



BANCA GENERALI S.P.A.

INTERIM REPORT

as of 30.09.2017



INTERIM REPORT

as of 30.09.2017

Board of Directors 8 November 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

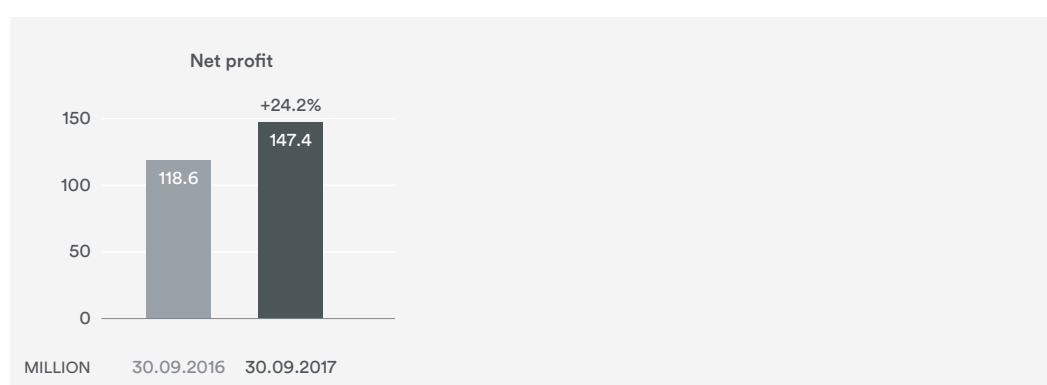
GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

Consolidated figures

(€ MILLION)	30.09.2017	30.09.2016	CHANGE %
Net interest income	47.1	44.3	6.4
Net fees	323.2	247.7	30.5
Net income (loss) from trading activities and dividends	14.1	30.6	-54.1
Net banking income	384.3	322.6	19.1
Staff expenses	-63.3	-64.7	-2.1
Other general and administrative expense	-106.5	-98.4	8.3
Amortisation and depreciation	-5.8	-3.5	64.5
Other operating income and expenses	36.5	28.0	30.5
Net operating expenses	-139.2	-138.6	0.4
Operating result	245.2	184.0	33.3
Provisions	-64.0	-41.7	53.5
Adjustments	-6.0	-0.8	n.a.
Profit before taxation	175.0	141.5	23.7
Net profit	147.4	118.6	24.2
PERFORMANCE INDICATORS			
	30.09.2017	30.09.2016	CHANGE %
Cost/Income ratio	34.7%	41.9%	-17.1
EBTDA	251.0	187.5	33.8
ROE ^(a)	29.2%	25.4%	14.7
ROA ^(b)	0.27%	0.26%	4.6
EPS - Earnings per Share (euro)	1.265	1.022	23.8

(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

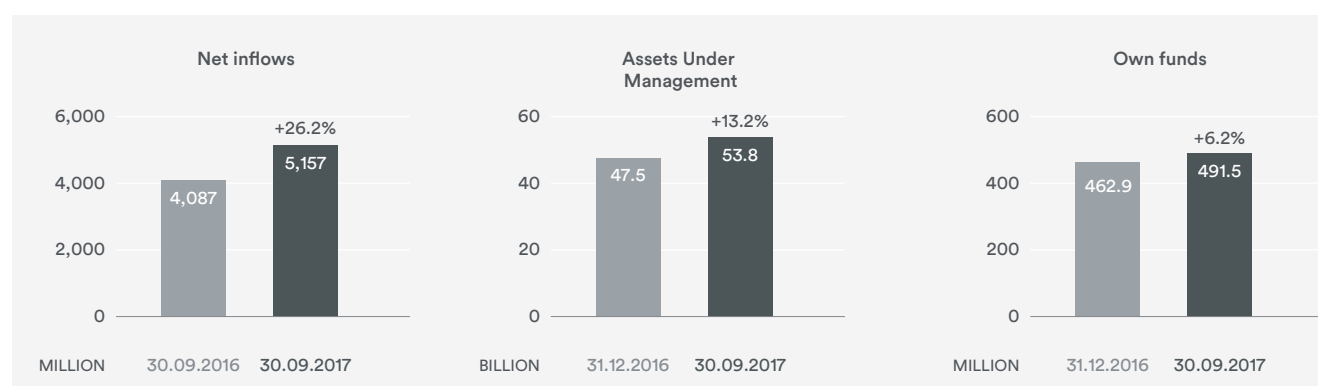
(€ MILLION) (ASSORETI DATA)	30.09.2017	30.09.2016	CHANGE %
Mutual funds and Sicavs	1,337	33	n.a.
Asset management	1,868	644	190.1
Insurance / Pension funds	1,396	2,129	-34.4
Securities / Current accounts	556	1,281	-56.6
Total	5,157	4,087	26.2

Assets Under Management & Custody (AUM/C)

(€ BILLION) (ASSORETI DATA)	30.09.2017	31.12.2016	CHANGE %
Mutual funds and Sicavs	12.9	11.2	15.4
Asset management	6.7	4.7	42.7
Insurance / Pension funds	21.8	20.2	7.6
Securities / Current accounts	12.5	11.5	8.8
Total	53.8	47.5	13.2

Net equity

(€ MILLION)	30.09.2017	31.12.2016	CHANGE %
Net equity	667.1	646.5	3.2
Own funds	491.5	462.9	6.2
Excess capital	290.5	261.9	10.9
Total Capital Ratio	19.6%	18.4%	6.2



CONSOLIDATED ACCOUNTING STATEMENTS

CONSOLIDATED ACCOUNTING STATEMENTS

Consolidated balance sheet

ASSETS (€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
HFT financial assets	49,670	38,560	11,110	28.8%
AFS financial assets	4,595,225	4,409,318	185,907	4.2%
HTM financial assets	1,005,612	731,362	274,250	37.5%
Loans to banks	362,559	894,000	-531,441	-59.4%
Loans to customers	1,938,667	1,881,927	56,740	3.0%
Equity investments	1,879	1,988	-109	-5.5%
Property, equipment and intangible assets	94,436	97,813	-3,377	-3.5%
Tax receivables	52,551	44,538	8,013	18.0%
Other assets	288,272	257,229	31,043	12.1%
Total assets	8,388,871	8,356,735	32,136	0.4%

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
Due to banks	792,737	802,709	-9,972	-1.2%
Due to customers	6,588,339	6,648,202	-59,863	-0.9%
Financial liabilities held for trading and hedging	988	1,169	-181	-15.5%
Tax payables	41,066	17,118	23,948	139.9%
Other liabilities	133,097	118,853	14,244	12.0%
Special purpose provisions	165,521	122,163	43,358	35.5%
Valuation reserves	11,253	8,979	2,274	25.3%
Reserves	346,597	314,353	32,244	10.3%
Share premium reserve	58,504	53,803	4,701	8.7%
Share capital	116,852	116,425	427	0.4%
Treasury shares (-)	-13,437	-2,933	-10,504	n.a.
Net profit (loss) for the period	147,354	155,894	-8,540	-5.5%
Total net equity and liabilities	8,388,871	8,356,735	32,136	0.4%

Consolidated profit and loss account

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Net interest income	47,094	44,265	2,829	6.4%
Net fees	323,159	247,662	75,497	30.5%
Dividends	1,770	1,664	106	6.4%
Net income (loss) from trading activities	12,305	28,971	-16,666	-57.5%
Net operating income	384,328	322,562	61,766	19.1%
Staff expenses	-63,319	-64,662	1,343	-2.1%
Other general and administrative expenses	-106,516	-98,350	-8,166	8.3%
Net adjustments of property, equipment and intangible assets	-5,829	-3,543	-2,286	64.5%
Other operating expenses/income	36,493	27,969	8,524	30.5%
Net operating expenses	-139,171	-138,586	-585	0.4%
Operating result	245,157	183,976	61,181	33.3%
Net adjustments for non-performing loans	-173	2,627	-2,800	-106.6%
Net adjustments of other assets	-5,831	-3,411	-2,420	70.9%
Net provisions	-64,016	-41,715	-22,301	53.5%
Gains (losses) from equity investments	-96	-17	-79	n.a.
Operating profit before taxation	175,041	141,460	33,581	23.7%
Income taxes for the period	-27,687	-22,844	-4,843	21.2%
Net profit	147,354	118,616	28,738	24.2%

Statement of comprehensive income

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Net profit	147,354	118,616	28,738	24.2%
Other income, net of income taxes:				
with transfer to Profit and Loss Account:				
Exchange gains and losses	-14	-97	83	-85.6%
AFS financial assets	2,360	-2,292	4,652	-203.0%
without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-71	-299	228	-76.3%
Total other income, net of taxes	2,275	-2,688	4,963	-184.6%
Comprehensive income	149,629	115,928	33,701	29.1%

INTERIM REPORT

as of 30.09.2017

Board of Directors
8 November 2017

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

The Banca Generali Group closed the first nine months of 2017 with an interim net profit of 147.4 million euros, up by nearly 25% on the same period of 2016. Total net inflows amounted to 5.2 billion euros (+26%), bringing the total volume of the assets entrusted by customers to the Banking Group for management to approximately 54 billion euros (+13.2%).

As further confirmation of its growing reputation within the international financial community, for the second consecutive year Banca Generali was named “**Best Private Bank in Italy**” by the specialised magazines of the Financial Times Group, whose jury cited the bank’s ability to outgrow its competitors and to create value for the Bank’s various stakeholders.

This prestigious award is an important recognition of the role played by the bank in guiding households in their financial planning and provides authoritative support for Banca Generali’s growth and positioning as Italy’s No. 1 private bank.

September, which has always been a less dynamic month in terms of commercial trends, ended with monthly net inflows of 386 million euros, up by nearly 50% compared to September 2016. Growth continues to be driven by wrapper solutions, with the sophisticated and innovative BG Solution now on a par with the well-established multi-line policy BG Stile Libero, in terms of net inflows levels.

Net banking income was 384.3 million euros, up sharply compared to the same period of 2016 (+19.1%) due to the structural growth of the AUM volume over the last year and the additional contribution provided by performance fees.

In this scenario, management fees performed well, up by 18.9%, bearing out the quality of the business model and the ability to develop recurring business, benefiting from stable margins and expanding total assets.

In the first nine months 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 (+30.1 million euros), only partly offset by the decreased contribution of trading activities.

In addition, the increase in business volumes resulted in a slight rise in net interest income (+6.4%), confirming the trend reversal of recent quarters, despite the scenario of persistently low interest rates.

Net operating expenses amounted to 139.2 million euros, essentially stable compared to the previous year, also thanks to the thorough cost discipline which allowed to offset higher charges due to new projects and the business expansion recorded in the reporting period. The 34.7% cost/income ratio was therefore again one of the best in the industry.

From the standpoint of capital solidity, Banca Generali confirms the solidity of its regulatory aggregates. On a phased-in basis, CET1 ratio stood at 17.8% and Total Capital Ratio at 19.6%. With reference to regulatory capital requirements, excess capital on a phase-in basis amounted to 290.5 million euros, accounting for 59% of total Basel 3-compliant Own Funds.

Capital ratios far exceeded the specific requirements set by the Bank of Italy for the Company (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 53.8 billion euros at 30 September 2017. In addition, managed assets also included 0.8 billion euros in deposits of assets under administration of companies of the Generali Group and 2.5 billion euros in funds and Sicavs distributed directly by management firms, for an overall total of 57.2 billion euros.

Significant corporate events

On 12 and 10 October 2017, the Boards of Directors of Banca Generali (surviving company) and the subsidiary BG Fiduciaria SIM (merged company) approved the plan for the merger of the latter into Banca Generali, approving the draft merger plan pursuant to the combined provisions of Articles 2501 *et seqq.* and 2505 of the Italian Civil Code.

The merger, which received the Bank of Italy’s prior authorisation, will become effective 1 January 2018.

The decision to proceed with the reorganisation of the Banking Group stemmed from the advisability of 1) rationalising the range of fiduciary services, which will be concentrated within the trust company Generfid S.p.A.; 2) offering customers of BG Fiduciaria access to the innovative wrappers of managed products and the wealth management services dedicated to private

banking customers, available through the integrated technology platform BGPA; and, at the same time; 3) streamlining administrative and operational processes through the integration of the resources devoted to portfolio management.

A preliminary agreement to form a joint venture in the online trading and digital services sector was also signed with the innovative Danish bank Saxo Bank on 22 September 2017.

The deal aims to offer Italian customers exclusive access to an innovative advanced trading platform based on Saxo Bank's technology, to be managed by a newly formed brokerage firm (Società d'Intermediazione Mobiliare - SIM). Saxo Bank and Banca Generali have agreed on the goal of signing the main agreements governing the partnership by 31 December 2017.

2. MACROECONOMIC CONTEXT

Equity markets rallied in the first nine months of 2017, buoyed by a strengthening macroeconomic scenario, which in turn was supported by the sharp recovery of international trade, the continuation of expansionary monetary policy in most countries and expectations of a major change in fiscal policy by the U.S. Government in support of its economy.

After first gaining momentum in late 2016, the global economy initially maintained the same rate of growth and then accelerated further in the first nine months of 2017: the PMI index – an indicator of the performance and trends of the global manufacturing industry – averaged 54.5 in the third quarter, three points above the level for all of 2016. In general, developed economies contributed more to the international recovery, but emerging markets also clearly did their part, as their PMI indices show. In autumn 2016, global trade surged to levels that had not been seen since before the financial crisis. Among the developed economies, the most robust growth was in the Euro Area, whereas the U.S. economy suffered due to unexpected climatic events.

The **Euro Area**'s economy remained sound, despite various unexpected events that resulted in heightened political uncertainty (Brexit, the constitutional referendum in Italy and political and presidential elections in various countries).

In the **United States**, the growth rate rose over the year from slightly above 1% annualised in the first quarter to over 3% mid-year, thanks above all to the recovery of investments. The labour market continued to improve and the unemployment rate fell to very low levels, although it did not result in a wage push.

In contrast, in **China** the economy declined over the year, while still remaining robust. The weaker performance extended to all sectors of the economy, primarily affecting investments but also including consumption. Despite the measures taken by the government, the real estate market continued to show signs of stability throughout the summer, whereas the PBOC (China's central bank) raised rates several times as part of efforts to regulate the banking sector.

Inflation remained at low levels in all areas: particularly in the United States and Europe, the increase in the rate of creation of new jobs did not result in pressure on a wage push, thus permitting the Central Banks in each area to maintain an expansionary policy. In the United States, the Federal Reserve, as generally expected by the markets, raised rates twice (in mid-March and mid-June, +25 basis points each time), whereas in the Euro Area the ECB continued with its expansionary quantitative easing (QE) policy.

In these circumstances, financial markets continued the trends that had emerged in late 2016: stock markets rallied, yields rose slightly and the euro appreciated against all other currencies, driven by the sharp increase in the economic growth rate.

Although inflation remains modest in Europe, growing domestic demand is tending to drive up both import and output prices, above all for the core component of inflation. This scenario led the **ECB** to adopt a firmer approach with regard to risks in its most recent meetings, reducing the risk of deflation, while also emphasising the risks of wage push due to the improving job market. However, the four conditions cited by President Draghi in 2016, to be met before a change of policy orientation, remain valid:

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, i.e., it must refer to inflation net of energy prices;
3. the inflation reached must be self-sustaining, without any contribution from monetary policy; and
4. the aforementioned criteria must apply to the entire Euro Area.

As 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% throughout the reporting period.

The strengthening of this scenario translated into higher **equity prices**, although performances in euro were weighed down by the depreciation of the dollar.

The MSCI World index in euro grew by +2% (+14.2% in the local currency), the S&P500 by +0.5% (+12.5% in dollar) and the Topix increased by 2.5% (+10.3% in yen).

In Europe, the benchmark index DJ Stoxx 600 increased by +7.4%; the Italian market index rose by +18%.

During the period, emerging market stock exchanges reported a performance in euro varying by reference area, in certain cases even outstanding: +12% overall (the MSCI Emerging Markets index), +9.6% in India, +25.5% in China, whereas in Eastern Europe it declined by -3.3%.

Overall, the market sectors that performed best in Europe were technology, financial services, industrial and banking goods and services, whereas energy, media, retail sales and telecommunications posted below-average performances.

Bond yields on the markets of reference (Treasury and Bunds) showed a diverging trend. In the United States, short-term yields (two years) rose, in line with the official rate increases announced by the Federal Reserve, from 1.17% at the beginning of the year to 1.49% at the end of September. On the other hand, long-term rates (ten years), in response to surprisingly weaker inflation data than expected, fell moderately from 2.45% at the beginning of 2017 to 2.33% at the end of September. In Europe, improved growth prospects and persistently low structural inflation translated into a modest increase in the two-year rate (from -0.80% to -0.74% in the first nine months of the year) and a modest increase coupled with fluctuations in the long-term rate (ten years), which grew from 0.11% to 0.46%, where it ended the period. Spreads between members of the European Monetary Union widened until around mid-April due to political uncertainty and then fell back to values near those of the end of 2016. In particular, Italy's spread remained unchanged between the beginning and end of the period (around 170 basis points), despite reaching a peak of 210 bps over the months.

On **currency markets**, the dollar gradually weakened. Despite the persistent divergence between the monetary policies pursued by the ECB (very expansionary) and the Federal Reserve (expansionary, although to a lesser degree), the prudence in the comments accompanying all expansionary strategies by the Federal Reserve and, above all, the markedly improved economic scenario in the Eurozone, all supported the European currency, which appreciated against most currencies. During the period, the euro rose from 1.054 dollars to the euro at the end of 2016 to just above 1.18, while the yen depreciated from 123.4 at the beginning of the year to 132.8 at the end of September.

Finally, the prices of **commodities** showed an uneven trend. The price of oil (WTI) remained stable at around 55 dollars a barrel until early March, when it began to decline up to mid-2017, to then recover and end the reporting quarter at 51.7 dollars a barrel. Gold was more stable, appreciating gradually to end the reporting period at 1,282, up from 1,152 at the end of 2016, but below the highs reached in August (1,350 dollars an ounce).

Outlook

The outlook of the main international authorities for the coming months calls for the global growth scenario to improve further as a result of more dynamic investments, employment and global trade, which will drive concerted growth in most economic areas. The growth rate in the final months of the year will result in more robust growth than in 2016, and the OECD forecasts that there will be further improvement in 2018. Nonetheless, in its most recent September 2017 update, the OECD acknowledges that sustainable medium-term growth encompassing all sectors of the economy is not yet secured: the recovery of business investments and trade remains weaker than needed to sustain healthy productivity growth, and wage growth has thus far been disappointing on average and uneven between the various sectors of the job market. Finally, it bears emphasising that emerging markets remain key to global growth, which still requires extensive structural reforms in order to be robust and sustainable. In the Eurozone, the ECB continues to emphasise that its QE programme is supporting the economic cycle, improving the financial conditions of households and businesses and stabilising rates at low levels.

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.

3.1 The asset management market

The UCITS market in Italy since 2007 (€ billion)



Assogestioni data updated September 2017

The asset management market continues to gain momentum, drawing net inflows of 79.5 billion euros into open-end funds in the first nine months of 2017. At the industry-wide level, total assets under management reached an all-time record of 2,046 billion euros, owing in part to the increase in value witnessed over the past few months, as a result of bull markets.

In detail, the UCIT market reported net inflows of about 58.2 billion euros year to date. Most net inflows continue to flow to mutual funds (57.4 billion euros in the period from year-start to the end of September). These instruments meet investors' need for guidance as they search for returns and capital protection in financial markets that are very challenging because interest rates remain low, risks are high due to geopolitical tensions and economic uncertainty, and Central Banks may reduce expansionary stimuli. It is no coincidence that the best-selling type of funds are flexible funds, which allow their managers to switch between various asset classes to seize the best opportunities or which can provide a certain level of return regardless of individual market performance.

The asset management industry still has enormous untapped potential, considering the 1,400 billion euros kept in bank accounts offering essentially zero returns, which remain the natural objective of management companies. Technological and product innovation and quality of advisory services are crucial in competition to win over new customers or to convince existing ones to move their savings into managed solutions. Both requirements are indispensable to responding to a scenario that is constantly changing from both a regulatory and demographic standpoint.

3.2 The Assoreti market

The net inflows recorded by the Assoreti market (the overall distribution activity of FA networks) in the first nine months of 2017 also exceeded by 32% the already highly positive results recorded in 2016.

(€ MILLION)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Mutual funds and portfolio management	17,240	7,967	9,273	116%
Insurance	8,390	3,960	4,430	112%
Total assets under management	25,630	11,927	13,703	115%
Total assets under administration and custody	4,312	10,836	-6,524	-60%
Total	29,942	22,763	7,179	32%

Source: Assoreti data updated September 2017

With specific regard to the Financial Advisor market, customers' investment decisions favoured asset management products, which collectively recorded net inflows of 25.6 billion euros and accounted for about 86% of total assets overall for the first nine months of 2017, whereas net inflows from assets under administration reached 4 billion euros.

The networks' contribution to the open-end UCIT system, through the direct and indirect distribution of units, amounted to approximately 23 billion euros, which accounted for approximately 40% of the total net assets that have flowed into the fund system since the beginning of the year.

In the first nine months of the year, a significant improvement was reported by both managed products (with foreign Sicavs at 13.9 billion euros and asset management solutions at 3.3 billion euros) and insurance products, which mainly include multi-line policies (3.7 billion euros) and unit-linked policies (3.7 billion euros).

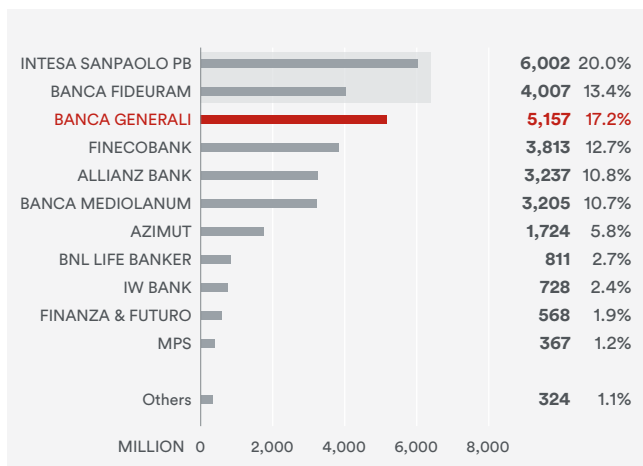
Assets under administration and custody gathered net inflows of about 4 billion euros since year-start, with a sharp decline compared to the same period of 2016 (-60%).

3.3 Banca Generali

Against this very positive background, Banca Generali continued to be one of the market leaders in terms of net inflows gathered through Financial Advisors, with 5.2 billion euros in the nine month period and a market share of 17.2%, which ranks the Bank in second place on the market of reference (last available figures at the reporting date).

Total net inflows – Assoreti – 29.9 billion euros – and market share (%)

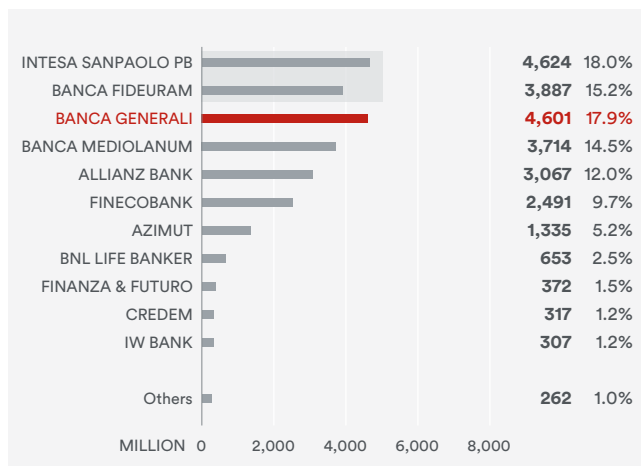
September 2017 (€ million)



Source: Assoreti

Net inflows from AUM and insurance products – Assoreti – 25.6 billion euros – and market share (%)

September 2017 (€ million)



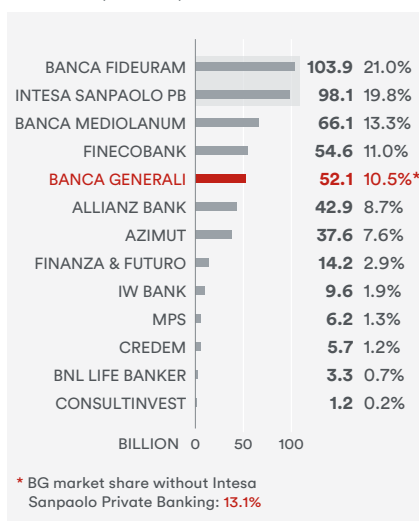
Source: Assoreti

This performance appears even more impressive and significant if one considers assets under management and insurance segments together, with Banca Generali recording net inflows of approximately 4.6 billion euros and a market share of 17.9%.

At 30 September 2017, Banca Generali's net inflows amounted to 5.2 billion euros, up 26% compared to the already excellent performance recorded in the same period of 2016. Overall, net inflows of asset management and insurance segments accounted for 89% (4.6 billion euros) of Banca Generali's total net inflows. Customers continued to show their appreciation for the Bank's wrappers of products that gathered 3,529 million euros overall in the first months of the year, of which 2,294 million euros from BG Solution and 1,235 million euros from BG Stile Libero. In the first nine months of 2017, Sicavs also contributed significantly to the asset management segment, reporting 1,337 million euros net inflows.

Assoreti total AUM – 495 billion euros – and market share (%)

June 2017 (€ billion)



Source: Assoreti

Net inflows of Banca Generali

(€ MILLION)	BG GROUP		CHANGE	
	30.09.2017	30.09.2016	AMOUNT	%
Funds and Sicavs	1,337	33	1,304	n.a.
GPF/GPM	1,868	644	1,224	190%
Total assets under management	3,205	677	2,528	373%
Total insurance products	1,396	2,129	-733	-34%
Total assets under administration and custody	556	1,281	-725	-57%
Total assets placed by the network	5,157	4,087	1,070	26%

Based on latest data available at June 2017, Banca Generali was once again one of the top competitors in the market in terms of Assets Under Management, with a market share of 10.5%.

Considering the September AUM figures of Banca Generali only – as illustrated in the summary table containing a breakdown by macro-aggregate – and comparing them with the figures from December 2016, it may be observed that Assets Under Management increased by approximately 13% during the nine months under review. These AUM refer to the Assoreti market, i.e., the market related to the Financial Advisor operating area.

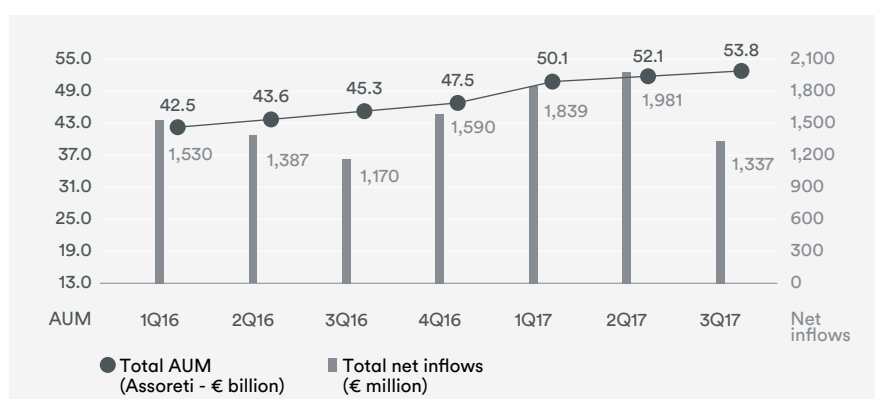
The increase in the portfolio was attributable to both the net inflows gathered during the reporting period and markets' positive performance, which have driven the assets' growth in the last months.

Assets Under Management of Banca Generali

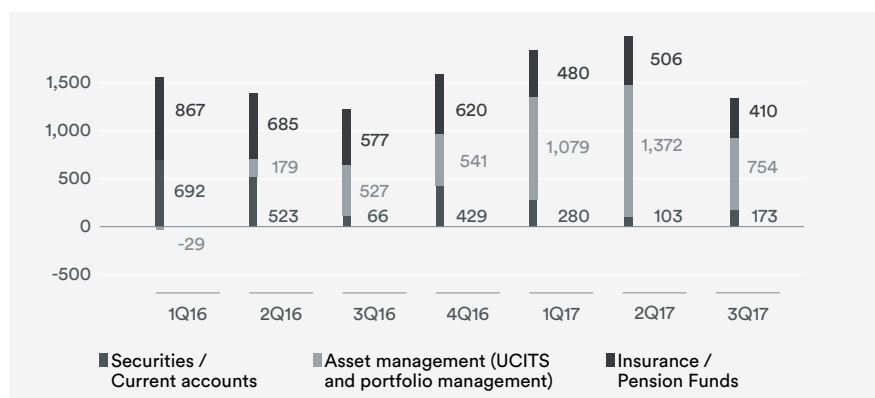
(€ MILLION)	BG GROUP		CHANGES VS 31.12.2016	
	30.09.2017	31.12.2016	AMOUNT	%
Funds and Sicavs	12,902	11,182	1,720	15.4%
GPF/GPM	6,677	4,678	1,999	42.7%
Total assets under management	19,579	15,860	3,719	23.4%
Total insurance products	21,758	20,213	1,545	7.6%
Total assets under administration and custody	12,488	11,474	1,014	8.8%
Total assets under management	53,825	47,547	6,278	13.2%

The following charts 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 RESULT AND PERFORMANCE OF THE MAIN NET EQUITY AGGREGATES

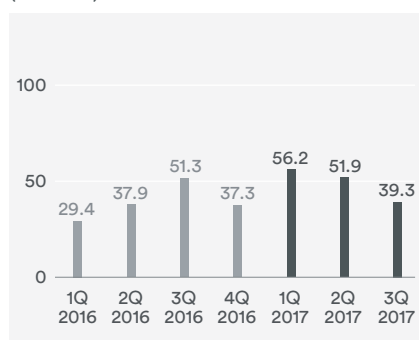
4.1 Profit and Loss results

The Group's net profit at the end of the first nine months of 2017 was 147.4 million euros, up by nearly 25% compared to the same period of the previous year.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Net interest income	47,094	44,265	2,829	6.4%
Net fees	323,159	247,662	75,497	30.5%
Dividends	1,770	1,664	106	6.4%
Net income (loss) from trading activities	12,305	28,971	-16,666	-57.5%
Net operating income	384,328	322,562	61,766	19.1%
Staff expenses	-63,319	-64,662	1,343	-2.1%
Other general and administrative expenses	-106,516	-98,350	-8,166	8.3%
Net adjustments of property, equipment and intangible assets	-5,829	-3,543	-2,286	64.5%
Other operating expenses/income	36,493	27,969	8,524	30.5%
Net operating expenses	-139,171	-138,586	-585	0.4%
Operating result	245,157	183,976	61,181	33.3%
Net adjustments for non-performing loans	-173	2,627	-2,800	-106.6%
Net adjustments of other assets	-5,831	-3,411	-2,420	70.9%
Net provisions	-64,016	-41,715	-22,301	53.5%
Gains (losses) from equity investments	-96	-17	-79	n.a.
Operating profit before taxation	175,041	141,460	33,581	23.7%
Income taxes for the period	-27,687	-22,844	-4,843	21.2%
Net profit	147,354	118,616	28,738	24.2%

Quarterly net profit

(€ million)



Net operating income amounted to 384.3 million euros, with an increase of 61.8 million euros (+19.1%) compared to the same period of the previous year, as a result of the following factors:

- > the significant increase in **management fee income** (+18.9%), 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 (+30.1 million euros), only partly offset by the lower net income from trading activities (-16.7 million euros);
- > the stabilisation of **net interest income** (+6.4%) due to the significant 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 139.2 million euros, with a very slight growth mostly linked to the new projects carried out for the period and the expansion of business volumes.

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 34.7% (46.4% net of the more volatile components), reflecting the ongoing improvement of the Group's operating efficiency-building effort.

Net provisions and net adjustments amounted to 70.0 million euros, up compared to the first nine 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 175.0 million euros, up by 33.6 million euros compared to 2016. The tax burden for the reporting period increased slightly to an overall tax rate of 15.8%, in line with the end of 2016.

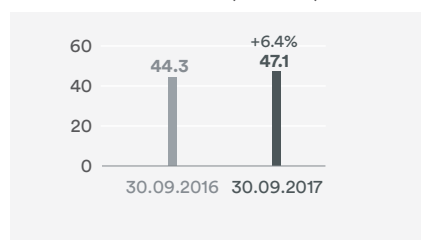
Quarterly evolution of the Profit and Loss Account

(€ THOUSAND)	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Net interest income	15,514	15,842	15,738	14,398	14,710	14,414	15,141
Net fees	93,971	113,611	115,577	61,349	94,836	87,554	65,272
Dividends	16	1,518	236	299	180	1,385	99
Net income (loss) from trading activities	4,672	4,507	3,126	3,783	10,882	3,721	14,368
Net operating income	114,173	135,478	134,677	79,829	120,608	107,074	94,880
Staff expenses	-19,459	-23,133	-20,727	-15,808	-21,221	-22,951	-20,490
Other general and administrative expenses	-36,942	-34,623	-34,951	-41,769	-34,376	-31,601	-32,373
Net adjustments of property, equipment and intangible assets	-2,037	-2,069	-1,723	-2,397	-1,212	-1,180	-1,151
Other operating expenses/income	12,499	13,503	10,491	16,576	7,905	9,353	10,711
Net operating expenses	-45,939	-46,322	-46,910	-43,398	-48,904	-46,379	-43,303
Operating result	68,234	89,156	87,767	36,431	71,704	60,695	51,577
Net adjustments for non-performing loans	436	-23	-586	-706	1,110	2,008	-491
Net adjustments of other assets	-3,276	17	-2,572	712	-264	-2,396	-751
Net provisions	-18,365	-27,471	-18,180	6,975	-13,256	-17,050	-11,409
Gains (losses) from equity investments	-19	-44	-33	-36	22	-30	-9
Operating profit before taxation	47,010	61,635	66,396	43,376	59,316	43,227	38,917
Income taxes for the period	-7,739	-9,774	-10,174	-6,098	-8,011	-5,327	-9,506
Net profit	39,271	51,861	56,222	37,278	51,305	37,900	29,411

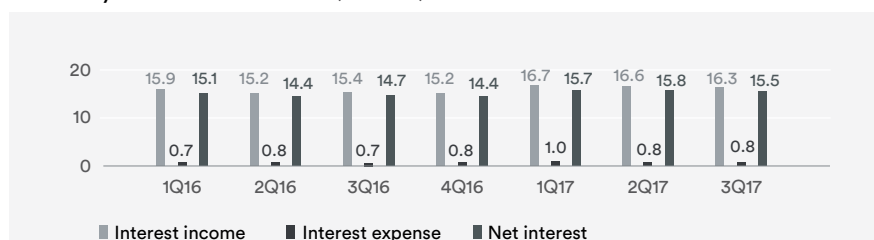
4.1.1 Net interest income

Net interest income amounted to 47.1 million euros, up by 2.8 million euros compared to 2016 (+6.4%), 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 income (€ million)



Quarterly net interest income (€ million)



In the first nine months of 2017, interest rate performance in the Euro Area continued to be influenced by the unconventional Quantitative Easing policy launched by the ECB in 2015 and further expanded in the previous year.

In this regard, it should be recalled that, in order to stimulate a recovery of inflation, in June 2016 the ECB had 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 last meeting on 26 October 2017, the ECB's Council kept its benchmark rates unchanged and confirmed that its current monetary policy would continue until December 2017, while announcing that it would gradually scale back net purchases in its asset purchasing programme from 60 billion euros to 30 billion euros a month starting in January 2018 and concluding in September 2018, or at later date, where necessary, and in any case until there is a lasting change in price trends consistent with its inflation target.

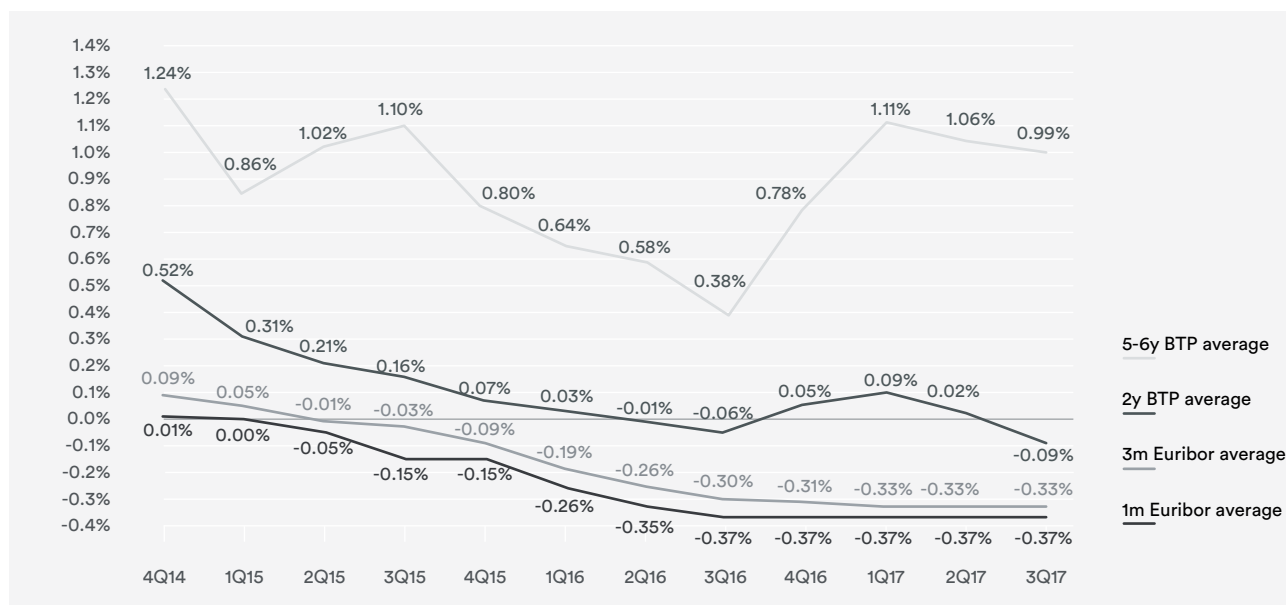
The ECB's dovish decision thus mitigated the debate concerning tapering (elimination of QE) in the coming months, which had begun several months earlier. Although there continue to be stronger signs that economic growth and business confidence are becoming more robust, unsatisfactory wage performance in the Euro Area and the lack of signs of an increase in the inflation rate – which nonetheless appears to be progressing stably – seem to have warded off expectations of a rapid rise in inflation rates for the time being.

Overall, the interest-rate curve on the interbank market continued therefore to decrease, consolidating an anomalous situation of positive funding rates but negative lending rates that have now exceeded the 12-month maturity. As a result, in September 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.

The downtrend continued also on the Italian government bond market where, starting in the second half of 2016, the spread volatility began to increase for longer-time maturities, due to persistent uncertainty in the political scenario.

Yields on Italian government bonds with average residual maturities of two years stood at around 0.20% in September and those with average residual maturities of five years at 0.70%, whereas yields in excess of 1% could only be seen for maturities of more than six years.

Evolution of interest rates (quarterly average)



In this context, interest income increased moderately, by 3.1 million euros compared to the previous year (+6.7%), thanks to a significant increase in average lending 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, which led the longer-term share of the bond portfolio to 50% of the total. Nonetheless, the bond portfolio's total average profitability for the first nine months of 2017 stood at just below 0.75%.

Interest on loans to customers, most of which are benchmarked on the Euribor, began to show signs of weakness (-2.5%).

Symmetrically, the cost of net inflows also stopped decreasing. However, the performance of the cost of net inflows appeared largely characterised by the increase in negative interest income on interbank deposits.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
HFT financial assets	97	62	35	56.5%
AFS financial assets	14,262	14,601	-339	-2.3%
HTM financial assets	15,010	11,384	3,626	31.9%
Financial assets classified among loans	2,148	2,884	-736	-25.5%
Total financial assets	31,517	28,931	2,586	8.9%
Loans to banks	84	31	53	171.0%
Loans to customers	15,450	15,839	-389	-2.5%
Other assets	2,609	1,752	857	48.9%
Total interest income	49,660	46,553	3,107	6.7%
Due to banks	464	445	19	4.3%
Due to customers	439	393	46	11.7%
Subordinated loan	1,262	1,265	-3	-0.2%
Other liabilities	401	185	216	116.8%
Total interest expense	2,566	2,288	278	12.2%
Net interest income	47,094	44,265	2,829	6.4%

The negative interest income paid to banks on loans and negative interest expense paid by counterparties on the Bank's inflows operations amounted to 401 thousand euros and 2,609 thousand euros, respectively, and refer primarily to deposits with the Central Bank (345 thousand euros) and repurchase agreements (1,380 thousand euros).

Negative interest expense on operations with customers refers to the captive deposits held by Generali Group companies, to which it has applied since June 2016.

Considering negative interest expense and net of negative interest income, the net balance of total cost of net inflows was therefore negative overall at the end of the reporting period.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Banks	1,424	1,145	279	24.4%
Corporate customers	1,185	607	578	95.2%
Total negative interest expense	2,609	1,752	857	48.9%
Banks	391	178	213	119.7%
Customers	10	7	3	42.9%
Total negative interest income	401	185	216	116.8%
Net interest income	2,208	1,567	641	40.9%

4.1.2 Net fees

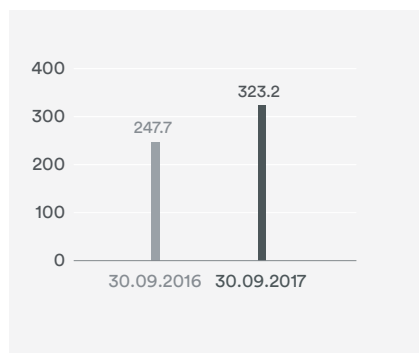
Net fees amounted to 323.2 million euros, up by 30.5% compared to the same period of the previous year, as a result of the structural growth of AUM transaction volumes in the last year, while also benefiting from an increase in performance fees.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Collective and individual portfolio management fees	313,868	248,253	65,615	26.4%
Fees on the placement of securities and UCITS	56,689	42,466	14,223	33.5%
Fees on the distribution of third-party financial products	156,072	136,198	19,874	14.6%
Fees on trading and securities custody	15,395	10,426	4,969	47.7%
Fees for other banking services	12,194	9,063	3,131	34.5%
Total fee income	554,218	446,406	107,812	24.2%
Fees for off-premises offer	201,501	174,808	26,693	15.3%
Fees for dealing in securities and custody	4,548	2,597	1,951	75.1%
Fees for portfolio management	22,816	19,377	3,439	17.7%
Fees for other banking services	2,194	1,962	232	11.8%
Total fee expense	231,059	198,744	32,315	16.3%
Net fees	323,159	247,662	75,497	30.5%

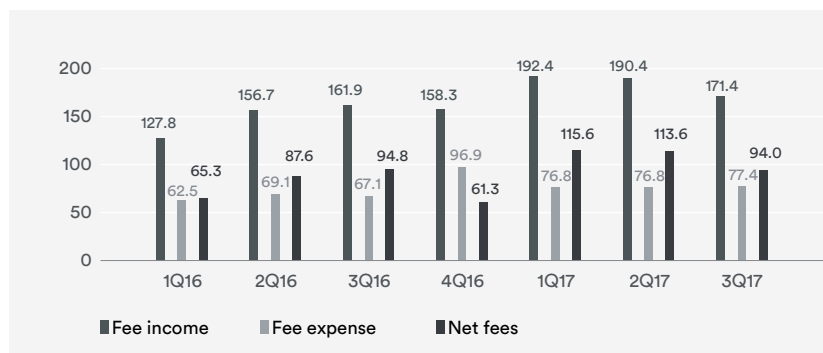
Fee income thus amounted to 554.2 million euros, up by 24.2% due to both the robust increase in recurring management fees (+18.9%), in line with the increase in average AUM invested in asset management and insurance products compared to the first nine months of 2016 (+18.3%), and the non-recurring component, tied to the excellent performances of the Sicavs promoted by the Group within the favourable context of the market growth occurred in 2017.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Underwriting fees	13,209	11,928	1,281	10.7%
Management fees	430,610	362,299	68,311	18.9%
Performance fees	82,810	52,690	30,120	57.2%
Fees for other banking and financial services	27,589	19,489	8,100	41.6%
Total	554,218	446,406	107,812	24.2%

Net fees (€ million)

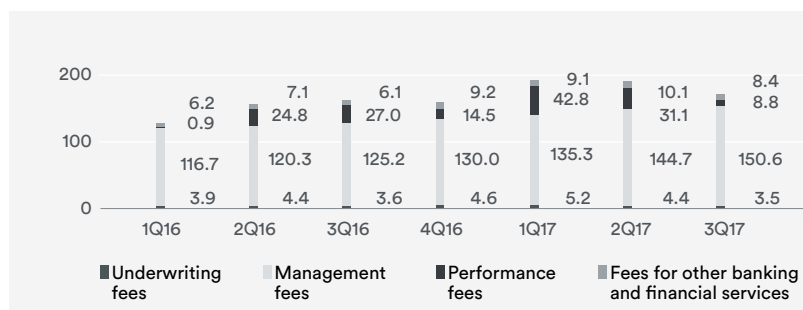


Quarterly net fees (€ million)



The success achieved by the innovative solutions offered by the Banking Group is also borne out by the increase in **underwriting fees**, thanks in part to the success of multi-line management solutions, and **fees for other banking and financial services** (+41.6%), within which revenues on advanced advisory services are beginning to grow.

Fee income structure (€ million)



Fee income from the solicitation of investment and asset management of households reached 526.6 million euros, with a 23.4% increase compared to 2016.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
1. Collective portfolio management	265,863	220,966	44,897	20.3%
2. Individual portfolio management	48,005	27,287	20,718	75.9%
Asset management fees	313,868	248,253	65,615	26.4%
1. Placement of UCITS	56,502	41,556	14,946	36.0%
<i>of which placement of UCITS promoted by the Group</i>	<i>4,169</i>	<i>3,916</i>	<i>253</i>	<i>6.5%</i>
3. Placement of bonds and equity securities	186	910	-724	-79.6%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	599	542	57	10.5%
5. Distribution of third-party insurance products	155,110	135,395	19,715	14.6%
6. Distribution of other third-party financial products	364	261	103	39.5%
Fees for the placement and distribution of financial services	212,761	178,664	34,097	19.1%
Asset management fee income	526,629	426,917	99,712	23.4%

The **distribution of insurance products** continued to record constant progress, growing +14.6% compared to the same period of 2016, thanks to the significant increase in average AUM relating to the segment (+14.2%).

During the reporting period, insurance net inflows amounted to 1.4 billion euros, mostly related to the multi-line policy **BG Stile Libero**, which since inception in June 2014 has recorded over 7.0 billion euros. The revenues generated by the distribution of the subsidiary Genertellife's products thus reached 154.7 million euros.

With reference to the “innovative financial wrapper solutions”, mention should also be made of **discretionary mandates**, which showed a marked increase in revenues of 75.9% compared to the same period 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 2.3 billion euros to be obtained in the reporting period, bringing the total AUM relating to the new lines to over 4.2 billion euros.

The management fees on the **Sicavs** promoted by the Banking Group, net of the effect of non-recurring components linked to performance (+30.0 million euros), rose more slightly by 8.8% compared to the previous year, as a result of both slower growth of net inflows from retail products and a slight profitability reduction of the institutional classes' portfolio.

Lastly, underwriting and management fees on the **placement of UCITS** amounted to 56.5 million euros, with an increase of 36.0% on 2016, due to very positive demand for individual funds and Sicavs, which attracted net inflows of nearly 1.3 billion euros during the first nine months of 2017.

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 27.6 million euros.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Dealing in securities and currencies	11,233	8,139	3,094	38.0%
Order collection and securities custody fees	4,162	2,287	1,875	82.0%
Collection and payment services	2,089	2,171	-82	-3.8%
Fee income and account-keeping expenses	1,601	1,665	-64	-3.8%
Consultancy	6,140	3,051	3,089	101.2%
Other services	2,364	2,176	188	8.6%
Total traditional banking operations	27,589	19,489	8,100	41.6%

Fees for the intermediation and custody of customers' financial assets amounted to 15.4 million euros, up by 5.0 million euros on 2016 due for over two thirds to the increase in the volumes of transactions on behalf of retail customers (+2.5 million euros) and the remainder to operations related to funds promoted by the Banking and Insurance Group and the new operations on behalf of institutional customers.

Fee expense amounted to 231.1 million euros, up moderately on the previous year (+16.3%), mostly due to the increase in fees paid to the Financial Advisor network for off-premises offers (+15.3%).

Distribution fee expense thus stood at 201.5 million euros, with a growth of 26.7 million euros compared to the first nine months of 2016, primarily as a result of the following factors:

- > a growth of incentive fees matured for the recruitment plans launched in the reporting period (welcome bonuses, entry bonuses) or in the previous years (+5.5 million euros);
- > a growth in front-end fees (+1.4 million euros), related to the same trend of underwriting fees and particularly to the placement of UCITS;
- > a growth in management fees (+14.9 million euros), related to the rise in the network's average AUM compared to the same period of the previous year.

In addition, the fees tied to the standard incentive programme for the sales network, set to conclude on 31 December 2017, currently classified among net provisions, were estimated at 19.0 million euros, down slightly compared to the previous year (-4%).

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Front-end fees	9,862	8,427	1,435	17.0%
Management fees	132,695	117,816	14,879	12.6%
Incentive fees	33,888	28,406	5,482	19.3%
Other fees	25,056	20,159	4,897	24.3%
Total	201,501	174,808	26,693	15.3%

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

Within the fee expense aggregate, **asset management fees** amounted to 22.8 million euros (+17.7%) 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 47.9% due to the aforementioned expansion in trading activities.

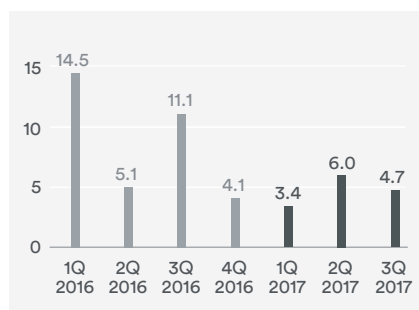
(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Fees for securities trading and custody	-4,548	-2,597	-1,951	75.1%
Collection and payment services	-1,782	-1,669	-113	6.8%
Other services	-412	-293	-119	40.6%
Total fee expense	-6,742	-4,559	-2,183	47.9%

4.1.3 Net income from trading activities and dividends

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

At the end of the first nine months of 2017, the item showed a positive contribution of 14.1 million euros, although it decreased 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 income from trading activities and dividends (€ million)



(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Dividends from trading and UCITS	78	251	-173	-68.9%
Trading of financial assets and equity derivatives	211	-1,055	1,266	-120.0%
Trading of financial assets and derivatives on debt securities and interest rates	1,143	241	902	374.3%
Trading of UCITS units	84	-551	635	-115.2%
Securities transactions	1,516	-1,114	2,630	-236.1%
Currency and currency derivative transactions	2,371	2,295	76	3.3%
Net income (loss) from trading activities	3,887	1,181	2,706	229.1%
Net profit from hedging	-	-	-	n.a.
Dividends from AFS assets	1,692	1,413	279	19.7%
Gains and losses on equity securities and ucits	2,291	126	2,165	n.a.
Gains and losses on AFS and HTM debt securities and loans	6,205	27,915	-21,710	-77.8%
Net result of financial operations	14,075	30,635	-16,560	-54.1%

The gains and losses realised on the AFS portfolio amounted to 7.6 million euros and include 2.3 million euros of profits on disposal of long-term equity investments, also in view of the transition to the new standard IFRS 9. The remainder refers to transactions aimed at shifting the composition of government bond holdings (3.0 million euros) and financial bond holdings (2.3 million euros) based on the market performance of the Bank's investment policies.

(€ THOUSAND)	TRANSFER OF RESERVES	GAINS	LOSSES	30.09.2017	30.09.2016	CHANGE
AFS financial assets	7,298	2,826	-2,552	7,572	25,996	-18,424
Debt securities	5,279	2,439	-2,436	5,282	25,870	-20,588
Equity securities	1,914	387	-9	2,292	113	2,179
UCITS units	105	-	-107	-2	13	-15
Financial assets classified among loans	-	995	-71	924	2,030	-1,106
HTM financial assets	-	-	-	-	15	-15
Total	7,298	3,821	-2,623	8,496	28,041	-19,545

Trading income was overall positive, up compared to the previous year (+2.9 million euros) due to the stronger performance of derivatives trading and gains on trading on own account with institutional customers.

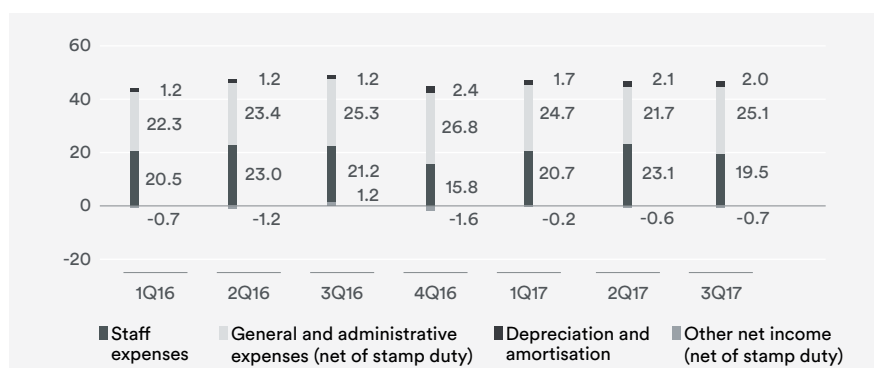
(€ THOUSAND)	CAPITAL GAINS	CAPITAL LOSSES	GAINS	LOSSES	NET RESULT 30.09.2017	NET RESULT 30.09.2016	CHANGE
1. Financial assets	561	104	1,292	458	1,291	-422	1,713
Debt securities	534	46	689	34	1,143	241	902
Equity securities	27	58	362	267	64	-112	176
UCITS units	-	-	241	157	84	-551	635
2. Derivatives	287	498	1,174	820	143	-958	1,101
Options on equity securities	287	498	930	577	142	-893	1,035
Options on currencies and gold	-	-	237	241	-4	-15	11
Futures	-	-	7	2	5	-50	55
3. Currency transactions	-	-	2,375	-	2,375	2,310	65
4. Total	848	602	4,841	1,278	3,809	930	2,879

4.1.4 Operating expenses

Operating expenses, including staff expenses, other general and administrative expenses, amortisation and depreciation and other operating income and expenses, amounted to 139.2 million euros, increasing by 0.6 million euros overall compared to the previous year (+0.4%).

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Staff expenses	63,319	64,662	-1,343	-2.1%
Other general and administrative expenses	106,516	98,350	8,166	8.3%
Net adjustments of property, equipment and intangible assets	5,829	3,543	2,286	64.5%
Other income and expenses	-36,493	-27,969	-8,524	30.5%
Operating expenses	139,171	138,586	585	0.4%

Operating expenses (€ million)



Staff expenses, including full-time employees, interim staff and directors, reached 63.3 million euros, virtually in line with the same period of 2016 (-2.1%).

Group's employees totalled 887, 29 more compared to the previous year, whereas the average headcount increased by 20.

	30.09.2017	30.09.2016	CHANGE		AVERAGE	
			NO.	%	2017	2016
Managers	48	46	2	4.3%	47.5	45.0
3 rd and 4 th level executives	150	153	-3	-2.0%	150.5	146.5
Other employees	689	659	30	4.6%	670.0	656.0
Total	887	858	29	3.4%	868.0	847.5

In 2017, there was a slight increase in the recurring component of staff expenses (+1.1 million euros) due to new hires and promotions, offset by the reduction in both the variable component (-1.8 million euros) – consisting of current and deferred MBO plans for management, sales incentives, individual and performance bonuses – and the IFRS 2-related charges for stock-option/stock-granting plans involving the Bank's shares and for LTI plans.

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 LTI plans associated with the previous Chief Executive Officer, who passed away in late March 2016 (-1.7 million euros).

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
1) Employees	62,326	63,413	-1,087	-1.7%
Salaries and social security charges	42,410	41,310	1,100	2.7%
Provision for termination indemnity and supplementary pension funds	3,358	3,313	45	1.4%
Costs related to payment agreements based on own financial instruments	1,529	3,213	-1,684	-52.4%
Short-term productivity bonuses (MBO, CIA, incl. sales)	10,757	10,937	-180	-1.6%
Other long-term incentives (MBO)	1,051	966	85	8.8%
Other employee benefits	3,221	3,674	-453	-12.3%
2) Other staff	110	149	-39	-26.2%
3) Directors and Auditors	883	1,100	-217	-19.7%
Total	63,319	64,662	-1,343	-2.1%

Total other general and administrative expenses, net of recoveries of taxes paid by customers (stamp duty, substitute tax), amounted to 71.6 million euros.

In accordance with the international accounting standards (IFRIC 21) and the Bank of Italy's technical rules, operating expenses include both the ordinary contributions to the Single Resolution Fund and the ordinary contributions to the Interbank Deposit Protection Fund (FITD), which came due in the third quarter of the year but have not been paid yet.

Net of such component, the item was substantially unchanged compared to the same period of the previous year.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Administration	10,222	10,177	45	0.4%
Advertising	2,850	3,075	-225	-7.3%
Advisory	4,027	3,645	382	10.5%
Auditing	307	306	1	0.3%
Insurance	2,204	2,313	-109	-4.7%
Other general costs (insurance; T&E)	834	838	-4	-0.5%
Operations	26,433	26,366	67	0.3%
Rent and usage of premises	13,635	13,752	-117	-0.9%
Outsourced services	4,126	3,516	610	17.3%
Post and telephone	1,782	1,865	-83	-4.5%
Print material and contracts	918	974	-56	-5.7%
Other indirect staff expenses	1,608	1,656	-48	-2.9%
Other operating expenses	4,364	4,603	-239	-5.2%
Information system and equipment	29,193	29,339	-146	-0.5%
Outsourced IT services	21,549	21,677	-128	-0.6%
Fees for financial databases and other IT services	4,988	4,561	427	9.4%
Software maintenance and servicing	2,084	2,463	-379	-15.4%
Other expenses (equipment rental, maintenance, etc.)	572	638	-66	-10.3%
Taxes and duties	36,017	28,299	7,718	27.3%
<i>of which virtual stamp duty and other duties borne by customers</i>	<i>35,497</i>	<i>27,808</i>	<i>7,689</i>	<i>27.7%</i>
Contributions to the Italian National Resolution Fund and Deposit Guarantee Scheme (DGS)	4,651	4,169	482	11.6%
Total other general and administrative expenses	106,516	98,350	8,166	8.3%
Recovery of stamp duty from customers (item 220)	-34,974	-27,317	-7,657	28.0%
Total other general and administrative expenses, net of stamp duties recovered	71,542	71,033	509	0.7%

4.1.5 Net provisions for Risks and Charges

Net provisions amounted to 64.0 million euros, up by 22.3 million euros compared to the same period of 2016, mostly attributable to provisions in favour of the sales network.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	1,248	-122	1,370	n.a.
Provisions for legal disputes	3,327	410	2,917	n.a.
Provision for incentive fees	50,130	34,355	15,775	45.9%
Provision for contractual indemnities to the sales network	8,717	4,538	4,179	92.1%
Other provisions for liabilities and contingencies	594	2,534	-1,940	-76.6%
Total	64,016	41,715	22,301	53.5%

The increase in net provisions for incentive fees (+15.8 million euros) was essentially due to the effects of recruiting activity.

Current and deferred incentives in the process of accruing amounted to 25.0 million euros at the end of September 2017, essentially unchanged compared to the same period of the previous year (24.7 million euros), whereas provisions for network development plans amounted to 25.1 million euros, up by 15.5 million euros.

The increase in the provision for contractual indemnities for the sales network was mostly due to the amounts provisioned to account for the component that will be disbursed in cash as part of the new Framework Loyalty Programme approved by the General Shareholders' Meeting on 20 April¹ (3.1 million euros).

Lastly, the increase in provisioning for legal disputes was essentially due to provisions for risks associated with litigation in which the Bank is a defendant concerning the recruitment of Financial Advisors.

4.1.6 Adjustments

At the end of the first nine months of 2017, **net adjustments to non-performing loans** amounted to 6.0 million euros, up by 5.2 million euros compared to the same period of the previous year.

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	30.09.2017	30.09.2016	CHANGE
Equity securities	-418	-	-418	-2,423	2,005
Debt securities (AFS, HTM, Loans)	-2,642	-	-2,642	-	-2,642
Non-performing loans of the banking portfolio	-1,418	273	-1,145	737	-1,882
Operating loans to customers	-198	28	-170	-39	-131
Adjustments to other financial operations	-3,327	-	-3,327	-5	-3,322
Portfolio adjustments/reversals	-	1,698	1,698	946	752
Debt securities (Loans, HTM)	-	1,359	1,359	962	397
Performing loans and guarantees of the banking portfolio	-	339	339	-16	355
Total	-8,003	1,999	-6,004	-784	-5,220

The impairment losses on the portfolio of debt securities refer solely to the Alitalia bond known as "Dolce Vita", allocated to the HTM portfolio and deemed no longer recoverable due to the airline's grave state of crisis, which resulted in a court declaration of the company's insolvency and the commencement of the extraordinary administration procedure.

Following a thorough review of loan positions undertaken in the second quarter of the year with the aim of bringing measurement policies into compliance with the more stringent principles set out in the most recent edition (March 2017) of the ECB Guidance on non-performing loans, provisions were recognised on new positions of about 0.8 million euros classified as unlikely-to-pay and non-performing positions.

Net adjustments on non-performing positions totalled 1.1 million euros at the end of September, compared to reversal amounting to 0.7 million euros recognised in the previous year.

Portfolio adjustments on debt securities and performing loans to customers benefited from net reversal of 1.7 million euros due to an improvement in risk profiles.

¹ More details on the Framework Loyalty Programme are provided in the following paragraph 4.2.3 on Provisions.

The extraordinary intervention by the FITD's Voluntary Scheme

On 29 September 2017 the Voluntary Scheme of the Interbank Deposit Protection Fund (FITD) reached agreement with Crédit Agricole – Cariparma concerning the acquisition of the three banks (CariCesena, Cassa di Risparmio di Rimini - CARIM and Cassa di Risparmio di San Miniato - CARISMI) for which measures to avoid the launch of resolution procedures had been approved.

In this regard, it bears recalling that in September 2016 FITD's Voluntary Scheme had already undertaken an intervention of 280 million euros aimed at recapitalising Cassa di Risparmio di Cesena, to which Banca Generali had contributed 1.3 million euros.

In accordance with the technical clarification provided by the Bank of Italy, this contribution was considered a capital contribution and classified to the portfolio of financial assets available for sale and then subject to an impairment loss of approximately 0.3 million euros at 31 December 2016.

The new agreement, subject to approval by the supervisory authorities, is set to be concluded by 31 December 2017, and now calls for the sale to Crédit Agricole of the equity interest in CariCesena acquired in the previous year, for 130 million euros, and the reinvestment of this sum, along with all of the other resources at the fund's disposal, amounting to 510 million euros², to be allocated as follows:

- > 470 million euros to strengthen the three banks' capital positions (of which 55 million euros already paid to stabilise capital ratios at 30 September 2017);
- > 170 million euros to subscribe for the junior tranche (158 million euros) and part of the mezzanine tranche (12 million euros) of the securitisation of the NPLs of CariCesena undertaken through the Altante Fund.

The capital enhancement measures should be regarded as outright contributions since FITD will transfer the equity interests acquired in CARIM and CARISMI without consideration.

Accordingly, Banca Generali wrote down its contribution to CariCesena to its realisable value (0.4 million euros) and recognised the cost of the commitments assumed towards the Voluntary Scheme for the capitalisation measures of an additional 3.3 million euros (of which 0.3 million euros already paid), increasing the coverage of the transaction to a total of 3.7 million euros.

4.1.7 Consolidated net result, taxes and earnings per share

Income taxes for the reporting period on a current and deferred basis were estimated at 277 million euros, up 4.8 million euros compared to estimated taxes at the end of the same period of the previous year.

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Current taxes for the period	-39,991	-28,332	-11,659	41.2%
Prior years' taxes	339	959	-620	-64.7%
Changes of prepaid taxation (+/-)	12,383	4,735	7,648	161.5%
Changes of deferred taxation (+/-)	-418	-206	-212	102.9%
Total	-27,687	-22,844	-4,843	21.2%

The estimated total tax rate was 15.8%, down compared to the end of the first nine months of 2016, chiefly due to the change in the share of profit earned outside of Italy.

The first nine months of 2017 thus closed with basic net earnings per share of 1.26 euros.

	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	147,354	118,616	28,738	24.2%
Earnings attributable to ordinary shares	147,354	118,616	28,738	24.2%
Average number of outstanding shares	116,539	116,075	464	0.4%
EPS - Earnings per share (euro)	1.26	1.02	0.24	23.7%
Average number of outstanding shares with diluted share capital	116,711	116,489	222	0.2%
EPS - diluted Earnings per share (euro)	1.26	1.02	0.24	24.0%

4.1.8 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 nine months of 2017, the latter component provided a positive overall contribution of 2.4 million euros, compared to the symmetrical net negative change of -2.3 million euros recorded in the first nine months of the previous year.

² On 9 September 2017, the General Meeting of Member Banks resolved to increase the resources available to the Voluntary Scheme by 95 million euros, of which 90 million euros intended for this transaction.

In detail, AFS portfolio valuation reserves grew, as a result of the following factors:

- > an increase in net valuation capital gains totalling 11.4 million euros;
- > the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (7.3 million euros);
- > the negative net tax effect associated with the above changes and resulting from increases and offsetting in DTAs and DTLs (-1.8 million euros).

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Net profit	147,354	118,616	28,738	24.2%
Other income, net of income taxes:				
with transfer to Profit and Loss Account:				
Exchange gains and losses	-14	-97	83	-85.6%
AFS financial assets	2,360	-2,292	4,652	-203.0%
without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-71	-299	228	-76.3%
Total other income, net of taxes	2,275	-2,688	4,963	-184.6%
Comprehensive income	149,629	115,928	33,701	29.1%

4.2 Balance sheet and net equity aggregates

At the end of the first nine months of 2017, total consolidated assets amounted to 8.4 billion euros, essentially in line with total assets at the end of 2016.

Overall net inflows stood at 7.4 billion euros (-0.9%), as a result of a slight decline in net inflows from customers.

Core loans thus amounted to 8.0 billion euros and reported a decrease in interbank exposures, which positively impacted on longer-term investments in the HTM and AFS portfolios.

ASSETS (€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
HFT financial assets	49,670	38,560	11,110	28.8%
AFS financial assets	4,595,225	4,409,318	185,907	4.2%
HTM financial assets	1,005,612	731,362	274,250	37.5%
Loans to banks (*)	362,559	894,000	-531,441	-59.4%
Loans to customers	1,938,667	1,881,927	56,740	3.0%
Equity investments	1,879	1,988	-109	-5.5%
Property, equipment and intangible assets	94,436	97,813	-3,377	-3.5%
Tax receivables	52,551	44,538	8,013	18.0%
Other assets	288,272	257,229	31,043	12.1%
Total assets	8,388,871	8,356,735	32,136	0.4%

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
Due to banks	792,737	802,709	-9,972	-1.2%
Due to customers	6,588,339	6,648,202	-59,863	-0.9%
Financial liabilities held for trading and hedging	988	1,169	-181	-15.5%
Tax payables	41,066	17,118	23,948	139.9%
Other liabilities	133,097	118,853	14,244	12.0%
Special purpose provisions	165,521	122,163	43,358	35.5%
Valuation reserves	11,253	8,979	2,274	25.3%
Reserves	346,597	314,353	32,244	10.3%
Share premium reserve	58,504	53,803	4,701	8.7%
Share capital	116,852	116,425	427	0.4%
Treasury shares (-)	-13,437	-2,933	-10,504	n.a.
Net profit (loss) for the period	147,354	155,894	-8,540	-5.5%
Total net equity and liabilities	8,388,871	8,356,735	32,136	0.4%

Quarterly evolution of Consolidated Balance Sheet

ASSETS (€ THOUSAND)	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016	31.12.2015
HFT financial assets	49,670	46,189	42,301	38,560	36,170	31,911	29,324	28,004
AFS financial assets	4,595,225	4,750,650	4,654,312	4,409,318	4,132,469	4,010,354	2,993,056	2,939,211
HTM financial assets	1,005,612	1,005,733	1,005,373	731,362	533,135	515,055	500,249	423,586
Loans to banks	362,559	696,088	494,788	894,000	422,349	766,899	1,069,753	419,508
Loans to customers	1,938,667	1,921,613	1,932,901	1,881,927	1,914,118	1,916,594	1,992,319	1,922,020
Equity investments	1,879	1,898	1,954	1,988	2,023	2,026	1,977	2,152
Property, equipment and intangible assets	94,436	95,820	97,383	97,813	91,270	91,651	92,012	93,114
Tax receivables	52,551	50,975	52,707	44,538	52,510	55,061	55,290	61,992
Other assets	288,272	305,317	287,552	257,229	233,789	230,798	195,807	226,430
Total assets	8,388,871	8,874,283	8,569,271	8,356,735	7,417,833	7,620,349	6,929,787	6,116,017
NET EQUITY AND LIABILITIES (€ THOUSAND)								
Due to banks	792,737	946,895	1,034,603	802,709	999,464	942,725	433,127	333,954
Due to customers	6,588,339	6,598,739	6,530,137	6,648,202	5,510,261	5,720,364	5,472,099	4,839,613
Financial liabilities held for trading and hedging	988	1,013	1,097	1,169	2,265	2,826	2,095	463
Tax payables	41,066	32,324	20,826	17,118	21,982	19,160	18,619	22,575
Other liabilities	133,097	516,464	165,865	118,853	121,982	242,459	218,760	163,188
Special purpose provisions	165,521	152,473	136,129	122,163	143,393	136,811	126,256	119,426
Valuation reserves	11,253	-955	-16,066	8,979	19,736	12,385	13,981	22,424
Reserves	346,597	345,626	470,576	314,353	314,200	312,393	451,420	247,214
Share premium reserve	58,504	58,363	56,171	53,803	52,555	50,708	50,446	50,063
Share capital	116,852	116,839	116,644	116,425	116,312	116,140	116,128	116,093
Treasury shares (-)	-13,437	-1,581	-2,933	-2,933	-2,933	-2,933	-2,555	-2,555
Net profit (loss) for the period (+/-)	147,354	108,083	56,222	155,894	118,616	67,311	29,411	203,559
Total net equity and liabilities	8,388,871	8,874,283	8,569,271	8,356,735	7,417,833	7,620,349	6,929,787	6,116,017

4.2.1 Direct inflows from customers

Direct inflows from customers amounted to 6.6 billion euros, with a slight decrease of 0.9% compared to 31 December 2016, fully attributable to the reduction in inflows from companies of the Assicurazioni Generali Group.

(€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
1. Current accounts and demand deposits	6,444,478	6,466,672	-22,194	-0.3%
2. Term deposits	-	-	-	n.a.
3. Financing	44,543	43,282	1,261	2.9%
Subordinated loans	44,543	43,282	1,261	2.9%
4. Other debts	99,318	138,248	-38,930	-28.2%
Operating debts to sales network	81,417	99,451	-18,034	-18.1%
Other (money orders, amounts at the disposal of customers)	17,901	38,797	-20,896	-53.9%
Total due to customers (Item 20)	6,588,339	6,648,202	-59,863	-0.9%

Captive inflows from the companies within the Assicurazioni Generali Group decreased by 357.7 million euros partly due to the use at the beginning of the year of the temporary treasury balances of an Italian subsidiary, reaching 393.5 million euros, accounting for 6.0% of total inflows.

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

Inflows from customers (external to the Insurance Group) consisting of current account balances increased by 337 million euros to over 6,096 million euros.

(€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
Inflows from Parent Company	3,703	2,802	901	32.2%
Inflows from other subsidiaries of the Generali Group	389,792	748,355	-358,563	-47.9%
Total inflows from Generali Group	393,495	751,157	-357,662	-47.6%
Inflows from other parties	6,194,844	5,897,045	297,799	5.0%
<i>of which current accounts</i>	6,095,995	5,759,079	336,916	5.9%
Total inflows from customers	6,588,339	6,648,202	-59,863	-0.9%

By contrast, there was a decline in the non-interest-bearing debt position (-38.9 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.

4.2.2 Core loans

Core loans totalled 7,952 million euros overall and decreased by 3.4 million euros compared to 31 December 2016.

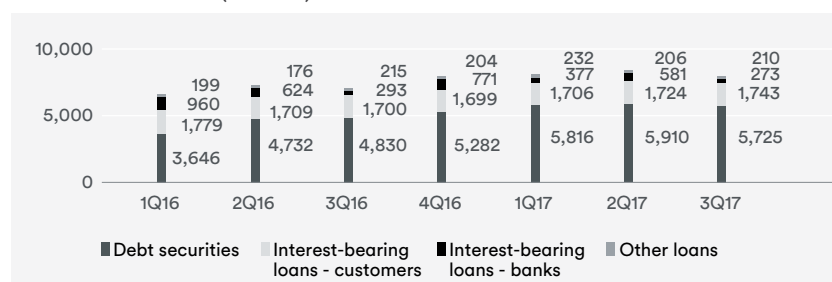
The increase in loans was primarily aimed at investment in the portfolio of financial assets, which increased by 438 million euros (+8.2%), whereas the growth of loans to customers, which was rather modest in the first half of the year, began to show signs of a recovery (+2.6%). These increases were entirely offset by a corresponding reduction in demand deposits with the ECB compared to 31.12.2016.

Overall, the ratio of financial assets to core loans thus reached 72.7%, up compared to 67.2% at year-end 2016.

(€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
HFT financial assets	49,670	38,560	11,110	28.8%
AFS financial assets	4,595,225	4,409,318	185,907	4.2%
HTM financial assets	1,005,612	731,362	274,250	37.5%
Financial assets classified among loans	132,858	166,147	-33,289	-20.0%
Financial assets	5,783,365	5,345,387	437,978	8.2%
Loans to and deposits with banks (*)	273,174	770,824	-497,650	-64.6%
Loans to customers	1,743,146	1,699,073	44,073	2.6%
Operating loans and other loans	152,048	139,883	12,165	8.7%
Total interest-bearing financial assets and loans	7,951,733	7,955,167	-3,434	0.0%

(*) ECB demand deposits included.

Evolutions 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.

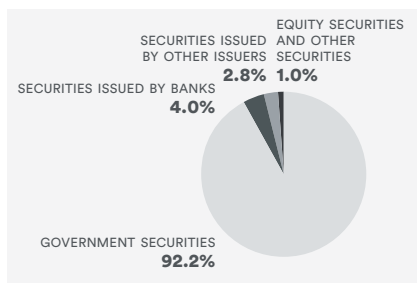
In particular, the growth of the AFS portfolio (+4.2%) and the HTM portfolio (+37.5%) was driven by significant purchases of government bonds with average maturities of 4.5 and 7 years, respectively.

Accordingly, sovereign debt exposure increased by 605.5 million euros accounting for 92.2% of total investments in financial instruments, up compared to 88.4% at the end of the previous year.

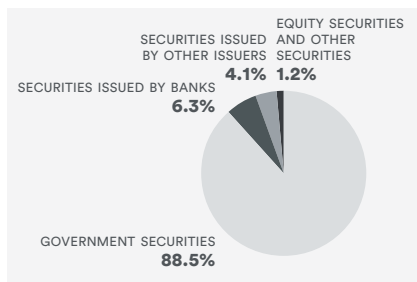
Such exposure mostly included bonds of the Italian Republic, with the only exception of a Spanish bond issue (25 million euros).

Breakdown of financial assets portfolio

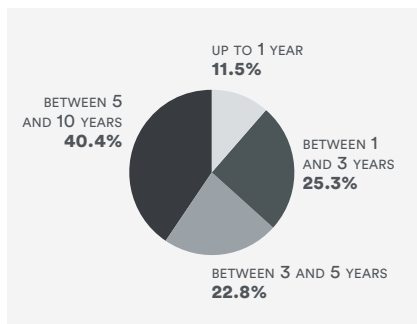
At 30.09.2017



At 31.12.2016



Bonds portfolio by class of maturity



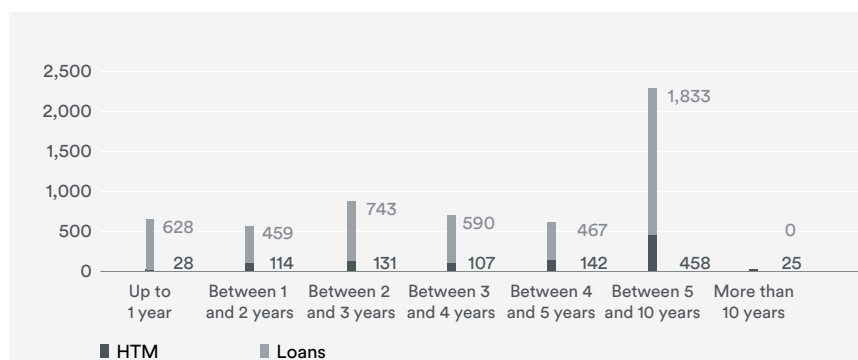
(€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
Exposure to the sovereign risk by portfolio:				
AFS financial assets	4,455,099	4,117,859	337,240	8.2%
HTM financial assets	879,099	610,833	268,266	43.9%
Total	5,334,198	4,728,692	605,506	12.8%

(€ MILLION)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
Government securities	5,334,198	4,728,692	605,506	12.8%
Securities issued by banks	229,815	334,290	-104,475	-31.3%
Securities issued by other issuers	160,945	218,561	-57,616	-26.4%
Equity securities and other securities	58,407	63,844	-5,437	-8.5%
Total financial assets	5,783,365	5,345,387	437,978	8.2%

The overall geographical breakdown of the portfolio of debt securities thus showed a high concentration of investments relating to Italian securities (97.2%).

The portfolio of debt securities had an overall average residual life of about 3.9 years and 59.9% of it was made up of variable rate issues, and for the remainder, of fixed-rate issues and zero coupons.

Maturity of the bonds portfolio (€ million)



Loans to customers amounted to 1,743 million euros, up compared to year-end 2016, as a result of a marked increase in the mortgage and personal loan segment, which was however partially offset by repayments of current account overdraft facilities.

The mortgage segment for the period under review reported new disbursements amounting to 110 million euros.

(€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts	893,459	907,032	-13,573	-1.5%
Mortgages and personal loans	845,802	787,294	58,508	7.4%
Other financing and loans not in current accounts	3,885	4,747	-862	-18.2%
Short-term term deposits on the new MIC	-	-	-	n.a.
Total loans	1,743,146	1,699,073	44,073	2.59%
Operating loans to product companies	105,039	99,252	5,787	5.8%
Sums advanced to Financial Advisors	36,568	32,544	4,024	12.4%
Stock exchange interest-bearing daily margin	4,959	1,940	3,019	155.6%
Charges to be debited and other loans	4,597	6,018	-1,421	-23.6%
Operating loans and other loans	151,163	139,754	11,409	8.2%
Debt securities	44,358	43,100	1,258	2.9%
Total loans to customers	1,938,667	1,881,927	56,740	3.0%

Net non-performing loans amounted to 67.0 million euros, equal to 3.46% of total loans to customers, and up by 34.1 million euros compared to the previous year.

The increase in non-performing exposures was due to a thorough general review of loan positions carried out in the second quarter of the year in order to ensure that measurement policies were consistent with the more stringent principles established in the recently issued new version (March 2017) of the ECB's Guidance on non-performing loans.

On the basis of the results of this process, it was decided to reclassify a limited number of positions, with a total value of approximately 38.3 million euros, to the unlikely-to-pay category. The positions reclassified as a result of this process are mostly revocable account credit facilities secured by financial collateral in the form of pledges of financial instruments and/or financial products; there are only a few cases of mortgage loans with real estate as collateral. The greater impairment losses recognised amounted to approximately 860 thousand euros (540 thousand euros referred to positions secured by mortgages).

At the end of the reporting period, non-performing loans included 27.3 million euros referring to exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A.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, which accounted for over 40% of non-performing exposures, the weight of non-performing exposures declined to 2.05%.

At the end on the third quarter of 2017, the positions with forbearance measures stood at approximately 90 million euros, of which 6.4 million euros referring to non-performing positions.

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE 2017	NET EXPOSURE 2016	CHANGE		SECURED EXPOSURE SUBJECT TO INDEMNITY	RESIDUAL EX INDEMNITY
					AMOUNT	%		
Bad loans	39,476	-14,288	25,188	24,018	1,170	4.9%	22,153	3,035
Financing	36,457	-12,353	24,104	23,024	1,080	4.7%	22,153	1,951
Operating loans	3,019	-1,935	1,084	994	90	9.1%	-	1,084
Unlikely to pay	37,990	-774	37,216	6,771	30,445	n.a.	5,155	32,061
Past-due exposures - over 90 days	4,969	-382	4,587	2,064	2,523	122.2%	-	4,587
Total non-performing loans	82,435	-15,444	66,991	32,853	34,138	103.9%	27,308	39,683
Performing loans	1,874,917	-3,241	1,871,676	1,849,074				
Total loans to customers	1,957,352	-18,685	1,938,667	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 30 September 2017, the **interbank position**, net of the securities portfolio and operating loans, showed a net debit imbalance of 519.6 million euros, sharply up compared to 31.9 million euros at the end of the previous year.

This situation was essentially due to the full repayment of demand deposits held with the Central Bank as at 31 December 2016 (-567 million euros).

After the sharp increase reported in the first half of 2017, leveraged net inflows in the form of repurchase agreements at negative rates, undertaken with the aim of supporting net interest income, returned at the levels of year-end 2016 (-12.4 million euros).

Interbank net inflows also includes the TLTRO2 financing disbursed on 29 June 2016, with a maturity of four 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 level⁴.

³ As at 7 April 2017, the Swiss operations of BSI S.A. were totally transferred to EFG Bank AG - Lugano Branch, as per the Swiss law on mergers.

⁴ For Banca Generali, this is equal to the amount of such loans at 31 January 2016, plus 2.5%.

(€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
1. Repayable on demand	158,355	675,342	-516,987	-76.6%
Demand deposits with ECB and Bank of Italy	-	567,312	-567,312	-100.0%
Transfer accounts	158,355	108,030	50,325	46.6%
2. Time deposits	114,819	95,482	19,337	20.3%
Mandatory reserve	39,312	56,314	-17,002	-30.2%
Term deposits	75,507	35,136	40,371	114.9%
Collateral margins	-	4,032	-4,032	-100.0%
Total due to banks	273,174	770,824	-497,650	-64.6%
1. Due to Central Banks	400,000	400,000	-	0.0%
TLTRO	400,000	400,000	-	0.0%
2. Due to banks	392,737	402,709	-9,972	-2.5%
Transfer accounts	19,518	23,673	-4,155	-17.6%
Term deposits	3,878	4,748	-870	-18.3%
Repurchase agreements	339,005	351,437	-12,432	-3.5%
Collateral margins	8,108	268	7,840	n.a.
Other debts	22,228	22,583	-355	-1.6%
Total due to banks	792,737	802,709	-9,972	-1.2%
Net interbank position	-519,563	-31,885	-487,678	n.a.
3. Debt securities	88,500	123,047	-34,547	-28.1%
4. Other operating receivables	885	129	756	n.a.
Total interbank position	-430,178	91,291	-521,469	n.a.

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

4.2.3 Provisions

Total provisions amounted to 165.5 million euros, up by 43.4 million euros compared to the previous year (+35.5%).

(€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
Provision for termination indemnity	4,857	5,129	-272	-5.3%
Other provisions for liabilities and contingencies	160,664	117,034	43,630	37.3%
Provisions for staff expenses	15,096	12,508	2,588	20.7%
Restructuring provisions – Redundancy incentives plan	4,849	8,500	-3,651	-43.0%
Provisions for legal disputes	17,070	15,123	1,947	12.9%
Provisions for contractual indemnities to the sales network	57,419	49,165	8,254	16.8%
Provisions for sales network incentives	65,446	31,466	33,980	108.0%
Other provisions for liabilities and contingencies	784	272	512	188.2%
Total provisions	165,521	122,163	43,358	35.5%

The main structural component of this aggregate consists of provisions for contractual end-of-service indemnities for the sales network, which accounted for 35% of the total provisions and are characterised by long-term accruals and disbursements. The increase in this item was due in particular to the rise of the basic fee on which the indemnity is calculated, the increased length of service of the network and the low turnover rate.

Provisions for sales network incentives were driven not only by allocations in service of development plans for the sales networks, but also by allocations of the annual incentive in the process of accrual, amounting to nearly 19 million euros, which will be consolidated at year-end.

The aggregate referring to provisions for long-term contractual indemnities to the sales network also includes the provision covering the new *Framework Loyalty Program for the Sales Network 2017-2026*, approved by the Board of Directors on 21 March 2017 and ratified by the Shareholders' Meeting on 20 April, which also authorised the launch of the first annual plan for 2017. The Framework Loyalty Program is divided into eight annual separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which may be activated from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.

For each plan, an indemnity may be paid partly in Banca Generali shares (with a maximum of 50%), after an assessment of the effects on capital ratios and free float, subject to annual authorisation by the Board of Directors, Shareholders' Meeting and the Regulator. The shares in service of the first 2017-2026 annual plan were acquired in the third quarter of 2017.

The company restructuring provision was allocated for the voluntary redundancy plan launched at the end of 2015 and extended to 31 December 2017. This plan aims 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.

Tax audits and inspections

The general inspection of the banking group by the supervisory authority, conducted from 20 March to 6 July 2017, concluded with essentially positive findings, and without any penalties. On 24 October the Bank's Board of Directors examined the inspection report, which concludes that the Banking Group has a high level of reliability.

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. As at the date of approval of this Interim Report, the audit process is still ongoing and no notice of any alleged irregularities has been given.

4.2.4 Net equity and regulatory aggregates

At 30 September 2017, consolidated net equity, including net profit for the period, amounted to 667.1 million euros compared to 646.5 million euros at the end of the previous year.

(€ THOUSAND)	30.09.2017	31.12.2016	CHANGE	
			AMOUNT	%
Share capital	116,852	116,425	427	0.4%
Share premium reserve	58,504	53,803	4,701	8.7%
Reserves	346,597	314,353	32,244	10.3%
(Treasury shares)	-13,437	-2,933	-10,504	n.a.
Valuation reserves	11,253	8,979	2,274	25.3%
Net profit (loss) for the period	147,354	155,894	-8,540	-5.5%
Group net equity	667,123	646,521	20,602	3.2%

The change in equity during the period under review was influenced by the distribution of the 2016 dividend of 124.7 million euros - approved by the General Shareholders' Meeting that also approved the Annual Financial Statements, held on 20 April 2017 -, the change in the reserves for shared-based payments (IFRS 2), the change in fair value valuation reserves for the portfolio of available-for-sale financial assets and other reserves included in other comprehensive income, as well as and the net profit for the period.

(€ THOUSAND)	30.09.2017	31.12.2016
Net equity at period-start	646,521	636,798
Dividend paid	-124,674	-139,237
Purchase and sale of treasury shares	-10,504	-1,466
Issue of new shares (stock option plans)	3,223	3,554
Matured IFRS 2 reserves on own financial instruments	1,760	1,530
Matured IFRS 2 reserves on LTIP	1,168	2,893
Change in valuation reserves	2,275	-13,445
Consolidated net profit	147,354	155,894
Net equity at period-end	667,123	646,521
Change	20,602	9,723

During the period from 28 July and 12 September 2017, by virtue of the resolution of the General Shareholders' Meeting of 20 April 2017 and the authorisation granted by the Bank of Italy on 3 July 2017, 411,354 Banca Generali shares were purchased, for a value of 11,856 thousand euros, in service of the portion of variable remuneration of key personnel of the Banking Group, payable in shares in accordance with the 2017 Remuneration Policy and the new 2017-2026 Framework Loyalty Programme for the sales network.

During the first half of the year, on the basis of the achievement of the performance objectives set out in the 2015 and 2016 Remuneration Policy, 58,124 treasury shares (0.41023% of share capital), with a value of 1,351 thousand euros, had been awarded to managers and network managers.

In 2017, the performance of the fair value reserves for the AFS financial assets portfolio was markedly uneven, primarily due to the performance of reserves for government bonds, as a result of the greater volatility of the spread on Italian securities.

In the third quarter of 2017, the aggregate recovered sharply totalling 13.1 million euros, up by 2.3 million compared to year-end 2016.

This trend was mainly influenced by the portfolio of Italian government bonds, for which net reserves amounted to 9.4 million euros compared to 6.5 million euros at year-end 2016.

(€ THOUSAND)	30.09.2017				
	EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES		TOTAL
			CORPORATE	GOVERNMENT	
1. Amount at period-start	2,159	1,459	650	6,492	10,760
2. Increases	288	2,285	1,508	10,338	14,419
2.1 Fair value increases	165	2,285	458	9,998	12,906
2.2 Transfer to Profit and Loss Account of negative reserves:					
due to impairment	11	-	-	-	11
due to disposal	6	-	682	340	1,028
2.3 Other changes	106	-	368	-	474
3. Decreases	1,921	807	1,856	7,475	12,059
3.1 Fair value decreases	-	1	222	1,250	1,473
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to Profit and Loss Account of positive reserves:					
due to disposal	1,920	106	1,431	4,869	8,326
3.4 Other changes	1	700	203	1,356	2,260
4. Amount at period-end	526	2,937	302	9,355	13,120

Consolidated own funds, calculated in accordance with the Basel 3 phase-in rules, amounted to 491.5 million euros, up by 28.6 million euros compared to the end of the previous year, chiefly owing to the portion of retained earnings, which was partly offset by the above-mentioned transaction to repurchase own funds in the amount of 11.9 million euros.

(€ THOUSAND)	30.09.2017		31.12.2016	CHANGE	
	FULLY LOADED	PHASE IN	PHASE IN	AMOUNT	%
Common Equity Tier 1 capital (CET1)	458,117	448,158	419,073	29,085	6.9%
Additional Tier 1 capital (AT1)	-	-	-	-	n.a.
Tier 2 capital (T2)	43,000	43,377	43,854	-477	-1.1%
Total own funds	501,117	491,535	462,927	28,608	6.2%
Credit and counterparty risk	133,640	133,640	132,469	1,171	0.9%
Market risk	1,546	1,546	2,681	-1,135	-42.3%
Operating risk	65,863	65,863	65,863	-	0.0%
Total absorbed capital	201,048	201,048	201,013	36	0.0%
Excess over absorbed capital	300,069	290,487	261,914	28,572	10.9%
Risk-weighted assets	2,513,105	2,513,105	2,512,658	447	0.0%
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	18.2%	17.8%	16.7%	1.2%	6.9%
Total own funds/Risk-weighted assets (Total Capital Ratio)	19.9%	19.6%	18.4%	1.1%	6.2%

At the end of the reporting period, the aggregate Capital for regulatory purposes recorded 290.5 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 17.8%, compared to a minimum requirement of 7%, and Total Capital Ratio (TCR) reached 19.6%, compared to the SREP minimum requirement of 10.4%.

The modest increase in absorbed capital compared to the previous year (+1.1 million euros) is primarily due to increase in the requirements for covering non-performing exposures and DTAs.

If calculated according to the rules set to enter into effect from 1 January 2019, consolidated own funds would amount to 501.1 million euros, higher than the value as calculated according to the phase-in rules as a result of the inclusion of negative equity reserves on government bonds. Total Capital Ratio upon full application would thus be 19.9%.

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 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 5.4%, in line with that at the end of the previous year.

5. PERFORMANCE OF GROUP COMPANIES

5.1 Banca Generali performance

Banca Generali closed the first nine months of 2017 with net profit of 154.6 million euros, up compared to 111.4 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 by 51.3 million euros.

Net operating income, net of the dividends distributed by the Banking Group's investees, amounted to 218 million euros, up by 20.9 million euros (+10.6%) on the same period of the previous year, owing to the significant growth in net fees (+34.6 million euros), partly offset by a lesser contribution of the net income from trading activities (-16.5 million euros).

(€ THOUSAND)	30.09.2017	30.09.2016	CHANGE	
			AMOUNT	%
Net interest income	47,140	44,266	2,874	6.5%
Net fees	156,776	122,225	34,551	28.3%
Dividends	1,770	1,664	106	6.4%
Net income (loss) from trading activities	12,301	28,971	-16,670	-57.5%
Net operating income	217,987	197,126	20,861	10.6%
Staff expenses	-58,656	-60,022	1,366	-2.3%
Other general and administrative expense	-103,735	-95,600	-8,135	8.5%
Net adjustments of property, equipment and intangible assets	-5,804	-3,500	-2,304	65.8%
Other operating expenses/income	35,679	27,173	8,506	31.3%
Net operating expenses	-132,516	-131,949	-567	0.4%
Operating result	85,471	65,177	20,294	31.1%
Net adjustments for non-performing loans	-173	2,478	-2,651	-107.0%
Net adjustments of other assets	-5,831	-3,411	-2,420	70.9%
Net provisions	-63,501	-41,715	-21,786	52.2%
Dividends and income from equity investments	151,770	100,462	51,308	51.1%
Gains (losses) from the disposal of equity investments	-	15	-15	-100.0%
Operating profit before taxation	167,736	123,006	44,730	36.4%
Income taxes for the period on operating activities	-13,175	-11,602	-1,573	13.6%
Net profit	154,561	111,404	43,157	38.7%

The increase in net fees (+28.3%), which amounted to 156.8 million euros at the end of the reporting period, is primarily to be attributed to the increase in asset management fees (+19.6%), driven by the success of innovative financial wrapper solutions in the insurance business (+14.6%) and portfolio management (+103.8%), in addition, to a lesser extent, to the placement of UCITS with retail customers (+11.7%).

Net operating expenses amounted to 132.5 million euros, showing a more moderate increase (+0.4%).

The cost/income ratio, which measures the ratio of operating expenses (gross of adjustments to property, equipment, intangible assets) to net operating income and dividends, amounted to 34.3%.

Net provisions and net adjustments amounted to 69.5 million euros, up compared to the same period of 2016 (+26.8 million euros), mainly due to the increase in both net provisions for incentives and, to a lower extent, contractual indemnities for the sales network.

Operating profit before taxation amounted to 167.7 million euros, up 44.7 million euros compared to the same period of 2016.

The expected tax burden was 13.2 million euros, with an overall tax rate at 7.9%, down slightly due to the higher weight of dividends.

Own funds, calculated in accordance with the Basel 3 phase-in rules, amounted to 378.0 million euros, up by 34.8 million euros compared to the end of the previous year, chiefly owing to the portion of retained earnings, which was partly offset by the transaction to repurchase own funds in the amount of 11.9 million euros.

At the end of the reporting period, the aggregate Capital for regulatory purposes recorded 208.1 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 15.8% compared to a minimum requirement of 7% and Total Capital Ratio (TCR) reached 17.8%.

Total AUM managed by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 53.8 billion euros at 30 September 2017, up 13.2% compared to the end of the previous year. Net inflows amounted to 5.2 billion euros, compared to 4.1 billion euros at the end of the same period of 2016 (+26.2%).

5.2 Performance of BG Fund Management Luxembourg S.A.

BG Fund Management Luxembourg S.A. (hereinafter BGFML) is a company under Luxembourg law specialising in the administration and management of the Sicavs promoted by the Banking Group: BG Sicav, 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 third quarter of 2017 with net profit of 144.04 million euros, up 37.6 million euros compared to the same period of the previous year, chiefly due to the increase in performance fees (+30.0 million euros).

Net banking income amounted to 162.4 million euros (+41.2 million euros). Total operating expenses amounted to 4.2 million euros (3.0 million euros of which consisted of staff expenses), in line with the figure for the same period of the previous year.

The Company's net equity amounted to 108.3 million euros, net of a dividend payout of 151.8 million euros, as payment in advance for the 2017 result and total payment for 2016.

Overall, assets under management at 30 September 2017 amounted to 14,464 million euros, compared to 12,495 million euros at 31 December 2016, up by 1,969 million euros.

5.3 Performance of BG Fiduciaria SIM

BG Fiduciaria is a company specialising in individual securities portfolio and fund-based asset management, primarily in a custodial capacity.

On 10 October 2017, the Board of Directors of the company approved the plan for its merger into the parent company Banca Generali, to be closed by 31 December 2017. The merger, which has received the Bank of Italy's prior authorisation, will become effective 1 January 2018.

BG Fiduciaria reported an interim net profit of 0.6 million euros and net equity of 18.0 million euros in the third quarter of 2017.

Net banking income of 3.1 million euros was accompanied by operating expenses of 2.1 million euros, which included staff expenses of 1.5 million euros, up sharply compared to the same period of the previous year due to the effect of provisions for redundancy incentives.

Total assets under management amounted to 696 million euros, compared to 721 million euros at 31 December 2016.

5.4 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the third quarter of 2017 with a slight net loss and net equity amounting to about 0.8 million euros.

Net banking income amounted to about 0.8 million euros and virtually covers operating expenses.

Assets under management amounted to 1,308 million euros (1,166 million euros at the end of 2016).

6. BASIS OF PREPARATION

The interim report for the first nine months 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, which thoroughly amends the aforementioned statute by:

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

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

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

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

The Interim Report provides:

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

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

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

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

The Report also includes explanatory notes that refer to the accounting standards employed and other specific explanatory notes pertaining to transactions undertaken during the period. The amounts included in the Financial Statements and 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 net profit for the period to be included in Common Equity Tier 1 capital, as required by Article 26, paragraph 2. of the Regulation (EU) No. 575/2013.

6.1 Accounting Standards

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2016.

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

In addition, it should be noted that no new IFRS or IFRIC were endorsed in the first nine months of 2017.

Measurement

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

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

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

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

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

6.2 Consolidated companies and business combinations

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

COMPANY NAME	REGISTERED OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES 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 30 September 2017, reclassified and adjusted where necessary to take account of consolidation requirements. The most significant intra-Group transactions, influencing both the Balance Sheet and Profit and Loss Account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

Trieste, 8 November 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,

declare that

for the intents and purposes of Article 154-*bis*, paragraph 2, of Legislative Decree No. 58 of 24 February 1998, the Interim Report at 30 September 2017 corresponds to the Company's books, records and accounting documents.

Trieste, 8 November 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 116,851,637 euro

Tax code, VAT No. and Trieste
register of companies 00833240328
Company managed and coordinated
by Assicurazioni Generali S.p.A.
Bank which is a member of the Interbank
Deposit Protection Fund
Registration with the bank register of the Bank
of Italy under No. 5358
Parent Company of the Banca Generali Banking Group
registered in the banking group register
ABI code 03075.9



**BANCA
GENERALI**

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