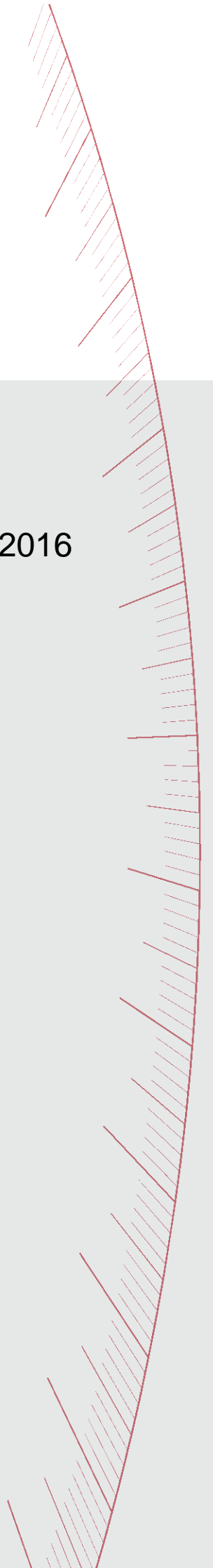




INTERIM REPORT
AS OF 30 SEPTEMBER 2016



INTERIM REPORT

AS OF 30 SEPTEMBER 2016

Board of Directors – 8 November 2016

BANCA GENERALI S.P.A.

REGISTERED OFFICE

VIA MACHIAVELLI 4 - 34132 TRIESTE - ITALY

SHARE CAPITAL

AUTHORISED 119,378,836 EUROS

SUBSCRIBED AND PAID-UP: 116,373,309 EUROS

TAX CODE, VAT NO. AND

TRIESTE REGISTER OF COMPANIES

No. 00833240328

BANK WHICH IS A MEMBER OF THE INTERBANK DEPOSIT PROTECTION FUND

REGISTRATION WITH THE BANK REGISTER OF THE BANK OF ITALY UNDER NO. 5358

PARENT COMPANY OF THE BANCA GENERALI BANKING GROUP REGISTERED IN THE BANKING GROUP REGISTER

ABI CODE 3075.9

COMPANY MANAGED AND COORDINATED BY ASSICURAZIONI GENERALI

ADMINISTRATION AND CONTROL BODIES

BOARD OF DIRECTORS

CHAIRMAN

FANCEL GIANCARLO

DIRECTORS

CALTAGIRONE AZZURRA

BRUGNOLI GIOVANNI

GERVASONI ANNA

LAPUCCI MASSIMO

PESCATORI ANNALISA

PERIN GIOVANNI LUCA

RUSTIGNOLI CRISTINA

TERZI VITTORIO EMANUELE

BOARD OF STATUTORY AUDITORS

CREMONA MASSIMO (CHAIRMAN)

ANACLERIO MARIO FRANCESCO

MINUTILLO FLAVIA

GENERAL MANAGER

MOSSA GIAN MARIA

MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS

TAMAGNINI PAOLO

Contents

Group Economic and Financial Highlights.....	3
Consolidated Accounting Statements	5
Consolidated Balance Sheet.....	5
Consolidated Profit and Loss Account	6
Statement of Comprehensive Income.....	6
1. <i>Summary of operations for the first nine months of 2016.....</i>	7
2. <i>Macroeconomic Context</i>	8
3. <i>Banca Generali's Competitive Positioning.....</i>	11
3.1 The asset management market	11
3.2 The Assoreti Market	11
3.3 Banca Generali	12
4. <i>Operating result and performance of the main net equity aggregates</i>	16
4.1 Profit and loss results	16
4.2 Balance sheet and net equity aggregates	32
5. <i>Performance of Group companies.....</i>	41
6. <i>Basis of Preparation</i>	43
<i>Annex: reclassified accounting statements of the parent company Banca Generali S.p.A.</i>	46
Declaration Pursuant to Article 154-bis, Paragraph 2, of Legislative Decree No. 58 of 24 February 1998..	48

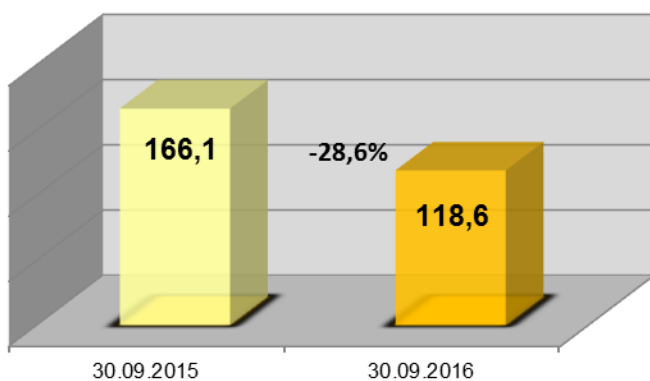
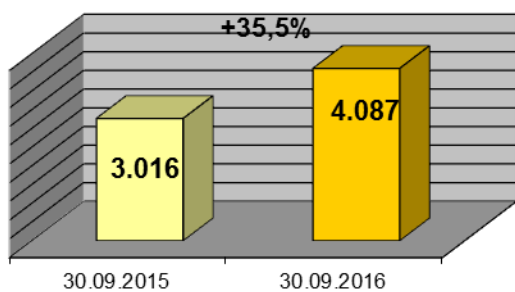
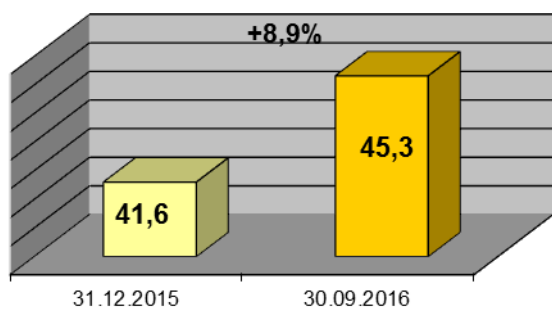
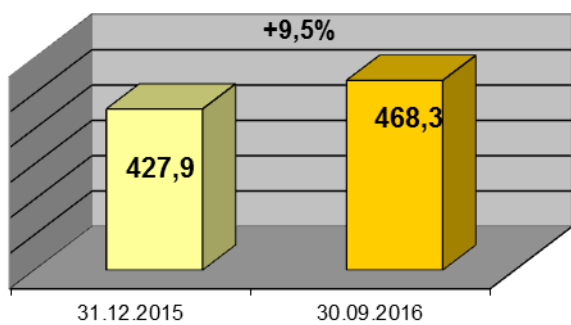
These financial statements have been translated from those issued in Italy, from the Italian into the English language, solely for the convenience of international readers. The Italian version remains the definitive version.

Group Economic and Financial Highlights

Consolidated figures	30.09.2016	30.09.2015	Change %
(€ million)			
Net interest income	44.3	51.3	-13.7
Net fees	247.7	289.3	-14.4
Net income (loss) from trading activities and dividends	30.6	26.3	16.4
Net banking income	322.6	366.9	-12.1
Staff expenses	-64.7	-59.7	8.2
Other general and administrative expense	-98.4	-94.3	4.3
Amortisation and depreciation	-3.5	-3.4	4.4
Other operating income/expenses	28.0	34.7	-19.5
Net operating expenses	-138.6	-122.7	13.0
Operating result	184.0	244.3	-24.7
Provisions	-41.7	-37.4	11.4
Adjustments	-0.8	-5.8	-86.5
Profit before taxation	141.5	201.0	-29.6
Net profit	118.6	166.1	-28.6
Performance indicators	30.09.2016	30.09.2015	Change %
Cost/Income ratio	41.9%	32.5%	28.8
EBTDA	187.5	247.6	-24.3
ROE (a)	25.4%	41.6%	-38.8
ROA (b)	0.27%	0.43%	-35.9
EPS - Earnings per share (euro)	1.022	1.436	-28.8
Net inflows	30.09.2016	30.09.2015	Change %
(€ million) (Assoreti data)			
Mutual funds and Sicavs	33	735	-95.5
Asset management	644	-161	500.0
Insurance / Pension funds	2,129	2,121	0.4
Securities / Current accounts	1,281	321	299.1
Total	4,087	3,016	35.5
Assets Under Management & Custody (AuM/C)	30.09.2016	31.12.2015	Change %
(€ billion) (Assoreti data)			
Mutual funds and Sicavs	10.8	10.9	-0.9
Asset management	4.2	3.6	16.3
Insurance / Pension funds	19.5	17.3	12.9
Securities / Current accounts	10.8	9.8	10.1
Total	45.3	41.6	8.9
Net equity	30.09.2016	31.12.2015	Change %
(€ million)			
Net equity	618.5	636.8	-2.9
Own funds	468.3	427.9	9.5
Excess capital	246.2	212.8	15.7
Total capital ratio	16.9%	15.9%	6.0

(a) Net return on equity, excluding net profit (share capital, share premium, reserves, valuation reserves, treasury shares) at the end of the reporting period and the same period of the previous year.

(b) Return on assets calculated on the average of Assoreti's non-annualised quarterly AuM.

Utile netto (milioni di euro)**Raccolta netta (milioni di euro)****Asset under management (miliardi di euro)****Fondi propri (milioni di euro)**

Consolidated Accounting Statements

Consolidated Balance Sheet

Assets (€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
HFT financial assets	36,170	28,004	8,166	29.2%
AFS financial assets	4,132,469	2,939,211	1,193,258	40.6%
HTM financial assets	533,135	423,586	109,549	25.9%
Loans to banks	422,349	419,508	2,841	0.7%
Loans to customers	1,914,118	1,922,020	-7,902	-0.4%
Equity investments	2,023	2,152	-129	-6.0%
Property, equipment and intangible assets	91,270	93,114	-1,844	-2.0%
Tax receivables	52,510	61,992	-9,482	-15.3%
Other assets	233,789	226,430	7,359	3.3%
Total assets	7,417,833	6,116,017	1,301,816	21.3%

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

Net equity and liabilities (€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
Due to banks	999,464	333,954	665,510	199.3%
Due to customers	5,510,261	4,839,613	670,648	13.9%
Financial liabilities held for trading and hedging	2,265	463	1,802	389.2%
Tax payables	21,982	22,575	-593	-2.6%
Other liabilities	121,982	163,188	-41,206	-25.3%
Special purpose provisions	143,393	119,426	23,967	20.1%
Valuation reserves	19,736	22,424	-2,688	-12.0%
Reserves	314,200	247,214	66,986	27.1%
Additional paid-in capital	52,555	50,063	2,492	5.0%
Share capital	116,312	116,093	219	0.2%
Treasury shares (-)	-2,933	-2,555	-378	14.8%
Net profit (loss) for the period	118,616	203,559	-84,943	-41.7%
Total net equity and liabilities	7,417,833	6,116,017	1,301,816	21.3%

Consolidated Profit and Loss Account

<i>(€ thousand)</i>	30.09.2016	30.09.2015	Change	
			Amount	%
Net interest income	44,265	51,285	-7,020	-13.7%
Net fees	247,662	289,331	-41,669	-14.4%
Dividends	1,664	1,174	490	41.7%
Net income (loss) from trading activities	28,971	25,149	3,822	15.2%
Net operating income	322,562	366,939	-44,377	-12.1%
Staff expenses	-64,662	-59,739	-4,923	8.2%
Other general and administrative expense	-98,350	-94,288	-4,062	4.3%
Net adjustments of property, equipment and intangible assets	-3,543	-3,395	-148	4.4%
Other operating expenses/income	27,969	34,733	-6,764	-19.5%
Net operating expenses	-138,586	-122,689	-15,897	13.0%
Operating result	183,976	244,250	-60,274	-24.7%
Net adjustments for non-performing loans	2,627	-2,468	5,095	-206.4%
Net adjustments of other assets	-3,411	-3,344	-67	2.0%
Net provisions	-41,715	-37,442	-4,273	11.4%
Gains (losses) from equity investments	-17	-1	-16	1,600.0%
Operating profit before taxation	141,460	200,995	-59,535	-29.6%
Income taxes for the period	-22,844	-34,865	12,021	-34.5%
Net profit	118,616	166,130	-47,514	-28.6%

Statement of Comprehensive Income

<i>(€ thousand)</i>	30.09.2016	30.09.2015	Change	
			Amount	%
Net profit (loss)	118,616	166,130	-47,514	-28.6%
Other income, net of taxes:				
with transfer to profit and loss account				
Exchange differences	-97	0	-97	n.a.
AFS assets	-2,292	-4,324	2,032	-47.0%
without transfer to profit and loss account				
Actuarial gains (losses) from defined benefit plans	-299	132	-431	-326.5%
Total other income, net of taxes	-2,688	-4,192	1,504	-35.9%
Comprehensive income	115,928	161,938	-46,010	-28.4%

Interim Report

1. Summary of operations for the first nine months of 2016

Banca Generali Group closed the first nine months of 2016 with a net profit of 118.6 million euros and total net inflows of over 4 billion euros, up 35.5% compared to the previous year, bringing the overall volume of customers' assets managed by the Banking Group to over 45.3 billion euros.

In comparison to the exceptionally favourable situation of the previous year, the profit for the period was impacted by the adverse market conditions witnessed for the first nine months of 2016, which however did not slow down but rather accelerated the Bank's activities to attract net inflows.

Market volatility, driven by credit system uncertainties and increasingly lower bond returns, with the growing contagion of negative interest rates of most reliable stocks, generated concern among households, who are increasingly viewing Banca Generali as a solid and professional point of reference to protect and grow their investments.

Net banking income amounted to 322.6 million euros, down compared to the same period of 2015 (-12.1%), chiefly due to market factors.

The marked correction of financial markets in the first few months of the year resulted in a sharp decrease in the non-recurring components of operating result. In 2015, these components had benefited from the extraordinary increase in incentive fee income, currently down by 47.5 million euros and only partly offset by the higher contribution of financial operations (+4.3 million euros), which was achieved also thanks to the divestment of the corporate and financial portfolio during the last quarter.

Constantly falling interest rates, intensified by the recent action by the ECB, aimed at reinforcing its quantitative easing (QE) measures, also resulted in a further and partially expected decrease in net interest income (-7.0 million euros).

In any case, within this scenario management fees performed well, increasing by 6.4% — evidence of the solidity of the Banking Group's growth in recent years.

By contrast, net operating expenses amounted to 138.6 million euros and showed a +13.0% increase influenced not only by the ordinary contributions paid to the resolution and deposit protection funds — which were not present in the same period of 2015 — but also the expenses associated with the new projects launched in 2016 and the recruiting plans for employed Relationship Managers, as well as other non-recurring items.

Provisions and net adjustments amounted to 42.5 million euros, slightly up compared to the same period of 2015, primarily due to the significant decrease in net adjustments on the non-performing loan portfolio, offset by higher net provisions for incentives for the sales network.

At 30 September 2016, the total value of the Group's AUM — reference figure for Assoreti reports — amounted to 45.3 billion euros, up 8.9% compared to year-end 2015, placing the Group at the top of the market of reference in terms of both net inflows, with a share of 18.0%, and of total assets under management.

In addition, managed assets also included 0.7 billion euros in deposits of assets under administration of companies of the Generali Group and 1.6 billion euros in funds and Sicavs distributed directly by management companies, for an overall total of 47.7 billion euros.

To provide a better understanding of the factors that influenced the results of the Banking Group, before analysing the Bank's sales and financial results for the first nine months of 2016, macroeconomic information for the main economic regions of the world is reported below.

2. Macroeconomic Context

The first nine months of 2016 were characterised by fluctuating economic data, the continuation of very expansionary monetary policies and declining bond yields.

In this scenario, attention was focused on the financial sector, and on retail banks in particular. The current economic situation, with negative short-term interest rates, near-zero inflation and an extremely flat yield curve, is putting increasing pressure on interest margins, and thus affecting the industry's profitability.

The market is also concerned by the issue of **non-performing loans**, which have been rising constantly since 2007. The Atlante Fund has been launched in Italy; this 4.25 billion euros rescue fund, mostly from Italian private investors, aims to support the Italian recapitalisation of banks (approximately 70% of the fund) and the sale of non-performing bank loans. At present, 2.5 billion euros have been used in recapitalisation transactions.

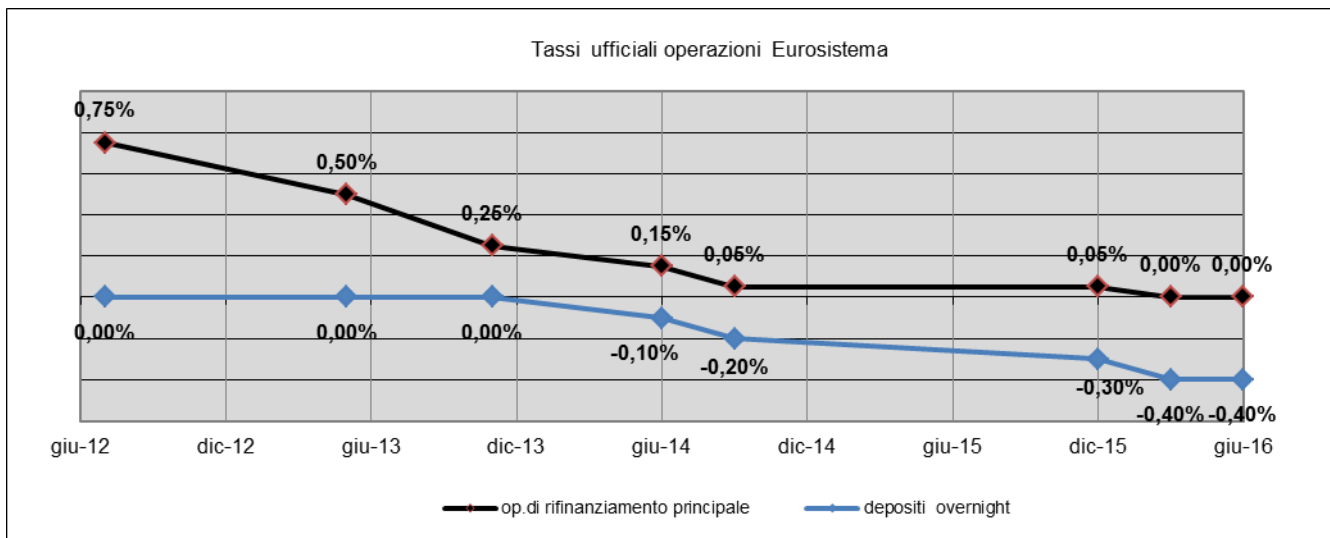
The **Brexit** issue generated additional uncertainty during the period, resulting in increased volatility in June and July and giving rise to a period of strong political uncertainty, in light of Great Britain's decision to leave the European Union. On the one hand, European institutions are pushing to begin negotiations to implement the separation as soon as possible (Article 50 of the Treaty of Lisbon envisages at most two years of negotiations); on the other hand, it will take time for the position of the all-new British government, which took office in July, to emerge. In the wake of the decision, the Bank of England implemented highly expansionary monetary policy in support of the economy, thus accentuating the weakness of the sterling.

In the **United States**, the market focused on the possible results of the U.S. elections, which will vote a new president into office on 8 November. In addition, the weak U.S. growth data led the Federal Reserve to maintain a prudent attitude, postponing a possible further rate increase until year-end. In Asia, a moderately expansionary mix of economic policies allowed the macroeconomic scenario to be stabilised in China, while economic weakness continued in Japan, leading the Bank of Japan to implement further expansionary monetary policy measures.

The **ECB** maintained a very expansionary stance for the entire period. In March, against weaker inflation data than expected and downward revisions of the global growth by the main international authorities, it lowered its refinancing rate to zero (-5 bps) and decreased its deposit rate by 10 bps to -0.40%. Moreover, it increased the size of the quantitative easing programme:

- 1- it increased the monthly amount of its bond purchases from 60 billion euros to 80 billion euros;
- 2- it envisaged purchasing investment grade securities as well;
- 3- in the context of its TLTROs, it offered retail banks long-term funds (four years) at negative rates for the first time. According to this mechanism, the more banks lend to the real economy, the closer their refinancing rate with the ECB will be to the negative deposit rate, with the aim of establishing a virtuous cycle of intensifying support for the Euro Area's economy.

During the reporting period, the three-month **Euribor** gradually fell, gaining speed in June 2016, from -0.13 at the end of 2015 to -0.30 at the end of September. The EONIA swap rate, which had fluctuated around -0.25% in the first two months of the year, fell to -0.33%.



In the period, the gradual weakening of global economic data, the resulting uncertainty concerning the direction of U.S. monetary policy and uncertainties related to the launch of the Brexit exposed the financial markets to rises in volatility. After an increase reported during the first five months of the year, except for European markets, prices on almost all equity markets fluctuated during the summer, and in several cases generated negative returns, while long-term bond yields continued to trend downwards, setting new all-time lows.

The MSCI World index rose by 1.2% and the S&P500 by 3.4%, while the Topix decreased by -0.9%. In Europe, the benchmark index DJ Stoxx 600 decreased by -6.3%, whereas the Italian market index — which is particularly exposed to financial stock trends — declined by -23.4%. During the period, emerging markets' stock exchanges reported better performances: +11% overall (the MSCI Emerging Markets index), +4.5% in India, +5.9% in China, and +14% in Eastern Europe, with South America showing the best result at +27%. Overall, the market sectors that performed best in Europe were raw materials, energy, construction and technology, while banks, insurances, health and telecommunications posted below-average performance.

Bond yields on the markets of reference (Treasuries and Bunds) continued to trend downwards until early July, and to a greater extent in Europe as a result of the highly expansionary monetary policy and the uncertainties following the Brexit vote. Subsequently, the long-term yield in euros fluctuated around the levels reached, whereas those in dollars increased. In the Euro Area, the two-year rate reached the all-time low at the end of September at -0.69% from -0.33% at the end of 2015, while the ten-year rate ended the period at an all-time low of -0.19%, down from 0.63% at the beginning of the year. In the United States, ten-year rates fell from 2.27% at the end of 2015 to 1.61% at the end of September, whereas two-year rates declined from 1.04% to 0.76%. Spreads between members of the European Monetary Union were exposed to extreme volatility, exceeding in September the lows reached in November 2015. In particular, Italy's spread rose from 96 points at the end of 2015 to a high of 162, reached on the day following Brexit referendum outcome, to then end the period at 138 points.

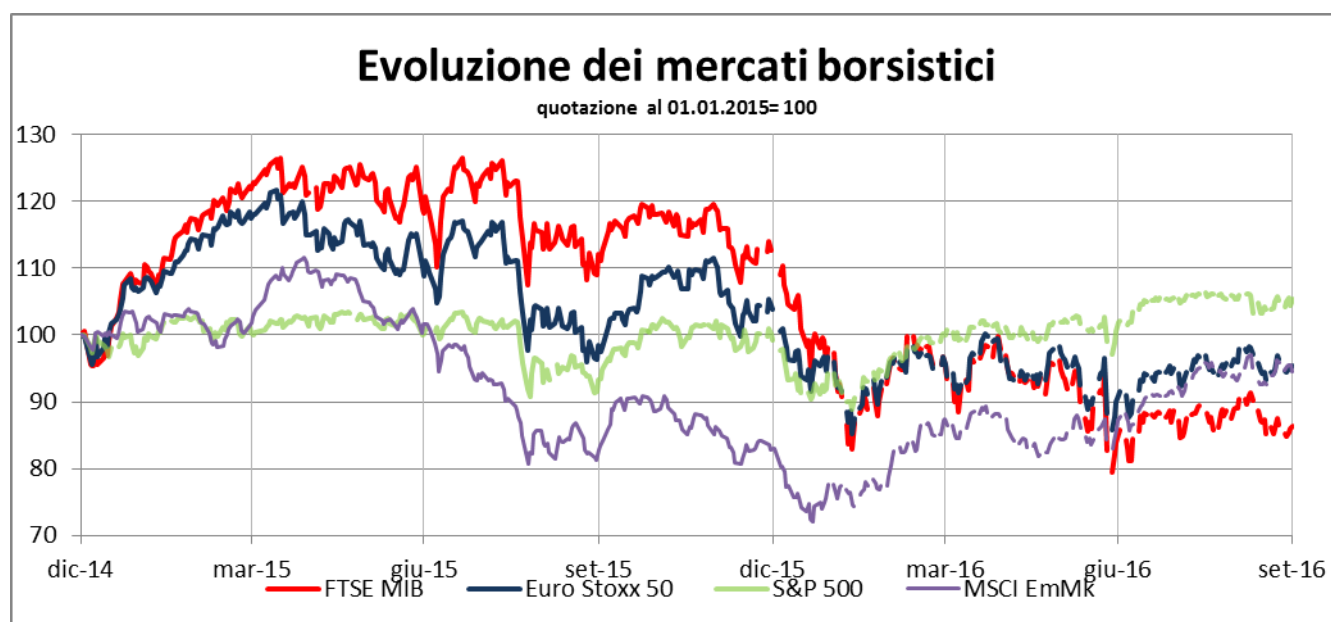
Currency markets were influenced by the monetary policies implemented by the ECB and the Federal Reserve. The gap narrowed in spring after the Fed continued to adopt a very cautious approach to the process of raising rates. The euro/dollar exchange thus fluctuated during all the following months within a range of 1.10 to 1.15. The independent strengthening of the yen brought the euro/yen exchange rate from 131.1 to 113.1.

Commodities and finance continued to capture investors' interest, for opposite reasons.

In the commodities sector, oil and gold both increased in price. Oil benefited from the gradual decrease in surplus production and the agreement reached by the OPEC member countries at the end of September, while gold was purchased as a safe haven asset. Oil (WTI), which at the beginning of the year was slightly above 37 dollars a barrel, ended the period above 48 dollars a barrel, with an increase of more than 30%. Gold rose from 1,060 dollars an ounce to over 1,310 dollars an ounce at the end of September, with a change slightly below 24%.

The financial sector instead suffered: the low level of interest rates and the decline of long-term rates generated additional pressures on banks' interest margins and once again drew attention to the capital solidity of the sector.

Moreover, the uncertainty generated by Brexit further increased the difficulties by driving the sector to the lowest price-to-book valuation levels of the past 30 years.



Outlook

Recent publications by leading international economic researchers emphasise that the weakness of the global economy, particularly in investments, has resulted in weak international trade and constant deflation. This deflation has led authorities in developed countries to implement exceptionally expansionary monetary policies, which, in the report of the International Monetary Fund in its most recent Outlook (27 September), have reached the limit of their effectiveness. The forecasts of the main international authorities for the coming months, published in September, call for a further slowdown of growth compared to three months ago, while assuming in any case that the current expansionary phase will continue at the global level, at rates near potential growth. The European and Japanese central banks stated that they are willing to maintain or increase their current expansionary monetary policies, whereas the Federal Reserve indicated that a fully employed U.S. economy will require further rate increases to prevent a rise in inflation.

3. Banca Generali's Competitive Positioning

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

3.1 The asset management market

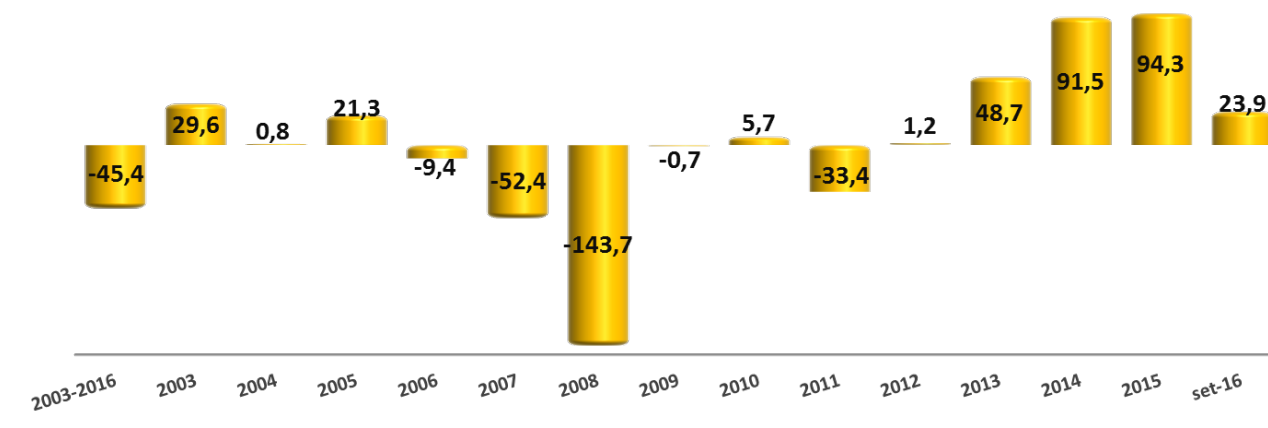
The positive trend shown by the retail asset management segment in the previous three-year period continued in the first nine months of 2016, although at a lower pace than in the past.

In particular, the UCITS market recorded net inflows of 23.9 billion euros year-to-date, and the turbulence that shook global markets in the first part of the year and after the Brexit vote had a limited impact on placement activity by networks and banks.

In the first nine months of 2016, the foremost contribution to net inflows was provided by open-ended UCITS which generated 23.9 billion euros, of which 6.9 billion euros gathered by Financial Advisor networks, both directly through the subscription of à la carte products and indirectly through united-link and pension products.

A more in-depth analysis of fund and Sicav performance shows that during the year Financial Advisors' customers focused on bond and flexible products, similarly to the behaviour of the bank branch customers.

The UCITS market in Italy since 2003 (€billion)



Source: *Assogestioni* data updated as of September 2016.

3.2 The Assoreti Market

Net inflows of the Assoreti market (which measures the distribution activity carried out through the network of Financial Advisors) in the first nine months of 2016 exceeded by 10% the highly positive results recorded in 2015.

(€million)	BG Group		Change	
	30.09.2016	30.09.2015	Amount	%
Total assets under management	2,780	7,137	-4,357	-156.7%
Total insurance products	9,148	10,563	-1,415	-15.5%
Total assets under administration and custody	10,836	2,949	7,887	72.8%
Total assets placed by the network	22,764	20,649	2,115	9.3%

Source: *Assoreti* data updated as of September 2016

With specific regard to the Financial Advisor network, investment decisions favoured assets under administration and custody, which recorded total net inflows of 10.8 billion euros compared to 2.9 billion euros in 2015, whereas

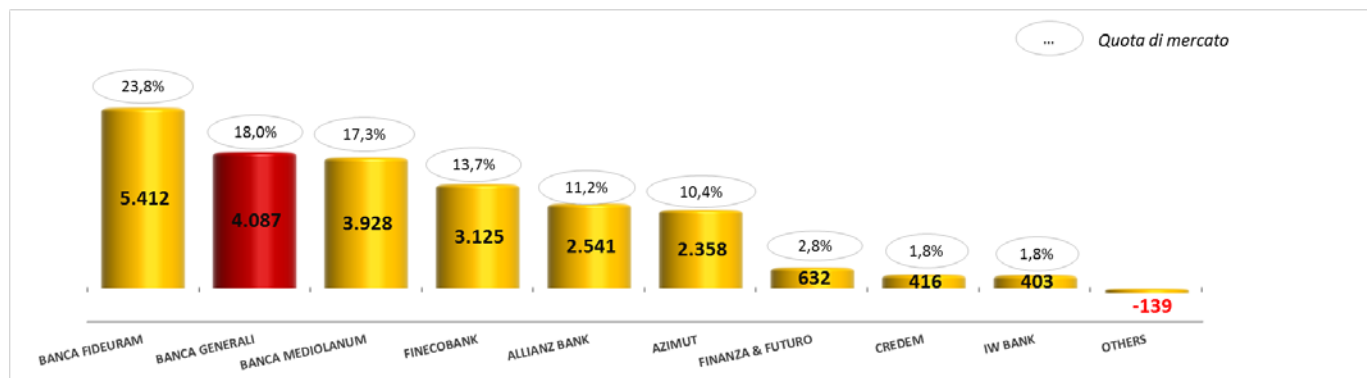
net inflows from assets under management and insurance products amounted to 11.9 billion euros compared to 17.7 billion euros for the first nine months of 2015. The figure was clearly affected by the extreme volatility that characterised financial markets in the first half of the year, with investors' choices in recent months primarily favouring assets under management and insurance investments. The comparison with the same period of 2015 showed a virtual stability of the insurance segment, primarily involving unit-linked policies (4.9 billion euros) and traditional life policies (3.9 billion euros), and the growth of assets under administration, primarily driven by liquidity products (8.7 billion euros in 2016, compared to 3.6 billion euros in 2015). In recent months, securities management schemes also gained ground, reaching cumulative assets of 1.1 billion euros, as did international Sicavs, typically featuring a mix of bonds and flexible assets.

3.3 Banca Generali

In this scenario, Banca Generali continues to be one of the market leaders in terms of net inflows through Financial Advisors, with cumulative net inflows of over 4 billion euros in September and market share of 18%, ranking second within the reference market.

TOTAL NET INFLOWS ASSORETI — 22.8 billion euros

September 2016 (€ million)

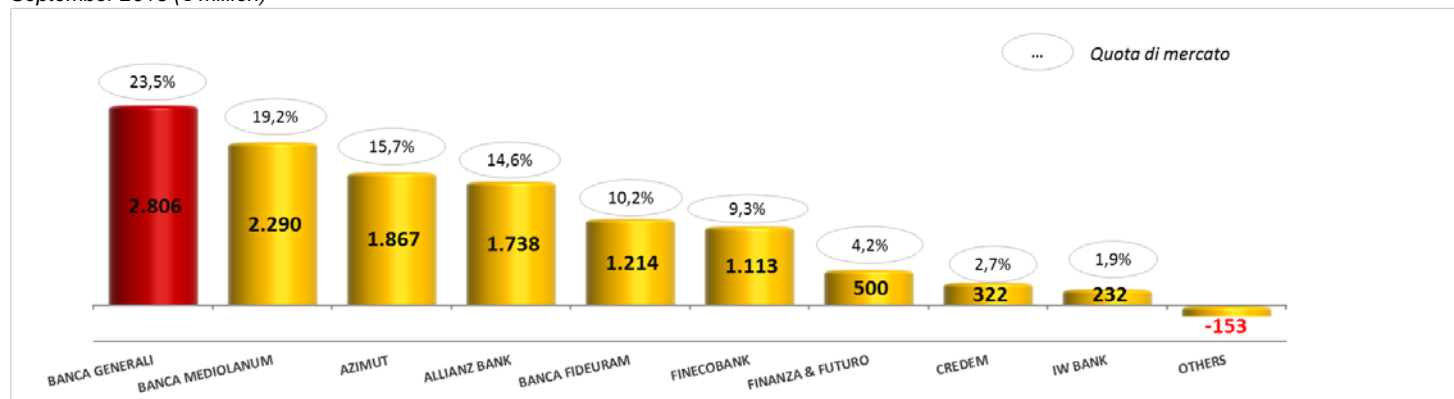


Source: Assoreti

This performance appears even more impressive and significant if one considers assets under management and insurance segments together, with Banca Generali recording net inflows of approximately 2.8 billion euros and market share of 23.5%, and ranking first in absolute terms in its industry.

NET AUM AND INSURANCE INFLOWS ASSORETI – 11.9 billion euros

September 2016 (€ million)



Source: Assoreti

As of 30 September 2016, Banca Generali's net inflows exceeded 4 billion euros, up 36% on the already excellent result achieved in the same period of 2015. Overall, net inflows of asset management and insurance segments accounted for 69% (2.8 billion euros) of Banca Generali's total net inflows. Market uncertainties linked to central banks' measures and the forthcoming political events did not slow down the demand for Banca Generali's wrappers of products, which totalled 1,720 million euros year-to-date, of which 856 million euros related to BG Solution (since its launch at the end of March) and 864 million euros to BG Stile Libero. Households increasingly appreciate the Bank's wrappers of products instead of à la carte funds and Sicavs, thanks to the broader range of related services they offer.

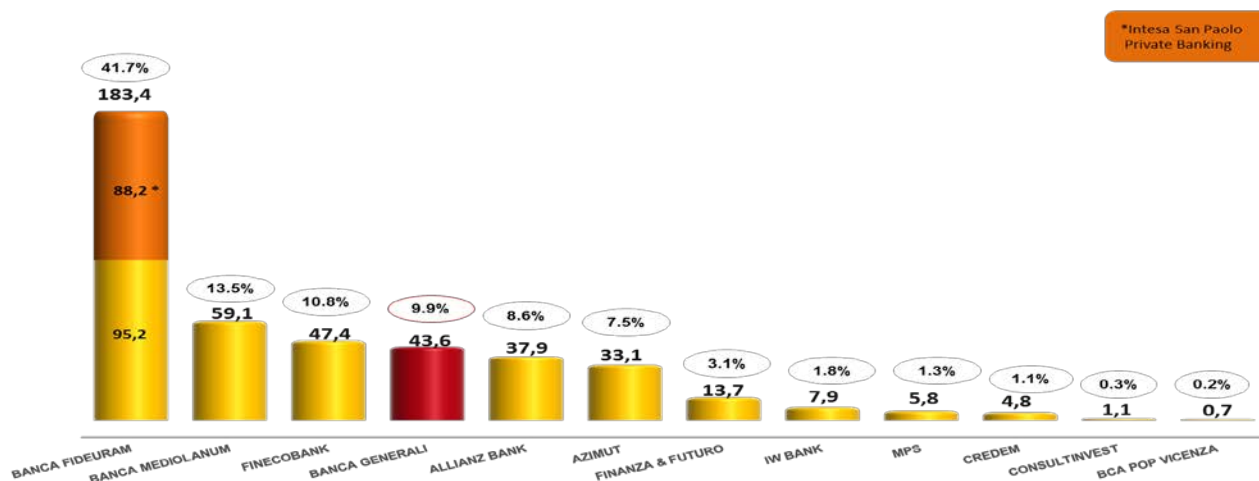
Net inflows of Banca Generali

(milioni di euro)	Gruppo BG		Variazioni A/A su 30.09.2015	
	30.09.2016	30.09.2015	Importo	%
Totale risparmio gestito	677	574	103	18%
Fondi e Sicav	33	735	-702	-96%
GPF/GPM	644	-161	805	500%
Totale risparmio assicurativo	2.129	2.121	8	0%
Totale risparmio amministrato	1.281	321	960	299%
Totale asset collocato dalla rete	4.087	3.016	1.071	36%

Based on latest data available at June 2016, Banca Generali was once again one of the top competitors in the market in terms of Assets Under Management, with a market share of 9.9%.

ASSORETI TOTAL AUM — 438 billion euros

June 2016 (€ billion)



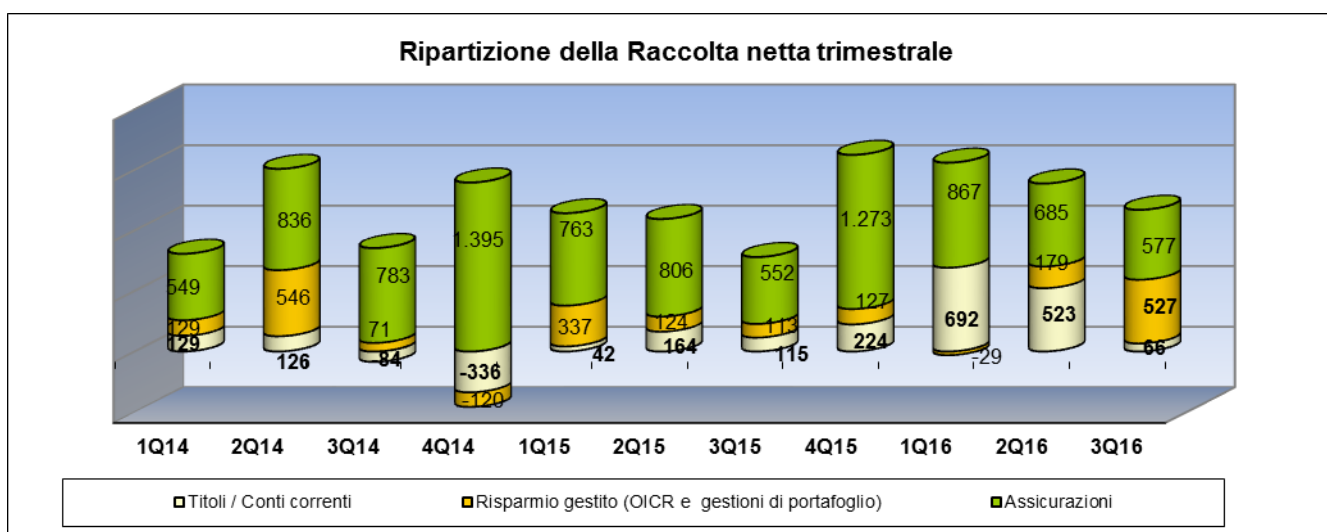
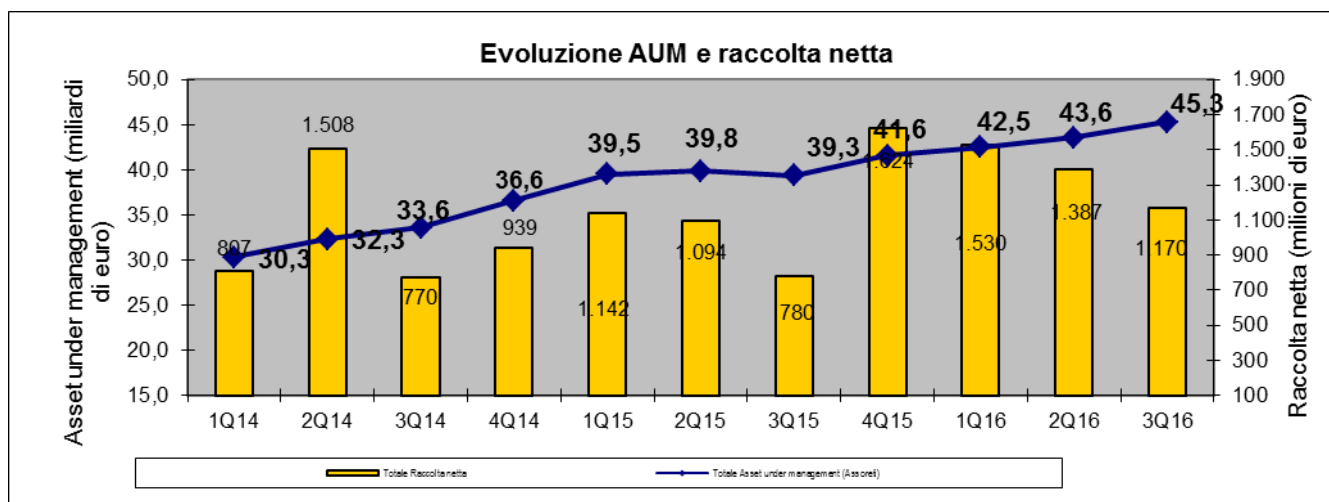
Source: *Assoreti*

Considering the September AUM figures of Banca Generali only — as illustrated in the summary table containing a breakdown by macro-aggregate — and comparing them with the figures at December 2015, it may be observed that Assets Under Management increased by approximately 9% during the nine months under review. The assets in question refer to the Assoreti market, i.e., the market related to the Financial Advisor operating area. The increase in the portfolio may also be attributed to the net inflows gathered in the reporting period, although the turbulence that shook the markets in recent months partly affected the AuM increase.

Assets Under Management of Banca Generali

(€ million)	BG Group	BG Group	Changes on 31.12.2015	
	30.09.2016	31.12.2015	Amount	%
Total managed assets	15,059	14,560	499	3.4%
Funds and Sicavs	10,828	10,923	-95	-0.9%
GPF/GPM	4,231	3,637	594	16.3%
Total insurance products	19,492	17,263	2,229	12.9%
Total assets under administration and custody	10,766	9,782	984	10.1%
Total Assets Under Management	45,316	41,605	3,711	8.9%

The following tables illustrate the trend in the net inflows and AUM for Banca Generali during the quarter and provides a breakdown of net inflows by general category.



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

4.1 Profit and loss results

The Group's net profit at the end of the first nine months of 2016 was 118.6 million euros, down by 47.5 million euros compared to the same period of 2015, which had benefited from the exceptionally favourable external market conditions.

(€ thousand)	30.09.2016	30.09.2015	Change		31.12.2015
			Amount	%	
Net interest	44,265	51,285	-7,020	-13.7%	66,230
Net fees	247,662	289,331	-41,669	-14.4%	370,762
Dividends	1,664	1,174	490	41.7%	3,120
Net income (loss) from trading activities	28,971	25,149	3,822	15.2%	25,790
Net operating income	322,562	366,939	-44,377	-12.1%	465,902
Staff expenses	-64,662	-59,739	-4,923	8.2%	-80,949
Other general and administrative expense	-98,350	-94,288	-4,062	4.3%	-134,020
Net adjustments of property, equipment and intangible assets	-3,543	-3,395	-148	4.4%	-5,310
Other operating expenses/income	27,969	34,733	-6,764	-19.5%	44,720
Net operating expenses	-138,586	-122,689	-15,897	13.0%	-175,559
Operating result	183,976	244,250	-60,274	-24.7%	290,343
Net adjustments for non-performing loans	2,627	-2,468	5,095	-206.4%	-1,121
Net adjustments of other assets	-3,411	-3,344	-67	2.0%	-5,350
Net provisions	-41,715	-37,442	-4,273	11.4%	-45,585
Gains (losses) from equity investments	-17	-1	-16	1,600.0%	-46
Operating profit before taxation	141,460	200,995	-59,535	-29.6%	238,241
Income taxes for the period	-22,844	-34,865	12,021	-34.5%	-34,682
Gains from non-current assets held for sale	0	0	0	n.a.	0
Profit attributable to minority interests	0	0	0	n.a.	0
Net profit	118,616	166,130	-47,514	-28.6%	203,559

Net operating income amounted to 322.6 million euros, with a decline of 44.4 million euros (-12.1%) compared to the same period of the previous year, determined by the following factors:

- The reduction of **non-recurring components** of operating result, which in 2015 had benefited from an extraordinary rise in incentive fees, currently down by 47.5 million euros, only partly offset by the higher contribution of financial operations (+4.3 million euros), achieved thanks to the divestment of the corporate and financial portfolio during the last quarter;
- the further and partly expected decline in **net interest income** (-7.0 million euros), affected both by the sharp decline in returns offered by the Italian government bond market and the residual effects of the LTROs, concluded in February 2015 (3.1 million euros).

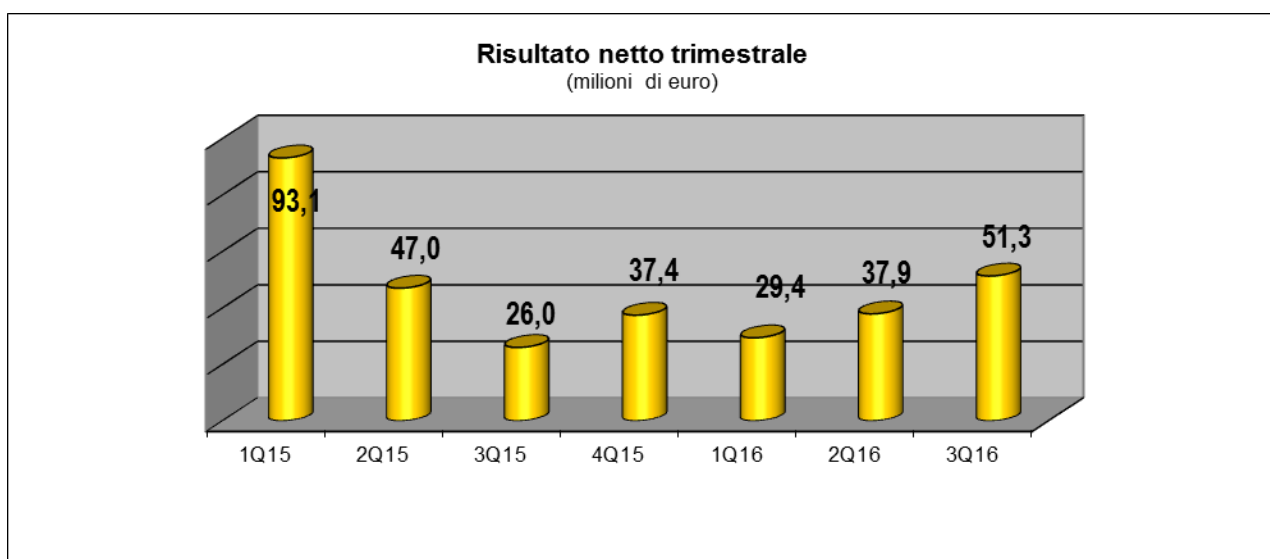
Within this context, attention should in any case be drawn to the positive performance of management fees, which in a period marked by high volatility and a sharp correction of the financial markets increased by 6.4%, bearing witness to the solidity of the growth of the Banking Group in recent years.

By contrast, net **operating expenses** amounted to 138.6 million euros and showed an increase (+13.0%) influenced not only by the ordinary contributions paid to the resolution and deposit protection funds, not present in the same period of 2015, but also the expenses associated with the new projects launched in 2016 and the recruiting plans for employed Relationship Managers, as well as other personnel-related non-recurring items.

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to 41.9%.

Provisions and net adjustments amounted to 42.5 million euros, slightly increasing compared to the same period of 2015, primarily due to the significant decrease of net portfolio adjustments to non-performing loans, offset by higher net provisions for incentives for the sales network.

Operating profit before taxation was 141.5 million euros, down by 59.5 million euros compared to 2015. By contrast, the tax burden for the reporting period decreased by 12.0 million euros, with an overall tax rate of 16.1%.

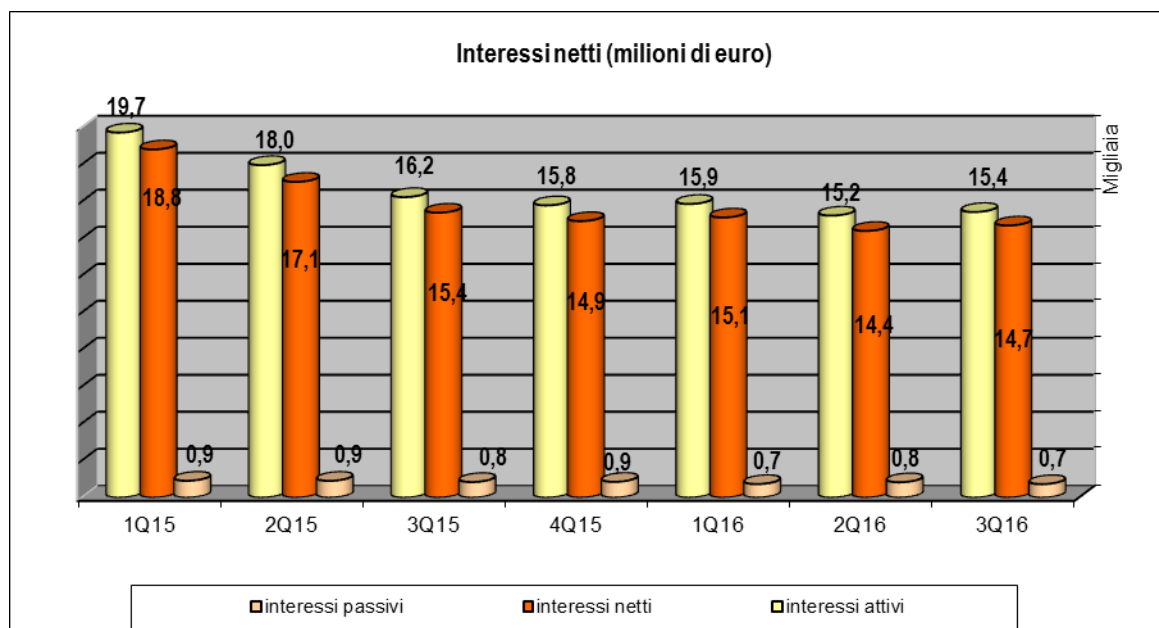


Quarterly evolution of the profit and loss account

(€ thousand)	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15
Net interest	14,710	14,414	15,141	14,945	15,400	17,065	18,820
Net fees	94,836	87,554	65,272	81,431	55,324	96,965	137,042
Dividends	180	1,385	99	1,946	32	1,083	59
Net income (loss) from trading activities	10,882	3,721	14,368	641	8	573	24,568
Net operating income	120,608	107,074	94,880	98,963	70,764	115,686	180,489
Staff expenses	-21,221	-22,951	-20,490	-21,210	-20,815	-19,331	-19,593
Other general and administrative expense	-34,376	-31,601	-32,373	-39,732	-31,071	-31,677	-31,540
Net adjustments of property, equipment and intangible assets	-1,212	-1,180	-1,151	-1,915	-1,152	-1,135	-1,108
Other operating expenses/income	7,905	9,353	10,711	9,987	12,223	11,729	10,781
Net operating expenses	-48,904	-46,379	-43,303	-52,870	-40,815	-40,414	-41,460
Operating result	71,704	60,695	51,577	46,093	29,949	75,272	139,029
Net adjustments for non-performing loans	1,110	2,008	-491	1,347	-319	-637	-1,512
Net adjustments of other assets	-264	-2,396	-751	-2,006	-2,166	656	-1,834
Net provisions	-13,256	-17,050	-11,409	-8,143	4,286	-20,167	-21,561
Gains (losses) from equity investments	22	-30	-9	-45	0	-1	0
Operating profit before taxation	59,316	43,227	38,917	37,246	31,750	55,123	114,122
Income taxes for the period	-8,011	-5,327	-9,506	183	-5,747	-8,115	-21,003
Net profit	51,305	37,900	29,411	37,429	26,003	47,008	93,119

4.1.1. Net interest

Net interest income was 44.3 million euros, down by 7.0 million euros compared to the first nine months of 2015 (-13.7%), due to the constant decline in the profitability of investments as a result of the ongoing downtrend in interest rates.



However, the comparison with 2015 reflects the residual impact of the LTROs concluded in February 2015 (3.1 million euros), net of which the decline in net interest income reduced to 8.1%.

In the first nine months of 2016, interest rate performance in the Euro Area continued to follow the downtrend triggered in the previous year by the launch of the unconventional Quantitative Easing policy.

The declining prices of oil and commodities and the slowing global economy averted expectations of a recovery of inflation in 2016, despite the massive government bond purchases undertaken for QE purposes.

At the end of the third quarter of the year, although oil prices recovered thanks to a possible agreement between the major producers, expectations for 2016 called for an inflation rate in the Euro Area of just above zero, while in the following years moderate growth is expected, but without reaching the symbolic 2% threshold in the next two years.

With a view to foster the recovery of inflation, at its meeting of 14 June the ECB decided to further intensify its intervention through a series of incisive new measures:

- an increase of its monthly securities purchases, now also open to investment grade corporate bonds, from 60 billion euros to 80 billion euros;
- the interest rate reduction requested by the ECB to primary refinancing operations, from the all-time low of 0.05% to 0%, together with the increase of the negative interest rates requested for deposit operations with the same from -0.30% to an exceptional -0.40%;
- the launch of four new TLTROs (Targeted-Long Term Refinancing Operations) intended for the banking industry, with a term of four years and interest rates of zero or at negative levels of up to -0.40%.

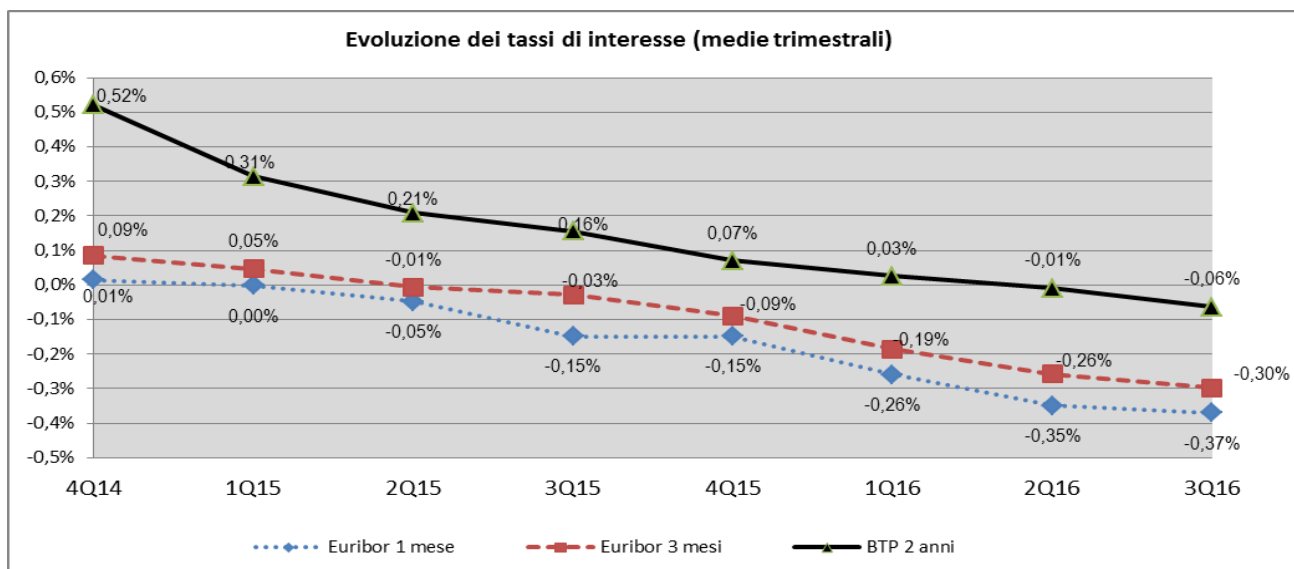
At its most recent meeting on 20 October, the ECB's Council kept its reference rates unchanged and confirmed that its current monetary policies may continue without changes, even beyond the initial end point of March 2017, until a permanent change in price performance is detected, in accordance with the ECB's inflation target.

Overall, this resulted in further flattening of the entire interest-rate curve, generating an anomalous situation of positive funding rates but negative lending rates with maturities beyond 12 months on the interbank market.

The downtrend also continued on the Italian government bond market, with brief periods of recovery attributable first to fluctuations in the Italian banking system, and then in June to tensions on financial markets relating to Brexit, and finally, in September, to uncertainty surrounding the budget law and constitutional referendum.

Short-term interbank rates, which were at minimum levels at the end of December, further decreased in September 2016 reaching the monthly average of -0.371% for the one-month Euribor, and -0.302% for the three-month Euribor.

Yields on Italian government bonds with residual average maturities of two years stood at -0.13% in September, whereas yields in excess of 1% may only be seen for maturities of more than 8/9 years.



In this context, although the volume of average loans expanded significantly, interest income decreased by 7.4 million euros compared to the previous year, due to the sharp decline in yields.

The reduction in interest income on the government securities portfolio was offset by a prudent extension of the maturities and a higher portfolio diversification, thanks to which the overall profitability of the portfolio stood slightly below the 1% threshold.

Moreover, in this new phase interest on loans to customers, most of which are benchmarked on the Euribor, began to show signs of weakness (-12.2%).

Symmetrically, the cost of net inflows continued to decline (-14.0%), despite the minimum levels reached at the end of the same period of 2015.

The negative interest income paid to banks on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 185 thousand euros and 1,752 thousand euros, respectively, and refer primarily to deposits with the central bank and repurchase agreements. With effect from June, negative interest is also applied to the captive deposits held by Generali Group companies.

Therefore, including also the negative interest expense, the overall cost of net inflows resulted in a net cost of just 0.3 million euros at the end of the third quarter 2016.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
HFT financial assets	62	192	-130	-67.7%
AFS financial assets	14,601	17,796	-3,195	-18.0%
HTM financial assets	11,384	15,811	-4,427	-28.0%
Financial assets classified among loans	2,884	2,026	858	42.3%
Total financial assets	28,931	35,825	-6,894	-19.2%
Loans to banks	31	80	-49	-61.3%
Loans to customers	15,839	18,041	-2,202	-12.2%
Other assets (negative interest expense)	1,752	0	1,752	n.a.
Total interest income	46,553	53,946	-7,393	-13.7%
Due to ECB	0	49	-49	-100.0%
Due to banks	445	509	-64	-12.6%
Repurchase agreements - banks	0	92	-92	-100.0%
Due to customers	393	702	-309	-44.0%
Subordinated loan	1,265	1,309	-44	-3.4%
Other liabilities (negative interest income)	185	0	185	n.a.
Total interest expense	2,288	2,661	-373	-14.0%
Net interest	44,265	51,285	-7,020	-13.7%

4.1.2 Net fees

The fee aggregate amounted to 247.7 million euros, decreasing by 14.4% compared to the same period of 2015.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Collective and individual portfolio management fees	248,253	301,897	-53,644	-17.8%
Fees on the placement of securities and UCITs	42,466	47,499	-5,033	-10.6%
Fees on the distribution of third-party financial products	136,198	115,760	20,438	17.7%
Fees on trading and securities custody	10,426	16,507	-6,081	-36.8%
Fees for other banking services	9,063	9,683	-620	-6.4%
Total fee income	446,406	491,346	-44,940	-9.1%
Fees for off-premises offer	174,808	176,749	-1,941	-1.1%
Fees for dealing in securities and custody	2,597	5,193	-2,596	-50.0%
Fees for portfolio management	19,377	18,280	1,097	6.0%
Fees for other banking services	1,962	1,793	169	9.4%
Total fee expense	198,744	202,015	-3,271	-1.6%
Net fees	247,662	289,331	-41,669	-14.4%

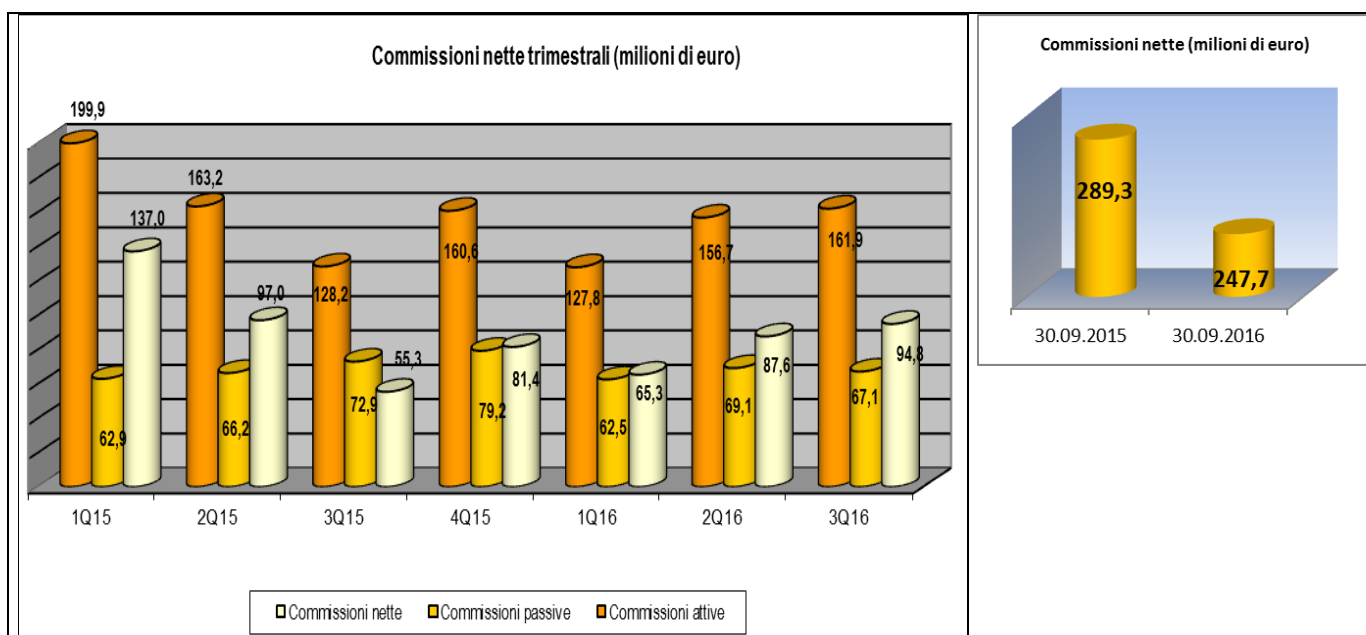
Fee income amounted to 446.4 million euros increasing moderately (+0.7%), net of the performance fee trend, compared to the same period of 2015.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Underwriting fees	11,928	24,429	-12,501	-51.2%
Management fees	362,299	340,463	21,836	6.4%
Performance fees	52,690	100,264	-47,574	-47.4%
Fees for other banking and financial services	19,489	26,190	-6,701	-25.6%
Total	446,406	491,346	-44,940	-9.1%

In 2015, the extraordinary financial market rally early in the year triggered by the quantitative easing programme promoted by the ECB, though subsequently decreased, had permitted the performance fees generated by the Sicavs promoted by the Banking Group to reach an all-time high in the first half of the year amounting to 99.2 million euros.

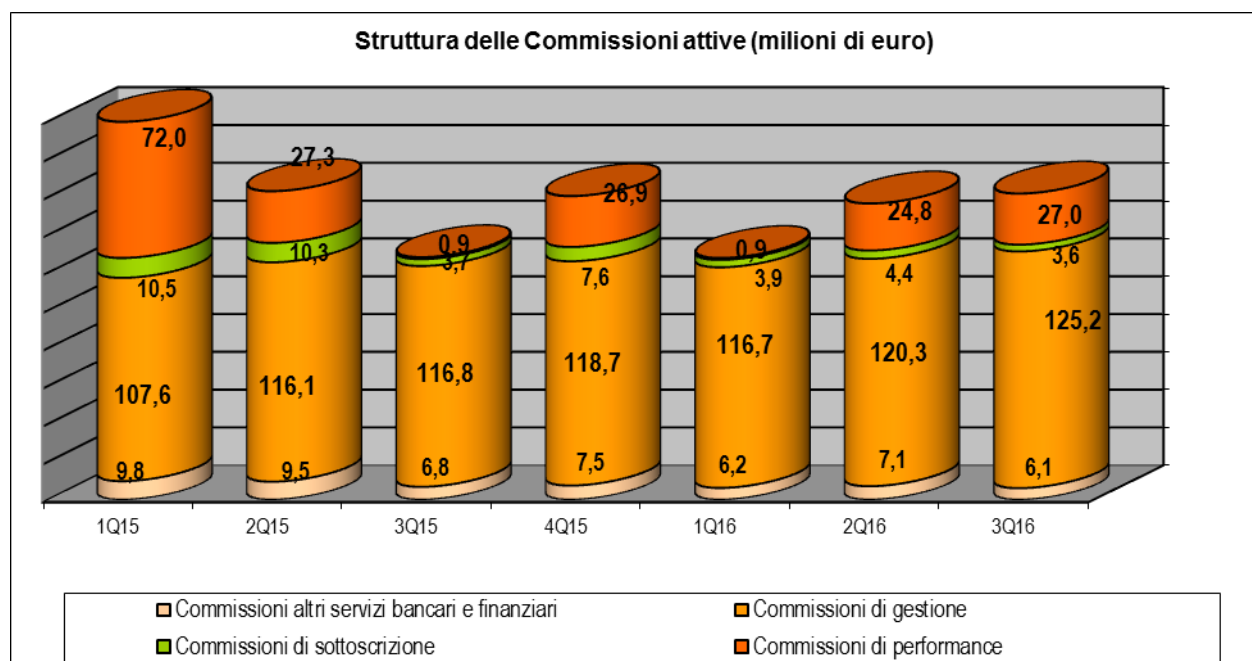
However, this favourable scenario was not repeated in 2016, which was penalised in the first two months of the year by the uncertainty relating to the international situation and the crisis in the European banking sector, as well as by the unexpected result of the Brexit referendum in June.

In the third quarter, however, the market recovery allowed to partly offset the difference.



Against this background, it should be noted that management fees showed a positive performance, improving by 21.8 million euros (+6.4%) thanks to the increase in average AUM in asset management and insurance products compared to the same period of 2015 (+11.6%), only partially offset by the above-mentioned market volatility.

The reduction in underwriting fees (-12.5 million euros) involved particularly the Sicavs promoted by the Group and insurance and asset management products, driven in the previous year by the non-recurring contribution of the line switch fees resulting from the rationalisation of the management lines marketed.



Fee income from the solicitation of investment and asset management for households amounted to 426.9 million euros and, net of the aforementioned performance fee trend, reported a moderate increase compared to the same period of 2015 (+2.6%).

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
1. Collective asset management	220,966	271,727	-50,761	-18.7%
2. Individual asset management	27,287	30,170	-2,883	-9.6%
Asset management fees	248,253	301,897	-53,644	-17.8%
1. Placement of UCITs	41,556	46,473	-4,917	-10.6%
<i>of which placement of UCITs promoted by the Group</i>	3,916	8,334	-4,418	-53.0%
3. Placement of bonds and equity securities	910	1,026	-116	-11.3%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	542	553	-11	-2.0%
5. Distribution of third-party insurance products	135,395	115,029	20,366	17.7%
6. Distribution of other third-party financial products	261	178	83	46.6%
Fees for the placement and distribution of financial products	178,664	163,259	15,405	9.4%
Asset management fee income	426,917	465,156	-38,239	-8.2%

Within this scenario, the **distribution of insurance products** recorded a remarkable growth of 17.7% compared to the same period of 2015, thanks above all to the increase in average AuM relating to the segment (+31.3%).

In the first nine months of 2016, net inflows of insurance products amounting to 2.1 billion euros were driven by Genertellife products characterised by capital protection and a low-risk profile (Stile Garantito, Cedola), but customers also continued to show appreciation for the multi-line policy **BG Stile Libero**, which recorded 0.9 billion euros net inflows in the period and over 5.2 billion euros since its launch in June 2014. The revenues generated by the distribution of Genertellife products thus amounted to 134.6 million euros.

The management fees on the **Sicavs** promoted by the Banking Group, net of the effect of non-recurring components, slightly declined by 1.9% compared to the same period of 2015, which was affected both by slower growth of net inflows and a slight reduction of profitability due to the greater weight in the portfolio of the institutional classes.

Individual portfolio management, net of the non-recurring effect of the line switch fees recorded in 2015, showed instead a slight increase compared to 2015 (+1.4%).

The launch of the new multi-line **BG Solution** in March 2016 essentially marked the conclusion of the process of revision of the product range which started in the first half of 2015. The strong attention drawn by new management solutions, which allow for strong personalisation of investment lines and advantages tied to service profiling, has already led to over 0.9 billion euros net inflows.

Lastly, the **placement of UCITS** amounted to 41.6 million euros, down by 10.6% compared to the same period of 2015, mainly attributable to the Sicavs promoted by the Banking Group.

Other fees from banking services offered to customers include trading, order collection and custody and administration fees, in addition to fees charged to customers for account-keeping expenses and other services. The aggregate amounted to 19.5 million euros.

Fees for the intermediation and custody of customers' financial assets amounted to 10.4 million euros, down by 6.1 million euros (-36.8%) compared to the same period of 2015, essentially due to the decline of traded volumes that affected both Italian and international UCITS, administered by the banking and insurance Group's management companies (-3.3 million euros), and retail and discretionary portfolio management business operations.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Dealing in securities and currencies	8,139	11,463	-3,324	-29.0%
Order collection and securities custody fees	2,287	5,043	-2,756	-54.7%
Collection and payment services	2,171	2,348	-177	-7.5%
Fee income and account-keeping expenses	1,665	1,834	-169	-9.2%
Consultancy	3,051	3,507	-456	-13.0%
Other services	2,176	1,995	181	9.1%
Total traditional banking operations	19,489	26,190	-6,701	-25.6%

Fee expense amounted to 198.7 million euros, slightly down compared to the same period of the previous year (-1.6%), partly due to the new 2016 remuneration and incentivisation policy which introduced the payment of incentives in a single tranche maturing annually instead of two half-yearly tranches.

In fact, the third quarter of 2015 saw the payment of the incentives accrued in the first half of the year and amounting to 13.9 million euros. In 2016, the provisions for sales incentives were instead fully recognised among provisions for risks and charges insofar as they are linked to overall annual performance in terms of net inflows.

Net of this component, the aggregate therefore grew by 5.6%.

Distribution fee expense thus amounted to 174.8 million euros, down compared to the same period of 2015 (-1.1%), due chiefly to the following factors:

- a decline in incentive fees (-2.0 million euros) attributable to the lack of the payment related to the half-yearly incentives previously in force (-13.9 million euros), partly offset by greater fees paid in relation to the results of the recruitment plans implemented in the reporting period and in previous years (+9.3 million euros);
- a decline in front-end fees (-50.4%), associated with the similar performance reported by underwriting fees;
- a growth in management fees (+9.2%), correlated to the rise in the network's average AUM compared to the same period of the previous year.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Front-end fees	8,427	17,001	-8,574	-50.4%
Management fees	117,816	107,930	9,886	9.2%
Incentive fees	30,992	32,993	-2,001	-6.1%
Other fees	17,573	18,825	-1,252	-6.7%
Total	174,808	176,749	-1,941	-1.1%

Other fees relate to social-security charges (Enasarco and FIRR) and additional fees disbursed in relation to maintenance of the network structure.

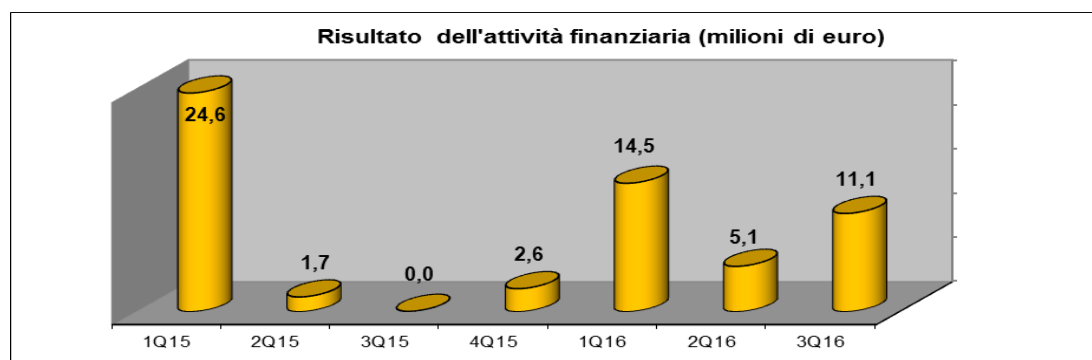
Within the fee expense aggregate, **asset management fees** amounted to 19.3 million euros (+6.0%) and referred substantially to fees for third-party assets under administration and custody regarding the Sicavs promoted by the Group.

Lastly, **fee expense from traditional banking operations** decreased by 34.7% due to the aforementioned decline in trading operations.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Fees for securities trading and custody	-2,597	-5,193	2,596	-50.0%
Collection and payment services	-1,669	-1,500	-169	11.3%
Other services	-293	-293	0	0.0%
Total fee expense	-4,559	-6,986	2,427	-34.7%

4.1.3 Net income from trading activities and dividends

Net income from trading activities and dividends is composed of the result of financial asset and liability trading, gains and losses from the disposal of financial assets allocated to the AFS portfolio and other portfolios valued at amortised cost (HTM, Loans), the related dividends and any result of hedging.



In the first nine months of 2016, this aggregate was positive at 30.6 million euros.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Dividends from trading activities	251	84	167	198.8%
Trading of financial assets and equity derivatives	-1,055	345	-1,400	-405.8%
Trading of financial assets and derivatives on debt securities and interest rates	241	96	145	151.0%
Trading of UCITS units	-551	1	-552	n.a.
Securities transactions	-1,114	526	-1,640	-311.8%
Currency and currency derivative transactions	2,295	2,488	-193	-7.8%
Net income (loss) from trading activities	1,181	3,014	-1,833	-60.8%
Net profit from hedging	0	0	0	n.a.
Dividends from AFS assets	1,413	1,090	323	29.6%
Gains and losses on equity securities and UCITSs	126	702	-576	-82.1%
Gains and losses on AFS and HTM debt securities and loans	27,915	21,517	6,398	29.7%
Net income (loss) from trading activities and dividends	30,635	26,323	4,312	16.4%

This result is mainly attributable to the gains realised on medium/long-term government bonds allocated to the AFS asset portfolio (22.0 million euros).

In addition, in the third quarter of 2016, the investments in corporate and bank securities of the Loans portfolio were partly divested, generating an income of 2.0 million euros.

(€ thousand)	Transfer of reserves	Gains	Losses	30.09.2016	30.09.2015	Change
AFS financial assets	17,294	10,229	-1,527	25,996	18,860	7,136
Debt securities	17,283	10,104	-1,517	25,870	18,158	7,712
Equity securities	-3	117	-1	113	-192	305
UCITS units	14	8	-9	13	894	-881
Financial assets classified among loans	0	2,030	0	2,030	3,359	-1,329
Transfer of non-performing loans	0	0	0	0	0	0
HTM financial assets	0	21	-6	15	0	15
Total	17,294	12,280	-1,533	28,041	22,219	5,822

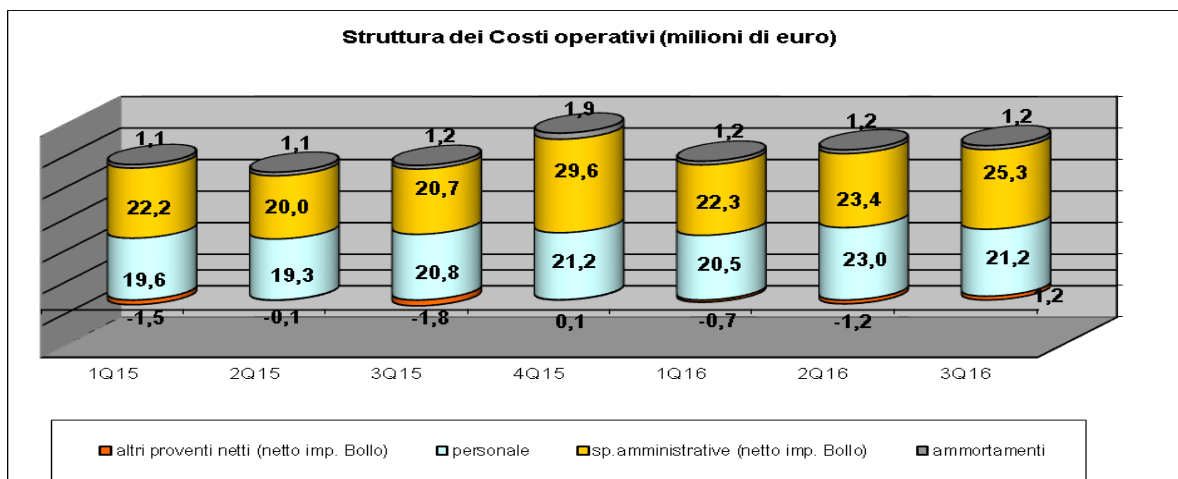
The overall performance of trading activities was positive (+0.9 million euros) thanks to the result of currency operations, partly offset by the downtrend in certain options on the FTSE MIB index and net capital losses on investments in UCITS.

(€ thousand)	Capital gains	Capital losses	Gains	Losses	Net result 3Q16	Net result 3Q15	Change
1. Financial assets	82	744	426	186	-422	191	-613
Debt securities	68	35	226	18	241	96	145
Equity securities	1	220	184	77	-112	94	-206
UCITS units	13	489	16	91	-551	1	-552
2. Derivatives	72	1,095	295	230	-958	271	-1,229
Options on equity securities	72	1,095	205	75	-893	251	-1,144
Options on currencies and gold	0	0	87	102	-15	20	-35
Futures	0	0	3	53	-50	0	-50
3. Currency transactions	0	0	2,310	0	2,310	2,468	-158
4. Total	154	1,839	3,031	416	930	2,930	-2,000

4.1.4 Operating expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses, amounted to 138.6 million euros, increasing by 15.9 million euros overall compared to the same period of the previous year (+13.0%).

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Staff expenses	64,662	59,739	4,923	8.2%
Other general and administrative expense	98,350	94,288	4,062	4.3%
Net adjustments of property, equipment and intangible assets	3,543	3,395	148	4.4%
Other income and expenses	-27,969	-34,733	6,764	-19.5%
Operating expenses	138,586	122,689	15,897	13.0%



Staff expenses, including full-time employees, interim staff and directors, totalled 64.7 million euros (+8.2%), chiefly due to sales network's incentives and some non-recurring items, associated with the passing of the CEO.

Group's employees totalled 858 at the end of the reporting period, with no significant changes compared to the same period of the previous year. Average headcount rose by 10.5 resources.

	30.09.2016	30.09.2015	Change		Average 2016	Average 2015
			Amount	%		
Managers	46	45	1	2.2%	45.0	45.0
3 rd and 4 th level executives	153	137	16	11.7%	146.5	136.0
Other employees	659	675	-16	-2.4%	656.0	656.0
Total	858	857	1	0.1%	847.5	837.0

The item relating to stock option/stock granting includes 2.9 million euros attributable to incentive plans reserved for the Generali Group's strategic management (LTIP – Long-Term Incentive Plan) based on the assignment of shares of the Parent Company, Assicurazioni Generali, whereas the remainder relates to the estimated IFRS 2 charges associated with the portion of variable remuneration payable in Banca Generali shares.

The increase in the aggregate was mainly attributable to the advance accounting treatment of the charges associated with the service condition set forth by LTIPs and assigned to the CEO after his passing at the end of March 2016.

The increase in the incentive component was instead primarily tied to the charges of the recruitment plans for sales personnel (Relationship Managers).

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
1) Employees	63,413	58,181	5,232	9.0%
Salaries and social security charges	41,310	39,962	1,348	3.4%
Provision for termination indemnity and supplementary pension funds	3,313	3,444	-131	-3.8%
Costs related to payment agreements based on own financial instruments	3,213	1,341	1,872	139.6%
Short-term productivity bonuses (MBO, CIA, incl. sales)	10,937	9,363	1,574	16.8%
Other long-term incentives (MBO)	966	1,054	-88	-8.3%
Other employee benefits	3,674	3,017	657	21.8%
2) Other staff	149	213	-64	-30.0%
3) Directors and Auditors	1,100	1,345	-245	-18.2%
Total	64,662	59,739	4,923	8.2%

Total other general and administrative expense, net of recoveries of taxes paid by customers (stamp duty, substitute tax), amounted to 71.0 million euros, up 8.2 million euros compared to the same period of the previous year (+12.9%).

However, more than half the increase of the aggregate (4.2 million euros) was due to the recognition, pursuant to

IFRIC 21, of the 2016 ordinary contributions to the new resolution and deposit protection funds provided for in European directives (FRU, FITD), not present in the same period of the previous year.

Net of this component, the increase of total other general and administrative expense was chiefly attributable to advisory expenses and IT service development costs related to the new projects undertaken in the year and to the new wealth management activities.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Administration	10,177	9,053	1,124	12.4%
Advertising	3,075	2,953	122	4.1%
Advisory	3,645	2,867	778	27.1%
Auditing	306	416	-110	-26.4%
Insurance	2,313	2,156	157	7.3%
Other general costs (insurance; T&E)	838	661	177	26.8%
Operations	26,366	25,592	774	3.0%
Rent and usage of premises	13,752	12,877	875	6.8%
Outsourced services	3,516	3,621	-105	-2.9%
Post and telephone	1,865	2,262	-397	-17.6%
Print material and contracts	974	694	280	40.3%
Other indirect staff expenses	1,656	1,967	-311	-15.8%
Other operating expenses	4,603	4,171	432	10.4%
Information system and equipment	29,339	27,614	1,725	6.2%
Outsourced IT services	21,677	20,030	1,647	8.2%
Fees for financial databases and other IT services	4,561	4,888	-327	-6.7%
Software maintenance and servicing	2,463	2,118	345	16.3%
Other expenses (equipment rental, maintenance, etc.)	638	578	60	10.4%
Taxes and duties	28,299	32,029	-3,730	-11.6%
<i>of which virtual stamp duty and other duties borne by customers</i>	<i>27,808</i>	<i>31,784</i>	<i>-3,976</i>	<i>-12.5%</i>
Contributions to the resolution and deposit protection funds of the regulatory authority	4,169	0	4,169	n.a.
Total other general and administrative expense	98,350	94,288	4,062	4.3%
Recovery of stamp duty from customers (item 220)	-27,317	-31,382	4,065	-13.0%
Total administrative expense, net of stamp duties recovered	71,033	62,906	8,127	12.9%

4.1.5 Net provisions for risks and charges

Net provisions amounted to 41.7 million euros, up 4.3 million euros compared to the same period of 2015.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Provision for staff liabilities and contingencies	-122	-41	-81	198.6%
Provisions for legal disputes	410	1,298	-888	-68.4%
Provision for incentive fees	34,355	20,788	13,567	65.3%
Provisions for termination indemnity and overfees	4,538	11,357	-6,819	-60.0%
Other provisions for liabilities and contingencies	2,534	4,040	-1,506	-37.3%
Total	41,715	37,442	4,273	11.4%

The increase in provisions for incentive fees (+13.6 million euros) was essentially attributable to the new remuneration policy governing sales network's incentives — commented upon above with reference to the performance of the fee aggregate — which introduced the payment of incentives in a single tranche maturing annually instead of two half-yearly tranches.

Current and deferred incentives subject to accrual amounted to 24.6 million euros, up 13.6 million euros

compared to the same period of 2015, whereas allocations in service of network development plans totalled 9.7 million euros, essentially in line with the previous year.

The lesser amount allocated to provisions for contractual indemnities for the sales network may be attributed to the recognition in the first half of 2015 of the one-off effect of the sharp decline in the discounting rates used to measure the liability and the non-renewal of the long-term indemnity plan known as the “pension bonus” for the current year.

Allocations to other provisions for liabilities and contingencies also referred to the foreseeable expenses to be borne by the Bank in respect to the fund protecting the bondholders of the four regional banks subject to bail-ins in 2015 — instituted by the 2016 Stability Law, to be funded by the Italian banking industry through FITD — and to allocations to other operating expenses.

In September 2016, Banca Generali paid 1.3 million euros as contribution required under the Voluntary Scheme of the Interbank Deposit Protection Fund (FITD), aimed at recapitalising Cassa di Risparmio di Cesena.

On the basis of the note containing technical clarification issued by the Bank of Italy and published by FITD on 31 October 2016, the contribution was considered a capital contribution and classified among financial assets available for sale (equities designated at fair value).

In the absence of precise indications from FITD concerning the fair value of the investment at the date of the capital increase, it has been measured at cost. However, considering that the transaction was undertaken under non-market circumstances, for use in a bail-out, a provision was recognised on a prudential basis to cover the potential losses.

In the previous year, the provisions for the extraordinary interventions already approved by the FITD at that time (Carife and Banca Marche) and the National Resolution Fund for banking crises to be instituted pursuant to Directive 59/2014 (BRRD – Bank Recovery and Resolution Directive) amounted to 4.0 million euros.

Tax dispute

In tax disputes, in the third quarter a settlement procedure was opened with the Italian Agency of Revenue, Friuli Venezia Giulia Regional Department, concerning both the irregularities cited by the Finance Police in the auditors' report served on 13 July 2016 and the audit of tax period 2010.

In detail, in the auditors' report served by the Italian Finance Police, some transactions performed in 2010 and 2011 were alleged to represent abuse of the law and, by virtue of their purported circular nature, were reclassified as repurchase agreements.

In this regard and convinced that its actions were lawful, Banca Generali proceeded to provide the revenue authorities with evidence supporting its view that abuse of law did not take place.

At present, the prudential provisions recognised in previous years are deemed adequate to cover both disputes.

4.1.6 Adjustments

Net adjustments to non-performing loans amounted to 0.8 million euros at the end of the reporting period, down by 5.0 million euros compared to the previous year.

(€ thousand)	Value	Reversals	30.09.2016	30.09.2015	Change
	adjustments	adjustments			
Specific adjustments/reversals	-2,840	1,110	-1,730	-3,050	1,320
Equity securities	-2,423	0	-2,423	-1,426	-997
Debt securities (AFS, HTM, Loans)	0	0	0	0	0
Non-performing loans of the banking portfolio	-373	1,110	737	-1,606	2,343
Operating loans to customers	-39	0	-39	-19	-20
Value adjustments of other financial transactions (FITD)	-5	0	-5	0	-5
Portfolio adjustments/reversals	-1,339	2,285	946	-2,762	3,708
Debt securities (Loans, HTM)	-1,210	2,172	962	-2,859	3,821
Performing loans and guarantees of the banking portfolio	-129	113	-16	97	-113
Total	-4,179	3,395	-784	-5,812	5,028

The accumulated impairment losses in the portfolio of AFS equity securities amounted to 2.4 million euros and regarded:

- 0.9 million euros attributable to the additional impairment, on top of that recognised in previous years, of the equity investment in Veneto Banca, which was measured in accordance with the results of the capital increase undertaken in June, fully subscribed by the Atlante fund at the price of 0.1 euros per share;
- 1.5 million euros of impairment of investments in entities recently admitted to AIM Italia (Alternative Investment Market) and minor equity investments in banks.

It should also be noted that impairment losses of 1.4 million euros were recognised on the profit-sharing agreement to produce a film in the previous year.

The increased charges were partially offset by net value reversals to non-performing loans in the banking portfolio, largely attributable to the positive resolution of a significant bad debt position. Therefore, the aggregate grew markedly compared to the same period of the previous year, which had also been penalised by the 1.7 million euros impairment loss on the Investimenti Marittimi position.

Moreover, net value reversals were made to collective provisions for performing debt securities allocated to the HTM portfolio and for securities classified to the Loans portfolio in connection with the risk profile (rating/residual life) of the new investments undertaken and the divestment of a significant portion of the Loans portfolio in the third quarter.

4.1.6 Consolidated net result, taxes and earnings per share

Taxes for the period on a current and deferred basis were estimated at 22.8 million euros, down 12.0 million euros compared to estimated taxes for the same period of the previous year.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Current taxes for the period	-28,332	-38,279	9,947	-26.0%
Prior years taxes	959	989	-30	-3.0%
Changes of prepaid taxation (+/-)	4,735	2,651	2,084	78.6%
Changes of deferred taxation (+/-)	-206	-226	20	-8.8%
Total	-22,844	-34,865	12,021	-34.5%

The estimated overall tax rate was 16.1%, slightly up compared to the end of the same period of 2015.

The third quarter of 2016 thus closed with basic net earnings per share of 1.022 euros.

	30.09.2016	30.09.2015	Change	
			Amount	%
Net profit for the period (€ thousand)	118,616	166,130	-47,514	-28.6%
Earnings attributable to ordinary shares	118,616	166,130	-47,514	-28.6%
Average number of outstanding shares	116,075	115,728	347	0.3%
EPS - Earnings per share (euro)	1.022	1.436	-0.414	-28.8%
Average number of outstanding shares with diluted share capital	116,489	116,102	387	0.3%
EPS - Diluted earnings per share (euros)	1.018	1.431	-0.413	-28.8%

5.1.7 Comprehensive income

The Banking Group's comprehensive income consists of the consolidated net profit and all other components that contribute to company performance without being reflected in the profit and loss account, such as changes in valuation reserves for AFS securities.

In the first nine months of 2016, the latter components provided a negative overall contribution of -2.3 million euros, improving compared to the net negative change of -4.3 million euros recorded at the end of the same period of the previous year.

In detail, the reduction in valuation reserves on the AFS portfolio was generated by the following factors:

- an increase in net valuation capital gains totalling 14.3 million euros;
- the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (17.3 million euros);
- the positive net tax effect (DTAs) associated with the above changes (+0.7 million euros).

<i>(€ thousand)</i>	30.09.2016	30.09.2015	Change	
			Amount	%
Net profit (loss)	118,616	166,130	-47,514	-28.6%
Other income, net of taxes:				
with transfer to profit and loss account				
Exchange gains and losses	-97	0	-97	n.a.
AFS assets	-2,292	-4,324	2,032	-47.0%
without transfer to profit and loss account				
Actuarial gains (losses) from defined benefit plans	-299	132	-431	-326.5%
Total other income, net of taxes	-2,688	-4,192	1,504	-35.9%
Comprehensive income	115,928	161,938	-46,010	-28.4%

4.2 Balance sheet and net equity aggregates

At the end of the first nine months of 2016, total consolidated assets amounted to 7.4 billion euros, increasing by 1.3 billion euros compared to the end of 2015 (+21.3%).

Total net inflows amounted to 6.5 billion euros at the end of the reporting period (+25.8%) and were driven by a sharp increase in net inflows from customers (+0.7 billion euros) and interbank net inflows (+0.7 billion euros). The latter in particular included 400 million euros of an ECB loan issued on 29 June 2016 as a result of Banca Generali's participation in the first operation of the TLTRO 2 launched following the ECB Council meeting in March 2016.

The volume of core loans, totalling 7.0 billion euros at the end of the reporting quarter, showed an essentially similar performance (+22.8%), characterised by the rise in longer-term exposures of the HTM and AFS portfolios.

Assets (€ thousand)	30.09.2016	31.12.2015	Change		30.09.2015
			Amount	%	
HFT financial assets	36,170	28,004	8,166	29.2%	52,384
AFS financial assets	4,132,469	2,939,211	1,193,258	40.6%	2,562,806
HTM financial assets	533,135	423,586	109,549	25.9%	496,254
Loans to banks	422,349	419,508	2,841	0.7%	390,855
Loans to customers	1,914,118	1,922,020	-7,902	-0.4%	1,869,211
Equity investments	2,023	2,152	-129	-6.0%	0
Property, equipment and intangible assets	91,270	93,114	-1,844	-2.0%	91,635
Tax receivables	52,510	61,992	-9,482	-15.3%	44,508
Other assets	233,789	226,430	7,359	3.3%	187,657
Total assets	7,417,833	6,116,017	1,301,816	21.3%	5,695,310

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

Net equity and liabilities (€ thousand)	30.09.2016	31.12.2015	Change		30.09.2015
			Amount	%	
Due to banks	999,464	333,954	665,510	199.3%	333,472
Due to customers	5,510,261	4,839,613	670,648	13.9%	4,437,476
Financial liabilities held for trading and hedging	2,265	463	1,802	389.2%	1,655
Tax payables	21,982	22,575	-593	-2.6%	24,993
Other liabilities	121,982	163,188	-41,206	-25.3%	189,449
Special purpose provisions	143,393	119,426	23,967	20.1%	118,125
Valuation reserves	19,736	22,424	-2,688	-12.0%	13,791
Reserves	314,200	247,214	66,986	27.1%	244,662
Additional paid-in capital	52,555	50,063	2,492	5.0%	49,553
Share capital	116,312	116,093	219	0.2%	116,045
Treasury shares (-)	-2,933	-2,555	-378	14.8%	-41
Net profit (loss) for the period	118,616	203,559	-84,943	-41.7%	166,130
Total net equity and liabilities	7,417,833	6,116,017	1,301,816	21.3%	5,695,310

Quarterly evolution of consolidated balance sheet

Assets (€ thousand)	30.09.2016	30.06.2016	31.03.2016	31.12.2015	30.09.2015	30.06.2015	31.03.2015
HFT financial assets	36,170	31,911	29,324	28,004	52,384	155,833	31,776
AFS financial assets	4,132,469	4,010,354	2,993,056	2,939,211	2,562,806	2,414,029	2,185,006
HTM financial assets	533,135	515,055	500,249	423,586	496,254	465,937	665,926
Loans to banks	422,349	766,899	1,069,753	419,508	390,855	572,539	499,196
Loans to customers	1,914,118	1,916,594	1,992,319	1,922,020	1,869,211	1,917,967	1,820,439
Equity investments	2,023	2,026	1,977	2,152	0	0	0
Property, equipment and intangible assets	91,270	91,651	92,012	93,114	91,635	92,338	93,084
Tax receivables	52,510	55,061	55,290	61,992	44,508	51,513	63,657
Other assets	233,789	230,798	195,807	226,430	187,657	203,625	170,395
Total assets	7,417,833	7,620,349	6,929,787	6,116,017	5,695,310	5,873,781	5,529,479

Net equity and liabilities (€ thousand)	30.09.2016	30.06.2016	31.03.2016	31.12.2015	30.09.2015	30.06.2015	31.03.2015
Due to banks	999,464	942,725	433,127	333,954	333,472	234,668	225,856
Due to customers	5,510,261	5,720,364	5,472,099	4,839,613	4,437,476	4,667,873	4,264,524
Financial liabilities held for trading and hedging	2,265	2,826	2,095	463	1,655	2,063	3,149
Tax payables	21,982	19,160	18,619	22,575	24,993	21,881	69,985
Other liabilities	121,982	242,459	218,760	163,188	189,449	277,589	215,407
Special purpose provisions	143,393	136,811	126,256	119,426	118,125	124,970	116,803
Valuation reserves	19,736	12,385	13,981	22,424	13,791	-2,630	21,091
Reserves	314,200	312,393	451,420	247,214	244,662	244,362	357,397
Additional paid-in capital	52,555	50,708	50,446	50,063	49,553	47,101	46,433
Share capital	116,312	116,140	116,128	116,093	116,045	115,818	115,756
Treasury shares (-)	-2,933	-2,933	-2,555	-2,555	-41	-41	-41
Net profit (loss) for the period (+/-)	118,616	67,311	29,411	203,559	166,130	140,127	93,119
Total net equity and liabilities	7,417,833	7,620,349	6,929,787	6,116,017	5,695,310	5,873,781	5,529,479

4.2.1 Direct inflows from customers

Direct inflows from customers amounted to 5.5 billion euros, with an increase of 670.6 million euros compared to the figure at 31 December 2015, chiefly attributable to the sharp rise in net inflows from retail customers.

(€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
1. Current accounts and demand deposits	5,383,214	4,655,750	727,464	15.6%
2. Term deposits	0	0	0	n.a.
3. Loans	44,548	43,283	1,265	2.9%
- Subordinated loans	44,548	43,283	1,265	2.9%
4. Other debts	82,499	140,580	-58,081	-41.3%
Operating debts to sales network	60,945	89,560	-28,615	-32.0%
Other (money orders, amounts at the disposal of customers)	21,554	51,020	-29,466	-57.8%
Total due to customers (Item 20)	5,510,261	4,839,613	670,648	13.9%

Captive inflows from the companies within the Assicurazioni Generali Group decreased by 447.4 million euros to 464.6 million euros at the end of the period, thus accounting for 8.4% of total net inflows.

The aggregate includes 44.6 million euros for the Tier-2 subordinated loan issued by the subsidiary Generali Beteiligungs GmbH in 2014.

(€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
Net inflows from Assicurazioni Generali (holding company)	11,263	100,394	-89,131	-88.8%
Net inflows from other subsidiaries of the Generali Group	453,381	811,664	-358,283	-44.1%
Total net inflows from the Generali Group	464,644	912,058	-447,414	-49.1%
Net inflows from other parties	5,045,617	3,927,555	1,118,062	28.5%
Total net inflows from customers	5,510,261	4,839,613	670,648	13.9%

The increase in net inflows from customers outside the insurance group referred for 1,176 million euros to current account balances and was mostly generated by the acquisition of new customers by the sales network.

By contrast, there was a marked decline in the non-interest-bearing debt position (-58.1 million euros) consisting of other sums available to customers, primarily relating to claim settlement activity by the Group's insurance companies (money orders), as well as of payables to the sales network for the placement of financial products and services.

4.2.2 Core loans

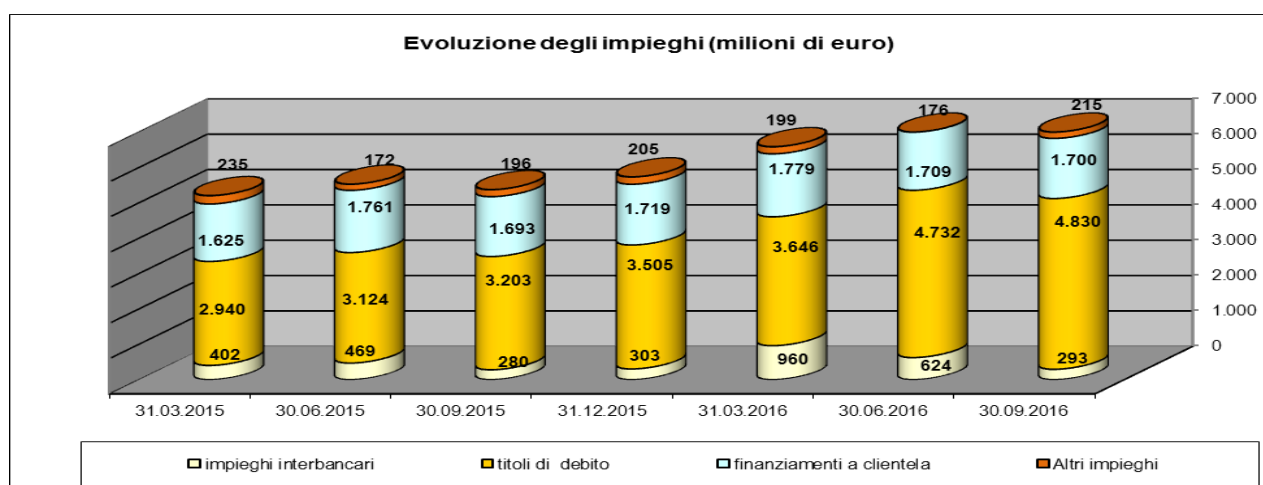
Core loans totalled 7.0 billion euros overall and increased by 1,305.9 million euros (+22.8%) compared to 31 December 2015.

The expansion of core loans was used for investments in financial asset portfolios which increased by 1,335.3 million euros (+37.5%).

In the first nine months of the year, loans to customers and short-term treasury loans on the interbank market slightly declined compared to year-end 2015.

Overall, the ratio of financial assets to core loans stood at 69.5%, up compared to 62.0% at year-end 2015.

(€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
HFT financial assets	36,170	28,004	8,166	29.2%
AFS financial assets	4,132,469	2,939,211	1,193,258	40.6%
HTM financial assets	533,135	423,586	109,549	25.9%
Financial assets classified among loans	189,950	165,568	24,382	14.7%
Financial assets	4,891,724	3,556,369	1,335,355	37.5%
Loans to and deposits with banks	292,819	302,819	-10,000	-3.3%
Loans to customers	1,699,980	1,718,938	-18,958	-1.1%
Operating loans and other loans	153,718	154,203	-485	-0.3%
Total interest-bearing financial assets and loans	7,038,241	5,732,329	1,305,912	22.8%



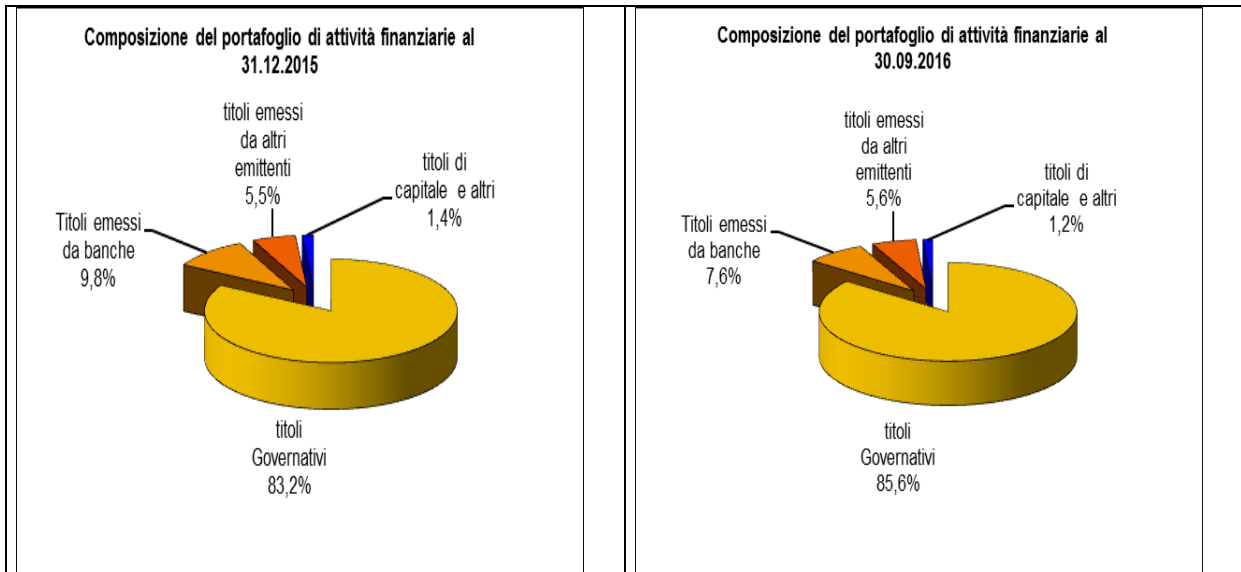
In order to combat the contagion of negative rates, which impacts Italian government bond maturities of up to three years, the Group pursued a prudent policy of extending maturities and diversifying its investments in the corporate segment.

In detail, the increase in the AFS portfolio (+40.6%) and, to a lower extent, the HTM portfolio (+25.9%) was driven by significant purchases of government bonds with an average maturity just over 4.5 years, and partly attributable to the end of ECB's TLTRO.

Therefore, sovereign debt exposure grew by 1,226.9 million euros compared to the previous year; its ratio to total core loans stood at 85.6%, marking a slight increase compared to year-end 2015.

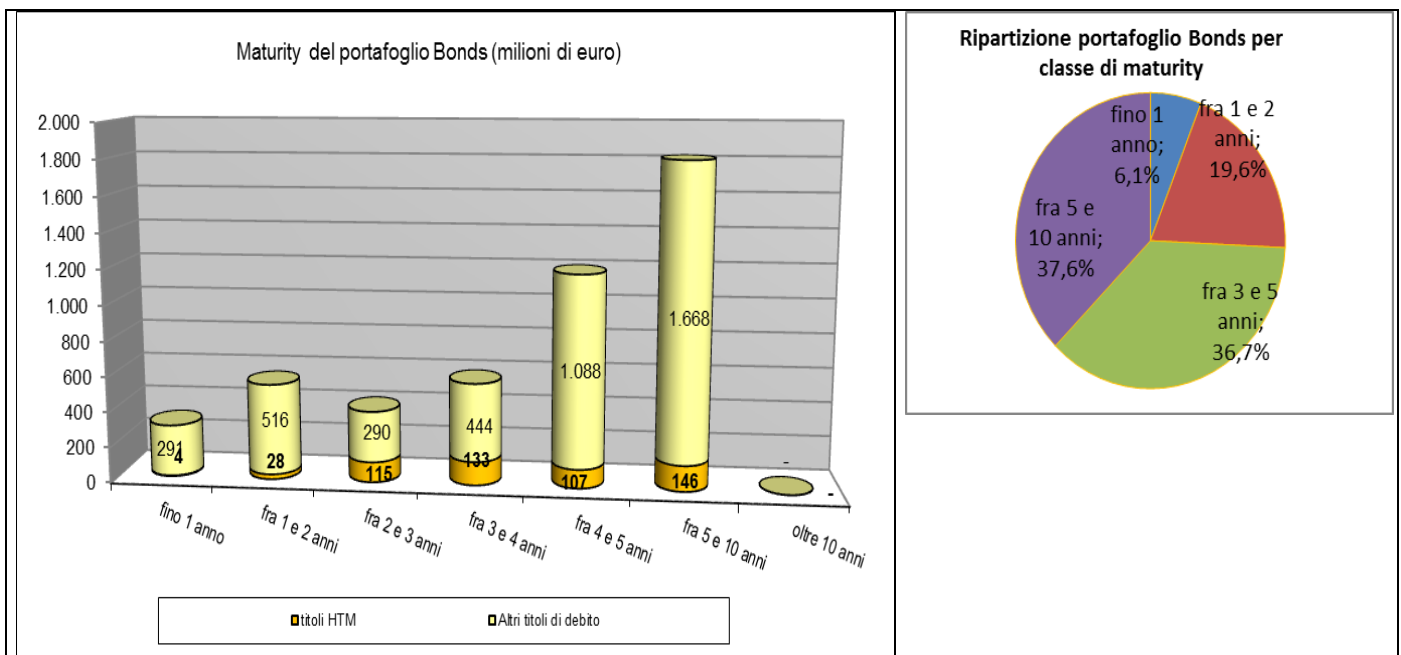
The exposure mostly included bonds of the Italian Republic, with the only exception of a Spanish bond issue (25 million euros).

(€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
Exposure to sovereign risk by portfolio:				
HFT financial assets	0	0	0	n.a.
AFS financial assets	3,770,821	2,594,480	1,176,341	45.3%
HTM financial assets	414,387	363,835	50,552	13.9%
Total	4,185,208	2,958,315	1,226,893	41.5%



The overall geographical breakdown of the portfolio of debt securities thus showed a high concentration of investments relating to Italian securities (92.7%).

The portfolio of debt securities had an overall average residual life of about 4.3 years and 59.9% of it was made up of variable rate issues, and for the remainder, of fixed-rate issues and zero coupons.



Loans to customers amounted to 1,700 million euros, slightly down compared to year-end 2015, chiefly due to the decline in current account overdraft facilities.

The mortgage segment reported new disbursements amounting to 95 million euros.

Finally, among **operating loans**, financial advances provided to the Financial Advisor network for the fees currently accruing declined as a result of the new remuneration policies, offset by the increase reported at the end

of September in commercial loans matured or currently maturing for the placement and distribution of financial and insurance products.

(€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
Current accounts	904,192	928,894	-24,702	-2.7%
Personal loans	790,546	781,665	8,881	1.1%
Other financing and loans not in current accounts	5,242	8,379	-3,137	-37.4%
Total financing	1,699,980	1,718,938	-18,958	-1.10%
Operating loans to product companies	115,008	106,364	8,644	8.1%
Sums advanced to Financial Advisors	30,405	36,294	-5,889	-16.2%
Stock exchange interest-bearing daily margin	3,939	3,383	556	16.4%
Charges to be debited and other loans	4,294	7,966	-3,672	-46.1%
Operating loans and other loans	153,646	154,007	-361	-0.2%
Debt securities	60,492	49,075	11,417	23.3%
Total loans to customers	1,914,118	1,922,020	-7,902	-0.4%

Net non-performing loans amounted to 33.5 million euros, equal to 1.75% of total loans to customers, and slightly down compared to the previous year (-0.6 million euros).

By contrast, bad loans declined by 1.4 million euros, primarily due to repayments and the closure of positions subject to indemnities. In this regard, it should be recalled that a significant bad debt position was closed in the first half of the year, resulting in the collection of 1.5 million euros and a reversal of 0.6 million euros.

At the end of the reporting quarter, non-performing loans included 27.3 million euros referring to exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. upon the sale of the said company and mainly secured to that end by cash collateral payments by the counterparty. Net of that portfolio, the weight of non-performing exposures declined to 0.32%.

(€ thousand)	Gross exposures	Value adjustments	Net exposures 2016	Net exposures 2015	Change		Secured exposures subject to indemnity	Residual unsecured
					Amount	%		
Bad loans	38,484	-14,223	24,261	25,697	-1,436	-5.6%	22,298	1,963
Financing	35,137	-12,075	23,062	24,728	-1,666	-6.7%	22,298	764
Operating loans	3,347	-2,148	1,199	969	230	23.7%	0	1,199
Unlikely to pay	5,720	-176	5,544	5,104	440	8.6%	5,050	494
Past-due exposures - over 90 days	4,047	-329	3,718	3,372	346	10.3%	0	3,718
Total non-performing loans	48,251	-14,728	33,523	34,173	-650	-1.9%	27,348	6,175
Performing loans	1,883,238	-2,643	1,880,595	1,887,847				
Total loans to customers	1,931,489	-17,371	1,914,118	1,922,020				

At 30 September 2016, the **interbank position**, net of the securities portfolio and operating loans, showed a net debt balance of 706.6 million euros, up compared to 31.1 million euros at the end of the previous year.

This situation was essentially due to the increase in net inflows in the form of repurchase agreements with negative rates (+249.3 million euros) and the disbursement by the ECB, within the context of the TLTRO 2 programme (Targeted Longer-Term Refinancing Operations) launched in 2016, of financing of 400 million euros.

The financing, disbursed on 29 June 2016, has a term of four years, with maturity on 24 June 2020, may be repaid in advance at the end of the second year and bears interest at the rate for the main refinancing operations in effect at the time, currently 0%.

However, that rate may be reduced to the interest rate on overnight deposits with the ECB (currently a negative -0.40%) if at the end of January 2018 the loans disbursed by Banca Generali to households for credit purposes other than home purchase and to non-financial companies residing in the Euro Area exceed a given benchmark level¹.

(€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
1. Repayable on demand	234,636	252,439	-17,803	-7.1%
Demand deposits with ECB and Bank of Italy (*)	126,610	89,222	37,388	41.9%
Transfer accounts	108,026	163,217	-55,191	-33.8%
2. Time deposits	58,183	50,380	7,803	15.5%
Mandatory reserve	58,100	49,991	8,109	16.2%
Term deposits	83	83	0	0.0%
Collateral margins	0	306	-306	-100.0%
Total due to banks	292,819	302,819	-10,000	-3.3%
1. Due to Central Banks	400,000	0	400,000	n.a.
TLTROs	400,000	0	400,000	n.a.
2. Due to banks	599,464	333,954	265,510	79.5%
Transfer accounts	15,326	1,393	13,933	1,000.2%
Term deposits	5,238	5,261	-23	-0.4%
Repurchase agreements	553,284	303,927	249,357	82.0%
Collateral margins	3,074	0	3,074	n.a.
Other debts	22,542	23,373	-831	-3.6%
Total due to banks	999,464	333,954	665,510	199.3%
Net interbank position	-706,645	-31,135	-675,510	n.a.
3. Debt securities	129,458	116,493	12,965	11.1%
4. Other operating receivables	72	196	-124	-63.3%
Total interbank position	-577,115	85,554	-662,669	-774.6%

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

4.2.3 Net equity and regulatory aggregates

At 30 September 2016, consolidated net equity, including net profit for the period, amounted to 618.5 million euros compared to 636.8 million euros at the end of the previous year.

¹ For Banca Generali, equal to the amount of such loans at 31 January 2016, plus 2.5%.

(€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
Share capital	116,312	116,093	219	0.2%
Additional paid-in capital	52,555	50,063	2,492	5.0%
Reserves	314,200	247,214	66,986	27.1%
(Treasury shares)	-2,933	-2,555	-378	14.8%
Valuation reserves	19,736	22,424	-2,688	-12.0%
Equity instruments	0	0	0	n.a.
Net profit (loss) for the period	118,616	203,559	-84,943	-41.7%
Group net equity	618,486	636,798	-18,312	-2.9%

The change in net equity during the reporting period was influenced by the distribution of the 2015 dividend — amounting to 139.3 million euros, as resolved upon by the Shareholders' Meeting held on 21 April 2016 and called to approve the financial statements —, the change in the reserves for shared-based payments (IFRS 2) and the change in fair value valuation reserves for the AFS financial asset portfolio and other reserves included in other comprehensive income.

	Group
Net equity at period-start	636,798
Dividend paid	-139,237
Acquisition of treasury shares	-1,379
Stock option plans: capital increases and allocation of treasury shares	2,346
Matured IFRS 2 reserves (stock option plans and remuneration policies)	1,137
Matured IFRS 2 reserve on LTIP	2,893
Change in valuation reserves	-2,688
Consolidated net profit	118,616
Net equity at period-end	618,486
Change	-18,312

In this regard, it should be noted that during the first half of the year, by virtue of the resolution of the Shareholders' Meeting of 21 April 2015 and the authorisation granted by the Bank of Italy on 6 June 2016, 67,051 shares of Banca Generali were purchased, with a value of 1,379 thousand euros, in service of the variable component of remuneration of key personnel of the Banking Group, payable in shares, in accordance with the 2016 Remuneration Policy.

On the basis of the achievement of the performance objectives set out in the 2015 Remuneration Policy, 38,099 treasury shares, with a value of 1,127 thousand euros, were granted to executives and network managers.

At the end of the reporting period, the parent company, Banca Generali, thus held 126,129 treasury shares, with a value of 2,933 thousand euros, intended solely for the service of remuneration plans for the banking group's key personnel.

Fair value valuation reserves for AFS financial asset portfolio decreased moderately compared to the end of the previous year, due to the release to the profit and loss account of pre-existing positive reserves as a result of trading activity.

The aggregate had an overall positive balance of 21.6 million euros, down by 2.3 million euros compared to year-end 2015.

This trend was mainly influenced by the portfolio of Italian government bonds, for which net reserves amounted to 18.2 million euros compared to 21.6 million euros at year-end 2015.

(€ thousand)	30.09.2016		31.12.2015		Change
	Positive Net	Negative reserve	reserve Net	reserve reserve	
1. Debt securities	19,968	-485	19,483	22,006	-2,523
2. Equity securities	1,503	-267	1,236	2,174	-938
3. UCITS units	1,036	-126	910	-259	1,169
AFS reserves	22,507	-878	21,629	23,921	-2,292
Exchange gains and losses	0	-105	-105	-8	-97
Actuarial gains (losses) from defined benefit plans	0	-1,788	-1,788	-1,489	-299
Total	22,507	-2,771	19,736	22,424	-2,688

Consolidated own funds, calculated in accordance with the Basel 3 phase-in rules, amounted to 468.3 million euros, up by 40.4 million euros compared to the end of the previous year, chiefly owing to the portion of retained earnings.

At period-end, the aggregate capital for regulatory purposes recorded 246.2 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 15.3%, compared to a minimum requirement of 7%, and Total Capital Ratio (TCR) reached 16.9%, compared to the SREP minimum requirement of 10.6%.

The increase in absorbed capital compared to the previous year (+7.0 million euros) was primarily due to the increase in the requirements for covering credit risks.

Consolidated own funds, calculated in accordance with the regulation, which will become fully applicable as of 1 January 2019, were 487.0 million euros, with an estimated Total Capital Ratio of 17.5%.

It should be noted that Banca Generali exercised the option to neutralise the capital gains and losses deriving from fair-value measurement of AFS financial assets belonging to the Euro Area government bond segment for the purposes of measuring own funds, as allowed under Bank of Italy Order of 18 May 2010.

This option was renewed also by the new prudential supervisory system of the Basel 3 framework, effective 1 January 2014, as allowed by the Bank of Italy, until the final entry into force of IFRS 9 in 2018.

(€ thousand)	30.09.2016	30.09.2016	31.12.2015	Change	
	Full application	Phase-in	Phase-in	Amount	%
Common Equity Tier 1 capital (CET 1)	443,968	424,628	384,178	40,450	10.5%
Additional Tier 1 capital (AT1)	0	0	0	0	n.a.
Tier 2 capital (T2)	43,000	43,692	43,698	-6	0.0%
Total own funds	486,968	468,320	427,876	40,444	9.5%
Credit and counterparty risk	155,128	155,128	148,306	6,823	4.6%
Market risk	2,739	2,739	2,505	234	9.3%
Operating risk	64,254	64,254	64,254	0	0.0%
Total absorbed capital	222,121	222,121	215,064	7,057	3.3%
Excess over absorbed capital	264,847	246,199	212,812	33,387	15.7%
Risk-weighted assets	2,776,513	2,776,513	2,688,303	88,210	3.3%
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	16.0%	15.3%	14.3%	1.0%	7.0%
Total own funds/Risk-weighted assets (Total capital ratio)	17.5%	16.9%	15.9%	1.0%	6.0%

The leverage ratio at period-end reached 5.6%, down compared to the previous year (6.3%) due to the significant increase in total assets recognised.

5. Performance of Group companies

5.1 Banca Generali performance

Banca Generali closed the first nine month of 2016 with net profit of 111.4 million euros, sharply decreasing compared to 161.9 million euros reported at the end of the same period of the previous year, chiefly due to the lower contribution of dividends, dropping from 145.4 million euros to 100.5 million euros, distributed both in advance and at the end of the year by the Luxembourg subsidiary BG Fund Management Luxembourg S.A.

Net operating income, excluding dividends from the banking Group's equity investments, amounted to 197.1 million euros, with an increase of 5.3 million euros (+2.8%) compared to the same period of the previous year, due to the combined effect of the following factors:

- the decline in net interest income (-7.1 million euros), affected both by the sharp decrease in returns offered by the Italian government bond market and the last effects generated by LTROs, ended in February 2015 (3.1 million euros);
- the increase in trading activities and dividends (+3.8 million euros), as a result of transfer operations regarding both government bonds allocated to the AFS portfolio and, in the reporting quarter, corporate and bank securities;
- the rise in net fees (+8.0 million euros).

Fee income from asset management grew (+10.1 million euros), driven by the significant gains from insurance product distribution (+17.7%), which offset the decline in the other segments of activity.

The decline in net fees from trading activities (-3.5 million euros) was instead essentially offset by the reduction in distribution fee expense (-2.3 million euros).

Net operating expenses amounted to 131.9 million euros, marking a slight increase (+13.4%) mainly attributable to the expenses associated with the new projects launched in 2016 and the recruiting plans for employed Relationship Managers.

The cost/income ratio, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to 43.2%.

Provisions and net adjustments amounted to 42.6 million euros, in line with the figure for the same period of 2015, primarily due to the significant decrease in net adjustments on the non-performing loan portfolio and the increase in net provisions for sales network's incentives.

Operating profit before taxation amounted to 123.0 million euros, down 54.7 million euros compared to the same period of 2015. The expected tax burden was 11.6 million euros, with an overall tax rate at 9.4%, slightly up due to a lower weight of exempt dividends.

Own funds, calculated in accordance with the Basel 3 phase in rules, amounted to 352.4 million euros, up by 33.5 million euros compared to the end of the previous year, chiefly due to the portion of retained earnings.

At period-end, the aggregate capital for regulatory purposes recorded 159.8 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 12.8%, compared to a minimum regulatory requirement of 7%, and Total Capital Ratio reached 14.6%.

Total AUM managed by the Bank on behalf of its customers — which is the figure used for communications to Assoreti — amounted to 45.3 billion euros at 30 September 2016, up 8.9% compared to the end of the previous year. Net inflows amounted to 4,087 million euros, compared to 3,016 million euros at the end of the same period of 2015 (+35.5%).

5.2 Performance of BG Fund Management Luxembourg S.A.

BG Fund Management Luxembourg S.A. (hereinafter BGFML) is a company under Luxembourg law specialising in the administration and management of the Sicavs promoted by the Banking Group (BG Sicav and BG Selection Sicav).

In the third quarter of the year, the new Sicav BG Alternative was launched, whereas BG Dragon Sicav was placed in liquidation.

BGFML ended the first nine months of 2016 with net profit of 106.4 million euros, down 41.7 million euros compared to the same period of the previous year, chiefly due to the decrease in performance fees (-47.5 million euros).

Net banking income amounted to 121.2 million euros (-40.1 million euros). Total operating expenses totalled 4.1 million euros (3.0 million euros of which consisted of staff expenses), slightly increasing compared to the same period of the previous year (+5.9%).

The Company's net equity amounted to 112.4 million euros, net of a dividend payout of 100.5 million euros, as payment in advance for the 2016 result and total payment for 2015.

Overall, assets under management at 30 September 2016 amounted to 11,971 million euros, up compared to 11,849 million euros at 31 December 2015.

5.3 Performance of BG Fiduciaria SIM

BG Fiduciaria, a company specialised in individual portfolio management in the form of securities and funds, primarily through trusts, ended the first nine months of 2016 with net profit at 1.3 million euros and net equity of 17.0 million euros.

Net banking income amounted to 3.4 million euros, whereas operating expenses were 1.7 million euros, including 1.0 million euros for staff expenses.

Total assets under management amounted to 705 million euros, compared to 747 million euros at 31 December 2015.

5.4 Performance of Generfid S.p.A.

Generfid, a company specialising in custodial capacity of assets, closed the first nine months of 2016 with a slight loss and with net equity amounting to about 0.8 million euros.

Net banking income amounted to about 0.8 million euros, whereas operating expenses were 0.9 million euros. Assets under management amounted to 1,156 million euros (1,045 million euros at the end of 2015).

6. Basis of Preparation

The interim report for the third quarter of 2016 was prepared in accordance with the provisions set forth in Article 154-ter, paragraph 5, of Italian Legislative Decree No. 58/98.

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

- eliminating the requirement to publish an interim report;
- allowing for the reinstatement of the obligation to publish additional periodic quarterly disclosure under certain conditions and on the basis of a cost/benefit analysis.

In this regard, on 14 April Consob launched a consultation process concerning an analysis of the impact of a possible reinstatement of quarterly reports on listed companies.

Pending the completion of Consob's decision-making process, the Banking Group therefore decided to proceed with the publication of a quarterly accounting document having the same characteristics as the previous interim report.

The Interim Report provides:

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

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

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

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

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

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

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

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

6.1 Accounting Standards

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2015.

The Financial Statements presented herein must therefore be read together with those documents.

It should also be noted that, following the completion of the endorsement procedure, as of 1 January 2016, several amendments to the IASs/IFRSs entered into force.

International Accounting Standards endorsed in 2015 and effective as of 2016	Endorsement regulations	Publication date	Effective date
Amendments to IAS 27: Equity Method in Separate Financial Statements	2441/2015	23.12.2015	01.01.2016
Amendments to IAS 1: Disclosure Initiative	2404-2015	19.12.2015	01.01.2016
Annual Improvements to IFRSs 2012–2014 Cycle (IFRS1, IFRS5, IFRS7, IAS 19, IAS 34)	2343/2015	16.12.2015	01.01.2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	2231/2015	03.12.2015	01.01.2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	2173/2015	25.11.2015	01.01.2016
Amendments to IAS 16 and IAS 41: Bearer Plants	2113/2015	23.11.2015	01.01.2016
International Accounting Standards endorsed in 2016			
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities	1703/2016	23.09.2016	01.01.2016

The new standards and interpretations that entered into force do not have a significant impact on the operations of Banca Generali.

Measurement

The preparation of the Interim Report requires the use of estimates and assumptions that could influence the amounts reported in the Balance Sheet and Profit and Loss Account and the disclosure of contingent assets and liabilities therein.

The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.

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

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

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

6.2 Consolidated companies and business combinations

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

Company name	Registered office	Type of control	Shareholding relationship		% of votes in Ordinary Shareholders' Meeting
			Investor	% of ownership interest	
A. Companies in consolidated accounts					
<i>A.1 Recognised using the line-by-line method</i>					
- BG Fiduciaria SIM S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
- BG Fund Management Luxembourg S.A.	Luxembourg	1	Banca Generali	100.00%	100.00%
- Generfid S.p.A.	Milan	1	Banca Generali	100.00%	100.00%

Legend: type of control:

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

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 September 2016, reclassified and adjusted where necessary to take account of consolidation requirements. The most important intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

Trieste, 8 November 2016

THE BOARD OF DIRECTORS

Annex: reclassified accounting statements of the parent company Banca Generali S.p.A.

Reclassified balance sheet of Banca Generali S.p.A.

Assets (€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
HFT financial assets	36,170	28,004	8,166	29.2%
AFS financial assets	4,132,464	2,939,207	1,193,257	40.6%
HTM financial assets	533,134	423,585	109,549	25.9%
Loans to banks (*)	411,856	374,776	37,080	9.9%
Loans to customers	1,868,782	1,871,577	-2,795	-0.1%
Equity investments	16,225	16,224	1	0.0%
Property, equipment and intangible assets	86,884	88,718	-1,834	-2.1%
Tax receivables	52,238	61,679	-9,441	-15.3%
Other assets	230,460	222,482	7,978	3.6%
Assets held for sale	0	0	0	0.0%
Total assets	7,368,213	6,026,252	1,341,961	22.3%

Net inflows from customers

Net equity and liabilities (€ thousand)	30.09.2016	31.12.2015	Change	
			Amount	%
Due to banks	999,454	333,941	665,513	199.3%
Net inflows from customers	5,591,970	4,883,329	708,641	14.5%
Financial liabilities held for trading and hedging	2,265	463	1,802	389.2%
Tax payables	14,198	12,857	1,341	10.4%
Other liabilities	119,592	153,689	-34,097	-22.2%
Liabilities held for sale	0	0	0	0.0%
Special purpose provisions	142,606	118,390	24,216	20.5%
Valuation reserves	19,929	22,500	-2,571	-11.4%
Reserves	200,861	153,190	47,671	31.1%
Additional paid-in capital	52,555	50,063	2,492	5.0%
Share capital	116,312	116,093	219	0.2%
Treasury shares (-)	-2,933	-2,555	-378	14.8%
Net profit (loss) for the period	111,404	184,292	-72,888	-39.6%
Total net equity and liabilities	7,368,213	6,026,252	1,341,961	22.3%

Reclassified profit and loss account of Banca Generali S.p.A.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Interest income	46,553	53,944	-7,391	-13.7%
Interest expense	-2,287	-2,662	375	-14.1%
Net interest income	44,266	51,282	-7,016	-13.7%
Fee income	300,782	297,430	3,352	1.1%
Fee expense	-178,557	-183,230	4,673	-2.6%
Net fees	122,225	114,200	8,025	7.0%
Dividends	1,664	1,174	490	41.7%
Net income (loss) of trading activities	28,971	25,148	3,823	15.2%
Net operating income	197,126	191,804	5,322	2.8%
Staff expenses	-60,023	-55,294	-4,729	8.6%
Other general and administrative expense	-95,600	-91,452	-4,148	4.5%
Net adjustments of property, equipment and intangible assets	-3,500	-3,361	-139	4.1%
Other operating expenses/income	27,174	33,757	-6,583	-19.5%
Net operating expenses	-131,949	-116,350	-15,599	13.4%
Operating result	65,177	75,454	-10,277	-13.6%
Net adjustments for non-performing loans	2,478	-2,468	4,946	-200.4%
Net adjustments of other assets	-3,411	-3,345	-66	2.0%
Net provisions	-41,715	-37,311	-4,404	11.8%
Dividends and income from equity investments	100,462	145,360	-44,898	-30.9%
Gains (losses) from the disposal of equity investments	15	-1	16	-1,600.0%
Operating profit before taxation	123,006	177,689	-54,683	-30.8%
Income taxes	-11,602	-15,832	4,230	-26.7%
Net profit	111,404	161,857	-50,453	-31.2%

Statement of other comprehensive income of Banca Generali S.p.A.

(€ thousand)	30.09.2016	30.09.2015	Change	
			Amount	%
Net profit	111,404	161,857	-50,453	-31.2%
Other income net of taxes				
AFS assets	-2,292	-4,325	2,033	-47.0%
Cash-flow hedges	0	0	0	n.a.
Actuarial gains (losses) from defined benefit plans	-278	128	-406	-317.2%
Total other income, net of taxes	-2,570	-4,197	1,627	-38.8%
Comprehensive income	108,834	157,660	-48,826	-31.0%

Trieste, 8 November 2016

THE BOARD OF DIRECTORS

Declaration Pursuant to Article 154-*bis*, Paragraph 2, of Legislative Decree No. 58 of 24 February 1998

The undersigned, Paolo TAMAGNINI, Chief Financial Officer and Manager in charge of preparing the Company's financial reports of BANCA GENERALI S.p.A., with registered office in Trieste, Via Machiavelli 4, registered with the Trieste Company Register under No. 103698 — to the best of his knowledge as Manager in charge of the Company's financial reports — does hereby

declare that

for the intents and purposes of Article 154-*bis*, paragraph 2, of Legislative Decree No. 58 of 24 February 1998, the Interim Report at 30 September 2016 corresponds to the Company's books, records and accounting documents.

Milan, 8 November 2016

Paolo Tamagnini
*Manager in Charge of Preparing
the Company's Financial Reports*
BANCA GENERALI S.p.A.
