BANCA GENERALI

INTERIM REPORT AS OF 31.03.2017

BANCA GENERALI S.P.A.

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Board of Directors 9 May 2017

BANCA GENERALI S.P.A.
ADMINISTRATION AND CONTROL BODIES

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

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GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

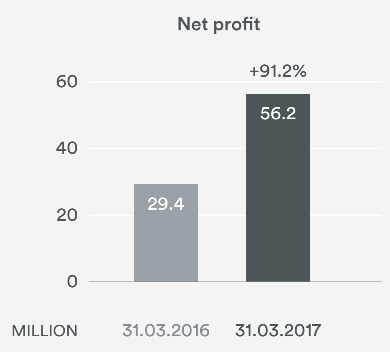
GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

Consolidated figures

(€ MILLION)	31.03.2017	31.03.2016	CHANGE %
Net interest income	15.7	15.1	3.9
Net fees	115.6	65.3	77.1
Dividends and net income (loss) from trading activities	3.4	14.5	-76.8
Net banking income	**134.7**	**94.9**	**41.9**
Staff expenses	-20.7	-20.5	1.2
Other general and administrative expense	-35.0	-32.4	8.0
Amortisation	-1.7	-1.2	49.7
Other operating income and expenses	10.5	10.7	-2.1
Net operating expenses	**-46.9**	**-43.3**	**8.3**
Operating result	**87.8**	**51.6**	**70.2**
Provisions	-18.2	-11.4	59.3
Adjustments	-3.2	-1.2	154.3
Profit before taxation	**66.4**	**38.9**	**70.6**
Net profit	**56.2**	**29.4**	**91.2**

PERFORMANCE INDICATORS	31.03.2017	31.03.2016	CHANGE %
Cost/Income ratio	33.6%	44.4%	-24.5
EBTDA	89.5	52.7	69.7
ROE [a]	10.1%	5.5%	82.2
ROA [b]	0.11%	0.07%	62.2
EPS - Earnings per Share (euros)	0.484	0.254	91.1

(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 end of the previous year.
(b) Net return on assets calculated on the average of Assoreti's non-annualised quarterly AUM.



Net inflows

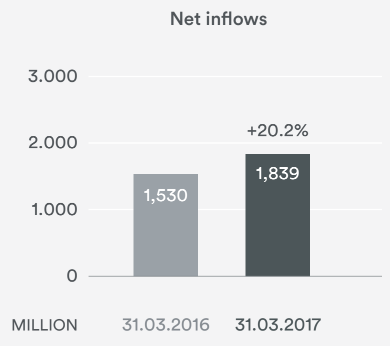
(€ MILLION) (ASSORETI DATA)	31.03.2017	31.03.2016	CHANGE %
Mutual funds and Sicavs	431	-85	607.1
Asset management	648	56	1,057.1
Insurance / Pension funds	480	867	-44.6
Securities / Current accounts	280	692	-59.5
Total	**1,839**	**1,530**	**20.2**

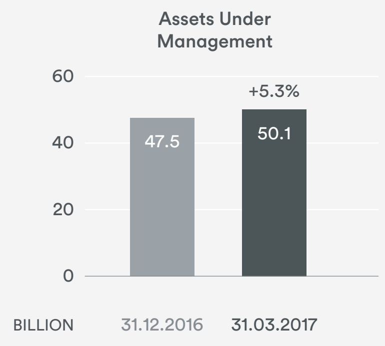
Assets Under Management & Custody (AUM/C)

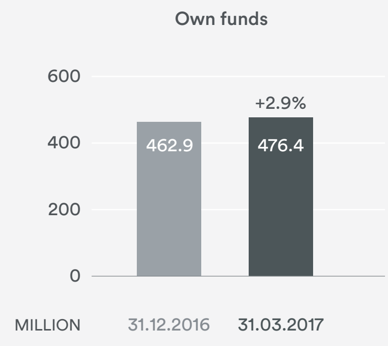
(€ BILLION) (ASSORETI DATA)	31.03.2017	31.12.2016	CHANGE %
Mutual funds and Sicavs	11.9	11.2	6.7
Asset management	5.4	4.7	16.5
Insurance / Pension funds	20.8	20.2	3.0
Securities / Current accounts	11.9	11.5	3.5
Total	**50.1**	**47.5**	**5.3**

Net equity

(€ MILLION)	31.03.2017	31.12.2016	CHANGE %
Net equity	680.6	646.5	5.3
Own funds	476.4	462.9	2.9
Excess capital	265.8	261.9	1.5
Total Capital Ratio	18.1%	18.4%	-1.8







CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

ASSETS (€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	 %
HFT financial assets	42,301	38,560	3,741	9.7%
AFS financial assets	4,654,312	4,409,318	244,994	5.6%
HTM financial assets	1,005,373	731,362	274,011	37.5%
Loans to banks	494,788	894,000	-399,212	-44.7%
Loans to customers	1,932,901	1,881,927	50,974	2.7%
Equity investments	1,954	1,988	-34	-1.7%
Property, equipment and intangible assets	97,383	97,813	-430	-0.4%
Tax receivables	52,707	44,538	8,169	18.3%
Other assets	287,552	257,229	30,323	11.8%
Total assets	**8,569,271**	**8,356,735**	**212,536**	**2.5%**

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	 %
Due to banks	1,034,603	802,709	231,894	28.9%
Due to customers	6,530,137	6,648,202	-118,065	-1.8%
Financial liabilities held for trading and hedging	1,097	1,169	-72	-6.2%
Tax payables	20,826	17,118	3,708	21.7%
Other liabilities	165,865	118,853	47,012	39.6%
Special purpose provisions	136,129	122,163	13,966	11.4%
Valuation reserves	-16,066	8,979	-25,045	-278.9%
Reserves	470,576	314,353	156,223	49.7%
Additional paid-in capital	56,171	53,803	2,368	4.4%
Share capital	116,644	116,425	219	0.2%
Treasury shares (-)	-2,933	-2,933	-	-
Net profit (loss) for the period	56,222	155,894	-99,672	-63.9%
Total net equity and liabilities	**8,569,271**	**8,356,735**	**212,536**	**2.5%**

Consolidated Profit and Loss Account

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Net interest income	**15,738**	**15,141**	**597**	**3.9%**
Net fees	**115,577**	**65,272**	**50,305**	**77.1%**
Dividends	236	99	137	138.4%
Net income (loss) from trading activities	3,126	14,368	-11,242	-78.2%
Net operating income	**134,677**	**94,880**	**39,797**	**41.9%**
Staff expenses	-20,727	-20,490	-237	1.2%
Other general and administrative expense	-34,951	-32,373	-2,578	8.0%
Net adjustments of property, equipment and intangible assets	-1,723	-1,151	-572	49.7%
Other operating expenses/income	10,491	10,711	-220	-2.1%
Net operating expenses	**-46,910**	**-43,303**	**-3,607**	**8.3%**
Operating result	**87,767**	**51,577**	**36,190**	**70.2%**
Net adjustments for non-performing loans	-586	-491	-95	19.3%
Net adjustments of other assets	-2,572	-751	-1,821	242.5%
Net provisions	-18,180	-11,409	-6,771	59.3%
Gains (losses) from equity investments	-33	-9	-24	266.7%
Operating profit before taxation	**66,396**	**38,917**	**27,479**	**70.6%**
Income taxes for the period	-10,174	-9,506	-668	7.0%
Net profit	**56,222**	**29,411**	**26,811**	**91.2%**

Statement of Comprehensive Income

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Net profit (loss)	**56,222**	**29,411**	**26,811**	**91.2%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange gains and losses	-1	-151	150	-99.3%
AFS assets	-24,946	-8,215	-16,731	203.7%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-98	-77	-21	27.3%
Total other income, net of taxes	**-25,045**	**-8,443**	**-16,602**	**196.6%**
Comprehensive income	**31,177**	**20,968**	**10,209**	**48.7%**

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as of 31.03.2017

Board of Directors
9 May 2017

1. SUMMARY OF OPERATIONS FOR THE FIRST THREE MONTHS OF 2017

Banca Generali Group closed the first quarter of 2017 with an interim net profit of 56.2 million euros and total net inflows of over 1.8 billion euros, up by 20% on the previous year, bringing the total volume of the assets entrusted by customers to the Banking Group for management to over 50 billion euros (+5.3%).

Net banking income amounted to 134.7 million euros, up sharply compared to the same period of 2016 (+41.9%) due to both market factors and the strong performance of endogenous components of growth.

In the first quarter of the year, market performance facilitated a recovery of the most volatile components of the profit and loss account, namely performance fees, which were extremely strong (42.9 million euros), only partly offset by the decreased contribution of trading activities.

The increase in business volumes resulted in a slight rise in net interest income, reversing the trend of recent quarters, despite the scenario of persistently low interest rates.

However, management fees performed particularly well within this scenario, up by 15.9%, bearing out the quality of the business model and the ability to develop recurring business, benefiting from stable margins and expanding total assets. Management fees have been steadily increasing since Q4 2011.

Net operating expenses amounted to 46.9 million euros, net of some non-recurring components, up moderately, as expected, primarily affected by charges relating to new projects for the year.

The 33.6% cost/income ratio was again one of the best in the industry, confirming the strict cost discipline.

From the standpoint of capital solidity, Banca Generali confirms the solidity of its regulatory aggregates. On a phased-in basis, CET1 ratio stood at 16.5% and Total Capital Ratio at 18.1% (+250 bps in the year). With reference to regulatory capital requirements, excess capital on a phase-in basis amounted to 266 million euros, accounting for 56% of total Basel 3-compliant Own Funds.
Capital ratios far exceeded the specific requirements for the company set by the Bank of Italy (a CET1 ratio of 7% and a Total Capital Ratio of 10.4%, as the minimum required by the SREP – Supervisory Review and Evaluation Process).

The total value of AUM managed by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 50.1 billion euros at 31 March 2017. In addition, managed assets also included 0.8 billion euros in deposits of assets under administration of companies of the Generali Group and 2.1 billion euros in funds and Sicavs distributed directly by management companies, for an overall total of 53.0 billion euros.

To provide a better understanding of the factors that influenced the Banking Group's results, before analysing the business and financial results for the period, this report provides macroeconomic information about the world's main economic regions.

2. MACROECONOMIC CONTEXT

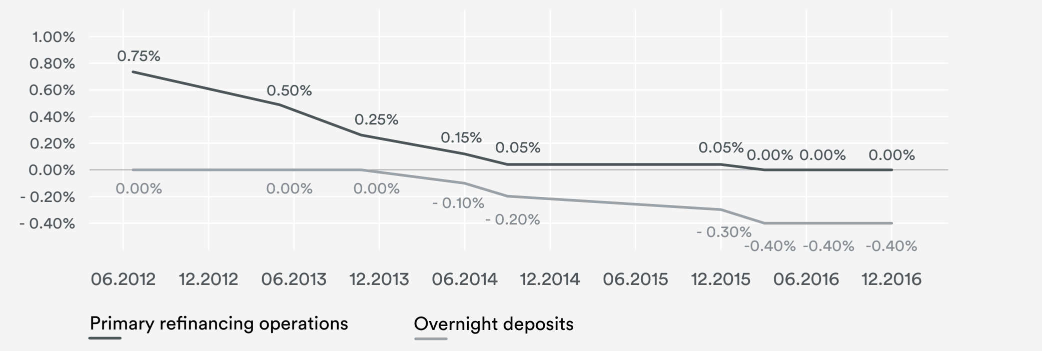
Global equity markets generated positive returns in the first quarter of 2017, on the strength of sound macroeconomic data and expectations of a fiscal policy reversal in support of the economy by the new U.S. Administration.

In recent months, the **global economic recovery** showed signs of strength in all geographical areas, due in part to improved international trade, which increased in both value and volume during the quarter. The job market remained strong in the United States, where improved business sentiment gradually translated into more robust capital equipment orders and inflation resumed. In the Euro Area, the publication of economic data represented a surprise on the upside and PMI indicators show that the favourable scenario continues in both the manufacturing and service sectors.
The political uncertainty that characterised Europe in recent months manifested itself in a widening of government bond spreads: the spread between Italy and Germany rose from 171 to 201 during the quarter, whereas the spread between France and Germany increased from 45 to 72, the highest level since 2012.
In China, growth stabilised at the levels of late 2016, due to infrastructure spending, which is supported by fiscal policy. Among the emerging economies, Russia and Brazil began to improve again, due in part to the stabilisation of oil prices at higher average levels than in previous years, whereas Eastern Europe showed robust increasing growth rates.

In **monetary policy**, the Federal Reserve began to increase rates again (mid-March, +25 basis points), as generally expected by the market, whereas the ECB continued with its expansionary QE (quantitative easing) policy. Positive surprises in European economic data spurred a debate on the future orientation of the ECB's monetary policy. President Draghi has cited four conditions that must be satisfied before the ECB changes its orientation:
1. the medium-term inflation target must be reached (2%);
2. in a possible transition to a policy with an inflation target, this target must be structural, meaning that it concerns inflation net of energy prices;
3. the level of inflation reached must be self-sustaining, without any contribution from monetary policy;
4. the aforementioned criteria must apply to the entire Euro Area.

While the official rate range remained unchanged during the period, the three-month Euribor continued to fluctuate at around -0.33% and the EONIA swap rate at around -0.35% during the quarter.

Eurosystem official interest rates



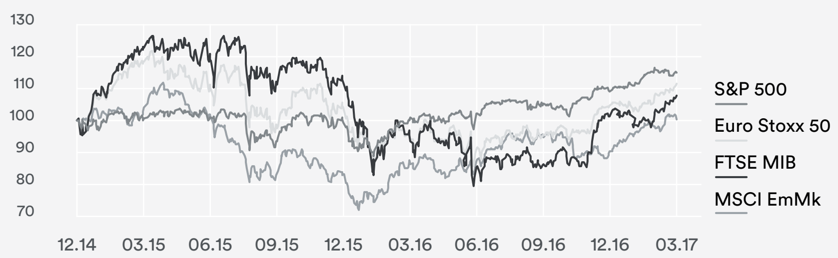
The more solid economic situation led to improvements in **share prices**. The MSCI World index rose by 4.4%, the S&P500 by 4.1% and the Topix by 2.8%. In Europe, the benchmark index DJ Stoxx 600 increased by 5.5%; the Italian market index rose by 6.5%. During the period, emerging market stock exchanges reported a performance in euro varying by reference area, in certain cases even outstanding: 9.6% overall (the MSCI Emerging Markets index), 15.5% in India, 11.3% in China, whereas in Eastern Europe it declined slightly (-1.3%). Overall, the market sectors that performed best in Europe were technology, personal and household goods, construction and financial services, whereas media, real estate, energy and retail showed below-average performance.

Bond yields on the markets of reference (Treasuries and Bunds) diverged. In the United States, both short-term (two years) and long-term (ten years) yields remained essentially unchanged throughout the period: the two-year rate increased moderately from 1.17% to 1.24%, whereas the ten-year rate fluctuated at around 2.40%. In Europe, the improved growth outlook drove long-term rates up: the ten-year rate increased from 0.11% at the end of 2016 to 0.33% at the end of the quarter.
The stability of the ECB's monetary policy allowed the two-year rate to be kept essentially unchanged (-0.80% at the end of 2016 and -0.75% at the end of the quarter).
Spreads between European Economic and Monetary Union member states continued to widen due to persistent uncertainties in the political scenario. In particular, Italy's spread rose from 171 points at the end of 2016 to a peak of 201.

On **currency markets**, the dollar gradually weakened, after abruptly appreciating in the wake of the results of the U.S. presidential elections. Although the monetary policies pursued by the ECB (highly expansionary) and the Federal Reserve (tending towards tightening) continue to diverge, the prudence in the comments accompanying all tightening by the Federal Reserve and the protectionist rhetoric of the Trump administration have partly undermined the uptrend in the dollar, which closed the quarter slightly below the level of 1.07 dollars to the euro, from 1.054 at the end of 2016. The independent strengthening of the yen brought the euro/yen exchange rate from 123 to approximately 118.

Finally, **commodities** prices showed an uneven trend. The price of oil (WTI) remained stable at around 55 dollars a barrel until early March, after which it fell sharply to nearly 48, to close the quarter slightly above the level of 50 dollars. By contrast, the price of gold increased constantly, rising from 1,150 at the end of 2016 to 1,255 at the end of the quarter.

Stock market trends
Price at 01.01.2015 = 100



Outlook

The foremost international organisations predict that the growth scenario will continue in the coming months and forecast that the recovery will be more robust in developed countries and more synchronous in the emerging ones.
Global growth is expected to be slightly stronger than in 2015, due in part to an environment of uncertainty regarding economic policies, above all in the United States. In relation to the Euro Area in particular, the ECB expects that the continuation of the quantitative easing programme will provide support for the economic cycle by further easing financing conditions for businesses and households and stabilising at very low real rates.

3. BANCA GENERALI'S COMPETITIVE POSITIONING

Banca Generali is a leading Italian player in the management and distribution of financial services and products, offering innovative investment solutions to its affluent and private customers through its network of Financial Advisors, in addition to complementary non-financial services.

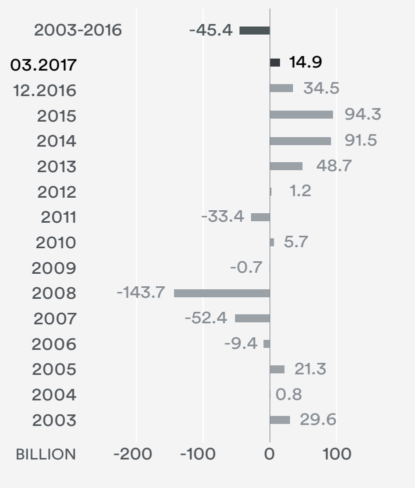
In 2016, asset management and distribution through Financial Advisor networks maintained strong market share by assets. According to the Bank of Italy, at the end of 2016 over 11% of the total financial assets held by all Italian households had been placed by intermediaries belonging to Assoreti through Financial Advisors authorised to make off-premises offers. If the scope of analysis is limited to the types of products offered by advisors to Italian households, this figure climbs to 15%.
The Assogestioni data also shows that the assets held in open UCITS placed through off-premises offers by Financial Advisors account for 30.1% of the industry total.
A structural analysis of the industry conducted at the end of the year indicates that the equilibrium reached at the end of 2015 remained in place. This may be summed up as a gradual increase in the size of the intermediaries who operate in the off-premises Financial Advisory market, given the high level of competition characteristic of the industry, which drives players to constantly seek out offering solutions that allow them to become more competitive.

3.1 The asset management market

In 2016, the Italian economy continued to recover, although at a more modest pace than the rest of Europe, and at a rate that was still too weak – above all at the level of domestic demand – to offset the effects of the long economic crisis.
In the asset management industry, the growth process that had begun as early as 2012 continued, although at a slower rate than in the previous five years. The challenging economic scenario – which can be summed up as a weak economic recovery– and the monetary policy by the ECB focused on keeping interest rates at all-time lows, as well as the extreme volatility of the main equity markets, influenced the investment decisions of Italian households, which despite their increased ability to save showed less inclination than in previous years to invest their resources in asset management products.

In the first quarter of 2017, the asset management market recorded net inflows amounting to 22.2 billion euros.

The UCITS market in Italy in the past ten years (billions of euros)



Source: Assogestioni data updated 31.03.2017

The following table shows the evolution of assets under management during the first quarter of 2017, compared to the whole of 2016, in terms of product/service type and the associated net inflows.
At year-end, the assets invested in open UCITS amounted to 900 billion euros, whereas in March 2017 assets under management rose by 27.9 billion euros in absolute terms, an increase that continued to be driven by demand from investors, who in the first few months of the year contributed net resources of approximately 15 billion euros. Investment decisions in favour of discretionary management yielded approximately 2 billion euros in the first three months of the year, bearing witness to the strong health of the industry.

Evolution of net inflows and assets under management

	NET INFLOWS		ASSETS	
(€ MILLION)	31.03.2017	31.03.2016	31.03.2017	31.12.2016
Italian funds	2,554	-1,409	247,059	242,246
Foreign funds	12,377	14,304	680,848	658,072
Total open-ended funds	**14,931**	**12,895**	**927,907**	**900,318**
GP Retail	**2,055**	**-128**	**127,922**	**124,712**
Total	**16,986**	**12,767**	**1,055,829**	**1,025,030**

Source: Assogestioni

In detail, in the first quarter of 2017 the networks' contribution to the UCITS market was 8.1 billion euros, accounting for 54% of the entire system, with 4 billion euros, or 78.6% of the entire funds system (5.1 billion euros), in March alone.

3.2 The Assoreti market

In the first quarter of 2017, according to the trade association Assoreti Financial Advisor networks recorded net inflows of 10 billion euros.
In particular, the figure reported by Assoreti for the first three months of the year is attributable to investments in asset management products, which drew year-to-date investments of 9.4 billion euros, of which 6.4 billion euros in funds/Sicavs and discretionary management and 2.9 billion euros in insurance products, while inflows to assets under custody, while remaining at robust levels, declined to a cumulative value of approximately 600 billion euros.

Assoreti market – Net inflows

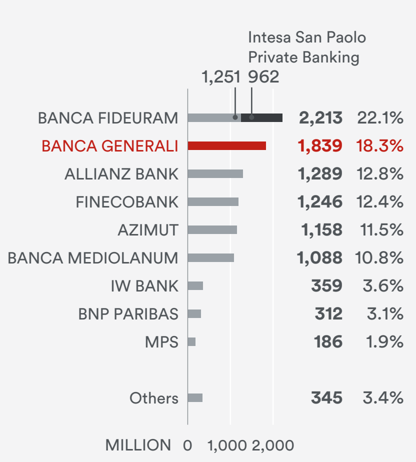
			CHANGE	
(€ MILLION)	31.03.2017	31.03.2016	AMOUNT	%
Mutual funds and portfolio management	6,444	-593	7,037	n.s.
Insurance	2,986	3,161	-176	-6%
Total assets under management	**9,430**	**2,568**	**6,862**	**267%**
Total assets under administration and custody	**607**	**6,075**	**-5,469**	**-90%**
Total	**10,036**	**8,643**	**1,393**	**16%**

3.3 Banca Generali

Banca Generali remained among the market leaders in terms of net inflows achieved through Financial Advisors authorised to make off-premises offers. In March 2017, net inflows reported by Banca Generali's network of Financial Advisors amounted to 1.839 billion euros.

The first quarter of 2017 closed with another outstanding result for Banca Generali, with net inflows up by +20% compared to the same period of 2016 and by +61% on 2015 levels.
Specifically, Banca Generali's net inflows for the first quarter of 2017 were driven by managed assets and insurance products, where in March alone the innovative financial and insurance "wrapper" solutions recorded net inflows amounting to 529 million euros (1,376 million euros in the first quarter), whereas net inflows of traditional policies totalled 32 million euros. Banca Generali recorded its second best ever monthly performance in March 2017, with net inflows of 711 million euros, up 70% compared to the same month of the previous year. More significantly, net inflows of managed products totalled 709 million euros in March and 1,559 million euros YTD. The Financial Advisors' focus on advisory and wealth planning services is increasingly supported by the quality of the Bank's managed products, which are proving to be effective in protecting against rate as an alternative to more traditional fixed-income solutions. A-la-carte funds and Sicavs continued to perform very well, with net inflows of 431 million euros in the quarter.
On a quarterly basis, assets under administration and custody continued to record positive net inflows (280 million euros YTD) as a result of the constant acquisition of new customers who first transfer their securities accounts and subsequently assess the different financial planning opportunities.

Total net inflows Assoreti – 10 billion euros – and market share (%)



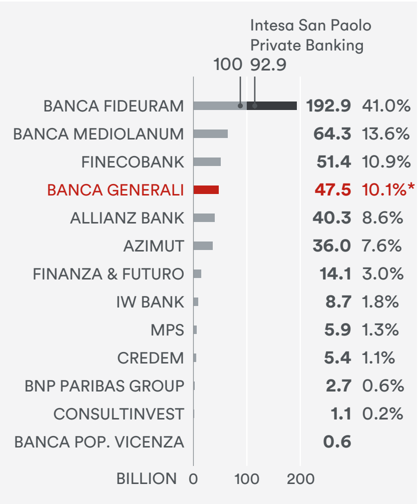
Source: Assoreti data updated 31.03.2017

Net inflows of Banca Generali

	BG GROUP		CHANGE	
(€ MILLION)	31.03.2017	31.03.2016	AMOUNT	%
Funds and Sicavs	431	-85	516	607%
GPF/GPM	648	56	592	n.s.
Mutual funds and portfolio management	**1,079**	**-29**	**1,108**	**n.s.**
Insurance	480	867	-387	-45%
Total assets under management	**1,559**	**838**	**721**	**86%**
Total assets under administration and custody	**280**	**692**	**-412**	**-60%**
Total assets placed by the network	**1,839**	**1,530**	**309**	**20%**

Banca Generali also ranked among the top five competitors on the Assoreti market in terms of assets under management, with a 10.1% market share and an amount of 47.5 billion euros in December 2016 (latest available data).

Assoreti total AUM– 471 billion euros – and market share (%)



* Banca Generali market share without Intesa Sanpaolo Private Banking: 12.6%

Source: Assoreti at 31.12.2016

At 31 March 2017, the Banking Group's assets under management rose further to 50.1 billion euros (+18% compared to March 2016).

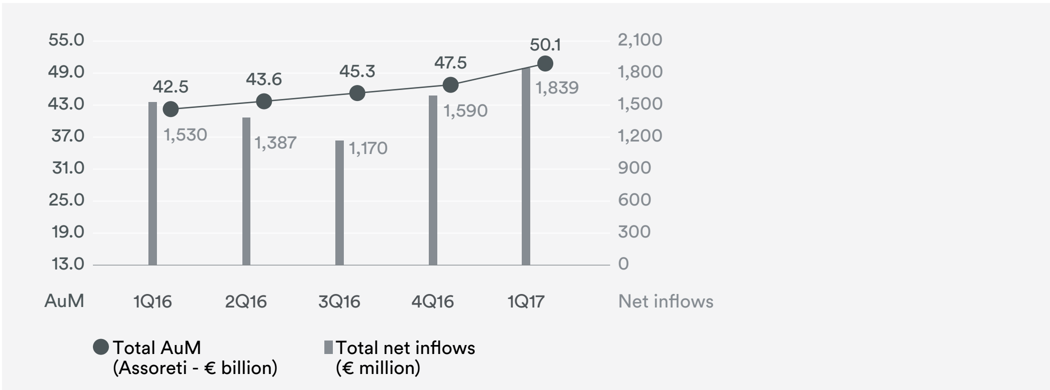
The following table summarises Banca Generali's AUM, which closed Q1 2017 with 50.1 billion euros, a new all-time record and a 5.3% increase on December 2016. These data refer to the Assoreti market, and therefore to the Financial Advisor operating area.
The following table presents the changes in assets by macro-components, indicating an increase in assets under management of 9.5% compared to December 2016. In particular, in the first quarter of 2017 the assets of mutual funds increased by +6.7% and those of discretionary management schemes (GPF/GPM) by 16.5%. The insurance business rose by 3% overall. Managed assets increased by 5.9% on the whole, whereas assets under administration rose by 3.5%. Growth resulted both from net inflows for the quarter and the good market performance.

Assets Under Management of Banca Generali

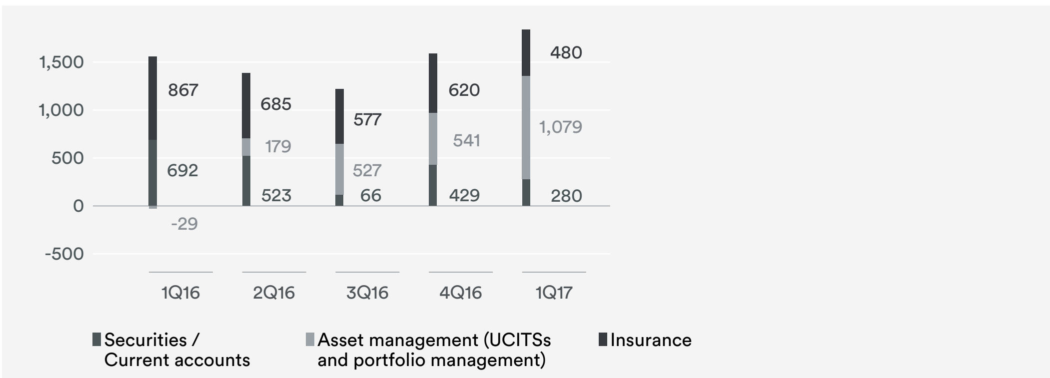
	BG GROUP		CHANGES	
(€ MILLION)	31.03.2017	31.12.2016	AMOUNT	%
Mutual funds and portfolio management	**17,374**	**15,860**	**1,514**	**9.5%**
Funds and Sicavs	11,927	11,182	745	6.7%
GPF/GPM	5,448	4,678	770	16.5%
Insurance	**20,815**	**20,213**	**602**	**3.0%**
Total assets under management	**38,189**	**36,073**	**2,116**	**5.9%**
Total assets under administration and custody	**11,879**	**11,474**	**405**	**3.5%**
Total assets placed by the network	**50,068**	**47,547**	**2,521**	**5.3%**

The following tables illustrate the quarterly evolution of Banca Generali's net inflows and AUM, and provide a breakdown of net inflows by macro-components.

Evolution of AUM and net inflows



Breakdown of quarterly net inflows



4. OPERATING PERFORMANCE

The Group's net profit at the end of 2017 was 56.2 million euros, significantly up compared to the same period of the previous year.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Net interest income	**15,738**	**15,141**	**597**	**3.9%**
Net fees	**115,577**	**65,272**	**50,305**	**77.1%**
Dividends	236	99	137	138.4%
Net income (loss) from trading activities	3,126	14,368	-11,242	-78.2%
Net operating income	**134,677**	**94,880**	**39,797**	**41.9%**
Staff expenses	-20,727	-20,490	-237	1.2%
Other general and administrative expense	-34,951	-32,373	-2,578	8.0%
Net adjustments of property, equipment and intangible assets	-1,723	-1,151	-572	49.7%
Other operating expenses/income	10,491	10,711	-220	-2.1%
Net operating expenses	**-46,910**	**-43,303**	**-3,607**	**8.3%**
Operating result	**87,767**	**51,577**	**36,190**	**70.2%**
Net adjustments for non-performing loans	-586	-491	-95	19.3%
Net adjustments of other assets	-2,572	-751	-1,821	n.s.
Net provisions	-18,180	-11,409	-6,771	59.3%
Gains (losses) from equity investments	-33	-9	-24	n.s.
Operating profit before taxation	**66,396**	**38,917**	**27,479**	**70.6%**
Income taxes for the period	-10,174	-9,506	-668	7.0%
Net profit	**56,222**	**29,411**	**26,811**	**91.2%**

Net operating income amounted to 134.7 million euros, with an increase of 39.8 million euros (+41.9%) compared to the same period of the previous year, determined by the following factors:

> the significant increase in **management fee income** (+15.9%), which represents the central component of the Banking Group's business model, closely tied to the quality and growth of assets under management;

> the recovery of the most volatile components of the profit and loss account, i.e., performance fees, which performed brilliantly (42.8 million euros), only partly offset by the lower net income on trading activities (-11.1 million euros);

> the stabilisation of **net interest income** (+3.9%) due to the increase in business volumes, which offset the decline in net interest income caused by the persistent situation of low interest rates.

Net operating expenses amounted to 46.9 million euros, up (+8.3%) essentially as a result of new projects for the year and the increase in business volumes, in addition to the presence of non-recurring components relating primarily to provisions for resolution and deposit protection funds.

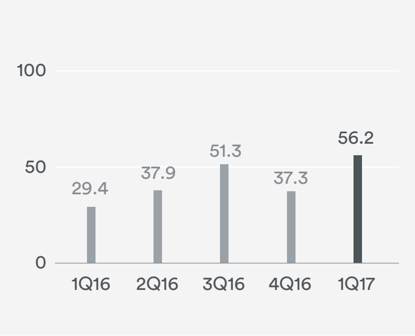
The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to 33.6% (51.1% net of non-recurring components), reflecting the ongoing improvement of the Group's operating efficiency-building effort.

Net provisions and net adjustments amounted to 21.3 million euros, up compared to the first quarter of 2016, mainly due to the increased net adjustments for incentives and contractual indemnities for the sales network.

Operating profit before taxation thus stood at 66.4 million euros, up by 27.5 million euros compared to 2016. The tax burden for the year increased slightly to an overall tax rate of 15.3 million euros, in line with the end of 2016.

Quarterly net profit

(€ million)



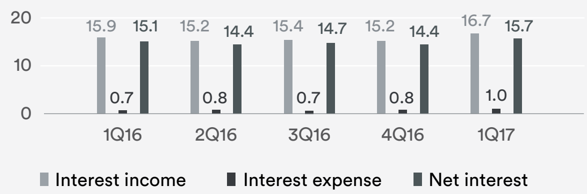
Quarterly evolution of the Profit and Loss Account

(€ THOUSAND)	1Q17	4Q16	3Q16	2Q16	1Q16
Net interest income	**15,738**	**14,398**	**14,710**	**14,414**	**15,141**
Net fees	**115,577**	**61,349**	**94,836**	**87,554**	**65,272**
Dividends	236	299	180	1,385	99
Net income (loss) from trading activities	3,126	3,783	10,882	3,721	14,368
Net operating income	**134,677**	**79,829**	**120,608**	**107,074**	**94,880**
Staff expenses	-20,727	-15,808	-21,221	-22,951	-20,490
Other general and administrative expense	-34,951	-41,769	-34,376	-31,601	-32,373
Net adjustments of property, equipment and intangible assets	-1,723	-2,397	-1,212	-1,180	-1,151
Other operating expenses/income	10,491	16,576	7,905	9,353	10,711
Net operating expenses	**-46,910**	**-43,398**	**-48,904**	**-46,379**	**-43,303**
Operating result	**87,767**	**36,431**	**71,704**	**60,695**	**51,577**
Net adjustments for non-performing loans	-586	-706	1,110	2,008	-491
Net adjustments of other assets	-2,572	712	-264	-2,396	-751
Net provisions	-18,180	6,975	-13,256	-17,050	-11,409
Gains (losses) from equity investments	-33	-36	22	-30	-9
Operating profit before taxation	**66,396**	**43,376**	**59,316**	**43,227**	**38,917**
Income taxes for the period	-10,174	-6,098	-8,011	-5,327	-9,506
Net profit	**56,222**	**37,278**	**51,305**	**37,900**	**29,411**

4.1 Net interest income

Net interest income amounted to 15.7 million euros, up by 0.6 million euros on 2016 (+3.9%), due to the increase in business volumes, which offset the constant decline in interest collected, attributable to the continuing situation of low interest rates.

Net interest (€ million)



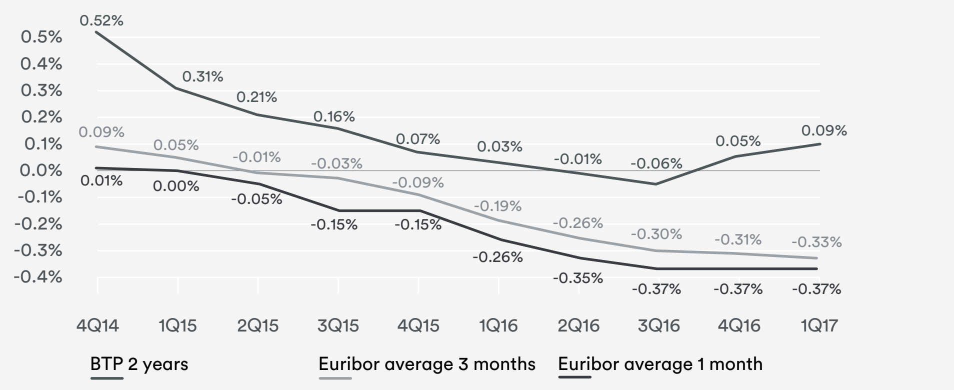
In the first quarter of 2017, interest rate performance in the Euro Area continued to follow the downtrend triggered in 2015 by the unconventional Quantitative Easing policy launched by the ECB and further expanded in 2016.
In this regard, it should be recalled that in order to stimulate a recovery of inflation in June 2016 the ECB decided, among other measures, to reduce the interest rate applied to its primary refinancing operations to the all-time low of 0%, in addition to increase the negative interest rates applied to deposit operations with the ECB to the exceptional level of -0.40%.

At its most recent meeting on 27 April, the ECB's Governing Council kept its benchmark rates unchanged and confirmed its current monetary policies until December 2017 or such time as a lasting adjustment of price performance is achieved, in keeping with the ECB's inflation target.

Overall, this resulted in flattening of the entire interest-rate curve, consolidating an anomalous situation of positive funding rates but negative lending rates that have now exceeded the 12-month maturity on the interbank market.
As a result, in March 2017 short-term interbank rates stood at a monthly average of -0.372% for the one-month Euribor and of -0.329% for the three-month Euribor.

By contrast, the downtrend did not continue on the Italian government bond market, where the spread began to widen at the end of 2016, due to persistent uncertainty in the political scenario.
Yields on Italian government bonds with average residual maturities of two years stood at around 0.15% in March, whereas yields in excess of 1% could only be seen for maturities of more than 4 years.

Interest rate evolution (quarterly average)



In this environment, interest income increased moderately, by 0.8 million euros compared to the previous year (+5.4%), due to an increase in average loan volumes, which offset the symmetrical decline in average interest rates.
The decline in the margins on the government bond portfolio was offset not only by an increase in loans, but also by a prudent extension of maturities. Nonetheless, the portfolio's total profitability for the quarter stood at just above 0.8%.
Interest on loans to customers, most of which are benchmarked on the Euribor, began to show signs of weakness (-11.7%).

Symmetrically, the cost of net inflows also stopped decreasing. However, the performance of the cost of net inflows appeared largely influenced by the phenomenon of negative interest income.
The negative interest income paid to banks on loans and negative interest expense paid by counterparties on the Bank's net inflows operations amounted to 301 thousand euros and 983 thousand euros, respectively, and refer primarily to deposits with the Central Bank and repurchase agreements.
If negative interest expense is also considered, the total cost of net inflows at the end of the quarter would thus have a net balance of near zero.

In this regard, it should be noted that with effect from June 2016, negative interest is also applied to the captive deposits held by Generali Group companies.

			CHANGE	
(€ THOUSAND)	31.03.2017	31.03.2016	AMOUNT	%
HFT financial assets	17	24	-7	-29.2%
AFS financial assets	5,115	5,415	-300	-5.5%
HTM financial assets	4,775	3,618	1,157	32.0%
Financial assets classified among loans	778	921	-143	-15.5%
Total financial assets	**10,685**	**9,978**	**707**	**7.1%**
Loans to banks	32	11	21	190.9%
Loans to customers	5,029	5,693	-664	-11.7%
Other assets	983	190	793	n.s.
Total interest income	**16,729**	**15,872**	**857**	**5.4%**
Due to ECB	-	-	-	n.s.
Due to banks	151	154	-3	-1.9%
Repurchase agreements - banks	-	-	-	n.s.
Due to customers	126	144	-18	-12.5%
Repurchase agreements - customers	-	-	-	n.s.
Subordinated loan	413	416	-3	-0.7%
Other liabilities	301	17	284	n.s.
Total interest expense	**991**	**731**	**260**	**35.6%**
Net interest income	**15,738**	**15,141**	**597**	**3.9%**

4.2 Net fees

Net fees amounted to 115.6 million euros, clearly up compared to the same period of the previous year, also thanks to the positive contribution of performance fees, which were virtually absent in the first quarter of 2016.

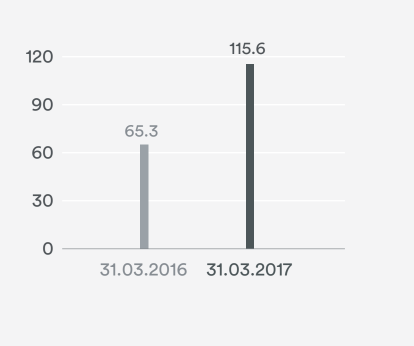
(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Collective and individual portfolio management fees	115,291	64,868	50,423	77.7%
Fees on the placement of securities and UCITS	17,689	13,792	3,897	28.3%
Fees on the distribution of third-party financial products	50,324	42,897	7,427	17.3%
Fees on trading and securities custody	5,561	3,354	2,207	65.8%
Fees for other banking services	3,542	2,889	653	22.6%
Total fee income	**192,407**	**127,800**	**64,607**	**50.6%**
Fees for off-premises offer	67,304	54,872	12,432	22.7%
Fees for dealing in securities and custody	1,605	784	821	104.7%
Fees for portfolio management	7,270	6,283	987	15.7%
Fees for other banking services	651	589	62	10.5%
Total fee expense	**76,830**	**62,528**	**14,302**	**22.9%**
Net fees	**115,577**	**65,272**	**50,305**	**77.1%**

Performance fees are a significant component of the fee structure but are very sensitive to market trends and thus are considered non-recurring.
In this regard, it bears noting that in the first quarter of 2016 the item was penalised by a particularly adverse scenario, due to the sharp market correction at the beginning of the year, followed by the extreme volatility witnessed thereafter.

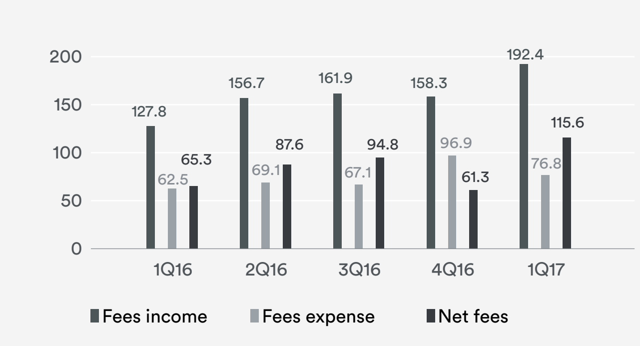
Total fee income was 192.4 million euros, up 50.6% compared to the previous year, not only thanks to the effect of this non-recurring component, but also to the sound and stable growth in recurring management fees.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Underwriting fees	5,216	3,923	1,293	33.0%
Management fees	135,251	116,730	18,521	15.9%
Performance fees	42,837	904	41,933	n.s.
Fees for other banking and financial services	9,103	6,243	2,860	45.8%
Total	**192,407**	**127,800**	**64,607**	**50.6%**

Net fees (€ million)



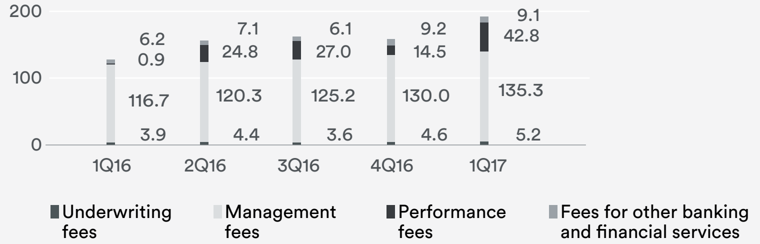
Quarterly net fees (€ million)



Within this scenario, attention should therefore be drawn to the positive performance of **management fees**, which increased by 18.5 million euros (+15.9%) due to the rise in average AUM in asset management and insurance products compared to the same period of 2016 (+15.1%).

The dynamic performance of the sales network is also borne out by the rise in **underwriting fees**, which increased by 33% due to the placement of funds, the insurance segment and portfolio management, whereas among fees on other banking and financial services (+45.8%) there was an increase in revenues from advisory and trading activities.

Fee income structure (€ million)



Fee income from the solicitation of investment and asset management of households reached 183.3 million euros, with an increase compared to 2016 (+50.8%).

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
1. Collective portfolio management	102,001	56,642	45,359	80.1%
2. Individual portfolio management	13,290	8,226	5,064	61.6%
Asset management fees	**115,291**	**64,868**	**50,423**	**77.7%**
1. Placement of UCITS	17,689	13,091	4,598	35.1%
of which placement of UCITS promoted by the Group	*1,661*	*1,224*	*437*	*35.7%*
3. Placement of bonds and equity securities	-	701	-701	-100.0%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	193	184	9	4.9%
5. Distribution of third-party insurance products	50,029	42,616	7,413	17.4%
6. Distribution of other third-party financial products	102	97	5	5.2%
Fees for the placement and distribution of financial services	**68,013**	**56,689**	**11,324**	**20.0%**
Asset management fee income	**183,304**	**121,557**	**61,747**	**50.8%**

Within this scenario, the **distribution of insurance products** recorded consolidated growth of 17.4% compared to the same period of 2016, particularly thanks to the significant increase in average AUM relating to the segment (+15.9%).
During the quarter, insurance net inflows amounted to 0.6 billion euros, mostly related to the multi-line policy **BG Stile Libero**, which since its inception in June 2014 has recorded over 6.2 billion euros. The revenues generated by the distribution of Genertellife products thus amounted to 49.7 million euros.

With reference to the "innovative financial wrapper solutions", mention should also be made of **discretionary portfolio management** schemes, which showed an overall increase in revenues of 61% compared to the first quarter of 2016, thanks to the new multi-line **BG Solution** launched in March 2016.
The strong attention garnered by the new management solutions, which permit a high degree of personalisation of investment lines and the benefits associated with the profiling of the service, allowed new inflows of 0.9 billion euros to be obtained, bringing the total AUM relating to the new lines to over 2.6 billion euros.

The management fees on the **Sicavs** promoted by the Banking Group, net of the effect of non-recurring components (+41.9 million euros), rose more slightly by 6.2% compared to the previous year, as a result of both slower growth of net inflows and a slight reduction of profitability of the portfolio of the institutional classes.

Finally, underwriting and management fees on the **placement of UCITS** amounted to 17.7 million euros, an increase of 35.1% on 2016, due to very positive demand for individual funds and Sicavs, which attracted inflows of 0.4 billion euros during the quarter.

Other fees from banking services offered to customers include trading, order collection, custody and administration fees, advisory fees and fees charged to customers for account-keeping expenses and other services. The aggregate amounted to 9.1 million euros.

Fees for the intermediation and custody of customers' financial assets amounted to 5.6 million euros, up by 2.2 million euros on 2016, over 40% attributable to the increase in the volumes of transactions on behalf of retail customers and new transactions on behalf of institutional customers.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Dealing in securities and currencies	4,072	2,683	1,389	51.8%
Order collection and securities custody fees	1,489	671	818	121.9%
Collection and payment services	616	693	-77	-11.1%
Fee income and account-keeping expenses	511	528	-17	-3.2%
Consultancy	1,694	999	695	69.6%
Other services	721	669	52	7.8%
Total traditional banking operations	**9,103**	**6,243**	**2,860**	**45.8%**

Fee expense amounted to 76.8 million euros, up moderately on the previous year (+22.9%), due solely to the increase in fees paid to the Financial Advisor network for off-premises offers (+22.7%).

Distribution fee expense thus stood at 67.3 million euros, a growth of 12.4 million euros compared to the first quarter of 2016, primarily as a result of the following factors:

> a growth in incentive fees linked to recruitment plans for the quarter (+2.6 million euros) and the previous years (+1.5 million euros);

> a growth in front-end fees (+1.9 million euros), related to the same trend of underwriting fees and particularly to the placement of UCITS;

> a growth in management fees (+5.1 million euros), related to the rise in the network's average AUM compared to the same period of the previous year.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Front-end fees	4,342	2,437	1,905	78.2%
Management fees	42,773	37,712	5,061	13.4%
Incentive fees	11,809	6,864	4,945	72.0%
Other fees	8,380	7,859	521	6.6%
Total	**67,304**	**54,872**	**12,432**	**22.7%**

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, **portfolio management fees** amounted to 7.3 million euros (+15.7%) 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** increased by 64.3% due to the aforementioned expansion in trading activities.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Fees for securities trading and custody	-1,605	-784	-821	104.7%
Collection and payment services	-527	-515	-12	2.3%
Other services	-124	-74	-50	67.6%
Total fee expense	**-2,256**	**-1,373**	**-883**	**64.3%**

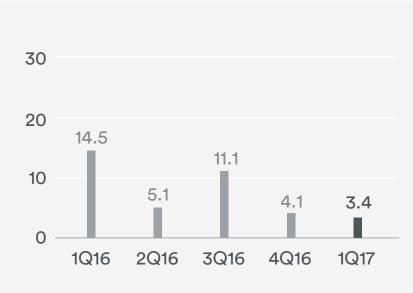
4.3 Net income from trading activities and dividends

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.

At the end of the first quarter of 2017, the item showed a positive contribution of 3.4 million euros, down sharply compared to the previous year, which benefited from significant capital gains tied to the realisation of government bonds allocated to the AFS portfolio.

Net result of financial operations

(€ million)



(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Dividends from trading and UCITS	25	-	25	n.s.
Trading of financial assets and equity derivatives	46	-1,002	1,048	-104.6%
Trading of financial assets and derivatives on debt securities and interest rates	538	66	472	n.s.
Trading of UCITS units	-108	-175	67	-38.3%
Securities transactions	**501**	**-1,111**	**1,612**	**-145.1%**
Currency and currency derivative transactions	**964**	**719**	**245**	**34.1%**
Net income (loss) from trading activities	**1,465**	**-392**	**1,857**	**n.s.**
Net profit from hedging	-	-	-	n.s.
Dividends from AFS assets	211	99	112	113.1%
Gains and losses on equity securities and UCITS	1,683	-1	1,684	n.s.
Gains and losses on AFS and HTM debt securities and loans	3	14,761	-14,758	-100.0%
Net income (loss) from trading activities	**3,362**	**14,467**	**-11,105**	**-76.8%**

In particular, in the first quarter of 2017 net gains from the AFS portfolio was chiefly due to profit-taking on a long-term equity investment not deemed to be strategic.

(€ THOUSAND)	TRANSFER OF RESERVES	GAINS	LOSSES	31.03.2017	31.03.2016	CHANGE
AFS financial assets	1,608	75	-	1,683	14,744	-13,061
Debt securities	-	-	-	-	14,745	-14,745
Equity securities	1,608	75	-	1,683	-1	1,684
UCITS units	-	-	-	-	-	-
Financial assets classified among loans	-	3	-	3	-	3
Transfer of non-performing loans	-	-	-	-	-	-
HTM financial assets	-	-	-	-	16	-16
Total	**1,608**	**78**	**-**	**1,686**	**14,760**	**-13,074**

Overall, net income from trading activities was positive (+1.4 million euros), due to the gain on currency transactions (+1.0 million euros) and, to a lesser extent, on the trading of debt securities, market-making, and equities.

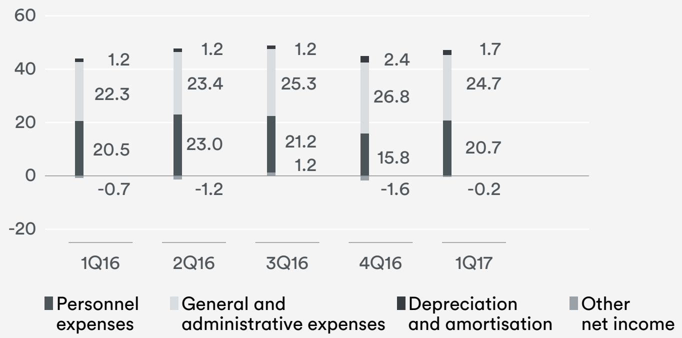
(€ THOUSAND)	CAPITAL GAINS	CAPITAL LOSSES	GAINS	LOSSES	NET RESULT 1Q17	NET RESULT 1Q16	CHANGE
1. Financial assets	**380**	**95**	**434**	**296**	**423**	**-174**	**597**
Debt securities	368	12	202	20	538	66	472
Equity securities	12	16	220	223	-7	-65	58
UCITS units	-	67	12	53	-108	-175	67
2. Derivatives	**90**	**260**	**767**	**545**	**52**	**-948**	**1,000**
Options on equity securities	90	260	338	116	52	-892	944
Options on currencies and gold	-	-	428	429	-1	-11	10
Asset swaps	-	-	-	-	-	-	-
Futures	-	-	1	-	1	-45	46
3. Currency transactions	**-**	**-**	**965**	**-**	**965**	**730**	**235**
4. Total	**470**	**355**	**2,166**	**841**	**1,440**	**-392**	**1,832**

4.4 Operating expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses, amounted to 46.9 million euros, increasing by 3.6 million euros overall compared to the same period of the previous year (+8.3%).

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Staff expenses	20,727	20,490	237	1.2%
Other general and administrative expense	34,951	32,373	2,578	8.0%
Net adjustments of property, equipment and intangible assets	1,723	1,151	572	49.7%
Other income and expenses	-10,491	-10,711	220	-2.1%
Operating expenses	**46,910**	**43,303**	**3,607**	**8.3%**

Operating expenses (€ million)



Staff expenses, including full-time employees, interim staff and directors, reached 20.7 million euros, virtually in line with the same period of 2016.

Group's employees totalled 872, up by 16 compared to the previous year, whereas the average headcount increased by 14.

	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %	AVERAGE 2017	AVERAGE 2016
Managers	48	42	6	14.3%	47.5	43.0
3rd and 4th level executives	147	143	4	2.8%	149.0	141.5
Employees at other levels	677	671	6	0.9%	664.0	662.0
Total	**872**	**856**	**16**	**1.9%**	**860.5**	**846.5**

In 2017, there was a slight increase in the recurring component of staff expenses (+0.4 million euros) due to new hires, promotions and the variable component, consisting of current and deferred MBO plans for management, sales incentives, individual and performance bonuses (+0.2 million euros), offset by a reduction of other benefits and remuneration to Directors.

The decline in the item relating to charges for stock option/stock granting plans refers 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, due to the elimination of the accruals to LTIP plans associated with the previous Chief Executive Officer, who passed away in March of last year.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	%
1) Employees	**20,396**	**19,872**	**524**	**2.6%**
Salaries and social security charges	13,944	13,596	348	2.6%
Provision for termination indemnity and supplementary pension funds	1,124	1,080	44	4.1%
Costs related to payment agreements based on own financial instruments	277	612	-335	-54.7%
Short-term productivity bonuses (MBO, CIA, incl. sales)	3,631	3,144	487	15.5%
Other long-term incentives (MBO)	378	288	90	31.3%
Other employee benefits	1,042	1,152	-110	-9.5%
2) Other staff	**28**	**114**	**-86**	**-75.4%**
3) Directors and Auditors	**303**	**504**	**-201**	**-39.9%**
Total	**20,727**	**20,490**	**237**	**1.2%**

Total other general and administrative expense, net of recoveries of taxes paid by customers (stamp duty, substitute tax), amounted to 24.7 million euros.
In accordance with international accounting standards (IFRIC 21) and the Bank of Italy's technical rules, operating expenses also include the ordinary contributions to the Single Resolution Fund, but not the ordinary contributions to the Interbank Deposit Protection Fund (FITD), which come due in the third quarter of the year.
Net of that component, the item increased by a modest 1.3 million euros compared to the same period of the previous year, or approximately 6%.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	%
Administration	**3,590**	**3,226**	**364**	**11.3%**
Advertising	996	964	32	3.3%
Advisory	1,358	1,066	292	27.4%
Auditing	116	188	-72	-38.3%
Insurance	793	799	-6	-0.8%
Other general costs (insurance; T&E)	327	209	118	56.5%
Operations	**8,988**	**8,794**	**194**	**2.2%**
Rent and usage of premises	4,365	4,292	73	1.7%
Outsourced services	1,407	1,328	79	5.9%
Post and telephone	631	606	25	4.1%
Print material and contracts	292	249	43	17.3%
Other indirect staff expenses	550	575	-25	-4.3%
Other operating expenses	1,743	1,744	-1	-0.1%
Information system and equipment	**9,777**	**9,105**	**672**	**7.4%**
Outsourced IT services	7,112	6,832	280	4.1%
Fees for financial databases and other IT services	1,623	1,732	-109	-6.3%
Software maintenance and servicing	824	386	438	113.5%
Other expenses (equipment rental, maintenance, etc.)	218	155	63	40.6%
Taxes and duties	**10,594**	**10,310**	**284**	**2.8%**
of which virtual stamp duty and other taxes borne by customers	*10,498*	*10,176*	*322*	*3.2%*
Contributions to the National Resolution, Interbank Deposit Protection Funds and ECB	**2,002**	**938**	**1,064**	**113.4%**
Total other general and administrative expense	**34,951**	**32,373**	**2,578**	**8.0%**
Recovery of stamp duty from customers (item 220)	**-10,269**	**-10,033**	**-236**	**2.4%**
Total administrative expense, net of stamp duties recovered	**24,682**	**22,340**	**2,342**	**10.5%**

4.5 Net provisions

Net provisions amounted to 18.2 million euros, up by 6.8 million euros compared to the same period of 2016, mostly attributable to provisions in favour of the sales network.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Provision for staff liabilities and contingencies	-	-	-	n.s.
Restructuring provisions – Voluntary redundancy plan	-	-	-	n.s.
Provisions for legal disputes	-12	1,000	-1,012	-101.2%
Provision for incentive fees	12,149	8,611	3,538	41.1%
Provisions for termination indemnity and overfees	6,043	1,437	4,606	n.s.
Other provisions for liabilities and contingencies	-	361	-361	-100.0%
Total	**18,180**	**11,409**	**6,771**	**59.3%**

The increase in for incentive fees (+3.5 million euros) was essentially due to the results of recruiting activity in 2017.
Current and deferred incentives in the process of accruing amounted to 7.3 million euros at the end of the first quarter, essentially unchanged compared to the same period of the previous year (6.9 million euros), whereas provisions for network development plans amounted to 4.9 million euros, up by 3.1 million euros compared to 2016.
Following final approval by the Board of Directors on 20 March 2017 of the new Framework Loyalty Program[1], and its subsequent ratification by the Shareholders' Meeting on 20 April, an accrual was set aside for the component to be paid in cash. This initial estimate will then be revised periodically according to the actual net inflow and AUM figures at the end of each year.

4.6 Adjustments

At the end of the first quarter of 2017, **net adjustments to non-performing loans** amounted to 3.2 million euros, up by 1.9 million euros compared to the same period of the previous year.

(€ THOUSAND)	ADJUSTMENTS	REVERSALS	31.03.2017	31.03.2016	CHANGE
Specific adjustments/reversals	**-2,654**	**202**	**-2,452**	**-546**	**-1,906**
Equity securities	-11	-	-11	-184	173
Debt securities (AFS, HTM, Loans)	-2,467	-	-2,467	-	-2,467
Non-performing loans of the banking portfolio	-176	202	26	-362	388
Operating loans to customers	-	-	-	-	-
Adjustments to other financial operations (FITD)	-	-	-	-	-
Portfolio adjustments/reversals	**-706**	**-**	**-706**	**-696**	**-10**
Debt securities (Loans, HTM)	-706	-	-706	-696	-10
Performing loans and guarantees of the banking portfolio	-	-	-	-	-
Total	**-3,360**	**202**	**-3,158**	**-1,242**	**-1,916**

The impairment losses on the portfolio of debt securities refer to the Alitalia bond, known as "Dolce Vita", allocated to the HTM portfolio, which was deemed no longer recoverable given the airline's state of crisis and the consequent probable commencement of extraordinary administration, in the light of the results of the referendum held amongst the company's employees, who rejected the restructuring plan proposed by the shareholder.
Moreover, prudential adjustments were made to collective provisions for performing debt securities allocated to the loans and HTM portfolio (+0.7 million euros), in connection with the risk (rating/residual life) profile of the new investments undertaken.

[1] More details on the Framework Program are provided in the following paragraph 5.3 on Provisions.

4.7 Consolidated net result, taxes and earnings per share

Taxes for the period on a current and deferred basis were estimated at 10.2 million euros, up 0.7 million euros compared to estimated taxes at the end of the previous year.

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Current taxes for the period	-13,664	-10,676	-2,988	28.0%
Prior years' taxes	3	-	3	n.s.
Changes of prepaid taxation (+/-)	3,626	1,239	2,387	192.7%
Changes of deferred taxation (+/-)	-139	-69	-70	101.4%
Total	**-10,174**	**-9,506**	**-668**	**7.0%**

The estimated total tax rate was 15.3%, significantly down compared to the end of the first quarter of 2016, chiefly due to the change in the share of profit earned outside of Italy[2].

The first quarter of 2017 thus closed with basic net earnings per share of 0.48 euros.

	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Net profit for the period (€ thousand)	56,222	29,411	26,811	91.2%
Earnings attributable to ordinary shares (€ thousand)	56,222	29,411	26,811	91.2%
Average number of outstanding shares	116,067	116,016	51	0.0%
EPS - Earnings per Share (euros)	**0.48**	**0.25**	**0.23**	**91.1%**
Average number of outstanding shares with diluted share capital	116,614	116,120	494	0.4%
EPS - Diluted earnings per share (euros)	**0.48**	**0.25**	**0.23**	**90.4%**

4.8 Comprehensive income

The Banking Group's comprehensive income is determined by the consolidated net profit and all other components that contribute to company performance without being reflected in the Profit and Loss Account, such as changes in valuation reserves for AFS securities.
In the first quarter of 2017, the latter component provided a negative overall contribution of -24.9 million euros, worsening compared to the net negative change of 8.2 million euros recorded for the first quarter of the previous year.
In detail, AFS portfolio valuation reserves decreased, as a result of the following factors:

> a decrease in net valuation capital gains and an increase in net valuation capital losses, for a total of 34.7 million euros;

> the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (1.6 million euros);

> the positive net tax effect associated with the above changes and resulting from offsetting net DTLs and increases in DTAs (+11.4 million euros).

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Net profit (loss)	**56,222**	**29,411**	**26,811**	**91.2%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange gains and losses	-1	-151	150	-99.3%
AFS assets	-24,946	-8,215	-16,731	203.7%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-98	-77	-21	27.3%
Total other income, net of taxes	**-25,045**	**-8,443**	**-16,602**	**196.6%**
Comprehensive income	**31,177**	**20,968**	**10,209**	**48.7%**

2 Legislative Decree No. 50 of 24 April 2017 (so-called "corrective measure"), inter alia, amended the ACE measure, reducing the reference timetable for the patent box regime to the past five years (2012-2016). However, this measure has not significantly impacted the Group's tax burden.

5. BALANCE SHEET AND NET EQUITY AGGREGATES

At the end of the first quarter of 2017, total consolidated assets amounted to 8.6 billion euros, increasing by 0.2 billion euros compared to the end of 2016.

At the end of the quarter, overall net inflows amounted to 7.6 billion (+1.5%), with an increase in interbank net inflows (+0.2 billion euros), mainly due to repurchase agreements and a slight reduction of net inflows from customers (-0.1 billion euros).

Core loans thus amounted to 8.1 billion euros (+2.2%), with an increase in longer-term exposures in the HTM and AFS portfolios.

ASSETS			CHANGE	
(€ THOUSAND)	31.03.2017	31.12.2016	AMOUNT	%
HFT financial assets	42,301	38,560	3,741	9.7%
AFS financial assets	4,654,312	4,409,318	244,994	5.6%
HTM financial assets	1,005,373	731,362	274,011	37.5%
Loans to banks	494,788	894,000	-399,212	-44.7%
Loans to customers	1,932,901	1,881,927	50,974	2.7%
Equity investments	1,954	1,988	-34	-1.7%
Property, equipment and intangible assets	97,383	97,813	-430	-0.4%
Tax receivables	52,707	44,538	8,169	18.3%
Other assets	287,552	257,229	30,323	11.8%
Total assets	**8,569,271**	**8,356,735**	**212,536**	**2.5%**

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

NET EQUITY AND LIABILITIES			CHANGE	
(€ THOUSAND)	31.03.2017	31.12.2016	AMOUNT	%
Due to banks	1,034,603	802,709	231,894	28.9%
Due to customers	6,530,137	6,648,202	-118,065	-1.8%
Financial liabilities held for trading and hedging	1,097	1,169	-72	-6.2%
Tax payables	20,826	17,118	3,708	21.7%
Other liabilities	165,865	118,853	47,012	39.6%
Special purpose provisions	136,129	122,163	13,966	11.4%
Valuation reserves	-16,066	8,979	-25,045	n.s.
Reserves	470,576	314,353	156,223	49.7%
Additional paid-in capital	56,171	53,803	2,368	4.4%
Share capital	116,644	116,425	219	0.2%
Treasury shares (-)	-2,933	-2,933	-	-
Net profit (loss) for the period	56,222	155,894	-99,672	-63.9%
Total net equity and liabilities	**8,569,271**	**8,356,735**	**212,536**	**2.5%**

Quarterly evolution of consolidated Balance Sheet

ASSETS (€ THOUSAND)	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
HFT financial assets	42,301	38,560	36,170	31,911	29,324
AFS financial assets	4,654,312	4,409,318	4,132,469	4,010,354	2,993,056
HTM financial assets	1,005,373	731,362	533,135	515,055	500,249
Loans to banks	494,788	894,000	422,349	766,899	1,069,753
Loans to customers	1,932,901	1,881,927	1,914,118	1,916,594	1,992,319
Equity investments	1,954	1,988	2,023	2,026	1,977
Property, equipment and intangible assets	97,383	97,813	91,270	91,651	92,012
Tax receivables	52,707	44,538	52,510	55,061	55,290
Other assets	287,552	257,229	233,789	230,798	195,807
Total assets	**8,569,271**	**8,356,735**	**7,417,833**	**7,620,349**	**6,929,787**

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Due to banks	1,034,603	802,709	999,464	942,725	433,127
Due to customers	6,530,137	6,648,202	5,510,261	5,720,364	5,472,099
Financial liabilities held for trading and hedging	1,097	1,169	2,265	2,826	2,095
Tax payables	20,826	17,118	21,982	19,160	18,619
Other liabilities	165,865	118,853	121,982	242,459	218,760
Special purpose provisions	136,129	122,163	143,393	136,811	126,256
Valuation reserves	-16,066	8,979	19,736	12,385	13,981
Reserves	470,576	314,353	314,200	312,393	451,420
Additional paid-in capital	56,171	53,803	52,555	50,708	50,446
Share capital	116,644	116,425	116,312	116,140	116,128
Treasury shares (-)	-2,933	-2,933	-2,933	-2,933	-2,555
Net profit (loss) for the period (+/-)	56,222	155,894	118,616	67,311	29,411
Total net equity and liabilities	**8,569,271**	**8,356,735**	**7,417,833**	**7,620,349**	**6,929,787**

5.1 Direct net inflows from customers

Direct net inflows from customers amounted to 6.5 billion euros, with a decrease of 0.1 billion euros compared to 31 December 2016, attributable to the decrease in net inflows from companies of the Assicurazioni Generali Group.

Net inflows from customers (external to the Insurance Group), consisting solely of current account balances, increased by 162 million euros to over 5,921 million euros.

			CHANGE	
(€ THOUSAND)	31.03.2017	31.12.2016	AMOUNT	%
1. Current accounts and demand deposits	6,362,076	6,466,672	-104,596	-1.6%
2. Term deposits	-	-	-	n.s.
3. Financing	43,695	43,282	413	1.0%
Subordinated loans	43,695	43,282	413	1.0%
4. Other debts	124,366	138,248	-13,882	-10.0%
Operating debts to sales network	99,860	99,451	409	0.4%
Other (money orders, amounts at the disposal of customers)	24,506	38,797	-14,291	-36.8%
Total due to customers (Item 20)	**6,530,137**	**6,648,202**	**-118,065**	**-1.8%**

Captive net inflows from the companies within the Assicurazioni Generali Group decreased by 266.2 million euros due to the use at the beginning of the year of the temporary treasury balances of an Italian subsidiary, reaching 484.9 million euros, accounting for 7.4% of total net inflows.
The aggregate includes 43.7 million euros for the Tier-2 subordinated loan issued by the subsidiary Generali Beteiligungs GmbH in 2014.

(€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	%
Net inflows from Parent Company	3,909	2,802	1,107	39.5%
Net inflows from other subsidiaries of the Generali Group	481,031	748,355	-267,324	-35.7%
Net inflows from Funds promoted by the Generali Group	-	-	-	n.s.
Total net inflows from Generali Group	**484,940**	**751,157**	**-266,217**	**-35.4%**
Net inflows from other parties	6,045,197	5,897,045	148,152	2.5%
Total net inflows from customers	**6,530,137**	**6,648,202**	**-118,065**	**-1.8%**

By contrast, the non-interest-bearing debt position (-13.8 million euros) consisting of other sums available to customers, primarily relating to claims settlement activity by the Group's insurance companies (money orders), as well as of payables to the sales network for the placement of financial products and services, was virtually stable.

5.2 Core loans

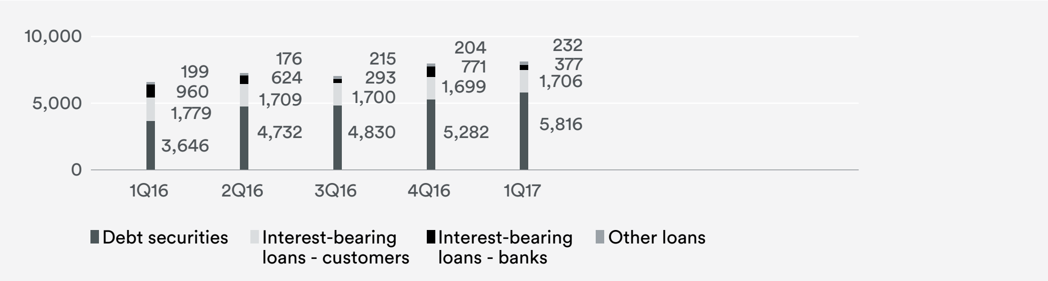
Core loans totalled 8,130 million euros overall and increased by 174 million euros (+2.2%) compared to 31 December 2016.

The increase in loans was primarily attributable to investments in portfolios of financial assets, which rose by 530.9 million euros (+9.9%), funded in part by the decrease in short-term treasury loans on the interbank market, including balances with the ECB as at 31 December 2016 (-394.1 million euros).
Overall, the ratio of financial assets to core loans thus reached 72.3%, up compared to 67.2% at year-end 2016.
Loans to customers slightly increased (+6.4 million euros).

(€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	%
HFT financial assets	42,301	38,560	3,741	9.7%
AFS financial assets	4,654,312	4,409,318	244,994	5.6%
HTM financial assets	1,005,373	731,362	274,011	37.5%
Financial assets classified among loans	174,257	166,147	8,110	4.9%
Financial assets	**5,876,243**	**5,345,387**	**530,856**	**9.9%**
Loans to and deposits with banks (*)	376,690	770,824	-394,134	-51.1%
Loans to customers	1,705,512	1,699,073	6,439	0.4%
Operating loans and other loans	171,230	139,883	31,347	22.4%
Total interest-bearing financial assets and loans	**8,129,675**	**7,955,167**	**174,508**	**2.2%**

(*) ECB demand deposits included.

Evolution of loans (€ million)



Within a scenario of persistent depression of Italian government bond yields, the Banking Group is continuing to pursue a prudent policy of extending maturities and a limited diversification of investments in the corporate segment.
In particular, the growth of the AFS portfolio (+5.6%) and the HTM portfolio (+37.5%) was driven by significant purchases of government bonds with average maturities of 4.5 and 7 years, respectively.

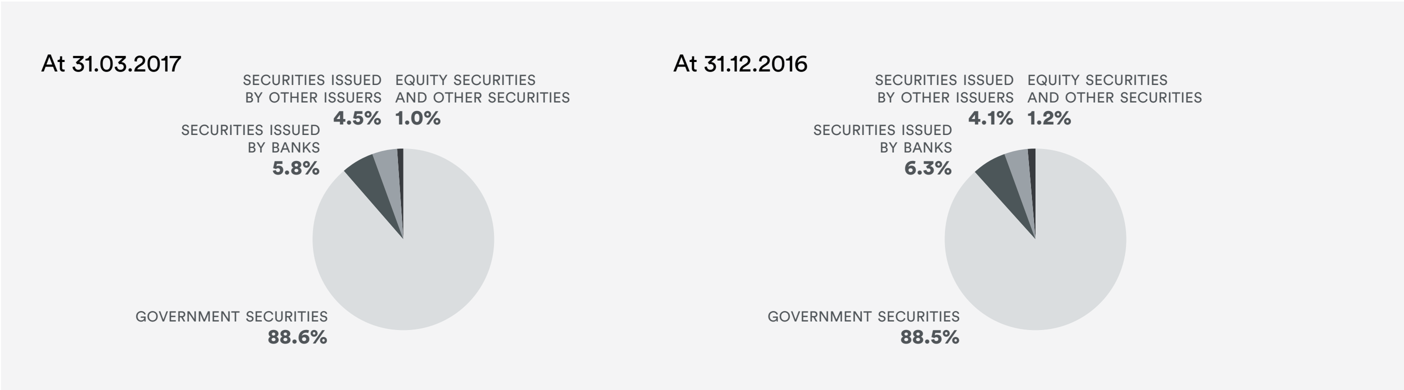
Accordingly, sovereign debt exposure increased by 478.5 million euros compared to the previous year, accounting for 88.6% of total investments in financial instruments.
Such exposure mostly included bonds of the Italian Republic, with the only exception of a Spanish bond issue (25 million euros).

(€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	CHANGE %
Exposure to the sovereign risk by portfolio:				
HFT financial assets	11	-	11	n.s.
AFS financial assets	4,328,022	4,117,859	210,163	5.1%
HTM financial assets	879,194	610,833	268,361	43.9%
Total	**5,207,227**	**4,728,692**	**478,535**	**10.1%**

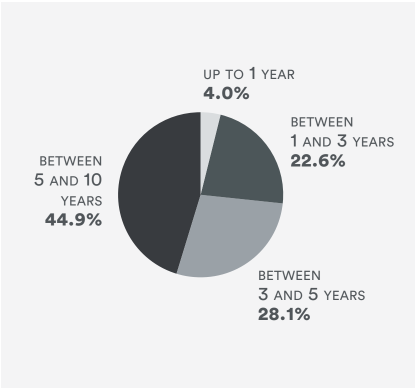
(€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	CHANGE %
Government securities	5,207,227	4,728,692	478,535	10.1%
Securities issued by banks	342,185	334,290	7,895	2.4%
Securities issued by other issued	266,318	218,561	47,757	21.9%
Equity securities and other securities	60,513	63,844	-3,331	-5.2%
Total financial assets	**5,876,243**	**5,345,387**	**530,856**	**9.9%**

The overall geographical breakdown of the portfolio of debt securities thus showed a high concentration of investments relating to Italian securities (93.9%).
The portfolio of debt securities had an overall average residual life of about 4.4 years and 56.9% of it was made up of variable rate issues, and for the remainder, of fixed-rate issues and zero coupons.

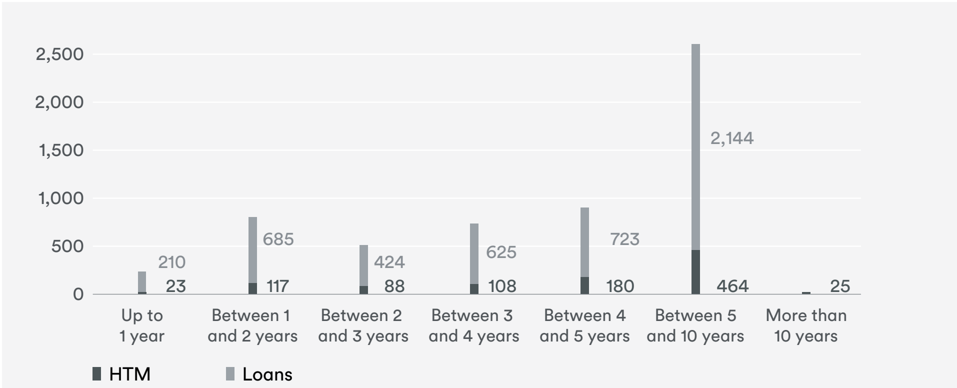
Breakdown of financial assets portfolio



Breakdown of bonds portfolio by maturity



Bonds portfolio maturity (€ million)



Loans to customers amounted to 1,706 million euros, up compared to year-end 2016, chiefly due to the limited expansion of both the current account overdraft facilities and personal loans. The mortgage segment for the quarter reported new disbursements amounting to 24 million euros.

(€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	%
Current accounts	910,414	907,032	3,382	0.4%
Personal loans	790,937	787,294	3,643	0.5%
Other financing and loans not in current accounts	4,161	4,747	-586	-12.3%
Loans	**1,705,512**	**1,699,073**	**6,439**	**0.4%**
Total loans	**1,705,512**	**1,699,073**	**6,439**	**0.38%**
Operating loans to product companies	108,462	99,252	9,210	9.3%
Sums advanced to Financial Advisors	56,294	32,544	23,750	73.0%
Stock exchange interest-bearing daily margin	1,944	1,940	4	0.2%
Charges to be debited and other loans	4,112	6,018	-1,906	-31.7%
Operating loans and other loans	**170,812**	**139,754**	**31,058**	**22.2%**
Debt securities	**56,577**	**43,100**	**13,477**	**31.3%**
Total loans to customers	**1,932,901**	**1,881,927**	**50,974**	**2.7%**

Net non-performing loans amounted to 32.4 million euros, equal to 1.68% of total loans to customers, and down compared to the previous year (-0.4 million euros).

At the end of the first quarter of 2017, non-performing loans included 27.7 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.[3] 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 0.24%.

(€ THOUSAND)	GROSS EXPOSURE	VALUE	NET EXPOSURE 2017	NET EXPOSURE 2016	CHANGE AMOUNT	CHANGE %	SECURED EXPOSURE SUBJECT TO INDEMNITY	RESIDUAL UNSECURED
Bad loans	38,019	-13,855	24,164	24,018	146	0.6%	22,593	1,571
Financing	35,051	-11,894	23,157	23,024	133	0.6%	22,593	564
Operating loans	2,968	-1,961	1,007	994	13	1.3%	-	1,007
Unlikely to pay	6,717	-203	6,514	6,771	-257	-3.8%	5,155	1,359
Past-due exposures - over 90 days	2,099	-351	1,748	2,064	-316	-15.3%	-	1,748
Total non-performing loans	**46,835**	**-14,409**	**32,426**	**32,853**	**-427**	**-1.3%**	**27,748**	**4,678**
Performing loans	1,904,492	-4,017	1,900,475	1,849,074				
Total loans to customers	**1,951,327**	**-18,426**	**1,932,901**	**1,881,927**				

Among **operating receivables**, growth was reported by both financial advances provided to the Financial Advisory network for fees currently accruing and by trade receivables accrued or accruing for the placement and distribution of financial and insurance products.

At 31 March 2017, the **interbank position**, net of the securities portfolio and operating loans, showed a net debit imbalance of 657.9 million euros, sharply up compared to a net debt imbalance of 31.9 million euros at the end of the previous year.

This situation was essentially due to a decrease in the demand deposits held with the Central Bank as at 31 December 2016 (-391.3 million euros) and a sharp increase in leveraged net inflows in the form of repurchase agreements at negative rates, undertaken with the aim of supporting net interest income.

Interbank net inflows also includes the TLTRO2 financing disbursed on 29 June 2016, with a maturity of five years, set to come due on 24 June 2020, with an option for early repayment at the end of the second year.
This loan accrues an interest equal to that of the main refinancing operations applicable from time to time, which is currently 0% but 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 purchases and to non-financial companies residing in the euro area exceed a given benchmark level[4].

[3] As of 7 April 2017, BSI S.A.'s business operations were totally transferred to EFG Bank AG - Lugano Branch, as per the Swiss law on mergers.
[4] For Banca Generali, equal to the amount of such loans at 31 January 2016, plus 2.5%.

(€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	%
1. Repayable on demand	**306,200**	**675,342**	**-369,142**	**-54.7%**
Demand deposits with ECB and Bank of Italy	175,967	567,312	-391,345	-69.0%
Transfer accounts	130,233	108,030	22,203	20.6%
2. Time deposits	**70,490**	**95,482**	**-24,992**	**-26.2%**
Mandatory reserve	64,010	56,314	7,696	13.7%
Term deposits	5,083	35,136	-30,053	-85.5%
Collateral margins	1,397	4,032	-2,635	-65.4%
Total due to banks	**376,690**	**770,824**	**-394,134**	**-51.1%**
1. Due to Central Banks	**400,000**	**400,000**	**-**	**-**
TLTRO	400,000	400,000	-	-
2. Due to banks	**634,603**	**402,709**	**231,894**	**57.6%**
Transfer accounts	18,178	23,673	-5,495	-23.2%
Term deposits	4,156	4,748	-592	-12.5%
Repurchase agreements	587,531	351,437	236,094	67.2%
Collateral margins	2,046	268	1,778	663.4%
Other debts	22,692	22,583	109	0.5%
Total due to banks	**1,034,603**	**802,709**	**231,894**	**28.9%**
Net interbank position	**-657,913**	**-31,885**	**-626,028**	**n.s.**
3. Debt securities	**117,680**	**123,047**	**-5,367**	**-4.4%**
4. Other operating receivables	**418**	**129**	**289**	**224.0%**
Total interbank position	**-539,815**	**91,291**	**-631,106**	**n.s.**

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

5.3 Provisions

Total provisions amounted to 136.1 million euros, up by 14.0 million euros compared to the previous year (+11.4%).

(€ THOUSAND)	31.03.2017	31.12.2016	CHANGE AMOUNT	%
Provision for termination indemnity	5,233	5,129	104	2.0%
Other provisions for liabilities and contingencies	**130,896**	**117,034**	**13,862**	**11.8%**
Provisions for staff expenses	13,638	12,508	1,130	9.0%
Restructuring provisions – Redundancy incentives plan	8,315	8,500	-185	-2.2%
Provisions for legal disputes	14,722	15,123	-401	-2.7%
Provisions for contractual indemnities to the sales network	55,110	49,165	5,945	12.1%
Provisions for sales network incentives	38,839	31,466	7,373	23.4%
Other provisions for liabilities and contingencies	272	272	-	-
Total provisions	**136,129**	**122,163**	**13,966**	**11.4%**

The main component of this aggregate consists of provisions for contractual end-of-service indemnities for the sales network, which accounted for more than 40% of the total and are characterised by a long period of accrual and disbursal. The increase in this item was due in particular to the increase in the basic fee on which the indemnity is calculated, the increased length of service of the network and the low turnover rate.

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

on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.
The General Shareholders' Meeting of 20 April that approved the Programme also ratified the launch of the first 2017-2026 annual plan, which pursuant to IAS 37 has already been reflected in this Report.

The company restructuring provision was allocated for the voluntary redundancy plans launched at the end of 2015 and extended to encourage the rotation of resources through incentives for voluntary departure for groups of employees nearest to retirement age and the filling of the resulting vacant positions with professional and/or managerial profiles more suited to the specific skills now required from a business standpoint. The plan was prolonged until 31 December 2017.

Tax audits and inspections

On 27 March 2017 the Italian Revenue Service – Friuli Venezia-Giulia Regional Department launched a general audit of tax period 2014, with a particular focus on transfer pricing issues.
It should also be noted that on 20 March 2017 the Supervisory Board began a general inspection of the Banking Group.
As of the date of approval of this Interim Report, the audit process is still ongoing and no notice of any alleged irregularities has been given.

5.4 Net equity and regulatory aggregates

At 31 March 2017, consolidated net equity, including net profit for the period, amounted to 680.6 million euros compared to 646.5 million euros at the end of the previous year.

This figure does not take account of the effects arising on the distribution of 2016 dividends of approximately 124.7 million euros approved by the Shareholders at the Ordinary Meeting held on 20 April 2017.

			CHANGE	
(€ THOUSAND)	31.03.2017	31.12.2016	AMOUNT	%
Share capital	116,644	116,425	219	0.2%
Additional paid-in capital	56,171	53,803	2,368	4.4%
Reserves	470,576	314,353	156,223	49.7%
(Treasury shares)	-2,933	-2,933	-	-
Valuation reserves	-16,066	8,979	-25,045	-278.9%
Equity instruments	-	-	-	n.s.
Net profit (loss) for the period	56,222	155,894	-99,672	-63.9%
Group net equity	**680,614**	**646,521**	**34,093**	**5.3%**

The increase in net equity was due not only to the net profit being accrued, but also to the performance of valuation reserves and, to a lesser extent, the effects of the payment plans based on own financial instruments and those of the parent company Assicurazioni Generali (capital increases and recognition of IFRS 2 reserves).

At the end of the 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.
The General Shareholders' Meeting held on 20 April 2017 also authorised the buy back of up to 411,354 treasury shares to be allocated to remuneration plans aimed at key personnel for 2017 and the Network Loyalty Plan 2017 as part of the new Framework Loyalty Program. The buy-back program will be started after receiving the necessary authorisation by the Supervisory Board, in accordance with the Basel 3 supervisory provisions.

	31.03.2017	31.12.2016
Net equity at period-start	**646,521**	**636,798**
Dividend paid	-	-139,237
Purchase and sale of treasury shares	-	-1,466
Stock option plans: capital increases	2,350	3,554
Matured IFRS2 reserves (from stock option plans and remuneration policies)	320	1,609
Matured IFRS 2 reserves on LTIP	246	2,814
Change in valuation reserves	-25,045	-13,445
Consolidated net profit	56,222	155,894
Net equity at period-end	**680,614**	**646,521**
Change	**34,093**	**9,723**
Dividends distributed / to be distributed	**-124,674**	**-139,237**

The fair value reserves for the AFS financial assets portfolio decreased sharply compared to the end of the previous year, primarily due to the performance of reserves for government bonds at the end of the quarter, as a result of the greater volatility of the spread on Italian securities.
The aggregate had an overall negative balance of 14.2 million euros, down by 24.9 million compared to year-end 2016.
This trend was mainly influenced by the portfolio of Italian government bonds, for which net reserves amounted to -17.4 million euros compared to 6.5 million euros at year-end 2016.

(€ THOUSAND)	31.03.2017 EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES CORPORATE	DEBT SECURITIES GOVERNMENT	TOTAL
1. Amount at period-start	**2,159**	**1,459**	**650**	**6,492**	**10,760**
2. Increases	**557**	**787**	**764**	**11,390**	**13,498**
2.1 Fair value increases	477	787	499	44	**1,807**
2.2 Transfer to Profit and Loss Account of negative reserves					
Due to impairment	11	-	-	-	**11**
Due to disposal	-	-	-	-	**-**
2.3 Other changes	69	-	265	11,346	**11,680**
3. Decreases	**1,622**	**366**	**1,121**	**35,335**	**38,444**
3.1 Fair value decreases	13	166	1,026	35,335	**36,540**
3.2 Adjustments due to impairment	-	-	-	-	**-**
3.3 Transfer to Profit and Loss Account of positive reserves: due to disposal	1,608	-	-	-	**1,608**
3.4 Other changes	1	200	95	-	**296**
4. Amount at period-end	**1,094**	**1,880**	**293**	**-17,453**	**-14,186**

Consolidated own funds, calculated in accordance with the Basel 3 phase-in rules, amounted to 476.4 million euros, up by 13.4 million euros compared to the end of the previous year, chiefly owing to the portion of retained earnings.

(€ THOUSAND)	31.03.2017 FULLY LOADED	31.03.2017 PHASE IN	31.12.2016 PHASE IN	CHANGE AMOUNT	CHANGE %
Common Equity Tier 1 capital (CET1)	416,095	433,043	419,073	13,970	3.3%
Additional Tier 1 capital (AT1)	-	-	-	-	n.s.
Tier 2 capital (T2)	43,000	43,327	43,854	-527	-1.2%
Total own funds	**459,095**	**476,370**	**462,927**	**13,443**	**2.9%**
Credit and counterparty risk	142,430	142,430	132,469	9,961	7.5%
Market risk	2,264	2,264	2,681	-417	-15.6%
Operating risk	65,863	65,863	65,863	-	-
Total absorbed capital	**210,557**	**210,557**	**201,013**	**9,544**	**4.7%**
Excess over absorbed capital	248,538	265,813	261,914	3,899	1.5%
Non-committed capital	54.14%	55.80%	56.58%	0.56	-1.4%
Tier 1 /Risk-weighted assets (Tier 1 capital ratio)	15.8%	16.5%	16.7%	-0.2%	-1.4%
Total own funds/Risk-weighted assets (Total capital ratio)	**17.4%**	**18.1%**	**18.4%**	**-0.3%**	**-1.8%**

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 265.8 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 16.5 %, compared to a minimum requirement of 7%, and Total Capital Ratio (TCR) reached 18.1%, compared to the SREP minimum requirement of 10.4%.

The increase in absorbed capital compared to the previous year (+9.5 million euros) is primarily to be attributed to the growth of requirements for covering credit risks in relation to the growth of DTAs and exposures to companies.

Consolidated own funds, calculated according to the rules set to enter into effect from 1 January 2019, would amount to 459.1 million euros, lower than the value calculated on the basis of the phase-in rules and resulting from the inclusion of negative equity reserves on government bonds. Total capital ratio upon full application would thus be 17.4%.

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 also extended under the new Basel 3 prudential supervisory system, on the basis of the national discretion granted to the Bank of Italy pursuant to Article 467(2) of the CRR, until the Commission "has adopted a regulation on the basis of Regulation (EC) No. 1606/2002 endorsing the International Financial Reporting Standard replacing IAS 39" (IFRS 9).

In this regard, it should be noted that Regulation (EU) No. 2067/2016, which adopts accounting standard IFRS 9, was published on 29 November 2016 and entered into effect on 19 December 2016. However, pursuant to Article 2 of that Regulation, IFRS 9 must be applied, at the latest, by the beginning of the first financial year starting on or after 1 January 2018.
Consequently, given the interpretative uncertainty that arose with respect to the relevance of the two different dates, until formal clarification is provided by the European authorities, in its Notice of 23 January 2017 the Bank of Italy confirmed that this discretion may continue to be exercised on a phase-in basis, solely for "less significant" banks subject to direct supervision.

The leverage ratio at the end of the quarter reached 5.0%, in line with that at the end of the previous year.

6. PERFORMANCE OF GROUP COMPANIES

6.1 Banca Generali performance

Banca Generali closed the first quarter of 2017 with net profit of 72.2 million euros, up compared to 49.1 million euros reported at the end of the same period of the previous year, chiefly due to the higher contribution of dividends distributed both in advance and at the end of the period by the Luxembourg subsidiary BG Fund Management Luxembourg S.A., up from 40 to 76 million euros.

Net operating income, net of the dividends distributed by the Banking Group's investees, amounted to 65.4 million euros, down by 4.6 million euros (-6.6%) on the same period of the previous year, primarily due to the lesser contribution of trading activities (-11.2 million euros), partly offset by an increase in net fees (+5.9 million euros).

(€ THOUSAND)	31.03.2017	31.03.2016	CHANGE AMOUNT	CHANGE %
Interest income	16,741	15,872	869	5.5%
Interest expense	-984	- 731	-253	34.6%
Net interest income	**15,757**	**15,141**	**616**	**4.1%**
Fee income	115,537	96,357	19,180	19.9%
Fee expense	-69,271	- 55,958	-13,313	23.8%
Net fees	**46,266**	**40,399**	**5,867**	**14.5%**
Dividends	236	99	137	138.4%
Net income (loss) from trading activities	3,126	14,370	-11,244	-78.2%
Net operating income	**65,385**	**70,009**	**-4,624**	**-6.6%**
Staff expenses	-19,166	-18,952	-214	1.1%
Other general and administrative expense	-33,835	-31,406	-2,429	7.7%
Net adjustments of property, equipment and intangible assets	-1,713	-1,138	-575	50.5%
Other operating expenses/income	10,221	10,400	-179	-1.7%
Net operating expenses	**-44,493**	**-41,096**	**-3,397**	**8.3%**
Operating result	**20,892**	**28,913**	**-8,021**	**-27.7%**
Net adjustments for non-performing loans	-586	-491	-95	19.3%
Net adjustments of other assets	-2,571	-751	-1,820	242.3%
Net provisions	-18,171	-11,409	-6,762	59.3%
Dividends and income from equity investments	76,000	40,000	36,000	90.0%
Gains (losses) from the disposal of equity investments	-	14	-14	-100.0%
Operating profit before taxation	**75,564**	**56,276**	**19,288**	**34.3%**
Income taxes	-3,366	-7,127	3,761	-52.8%
Profit (loss) from non-current assets, net of taxes	-	-	-	-
Net profit	**72,198**	**49,149**	**23,049**	**46.9%**

Net fees amounted to 46.3 million euros, up by 5.9 million euros (+14.5%) on the previous year, primarily due to the increase in asset management fees (+18.1%), driven by the success of innovative financial wrapper solutions in the insurance business (+17.4%) and portfolio management (+88.6%), in addition to the distribution of UCITS to retail customers.

Net operating expenses amounted to 44.5 million euros, showing a more moderate increase (+8.3%).
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 30.3%.

Net provisions and net adjustments amounted to 21.3 million euros, up compared to the first quarter of 2016 (+8.7 million euros), mainly due to the increased weight of net adjustments for incentives and contractual indemnities for the sales network.

Operating profit before taxation amounted to 75.6 million euros, up 19.3 million euros compared to the same period of 2016.
The expected tax burden was 3.4 million euros, with an overall tax rate at 4.5%, down due to the higher weight of dividends.

Own funds, calculated in accordance with the Basel 3 phase-in rules, amounted to 366.4 mil-

lion euros, up by 23.2 million euros compared to the end of the previous year, chiefly due to the portion of retained earnings.
At the end of the reporting quarter, the aggregate capital for regulatory purposes recorded 188.9 million euros in excess of the amount required to cover credit, market, and operating risks. The CET1 ratio reached 14.6%, compared to a minimum regulatory requirement of 7%, and Total Capital Ratio reached 16.5%, compared to a minimum requirement of 10.5%.

Total AUM managed by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 50.1 billion euros at 31 March 2017, up 5.3% compared to the end of the previous year. Net inflows amounted to 1,839 million euros, compared to 1,530 million euros at the end of the same period of 2016 (+20.2%).

6.2 Performance of BG Fund Management Luxembourg S.A.

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

BGFML ended the first quarter of 2017 with net profit of 59.7 million euros, up 39.9 million euros compared to the same period of the previous year, chiefly due to the increase in performance fees (+41.9 million euros).
Net banking income amounted to 67.9 million euros (+44.5 million euros). Total operating expenses amounted to 1.6 million euros (1.0 million euros of which consisted of staff expenses), with a moderate increase compared to the same period of the previous year (+14.0%).

The Company's net equity amounted to 99.7 million euros, net of a dividend payout of 76 million euros, as payment in advance for 2017 and total payment for 2016.

Overall, assets under management at 31 March 2017 amounted to 13,379 million euros, compared to 12,495 million euros at 31 December 2016, up by 884 million euros.

6.3 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 quarter of 2017 with net profit at 0.4 million euros and net equity of 18.0 million euros.
Net banking income amounted to 1.2 million euros, whereas operating expenses were 0.6 million euros, including 0.4 million euros for staff expenses.
Total assets under management amounted to 733 million euros, compared to 721 million euros at 31 December 2016.

6.4 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the first quarter of 2017 with a slight net loss and net equity amounting to about 0.9 million euros. Net banking income amounted to about 0.2 million euros, whereas operating expenses were 0.3 million euros.
Assets under management amounted to 1,215 million euros (1,166 million euros at the end of 2016).

7. BASIS OF PREPARATION

The interim report for the first quarter of 2017 was prepared in accordance with the provisions set forth in Article 154-*ter*, paragraph 5, of Italian Legislative Decree No. 58/98.

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

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

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

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

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

The Interim Report provides:

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

This document contains the following quantitative data on the balance sheet 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 three months of the year, compared with data for the same period of the previous year;
> the statement of comprehensive income for the first three 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 Notes are expressed in thousands of euros, unless otherwise indicated.

The consolidated financial position illustrated in the Interim Report has been prepared according to the IAS/IFRS 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 on Operations is subject to a limited audit by the independent auditing firm for the purposes of determining the net profit for the period to be included in Common Equity Tier 1 capital, as required by Article 26 (2) of Regulation (EU) No 575/2013.

7.1 Accounting standards

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2016.
The Financial Statements presented herein must therefore be read together with those documents.

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.

7.2 Consolidated companies and business combinations

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

COMPANY NAME	REGISTERED OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
			INVESTOR	% HELD	
A. Companies in consolidated accounts					
A.1 Recognised using the line-by-line method					
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 31 March 2017, 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, 9 May 2017

THE BOARD OF DIRECTORS

DECLARATION PURSUANT TO ARTICLE 154-*bis*, PARAGRAPH 2, OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

The undersigned, Tommaso Di Russo, 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,

declares 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 31 March 2017 corresponds to the Company's books, records and accounting documents.

Milan, 9 May 2017

Tommaso Di Russo
Manager in Charge of Preparing
the Company's Financial Reports
Banca Generali S.p.A.

Banca Generali S.p.A.

Registered office
Via Machiavelli 4
I-34132 Trieste

Share capital
Authorised 119,378,836 euro
Subscribed and paid 116,643,948 euro

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

Company managed and coordinated
by Assicurazioni Generali S.p.A.
Bank which is a member of the Interbank
Deposit Protection Fund
Registration with the bank register
of the Bank of Italy under No. 5358
Parent Company of the Banca Generali Banking Group
registered in the banking group register
ABI code 03075.9

Coordination and design Sege Srl

BANCA GENERALI

REGISTERED OFFICE
Via Machiavelli, 4
I – 34132 Trieste

MILAN HEAD OFFICE
Via Ugo Bassi, 6
I – 20159 Milano
+39 02 6076 5411

TRIESTE HEAD OFFICE
Corso Cavour, 5/a
I – 34132 Trieste
+39 040 7777 111

www.bancagenerali.com