUMENT EXPOSURES NOT INCLUDED IN THE TRADING BOOK

### Qualitative Information

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

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

#### 11.1 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This item includes equity instruments, not classifiable as control, associate and joint control for which the option was not taken, at the initial recognition stage, to designate them at fair value with an impact on overall profitability.

##### Recognition

Equity securities are initially recognised on the settlement date.

At the initial recognition stage financial assets recognised at fair value through profit and loss are measured at fair value without considering the transaction costs or income directly attributable to the instrument itself.

##### Measurement

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

The fair value of financial instruments traded in active markets is determined by referring to the relevant quoted market price of such instruments.

A financial instrument is regarded as listed in an active market if quoted prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period and those prices, are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity.

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

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

##### Derecognition

Financial assets are derecognised when the contractual rights on the cash flows resulting from the assets expire or when the financial asset is disposed of, essentially transfer-

ring all the related risks/rewards.

By contrast, if a significant part of the risks and benefits relating to the financial assets disposed of has been maintained, these continue to be stated in the financial statements, even if legal ownership of the assets has actually been transferred.

#### 11.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

##### Classification

FVOCI include equity instruments not held for trading electively designated at fair value through other comprehensive income upon initial recognition.

In particular, this item includes equity interests, equity shares and various kinds of capital contributions, not classifiable as control, associate and joint control.

##### Recognition

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

##### Measurement

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

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

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

##### Derecognition

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

## Quantitative Information

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

ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	FAIR VALUE	OCI RESERVE	REALISED AND UNREALISED GAINS/LOSSES
<b>OCI and FVOCI portfolios - Equity securities</b>							
- valued at fair value	903	-	2,552	3,455	3,455	-	-976
- valued at cost	-	-	8,787	8,787	n/d	n/d	-
<b>Investments in associates</b>							
- valued at equity	-	-	1,661	1,661	n/d	n/d	-149
<b>Total</b>	<b>903</b>	<b>-</b>	<b>13,000</b>	<b>13,903</b>	<b>3,455</b>	<b>-</b>	<b>-1,125</b>

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	FAIR VALUE	OCI RESERVE	REALISED AND UNREALISED GAINS/LOSSES
<b>Equity investments</b>	-	-	<b>7,732</b>	<b>7,732</b>	-	-	-
CSE - 7.00%	-	-	5,280	5,280	-	-	-
Generali Business Solutions S.c.p.A. (GBS)	-	-	246	246	-	-	-
Tosetti Value - 19.9%	-	-	2,109	2,109	-	-	-
Other minor equity investments (Caricese, Swift, etc)	-	-	97	97	-	-	-
<b>Private-equity investments</b>	-	-	<b>214</b>	<b>214</b>	<b>214</b>	-	-
Athena Private Equity S.A. in liquidation - 4.66%	-	-	214	214	214	-	-
<b>Other equity securities measured at fair value through profit and loss</b>	<b>903</b>	-	<b>2,338</b>	<b>3,241</b>	<b>3,241</b>	-	<b>-976</b>
Assicurazioni Generali	903	-	-	903	903	-	-38
Axelero	-	-	-	-	-	-	-794
FITD VS contributions	-	-	2,338	2,338	2,338	-	-144
<b>Capital contribution in joint ventures</b>	-	-	<b>1,055</b>	<b>1,055</b>	-	-	-
Medusa Film	-	-	-	-	-	-	-
Tico Film	-	-	245	245	-	-	-
Fabula Pictures	-	-	210	210	-	-	-
Eskimo S.r.l.	-	-	250	250	-	-	-
Zocotoco S.r.l.	-	-	175	175	-	-	-
Palomar S.p.A.	-	-	175	175	-	-	-
<b>Investments in associates</b>	-	-	<b>1,661</b>	<b>1,661</b>	-	-	<b>-149</b>
IOCA Entertainment Ltd.	-	-	1,661	1,661	-	-	-149
<b>Total equity securities</b>	<b>903</b>	<b>-</b>	<b>13,000</b>	<b>13,903</b>	<b>3,455</b>	<b>-</b>	<b>-1,125</b>

Overall unrealised losses on the FVOCI portfolio, relating to financial assets mandatorily measured at fair value through profit and loss, amounted to 976 thousand euros.

The equity securities portfolio also includes the capital contributions made to the FITD (Interbank Deposit Fund) Voluntary Scheme consisting of:

- > the contribution for the purchase of the junior tranche and a portion of the mezzanine tranche of the securitisation of the Caricese NPLs (Berenice Securitisation), as part of the second intervention to save the latter, originally amounting to 1,056 thousand euros and

a residual value at 31 December 2018 of 121 thousand euros;

- > the contribution paid in December 2018, in relation to the FITD Voluntary Scheme's new intervention in favour of Banca Carige, subscribing to a Tier 2 subordinate bond convertible into shares and originally amounting to 2,312 thousand euros and a fair value at 31 December 2018 of 2,217 thousand euros.

Both contributions have been measured at fair value based on the expert report sent by the FITD on 19 January 2019. Based on this report, an impairment of 95 thousand euros



has been recognised for the CARIGE contribution and 49 thousand euros for the Caricesena contribution.

The capital contributions relating to film partnership contracts, with no expiry date, for a total amount of 1,055 thousand euros are also classified in this portfolio. The contributions are covered by a film tax credit and fully secured by collateral and so have not been subject to impairment.

At 31 December 2018, the Group had just one equity investment in an affiliate company.

In this company – IOCA Entertainment Limited, a company under the UK law – Banca Generali subscribed a 35% interest, in the form of 3,500 shares with a par value of 1.00 pound sterling each, for a total of 1,616,125 pounds sterling,

equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015.

In accordance with the Shareholders' Agreement, the company's Board of Directors is composed of three Directors, one of whom is a representative of Banca Generali.

The remaining 65% interest (6,500 shares) is held by the UK-based company IOCA Ventures Ltd. (Jersey), which is entitled to appoint the other two directors.

The company is an e-commerce/social-networking start-up currently engaged in the commercial development of Dringle, an app for smartphones and tablets.

At 31 December 2018, the portion of loss for the year recognised by Banca Generali amounted to approximately 149 thousand euros, whereas the exchange differences on the equity investment in foreign currency amounted to 131 thousand euros.

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

### Qualitative Information

The interest rate risk to which the banking book is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

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

To measure interest rate risk and determine the corresponding internal capital requirement, the Group applies the standardised method identified in supervisory regulations<sup>16</sup> which provides for all assets and liabilities to be classified into 14 time bands by residual time to maturity,

from demand positions to positions maturing beyond 20 years.

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

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

### Quantitative Information

A shift of +100/-100 basis points in the rate curve would have an effect on the fair value of the securities in the banking portfolio (HTCS and HTC) amounting to -113.8/+108.9 million euros, or approximately 90% of the fair value delta of the entire banking book.

The same shift in the rate curve (+100/-100 basis points) would generate an effect of net interest income on the financial statements, gross of the tax effect, of +28.6 million euros

in case rates increase by 1% and -28.5 million euros in case rates decrease by the same percentage.

The following tables show the gap between assets and liabilities in terms of interest rate risk on assets other than those held for trading at 31 December 2018, considering respectively relevant currencies (euro and non-euro) in thousands classified based on Prudential Supervisory Provisions<sup>17</sup> for ICAAP purposes.

#### Gap between assets and liabilities (€)

(€ THOUSAND)	ASSETS	LIABILITIES	GAP
On demand and uncommitted	2,953,031	2,191,111	761,920
Up to 1 month	714,938	409,946	304,992
From over 1 month up to 3 months	565,499	203,487	362,012
From over 3 months up to 6 months	1,764,916	331,110	1,433,805
From over 6 months, up to 1 year	484,130	610,218	-126,088
Between 1 and 2 years	585,012	1,220,428	-635,416
From over 2 years up to 3 years	665,985	1,220,428	-554,442
From over 3 years up to 4 years	144,347	1,220,428	-1,076,081
From over 4 years up to 5 years	287,523	1,220,428	-932,905
From over 5 years up to 7 years	445,266	43,254	402,012
From over 7 years up to 10 years	416,201	-	416,201
From over 10 years up to 15 years	422	-	422
From over 15 years up to 20 years	23	-	23
Over 20 years	254	-	254
<b>Total</b>	<b>9,027,548</b>	<b>8,670,837</b>	<b>356,711</b>

<sup>16</sup> Cf. Circular No. 285 "Supervisory Provisions for Banks" issued by the Bank of Italy on 17 December 2013, as subsequently amended.

<sup>17</sup> Cf. Circular No. 285 "Supervisory Provisions for Banks" issued by the Bank of Italy on 17 December 2013, as subsequently amended.

**Gap between assets and liabilities (non-euro)**

(€ THOUSAND)	ASSETS	LIABILITIES	GAP
On demand and uncommitted	65,726	23,375	42,351
Up to 1 month	17,277	1,169	16,109
From over 1 month up to 3 months	-	2,337	-2,337
From over 3 months up to 6 months	2,164	3,506	-1,342
From over 6 months, up to 1 year	8,569	7,011	1,558
Between 1 and 2 years	-	14,022	-14,022
From over 2 years up to 3 years	4,308	14,022	-9,715
From over 3 years up to 4 years	-	14,022	-14,022
From over 4 years up to 5 years	4	14,022	-14,018
From over 5 years up to 7 years	-	-	-
From over 7 years up to 10 years	-	-	-
From over 10 years up to 15 years	-	-	-
From over 15 years up to 20 years	-	-	-
Over 20 years	-	-	-
<b>Total</b>	<b>98,048</b>	<b>93,487</b>	<b>4,561</b>

## 13. ENCUMBERED AND UNENCUMBERED ASSETS

### Qualitative Information

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

The types of transactions that may entail the formation of this type of encumbrance are:

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

Activities of this nature are performed either to allow the

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

Assets sold but not written off, recognised in the financial statements in connection with repurchase agreements with clients, amounted to approximately 131 million euros.

Finally, own financial instruments deposited with Cassa Compensazione e Garanzia (CC&G) as collateral for transactions on the collateralised interbank market (E.Mid) managed by CC&G and current transactions (settlement) amounted to 215 million euros.

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

### Quantitative Information

Based on EBA provisions, institutions have to recognise the amount of encumbered and unencumbered assets by type of asset<sup>18</sup>.

Encumbered assets are balance sheet assets that have been pledged as guarantee or sold without being written

off, or are otherwise encumbered, as well as guarantees received that meet the requirements for recognition in the transferee's balance sheet.

The information presented below refers to figures at 31 December 2018:

#### A. Encumbered and unencumbered assets at 31 December 2018

TECHNICAL TYPES	PLEGGED		NOT PLEGGED		31.12.2018
	BV	FV	BV	FV	
1. Cash and deposits	-	X	1,012,891	X	1,012,891
2. Debt securities	564,503	554,794	5,079,357	5,024,397	5,643,860
3. Equity securities	-	-	12,242	12,242	12,242
4. Loans	15,266	X	2,547,564	X	2,562,830
5. Other financial assets	-	X	34,982	X	34,982
6. Non-financial assets	-	X	469,089	X	469,089
<b>Total</b>	<b>579,769</b>	<b>554,794</b>	<b>9,156,125</b>	<b>5,036,639</b>	<b>9,735,894</b>

<sup>18</sup> Provisions regarding encumbered and unencumbered assets (Article 443 CRR) were adopted by the Bank of Italy through the eight update to Circular No. 285 dated 10 March 2015, including total reference to the EBA guidelines of June 2014 (ABE/GL/2014/03).

**B. Guarantees received at 31 December 2018**

	FV COLLATERAL OR ENCUMBERED OWN SECURITIES ISSUED	FV COLLATERAL OR UNENCUMBERED OWN SECURITIES ISSUED	31.12.2018
Guarantees received	-	2,089,013	2,089,013
1. Equity securities	-	841,433	841,433
2. Debt securities	-	502,659	502,659
3. Other guarantees received	-	744,921	744,921
Debt securities issued	-	-	-
<b>Total</b>	<b>-</b>	<b>2,089,013</b>	<b>2,089,013</b>

**C. Liabilities associated to encumbered assets, guarantees received or own securities at 31 December 2018**

	ASSOCIATED LIABILITIES	ENCUMBERED ASSETS, COLLATERAL OR OWN SECURITIES
Liabilities associated to encumbered assets, collateral received or own securities	130,542	564,503

Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di Compensazione e Garanzia for possible transactions on the New MIC for ordinary operations.

## 14. LEVERAGE

### Qualitative Information

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

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

### Quantitative Information

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

Entities report the leverage ratio with quarterly frequency. The value "at the reporting date" for each quarter is the value on the final calendar day of the third month of the quarter of reference.

The regulatory leverage limit, as a Pillar 1 requirement on a mandatory basis with effect from 1 January 2018, must exceed a threshold level currently set at 3%.

As part of this process, Banca Generali calculated its leverage ratio as at 31 December 2018, resulting in a level of 4.959%.

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

	31.12.2018	31.12.2017
Tier 1 capital when fully implemented	494,844	495,574
Value of the exposure when fully implemented	9,979,457	9,012,843
<b>Leverage indicator when fully implemented</b>	<b>4.959</b>	<b>5.499</b>

	31.12.2018	31.12.2017
Phase-in Tier 1 capital	494,914	475,232
Phase-in value of the exposure	9,979,528	8,992,401
<b>Phase-in leverage indicator</b>	<b>4.959</b>	<b>5.285</b>



The following tables provide the details of the elements considered when calculating the leverage ratio at 31 December 2018, in accordance with EBA/ITS/2014/04, drawn

up pursuant to Article 451(2) of CRR and subsequently adopted by the European Commission<sup>19</sup>.

LRSUM TABLE	SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES	
1	Total assets as per the published financial statements	9,735,894
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013	-
4	Adjustment for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	1,597
6	Adjustment for off-balance sheet elements (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	321,530
EU-6a	Adjustment for intra-group exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No. 575/2013	-
EU-6b	Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No. 575/2013	-
7	Other adjustments	-79,493
<b>8</b>	<b>Leverage ratio total exposure measure</b>	<b>9,979,528</b>

<sup>19</sup> Cfr. Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

TABLE  
LR/COM LEVERAGE RATIO COMMON DISCLOSURE

<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1	On-balance sheet items (excluding derivatives, SFTs and trust assets, but including collateral)	9,459,354
2	(Asset amounts deducted in determining Tier 1 capital)	-2,889
3	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and trust assets) (sum of lines 1 and 2)</b>	<b>9,456,465</b>
<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposure)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>-</b>
<b>SFT exposures</b>		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	201,533
EU-14a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429-ter(4) and 222 of Regulation (EU) No. 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared trade exposure)	-
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>201,533</b>
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposures at gross notional amount	321,530
18	(Adjustments for conversion to credit equivalent amounts)	-
19	<b>Other off-balance sheet exposures (sum of lines 17 to 18)</b>	<b>321,530</b>
<b>(Exempted exposures in accordance with Article 429(7) and (14), of Regulation (EU) No. 575/2013 (on and off balance sheet))</b>		
EU-19a	(Intra-group exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-
EU-19b	(Intra-group exposures (solo basis) exempted in accordance with Article 429(14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-
<b>Capital and total exposure measure</b>		
20	<b>Tier 1 capital</b>	<b>494,914</b>
21	<b>Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>9,979,528</b>
<b>Leverage ratio</b>		
22	<b>Leverage ratio</b>	<b>4.959%</b>
<b>Choice on transitional arrangements and amount of derecognised trust items</b>		
EU-23	Choice on transitional arrangements for the definition of the capital measure	"phase-in arrangements"
EU-24	Amount of derecognised trust items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	

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

EU-1	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:</b>	<b>9,459,354</b>
EU-2	- Trading book exposures	33,538
EU-3	- Banking book exposures, of which:	9,425,816
EU-4	- Covered bonds	-
EU-5	- Exposures treated as sovereigns	6,354,535
EU-6	- Exposures to regional governments, MDBs, international organisations and PSEs not treated as sovereigns	-
EU-7	- Institutions	569,348
EU-8	- Secured by mortgages of immovable properties	377,519
EU-9	- Retail exposures	719,319
EU-10	- Corporate	999,572
EU-11	- Exposures in default	36,927
EU-12	- Other exposures (e.g., equity, securitisations, and other non-credit obligations assets)	368,596

## 15. REMUNERATION POLICIES

The Remuneration and Incentive Policies are a fundamental tool supporting the Group's medium and long-term strategies.

They are designed with the aim of creating value over time and pursuing sustainable growth for shareholders, for people who work within the Group and for customers.

They aim to attract, motivate and retain people, creating a sense of identity and developing a culture linked to performance and merit.

Information on the Group's Remuneration and Incentive Policies is indicated in the Remuneration Report to which express reference is made. The Report includes all the information required by Article 450 of the CRR regarding the remuneration policy and practices regarding the categories of people whose professional activities have a significant impact on the Bank's risk profile.

The Banca Generali Group publishes its Remuneration Report on its corporate website, in the Corporate Governance section dedicated to the General Shareholders' Meeting.

The 2018 Remuneration Report is available at the following link:

[www.bancagenerali.com/site/en/home/corporate-governance/agm.html](http://www.bancagenerali.com/site/en/home/corporate-governance/agm.html)

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



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

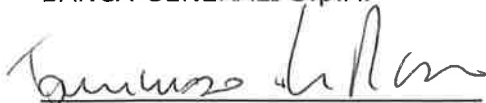
The undersigned Dr. Tommaso DI RUSSO, *Chief Financial Officer* and Manager in charge of preparing the financial reports of Banca Generali S.p.A., with headquarters in Trieste, via Machiavelli No 4, recorded in the Register of Companies of Trieste to n. 103698, for the intent and purpose of article.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

#### **declares**

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

Trieste, 15 March 2019

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



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

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

N/A = information not applicable.



1	Issuer	Banca Generali S.p.A.
2	Unique identifier	N/A
3	Governing law(s) of the instrument	German law
<b>REGULATORY TREATMENT</b>		
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated	Solo and consolidated
7	Instrument type	Subordinated loan (*) – Article 62 CRR
8	Amount recognised in regulatory capital (€/000)	43,000
	Nominal amount of instrument: original amount – currency of issue (€/000)	43,000
9	Nominal amount of instrument : original amount – currency of issue	Euro
	Nominal amount of instruments: translation into euro of original amount (€/000)	43,000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Liabilities – amortised cost
11	Original maturity date	30 October 2014
12	Perpetual or dated	Dated
13	Original maturity date	30 October 2024
14	Issuer call subject to prior supervisory approval	Yes
	Optional call date	30 October 2019
15	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	at each interest payment date after 30.10.2019
<b>COUPONS/DIVIDENDS</b>		
17	Fixed or floating dividend/coupon	Fixed, then floating
18	Coupon rate ad any related index	3.481% up to 30.10.2019: 3M Euribor + 300 bps starting on the 6th year
19	Existence of a dividend stopper	No
	Fully discretionary, partly discretionary or mandatory (in terms of timing)	N/A
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing - reasons for discretionality)	N/A
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	No
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify instrument type convertible into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, fully or partially	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	Senior with respect to Tier 1 Capital instruments; junior with respect to all unsecured senior instruments
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

N/A = information not applicable.

(\*) Loan issued by Generali Beteiligungs AG.

## ANNEX 2 - OWN FUNDS: TRANSITIONAL TEMPLATE FOR THE PUBLICATION OF INFORMATION ON OWN FUNDS

(€ THOUSAND)		AMOUNT AT DISCLOSURE DATE	AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO. 575/2013
<b>Common Equity Tier 1 Capital (CET1): instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	174,741	
	<i>of which: Ordinary shares</i>	116,852	
2	Retained earnings	414,368	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-11,636	
3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1	-	
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	35,226	
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>612,699</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	-2,078	
8	Intangible assets (net of related tax liability) (negative amount)	-92,171	
9	Regulatory adjustments for IAS 19	70	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined benefit pension fund assets (negative amount)	-	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-22,724	
17	Holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	[Empty set in the EU Regulation]	-	
20a	Exposure amount of the following items which qualify for a RW of 1.250%, where the institution opts for the deduction alternative	-	
20b	<i>of which: qualifying holdings outside the financial sector (negative amount)</i>	-	
20c	<i>of which: securitisation positions (negative amount)</i>	-	
20d	<i>of which: free deliveries (negative amount)</i>	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 15% threshold (negative amount)	-	
23	<i>of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i>	-	
24	[Empty set in the EU Regulation]	-	
25	<i>of which: securitisation positions (negative amount)</i>	-	
25a	Losses for the current financial year (negative amount)	-	

(€ THOUSAND)	AMOUNT AT DISCLOSURE DATE	AMOUNTS SUBJECT TO PRE-REGULATION(EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO. 575/2013
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-
	<i>of which: Unrealised gains on bonds issued by central governments within the European Union</i>	-
	<i>of which: Unrealised gains on bonds issued by issuers other than central governments within the European Union</i>	-
	<i>of which: Unrealised gains on equity securities and UCITS units</i>	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	-881
	<i>of which: deduction of deferred tax assets associated with future profitability and not arising from temporary differences (Articles 469, para. 1a; 36, para. 1c; and 478, para. 1, of CRR)</i>	-
	<i>of which: deduction of negative amounts resulting from the calculation of expected losses as per Articles 158 and 159 of CRR (Articles 469, para. 1a; 36, para. 1d; and 478, para. 1, of CRR)</i>	-
	<i>of which: deduction of amount applicable to direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, paras. 1c and i; and 478, paras. 1 and 2, of CRR)</i>	-
	<i>of which: impacts due to excess with transitional adjustments</i>	-881
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-
<b>28</b>	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-117,784</b>
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>494,915</b>
	<b>Additional Tier 1 (AT1) capital: instruments</b>	
30	Capital instruments and the related share premium accounts	-
31	<i>of which: classified as equity under applicable accounting standards</i>	-
32	<i>of which: classified as liabilities under applicable accounting standards</i>	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-
35	<i>of which: instruments issued by subsidiaries subject to phase-out</i>	-
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>-</b>
	<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>	
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e., CRR residual amounts)	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	-
	<i>of which: residual amount associated with excess of expected losses compared to value adjustment for IRB positions</i>	-

(€ THOUSAND)		AMOUNTS SUBJECT TO PRE-REGULATION(EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT AT AMOUNT OF REGULATION DISCLOSURE DATE (EU) NO. 575/2013
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	-
	<i>of which: deduction of amount applicable to direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, paras. 1c and i; and 478, paras. 1 and 2, of CRR)</i>	-
	<i>of which: impacts due to excess with transitional adjustments</i>	-
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-
	<i>of which: possible filter for unrealised losses</i>	-
	<i>of which: possible filter for unrealised gains</i>	-
	<i>of which: other filter</i>	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>-</b>
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>-</b>
<b>45</b>	<b>Tier 1 Capital (T1 = CET1 + AT1)</b>	<b>494,915</b>
	<b>Tier 2 (T2) capital: instruments and provisions</b>	
46	Capital instruments and the related share premium accounts	43,000
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	-
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	<i>of which: instruments issued by subsidiaries subject to phase-out</i>	-
50	Credit risk adjustments	-
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>43,000</b>
	<b>Tier 2 (T2) capital: regulatory adjustments</b>	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
54a	<i>of which, new holdings not subject to transitional arrangements</i>	-
54b	<i>of which, holdings existing before 1 January 2013 and subject to transitional arrangements</i>	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the (45) transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	-
	<i>of which: residual amount associated with excess of expected losses compared to value adjustment for IRB positions</i>	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	-
	<i>of which: deduction of amount applicable to direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, paras. 1c and i; and 478, paras. 1 and 2, of CRR)</i>	-

(€ THOUSAND)		AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT AT AMOUNT OF REGULATION DISCLOSURE DATE (EU) NO. 575/2013
	<i>of which: impacts due to excess with transitional adjustments</i>	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-
	<i>of which: possible filter for unrealised losses</i>	-
	<i>of which: unrealised gains on AFS assets subject to additional filter applicable nationally</i>	-
	<i>of which: other filter</i>	-
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) Capital</b>	<b>-</b>
<b>58</b>	<b>Tier 2 (T2) Capital</b>	<b>43,000</b>
<b>59</b>	<b>Total Capital (TC = T1 + T2)</b>	<b>537,915</b>
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e., CRR residual amounts)	-
	<i>of which: items not deducted from CET1 (EU Regulation No. 575/2013, residual amounts) (items to be broken down line by line; e.g.: deferred tax assets associated with future profitability net of relevant tax liabilities, indirect holdings of own CET1 instruments, etc.)</i>	-
	<i>of which: items not deducted from AT1 (EU Regulation No. 575/2013, residual amounts) (items to be broken down line by line; e.g.: reciprocal cross holdings of T2 instruments, non-significant investments in other financial sector entities, etc.)</i>	-
	(items to be broken down line by line; e.g.: indirect holdings of the T2 instruments, indirect non-significant investments in other financial sector entities, indirect significant investments in other financial sector entities, etc.)	-
<b>60</b>	<b>Total risk-weighted assets</b>	<b>2,831,965</b>
	<b>Capital ratios and buffers</b>	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.50%
62	Tier 1 (as a percentage of total risk exposure amount)	17.50%
63	Total capital (as a percentage of total risk exposure amount)	19.00%
64	(CET1 requirement in accordance with Article 92 (1a), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.0%
	<i>of which: capital conservation buffer requirement</i>	2.5%
	<i>of which: countercyclical capital buffer requirement</i>	
	<i>of which: systemic risk buffer requirement</i>	
67a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.5%
69	[Empty set in the EU Regulation]	
70	[Empty set in the EU Regulation]	
71	[Empty set in the EU Regulation]	
	<b>Capital ratios and buffers</b>	
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,109
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
74	[Empty set in the EU Regulation]	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	41,266
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-

(€ THOUSAND)		AMOUNT AT DISCLOSURE DATE	AMOUNTS SUBJECT TO PRE-REGULATION(EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO. 575/2013
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)	-	
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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

ASSETS	ACCOUNTING DATA			REFERENCE TO THE ITEM "TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE"
	FINANCIAL STATEMENTS PERIMETER	REGULATORY PERIMETER	AMOUNT RELEVANT FOR OWN FUNDS PURPOSES	
<b>130. Intangible assets</b>	<b>95,110</b>	<b>95,110</b>	<b>-95,110</b>	<b>8</b>
<i>of which:</i>				
- goodwill	66,065	66,065	-66,065	8
- Other intangible assets	29,045	29,045	-29,045	8
<b>140. Tax receivables</b>	<b>52,799</b>	<b>52,799</b>	<b>-</b>	<b>8</b>
(a) Tax assets - current	81	81	n.a.	8
(b) Tax assets - deferred	52,718	52,718	-	8
<i>of which:</i>				
tax assets eligible for conversion into tax credits	8,107	8,107	-	8

LIABILITY AND LIABILITIES	ACCOUNTING DATA			REFERENCE TO THE ITEM "TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE"
	FINANCIAL STATEMENTS PERIMETER	REGULATORY PERIMETER	AMOUNT RELEVANT FOR OWN FUNDS PURPOSES	
<b>20. Due to customers</b>	<b>8,546,871</b>	<b>8,546,871</b>	<b>43,000</b>	<b>46</b>
<i>of which:</i>				
- subordinated instruments not covered by transitional provisions	43,000	43,000	43,000	46
<b>80. Tax payables</b>	<b>18,018</b>	<b>18,018</b>	<b>2,939</b>	<b>8</b>
(a) Tax liabilities - current	11,734	11,734	n,d,	
(b) Tax liabilities - deferred	6,284	6,284	2,939	8
<i>of which:</i>				
- tax liabilities associated with goodwill and intangible assets	2,939	2,939	2,939	8
<b>140. Valuation reserves</b>	<b>-11,636</b>	<b>-11,636</b>	<b>-11,636</b>	<b>3. 9. 26a. 56c</b>
<i>of which:</i>				
- valuation reserves of financial assets measured at fair value through other comprehensive income:	-9,788	-9,788	-9,788	26a. 56c
- net actuarial loss valuation reserves	-1,848	-1,848	-1,848	3.9
<b>170. Reserves</b>	<b>414,368</b>	<b>414,368</b>	<b>414,368</b>	<b>2</b>
<b>180. Share premium reserve</b>	<b>57,889</b>	<b>57,889</b>	<b>57,889</b>	<b>1</b>
<b>190. Share capital</b>	<b>116,852</b>	<b>116,852</b>	<b>116,852</b>	<b>1</b>
<i>of which:</i>				
- Ordinary shares	116,852	116,852	116,852	1
<b>200. Treasury shares (-)</b>	<b>-22,724</b>	<b>-22,724</b>	<b>-22,724</b>	<b>16</b>
<b>210. Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5. 34. 48</b>
<b>220. Net profit (loss) for the period (+/-)</b>	<b>180,126</b>	<b>180,126</b>	<b>35,226</b>	<b>5a</b>
<i>of which:</i>				
- profit for the period net of the dividend to be distributed calculated on the profit for the year	35,226	35,226	35,226	5a



OTHER ELEMENTS FOR BALANCING OWN FUNDS	AMOUNT RELEVANT FOR OWN FUNDS PURPOSES	REFERENCE TO THE ITEM "TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE"
<b>Total other elements, of which:</b>	<b>-2,959</b>	<b>-</b>
Fair value gains or losses arising on the entity's credit risk associated with derivative liabilities	-	14
Regulatory value adjustments (Prudent Valuation)	-2,078	7
Excess of expected losses over total value adjustments (IRB models)	-	12. 41a. 56a
Excess of total value adjustments over expected losses (IRB models)	-	50
Filter for unrealised real estate capital gains	-	26
Filter for double redemption	-881	26b



# Banca Generali S.p.A.

Registered office  
Via Machiavelli 4 - 34132 Trieste

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

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

Company managed and coordinated  
by Assicurazioni Generali S.p.A.  
Bank which is a member of the Interbank Deposit  
Protection Fund  
Registration with the bank register  
of the Bank of Italy under No. 5358  
Parent Company of the Banca Generali Banking Group  
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**BANCA GENERALI S.P.A.**

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**REGISTERED OFFICE**  
Via Machiavelli, 4  
34132 Trieste

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

**TRIESTE HEAD OFFICE**  
Corso Cavour. 5/a  
34132 Trieste  
+39 040 7777 111

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

