INTERIM REPORT

AT 31 MARCH 2019

INTERIM REPORT
at 31.03.2019

BOARD OF DIRECTORS
08 MAY 2019

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

BANCA GENERALI

Banca Generali S.p.A.
Administration and Control Bodies

Board of Directors - 08 May 2019

Board of Directors	Giancarlo Fancel	Chairman
	Gian Maria Mossa	Chief Executive Officer
	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	
General Manager	Gian Maria Mossa	
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

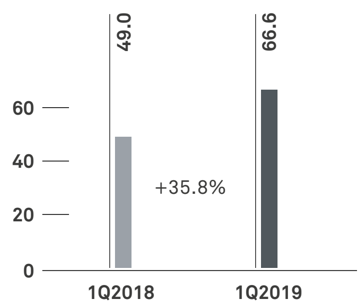
(€ MILLION)	1Q2019	1Q2018	CHANGE %
Net interest income	15.9	13.2	19.9
Net income (loss) from trading activities and dividends	4.0	15.2	-73.8
Net fees [c]	113.7	85.6	32.8
Net banking income	**133.6**	**114.1**	**17.1**
Staff expenses	-21.8	-21.1	3.1
Other net general and administrative expenses	-35.2	-37.3	-5.7
Amortisation and depreciation	-6.8	-2.0	232.0
Other operating income and expenses	13.7	13.9	-1.6
Net operating expenses	**-50.0**	**-46.5**	**7.5**
Operating result	**83.5**	**67.6**	**23.7**
Provisions	-6.1	-4.8	28.0
Adjustments	4.0	0.2	n.a.
Profit before taxation	**81.4**	**62.9**	**29.4**
Net profit	**66.6**	**49.0**	**35.8**

PERFORMANCE INDICATORS

	31.03.2019	31.03.2018	CHANGE %
Cost income ratio[c]	32.4%	39.0%	-17.0
Operating Costs/Total Assets (AUM)	0.11%	0.12%	-2.4
EBTDA[c]	90.3	69.6	29.8
ROE[a] [c]	34.5%	25.7%	34.3
ROA[b]	0.45%	0.37%	21.2
EPS - Earning per share (euro)	0.572	0.421	35.8

(a) Ratio of net result to the arithmetic average of equity, including net profit, at the end of the reporting period and the end of the previous year.
(b) Ratio of net result to the average of Assoreti's annualised quarterly AUM.
(c) The figures for the period under review have been restated net of provisions.

NET PROFIT
(€ million)



NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.03.2019	31.03.2018	CHANGE %
Funds and Sicavs	257	301	-14.6
Financial wrappers	-215	204	-205.4
Insurance wrappers	28	271	-89.7
Asset management	**70**	**776**	**-91.0**
Insurance/Pension funds	540	236	128.8
Securities/Current accounts	801	562	42.5
Total	**1,411**	**1,574**	**-10.4**

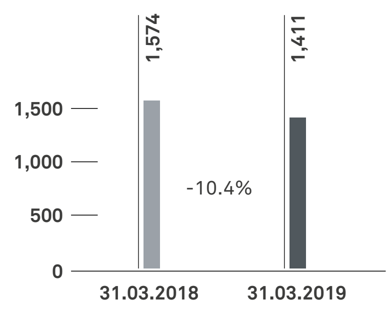
ASSETS UNDER MANAGEMENT & CUSTODY (AUM/C)

(€ BILLION) (ASSORETI DATA)	31.03.2019	31.12.2018	CHANGE %
Funds and Sicavs	14.4	13.2	8.7
Financial wrappers	6.5	6.4	1.4
Insurance wrappers	8.1	7.7	5.3
Asset management	**29.0**	**27.3**	**6.0**
Traditional life insurance policies	15.9	15.4	3.5
AUC	16.1	14.8	9.0
Total	**61.1**	**57.5**	**6.1**

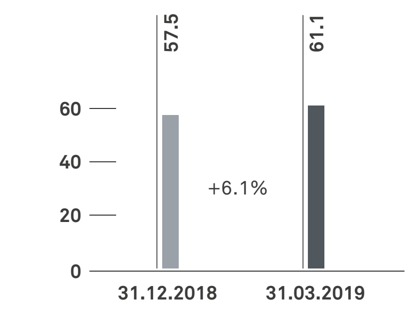
NET EQUITY

(€ MILLION)	31.03.2019	31.12.2018	CHANGE %
Net equity	808.3	734.9	10.0
Own funds	546.6	537.9	1.6
Total Capital Ratio	18.0%	19.0%	-5.0

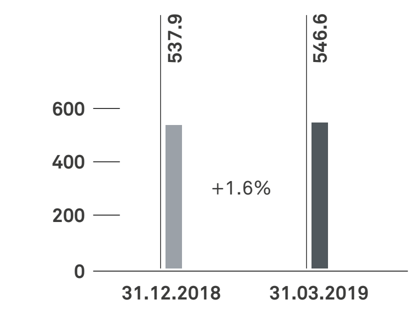
NET INFLOWS
(€ million)



ASSETS UNDER MANAGEMENT
(€ billion)



OWN FUNDS
(€ million)



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	103,924	90,640	13,284	14.7%
Financial assets at fair value through other comprehensive income	2,224,602	1,987,315	237,287	11.9%
Financial assets at amortised cost	7,057,490	7,166,172	-108,682	-1.5%
a) Loans to banks (*)	849,522	1,434,533	-585,011	-40.8%
b) Loans to customers	6,207,968	5,731,639	476,329	8.3%
Equity investments	1,629	1,661	-32	-1.9%
Property, equipment and intangible assets	235,350	101,834	133,516	131.1%
Tax receivables	48,842	52,799	-3,957	-7.5%
Other assets	356,542	335,473	21,069	6.3%
Total assets	**10,028,379**	**9,735,894**	**292,485**	**3.0%**

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

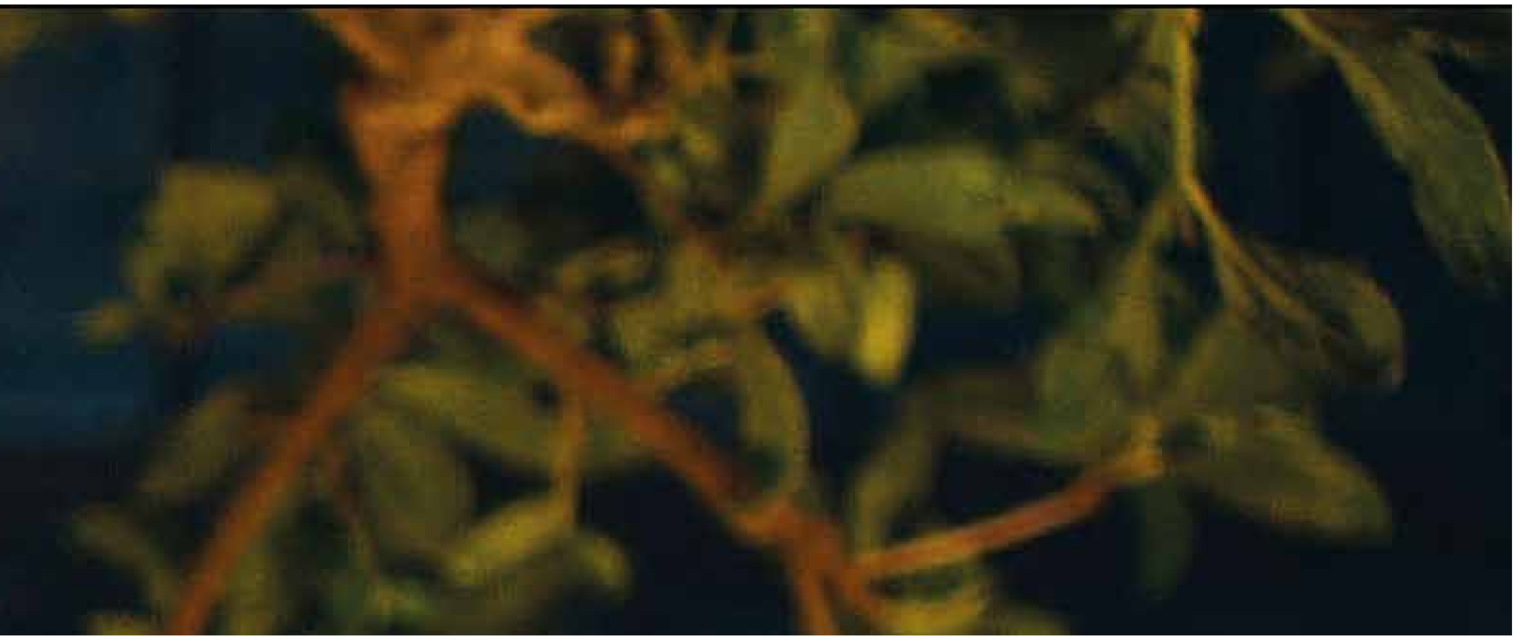
NET EQUITY AND LIABILITIES (€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Financial liabilities at amortised cost	8,879,340	8,675,596	203,744	2.3%
a) Due to banks	100,287	128,725	-28,438	-22.1%
b) Due to customers	8,779,053	8,546,871	232,182	2.7%
Financial liabilities held for trading and hedging	506	384	122	31.8%
Tax liabilities	22,586	18,018	4,568	25.4%
Other liabilities	154,919	142,176	12,743	9.0%
Special purpose provisions	162,741	164,845	-2,104	-1.3%
Valuation reserves	-5,974	-11,636	5,662	-48.7%
Reserves	595,619	414,368	181,251	43.7%
Share premium reserve	57,819	57,889	-70	-0.1%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-22,653	-22,724	71	-0.3%
Net profit (loss) for the period (+/-)	66,624	180,126	-113,502	-63.0%
Total net equity and liabilities	**10,028,379**	**9,735,894**	**292,485**	**3.0%**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Net interest income	15,874	13,243	2,631	19.9%
Net income (loss) from trading activities and dividends	3,995	15,227	-11,232	-73.8%
Net financial income	**19,869**	**28,470**	**-8,601**	**-30.2%**
Fee income	207,974	182,365	25,609	14.0%
Fee expense	-94,261	-96,734	2,473	-2.6%
Net fees	**113,713**	**85,631**	**28,082**	**32.8%**
Net banking income	**133,582**	**114,101**	**19,481**	**17.1%**
Staff expenses	-21,790	-21,136	-654	3.1%
Other general and administrative expenses	-35,176	-37,301	2,125	-5.7%
Net adjustments of property, equipment and intangible assets	-6,792	-2,046	-4,746	232.0%
Other operating expenses/income	13,722	13,940	-218	-1.6%
Net operating expenses	**-50,036**	**-46,543**	**-3,493**	**7.5%**
Operating result	**83,546**	**67,558**	**15,988**	**23.7%**
Net adjustments for non-performing loans	3,989	192	3,797	n.a.
Net provisions for liabilities and contingencies	-6,121	-4,783	-1,338	28.0%
Gains (losses) from equity investments	-59	-88	29	-33.0%
Operating profit before taxation	**81,355**	**62,879**	**18,476**	**29.4%**
Income taxes for the period	-14,731	-13,832	-899	6.5%
Net profit	**66,624**	**49,047**	**17,577**	**35.8%**

STATEMENT OF COMPREHENSIVE INCOME

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Net profit (loss) for the period	**66,624**	**49,047**	**17,577**	**35.8%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	-	4	-4	-100.0%
Financial assets at fair value through other comprehensive income	5,838	10,129	-4,291	-42.4%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-177	-31	-146	471.0%
Total other income, net of income taxes	**5,661**	**10,102**	**-4,441**	**-44.0%**
Comprehensive income	**72,285**	**59,149**	**13,136**	**22.2%**



INTERIM REPORT
at 31.03.2019

BOARD OF DIRECTORS
08 MAY 2019

1. Summary of operations for the first quarter of 2019

Banca Generali Group closed the first quarter of 2019 with consolidated net profit of 66.6 million euros and total net inflows of over 1.4 billion euros, bringing the total volume of the assets entrusted by customers to the Banking Group for management to 61.1 billion euros, up by +6.1% compared to 2018 year-end and by 8.2% compared to the same period of the previous year.

Assets growth in the reporting quarter continued to focus primarily on AUC (0.8 billion euros) and traditional insurance policies (0.5 billion euros), which best mirrored the persistently extremely prudent customer attitude.
The increase in AUC net inflows also reflected the acquisition of new clients, who currently prefer to await the most appropriate moment for planning decisions.

Among managed products, mention should be made of the excellent performance of the new sub-funds of the Luxembourg Sicav Lux IM, launched in April 2018, which has now reached an AUM volume of 7.9 billion euros, marking an increase of over 95% on the end of the first quarter of 2018. In addition, Assets under Advisory amounted to over 3.0 billion euros.

Net banking income reached 133.6 million euros, up by 17.1% on the same period of 2018, due in part to the financial market rally that occurred in the first quarter of 2019, which fuelled the contribution of the most volatile component composed of the performance fees (+27.6 million euros).

Net financial income – the sum of net interest income and net income from trading activities and dividends – reported a sharp decline (-8.6 million euros) compared to the first quarter of 2018, which had benefited from the banking book de-risking strategy. The decline in net income from trading activities was offset by the significant improvement in net interest income, driven by the sharp rise in yields on Italian government bonds that began in the second quarter of 2018.

Operating expenses amounted to 50.0 million euros, increasing compared to the same period of the previous year (+7.5%). The increase was tied to the Bank's pronounced efforts to expedite all of its current strategic projects. This item includes some one-off components associated with the relocation of the administrative offices and the recent acquisitions for a total of 1.2 million euros, partially offset by the application of the new IFRS 16, which contributed 0.3 million euros in terms of operating expenses. Net of these effects, the Bank's operating expenses reported a 5.8% change, in line with the Bank's guidance, which calls for an increase of core operating expenses in the range of 3-5%[1].

Banca Generali confirmed the soundness of its regulatory capital aggregates. CET1 ratio reached 16.6% and Total Capital ratio was 18.01%. Capital ratios were well above the specific requirements set by the Bank of Italy for the Group (i.e., CET1 ratio at 7.75% and Total Capital Ratio at 11.84%, 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 61.1 billion euros at 31 March 2019. In addition, managed assets also included 0.8 billion euros in AUC of Generali Group companies, and 3.3 billion euros in funds and Sicavs distributed directly by management firms, for an overall total of 65.2 billion euros.

[1] Total operating expenses net of sales staff expenses.

2. Macroeconomic context

Equity markets rallied considerably at the global level in the first quarter of 2019, with the main equity indices returning to October levels, recouping all the losses recorded in the final two months of 2018. Since the beginning of the year, the S&P 500, Eurostoxx and MSCI indices for emerging countries have all recorded positive performances, on the order of 13% and 11.7%, respectively, for the two developed market indices, and of 11.6%, in euros, for the emerging market index. Among the factors that supported the markets, the most relevant were the change in monetary policy announced by the US central bank and the easing of trade tensions between China and the United States.

In the United States, the **Federal Reserve** announced a change of monetary policy, with a **pause in the process of raising interest rates** and normalising its balance sheet. The prospect of a slowdown in the economy in the coming months led the central bank temporarily to suspend the gradual increases in the Federal Funds rate, resulting in a downtrend in yields on the US government bond curve. Due to the central bank's new monetary policy, two-year Treasuries fell from 2.51% to 2.29% and yields on ten-year Treasuries, owing in part to the downwards revision of economic growth estimates, fell from 2.69% to the current 2.41%.
On **equity markets**, positive quarterly earnings reports also contributed to the positive performance by the S&P500. Of the 96% of the companies in the index that published their results, 69% exceeded analysts' expectations in terms of earnings per share.

The **European** equity market mirrored the excellent performance achieved by the US market, benefiting from the rally that began early in the year, marked by accommodative monetary policies and the easing of political and trade tensions. However, there remain factors of uncertainty, owing in particular to the situation relating to the negotiations with the United Kingdom to set the terms of its departure from the European Union (Brexit), where a final decision continues to be postponed, creating uncertainty amongst investors. In addition, the European political elections at the end of May could represent a source of volatility. Within this framework, the **European Central Bank**, observing the effect of certain declining macroeconomic data, announced a new TLTRO (Targeted Long Term Refinancing Operation), with rates to remain unchanged until at least the end of 2019. This drove the yields on the ten-year Bund to negative levels.
In particular, in late March the German PMI figure, after reaching its lowest level of the last six years, drove the yields on ten-year German bonds down further, which in turn had a negative impact on the performances of major banking shares, following the strong results seen in February, owing to the stabilisation of spreads and the ECB's monetary policy. In Italy, the yield on the ten-year BTP fell from 2.74% to 2.49%, whereas the ten-year BTP-Bund spread remained unchanged compared with the beginning of the year, stabilising at around 250 bps.

Emerging countries have also recorded positive performances since the beginning of the year, albeit to a slightly lesser extent than developed countries. The strong performance was chiefly due to the stabilisation of the dollar and a decline in ten-year US yields, which resulted in an improvement of the debt condition of countries that have part of their public debt expressed in dollars. These factors facilitated a rally in the index from its October lows: the MSCI emerging market index rose 9.5% in USD and 11.66% in euros.

On **currency markets**, the euro depreciated against the major currencies of developed economies. During the quarter, the euro/dollar exchange rate fell from 1.1452 to 1.1255, with the US currency appreciating by 1.88%, whereas the single currency declined by 1.11% and 4.45% against the yen and pound sterling, respectively.

During the reporting period, the **commodities** index in dollars rose approximately by 8.22%, due above all to the sharp rise in the price of WTI oil of approximately 32.44%. Precious metals remained essentially stable at the levels of the beginning of the year, with gold up by approximately 0.77% and silver down 2.43%.

Outlook for 2019

The main international economic research organisations forecast a slowdown in global growth in the coming years. The average estimates by the major investment banks call for a decline from 3.7% in 2018 to 3.4% in 2019 and then 3.3% in 2020. Growth in the United States is expected to be 2.4% in 2019 (compared with 2.9% in 2018) and 1.2% in the Euro Area (compared with 1.8% in 2018), whereas in emerging economies growth is expected to amount to 4.8% (compared to 5% in 2018). The main risks for the global economy remain intensification of the trade war and a no-deal departure of the United Kingdom from the European Union.

3. Banca Generali's competitive positioning

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

3.1 The Asset management market

The Italian asset management industry closed the first three months of 2019 with negative net inflows of -1.0 billion euros, due to significant outflows from equity and flexible funds.

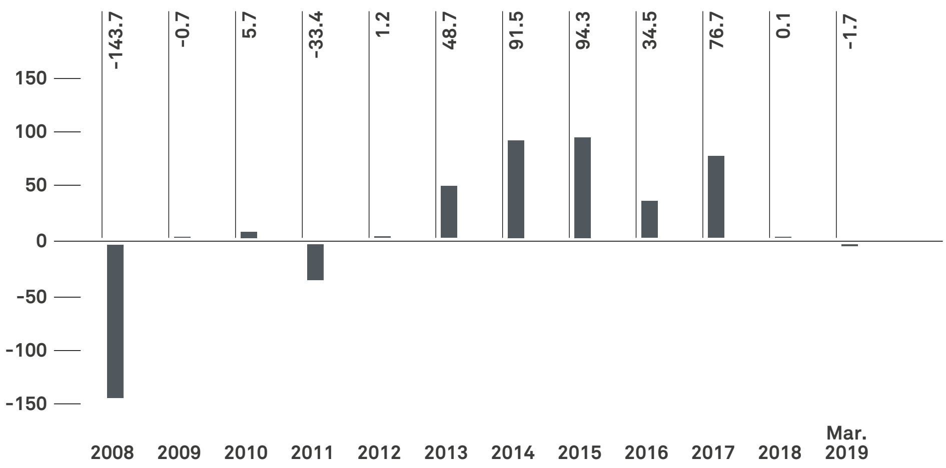
Assets under management amounted to 1,132 billion euros (net of assets invested in collective management solutions), of which 1,005 billion euros (89%) was invested in Italian and foreign funds and 127 billion euros in retail portfolio management solutions. Long-term funds accounted for almost all open-ended funds (96.5% in March 2019). Within this category, bond funds continued to represent the main class (38.3% of the total, for assets of 384.6 billion euros), with inflows of 0.7 billion euros in the first three months of the year. They were followed by flexible funds, at 25.2% of total assets or 252.8 billion euros, making them the asset class that reported the greatest net outflows in 2019 at approximately -2.7 billion euros, and, finally, by equity funds at 214.0 billion euros, with year-to-date net outflows of -1.7 billion euros.
Money-market funds, with invested assets of 35.3 billion euros, represented a residual share of open-ended funds (3.5% in March 2019), with year-to-date net inflows totalling 1.6 billion euros.

EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT (€ million)

	NET INFLOWS		ASSETS	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Italian funds	-2,906	2,996	245,554	258,286
Foreign funds	1,218	5,538	759,298	745,515
Total open-ended funds	**-1,688**	**8,534**	**1,004,852**	**1,003,799**
GP retail	**644**	**198**	**127,180**	**129,277**
Total	**-1,044**	**8,732**	**1,132,032**	**1,133,076**

Source: Assogestioni

THE UCITS MARKET IN ITALY (€ billion)



Source: Assogestioni

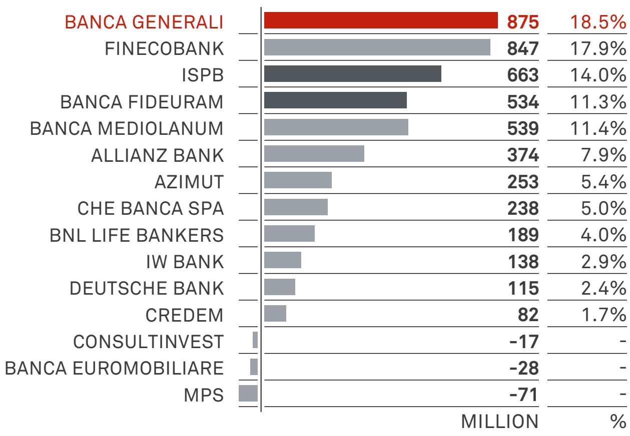
3.2 The Assoreti market

Net inflows amounted to 4.7 billion euros in the first two months of 2019, marking a decrease of 1.2 billion euros (-20.2%) compared to the same period of the previous year. Net inflows from asset management products stood at -0.83 billion euros, marking a decline of -2.7 billion euros on the previous year. Mutual funds and Sicavs contributed -0.5 billion euros (of which funds-of-funds: 0.4 billion euros), and discretionary mandates -0.3 billion euros. Net inflows from insurance products increased by 18.7% compared to February 2018, reaching 1.56 billion euros (traditional life insurance policies remained the main component, accounting for approximately 84% of overall net inflows from insurance products). There was a sharp increase in AUC, which exceeded 4.0 billion euros, or approximately 1.2 billion euros more than in the same period of the previous year, with growth of nearly 44.8%. Net inflows into money-market products accounted for approximately 58% of total AUC net and nearly 49% of all year-to-date net inflows. Net inflows generated by securities amounted to approximately 1.7 billion euros.

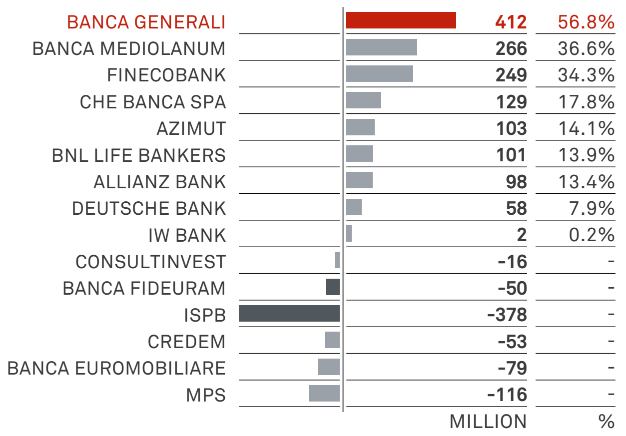
(€ MILLION)	FEB. 2019	FEB. 2018	CHANGE
Assets under Management	-829	1,855	-2,683
Insurance products	1,556	1,311	245
Assets under Administration and Custody	4,005	2,766	1,238
Total	**4,732**	**5,932**	**-1,200**

Source: Assoreti

TOTAL NET INFLOWS ASSORETI – 4.7 BILLION EUROS – AND MARKET SHARE %
(February 2019, € million)
Source: Assoreti



NET INFLOWS FROM AUM AND INSURANCE PRODUCTS ASSORETI– 0.7 BILLION EUROS – AND MARKET SHARE %
(February 2019, € million)
Source: Assoreti



3.3 Banca Generali

In the first quarter of 2019, Banca Generali reported net inflows of 1.41 billion euros. Market performance restored the focus on the notion of risk, favouring solutions suited to protection, such as traditional insurance policies, which recorded net inflows of 540 million euros YTD (140 million euros in March alone). In 2019, net inflows of managed and insurance solutions totalled than 0.6 billion euros overall, accounting for 43% of total net inflows. In particular, in the quarter net inflows of managed products amounted to 70 million euros, whereas net inflows of insurance products amounted to 540 million euros. Net inflows from wrapper products – included in net inflows from managed and insurance solutions – amounted to -187 million euros in the first quarter of 2019, of which -215 million euros referring to discretionary mandates and +28 million euros to BG Stile Libero.
In contrast to the same period of the previous year, demand for funds and Sicavs became the

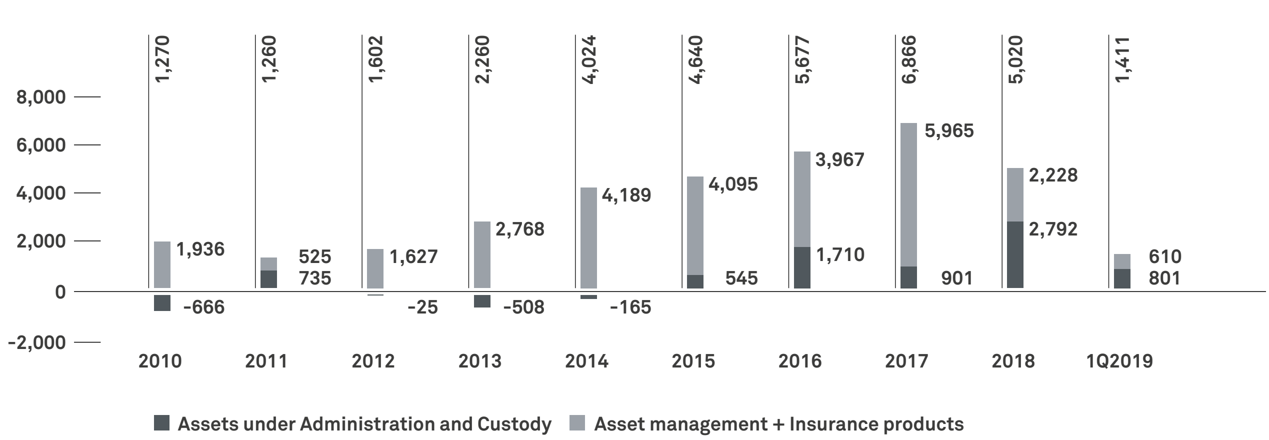
main component of net inflows from managed products, despite declining compared to the first quarter of 2018.
Insurance products drew total net inflows of 568 million euros, of which 28 million euros directly generated by BG Stile Libero, decreasing compared to 2018.
AUC contributed significantly (+43% compared to 2018). In response to increasingly complex markets, prudence steered net inflows towards AUC solutions, which drew year-to-date net inflows of 801 million euros (338 million euros in March alone).
Attention should also be drawn to the further rise in Assets under Advisory, which amounted to 750 million euros in the first quarter of 2019, bringing the total value to 3.0 billion euros.
The increase in volatility further strengthened the relationships between Banca Generali's Financial Advisors and households, based on increasingly thorough planning that takes careful account of the many variables impacting the markets. Banca Generali's innovative new investment instruments and the new Sicav LUX IM can best rise to these new challenges, ensuring new opportunities for AUC diversification and protection.
With regard to life new business, the Bank contributed 966 million euros in the reporting quarter, with an increase in absolute terms of 146 million euros compared to the previous year.

NET INFLOWS OF BANCA GENERALI

	BG GROUP		CHANGES VS 31.03.2018	
(€ MILLION)	31.03.2019	31.03.2018	AMOUNT	%
BG Group Funds and Sicavs	257	301	-44	-15%
Financial wrappers	-215	204	-419	-205%
Insurance wrappers	28	271	-243	-90%
Total assets under management	**70**	**776**	**-706**	**-91%**
Total traditional life insurance policy	**540**	**236**	**304**	**129%**
Total assets under administration and custody	**801**	**562**	**239**	**43%**
Total net inflows placed by the network	**1,411**	**1,574**	**-163**	**-10.4%**

The following chart shows how Banca Generali has consistently succeeded in attracting increasing levels of net inflows in recent years, focusing on managed solutions. In the first quarter of 2019, due to the severe market volatility, net inflows from managed products accounted only for 43% of total net inflows.

BANCA GENERALI'S NET INFLOWS EVOLUTION 2010-Q12019 (€ million)



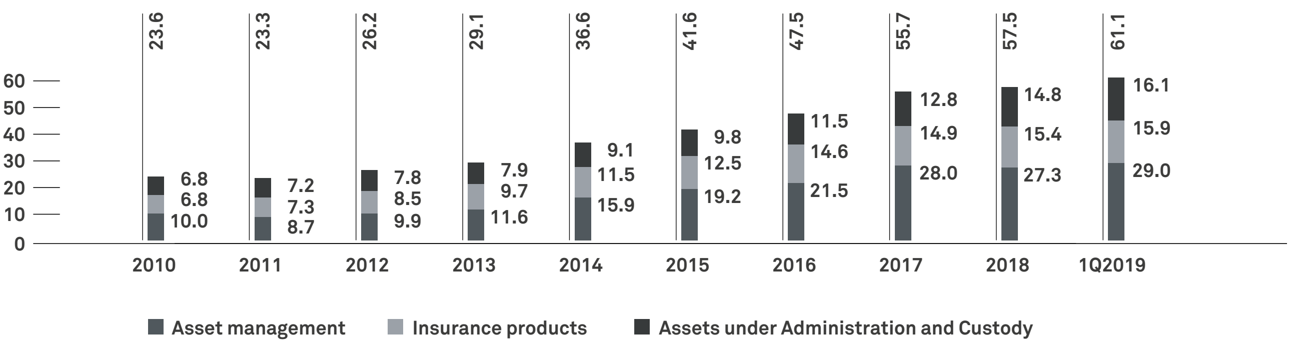
Supported by the net inflows registered in the first quarter of 2019, assets under management also posted positive, rising numbers. At 31 March 2019, Banca Generali's AUM exceeded 61.1 billion euros, with insurance solutions remaining the main component of its asset mix (nearly 47% of AUM were invested in insurance products, compared with 50% in the same period of 2018). The insurance component stood at approximately 26% (one percentage point less than in the first quarter of 2018).
Attention should be drawn to the strong positive contribution provided by the new LUX IM Sicavs, which yielded net inflows of approximately 386 million euros in the first quarter of 2019. With reference to insurance solutions, BG Stile Libero reported a positive performance in AUM, reaching 13% of the Bank's total assets, and increasing by approximately 9% compared with the first quarter of 2018 to over 8.1 billion euros.
Overall, Banca Generali's AUM grew by 8% compared to the first quarter of 2018.
The following table presents an overview of Banca Generali's AUM performance, updated through March 2019 and broken down by macro-aggregates with reference to the Assoreti market, i.e., the market related to the Financial Advisor operating area. The table shows a strong growth of assets under administration and custody, which reported a year-on-year change of 22% due to the volatility of equity markets during the period under review. Assets under management (+3%) and insurance products (+6%) also contributed to the growth of the portfolios under management.

BANCA GENERALI'S AUM

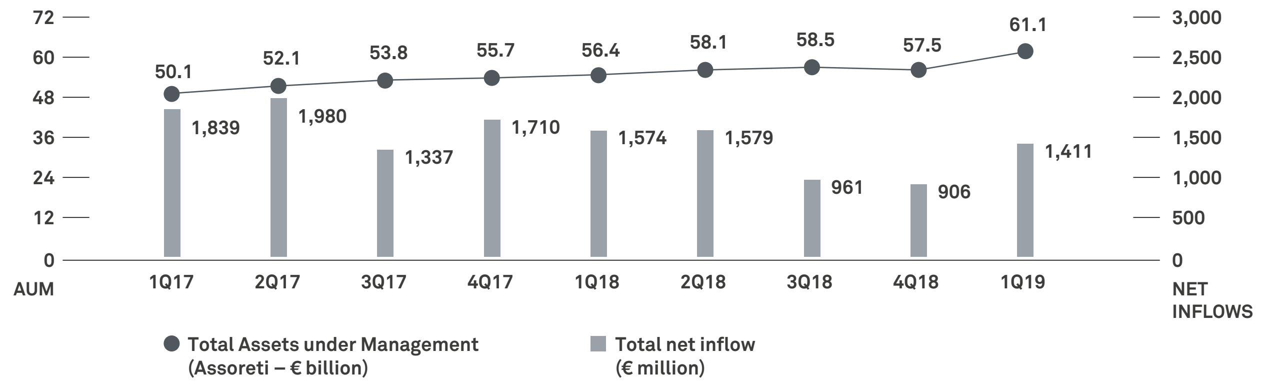
	BG GROUP		CHANGES VS 31.03.2018	
(€ MILLION)	31.03.2019	31.03.2018	AMOUNT	%
BG Group Funds and Sicavs	14,365	13,571	794	6%
Financial wrappers	6,518	7,143	-625	-9%
Insurance wrappers	8,102	7,428	674	9%
Total assets under management	**28,985**	**28,142**	**843**	**3%**
Total insurance products	**15,949**	**15,034**	**915**	**6%**
Total assets under administration and custody	**16,116**	**13,239**	**2,878**	**22%**
Total AUM placed by the network	**61,051**	**56,415**	**4,636**	**8.2%**

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.

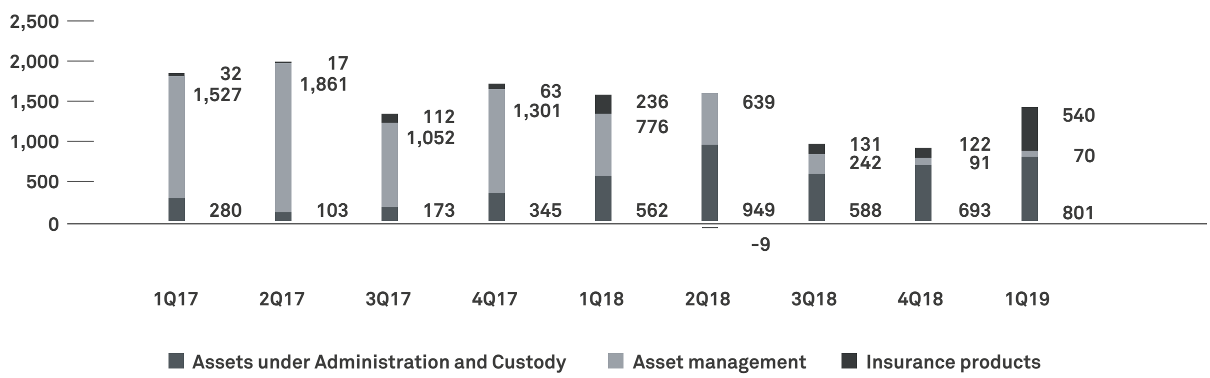
BANCA GENERALI'S TOTAL ASSETS EVOLUTION 2010-1Q19 (€ billion)



EVOLUTION OF AUM AND NET INFLOWS



BREAKDOWN OF QUARTERLY NET INFLOWS (€ million)



4. Operating result

A new accounting standard, IFRS 16 – Leases, which lays down a single model for accounting for lease arrangements, eliminating the distinction between operating and finance leases, entered into effect on 1 January 2019.
A more detailed examination of the effects of the first-time adoption of the Standard is provided in Chapter 7 on the basis of preparation of this Interim Report.
With respect to the accounting model to be applied by the lessee, the new Standard provides that for all types of leases a depreciable asset must be recognised to represent the right of use of the leased property, alongside the interest-bearing payable commensurate to the present value of the lease payment due in accordance with the lease contract.
Upon first-time adoption, Banca Generali opted to recognise the effect of the retrospective restatement of values in equity at 1 January 2019, without restating the previous years presented for comparative purposes (modified retrospective approach).
The items of the profit and loss account and balance sheet from the comparative period may therefore not be consistent with those presented in the profit and loss account for the period ended 31 March 2019 and the balance sheet at that same date. However, where possible, the information needed to understand the impact of the application of the new Standard has been provided.

The Group's net profit at the end of the first quarter of 2019 was 66.6 million euros, up nearly 36% compared to the same period of the previous year.

			CHANGE	
(€ THOUSAND)	1Q2019	1Q2018	AMOUNT	%
Net interest income	15,874	13,243	2,631	19.9%
Net income (loss) from trading activities and dividends	3,995	15,227	-11,232	-73.8%
Net financial income	**19,869**	**28,470**	**-8,601**	**-30.2%**
Fee income	207,974	182,365	25,609	14.0%
Fee expense	-94,261	-96,734	2,473	-2.6%
Net fees	**113,713**	**85,631**	**28,082**	**32.8%**
Net banking income	**133,582**	**114,101**	**19,481**	**17.1%**
Staff expenses	-21,790	-21,136	-654	3.1%
Other general and administrative expenses	-35,176	-37,301	2,125	-5.7%
Net adjustments of property, equipment and intangible assets	-6,792	-2,046	-4,746	232.0%
Other operating expenses/income	13,722	13,940	-218	-1.6%
Net operating expenses	**-50,036**	**-46,543**	**-3,493**	**7.5%**
Operating result	**83,546**	**67,558**	**15,988**	**23.7%**
Net adjustments for non-performing loans	3,989	192	3,797	n.a.
Net provisions for liabilities and contingencies	-6,121	-4,783	-1,338	28.0%
Gains (losses) from equity investments	-59	-88	29	-33.0%
Operating profit before taxation	**81,355**	**62,879**	**18,476**	**29.4%**
Income taxes for the period	-14,731	-13,832	-899	6.5%
Net profit	**66,624**	**49,047**	**17,577**	**35.8%**

Reclassified net banking income[2] amounted to 133.6 million euros, with an increase of 19.5 million euros (+17.1%) compared to 2018, determined by the following factors:

› the resilience of **management fee income**, which remained stable at the levels of the fourth quarter of 2018 (155 million euros), only contracting slightly compared on the first quarter of 2018 (-2.1%), despite a market scenario characterised by a strong propensity to hold cash and defensive investments and pressure on markets;
› the recovery of the most volatile components of the profit and loss account, namely per**formance fees**, which rose by 27.6 million euros in the first quarter of 2019 also as a result of the sharp rise of financial markets;
› the **increase in net interest income** (+26.3% on the first quarter of 2018, gross of higher

[2] To ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentive fees and recruitment have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 3.2 million euros for 2019 and 9.2 million euros for 2018.

interest expense of 0.9 million euros, recognised pursuant to IFRS 16 on financial liabilities associated with lease agreements), driven by the significant rise in interest rates on Italian government bonds, which began to be seen in the second quarter of 2018, offset, however, by the lesser contribution of the **net income (loss) from trading activities and dividends** (-11.2 million euros), which in early 2018 had already benefited from the Bank's de-risking of its banking book.

Net banking income also includes changes to the amortisation period for the ordinary incentives paid to Financial Advisors on the basis of net inflow targets, implemented beginning from the last quarter of 2018, which resulted in a positive effect on the fee aggregate of 3.4 million euros.

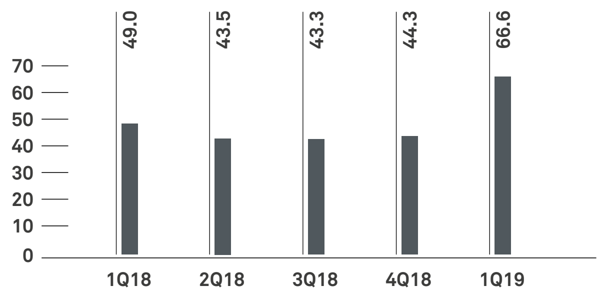
Operating expenses amounted to 50.0 million euros, increasing compared to the same period of the previous year (+7.5%). The increase was tied to the Bank's pronounced efforts to expedite all of its current strategic projects. Moreover, this item includes some one-off components such as the relocation of the administrative offices and the recent acquisitions for a total of 1.2 million euros, partially offset by the application of the new IFRS 16, which contributed 0.3 million euros in terms of operating expenses. Net of these effects, the Bank's operating expenses reported a 5.8% change, which however was in line with the guidance, which calls for an increase of core operating expenses in the range of 3-5%[3].

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to an excellent 32.4%, whereas the adjusted cost/income ratio[4] stood at 40.2% (42.3% at year-end 2018), thus confirming the Bank's excellent operating efficiency.

Provisions and net adjustments amounted to 2.1 million euros, declining by 2.5 million euros on the same period of 2018, also thanks to the partial re-absorption of the collective adjustments on financial instruments following the implementation of the new IFRS 9 recognised in the previous year, and consisted largely of long-term provisions in connection with the beginning of the new annual cycle of the Framework Loyalty Programme and provisions for termination indemnity for the Financial Advisor network.

Operating profit before taxation thus stood at 81.4 million euros, increasing by 18.5 million euros compared to the first quarter of 2018. The tax burden for the reporting period instead declined, with an overall tax rate of 18.1%, due to the increased weight of profit generated abroad.

QUARTERLY NET PROFIT (€ million)



[3] Total operating expenses net of sales staff expenses.
[4] Cost/income ratio net of performance fees, charges in support of the banking system (BRRD) and M&A costs of 1.2 million euros.

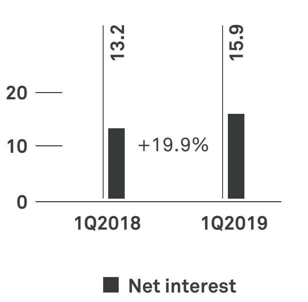
QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	1Q19	4Q18	3Q18	2Q18	1Q18
Net interest income	15,874	15,736	16,177	14,816	13,243
Net income (loss) from trading activities and dividends	3,995	2,056	1,481	5,355	15,227
Net financial income	**19,869**	**17,792**	**17,658**	**20,171**	**28,470**
Fee income	207,974	175,007	190,056	194,238	182,365
Fee expense	-94,261	-75,217	-99,267	-105,126	-96,734
Net fees	**113,713**	**99,790**	**90,789**	**89,112**	**85,631**
Net banking income	**133,582**	**117,582**	**108,447**	**109,283**	**114,101**
Staff expenses	-21,790	-21,459	-20,459	-21,173	-21,136
Other general and administrative expenses	-35,176	-49,000	-39,279	-36,914	-37,301
Net adjustments of property, equipment and intangible assets	-6,792	-3,048	-2,094	-2,113	-2,046
Other operating expenses/income	13,722	20,259	12,113	13,125	13,940
Net operating expenses	**-50,036**	**-53,248**	**-49,719**	**-47,075**	**-46,543**
Operating result	**83,546**	**64,334**	**58,728**	**62,208**	**67,558**
Net adjustments for non-performing loans	3,989	-1,224	-2,456	-3,798	192
Net provisions	-6,121	-10,753	-3,987	-5,828	-4,783
Gains (losses) from equity investments	-59	-265	-25	-53	-88
Operating profit before taxation	**81,355**	**52,092**	**52,260**	**52,529**	**62,879**
Income taxes for the period	-14,731	-7,813	-8,979	-9,010	-13,832
Net profit	**66,624**	**44,279**	**43,281**	**43,519**	**49,047**

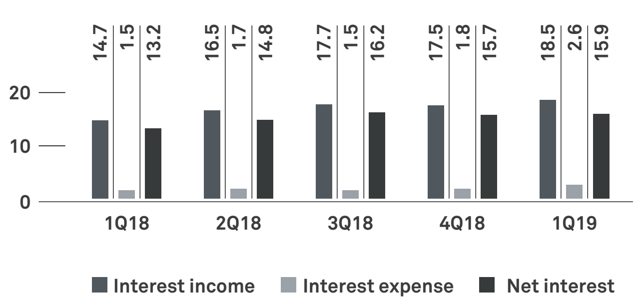
4.1 Net interest income

Net interest income amounted to 15.9 million euros, up by 2.6 million euros on the first quarter of 2018 (+19.9%). Said increase resulted mainly from the significant interest rates rise in Italian government bonds reported during the second half of 2018 despite a modest expansion of business volumes.
However, net interest income was affected by the first-time adoption of IFRS 16, which in the first quarter of 2019 entailed the recognition of greater interest expense of 0.9 million euros on financial liabilities associated with lease contracts. Net of such items, net interest income would have increased by over 26%.

NET INTEREST (€ million)



QUARTERLY NET INTEREST (€ million)



In the first quarter of 2019, interest rate performance in the Euro Area continued to be essentially influenced by the accomodative Quantitative Easing policy carried out by the ECB.
Following the conclusion of the Quantitative Easing purchasing programme at the end of 2018, at its last meeting on 11 April the ECB's Governing Council announced that no rate increases

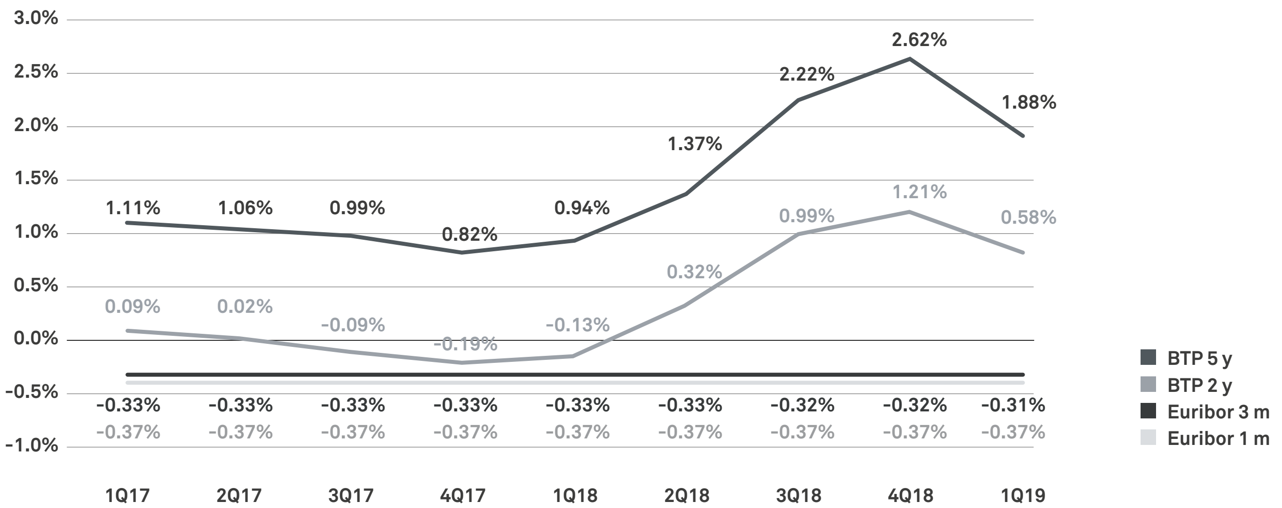
were planned until at least year-end 2019[5]. It was also confirmed that the securities purchased within the framework of the Programme would continue to be reinvested at maturity for an extended period of time, for as long as it was necessary to maintain favourable liquidity conditions and a generously accommodative monetary policy.
The persistent uncertainty associated with geopolitical factors, threat of protectionism and vulnerability of emerging markets, combined with the slowdown of economic growth and inflation in the Euro Area, therefore led the ECB to push back expectations of an increase in interest rates in 2019.

Therefore, the interest-rate curve on the interbank market did not show significant signs of recovery on the whole, consolidating an anomalous situation of positive funding rates but negative lending rates that have now exceeded the 12-month maturity. As a result, in March 2019 short-term interbank rates stood at a monthly average of -0.367% for the one-month Euribor and of -0.309% for the three-month Euribor.

Beginning from the second quarter of 2018, the **Italian government bond market** began to experience severe volatility, driving the spread between the ten-year BTP and German Bund to widen to a peak level of 327 bps, with the resulting effect on the Italian government bond yield curve as well. However, from late 2018 to early 2019 the situation partially stabilised, permitting a modest decline in interest rates.

Yields on Italian government bonds with average residual maturities of two years thus climbed from -0.22% in April 2018 to 1.04% in September, to then fall back to 0.75% in December 2018 and 0.71% in March 2019. Bonds with residual maturities of 4.5 to 6.5 years rose from 0.78% in April to 2.27% in September, reaching a 2.21% average yield in December, to then fall to 1.74% in March 2019.

EVOLUTION OF INTEREST RATES (quarterly average)



Within this environment, interest income grew by 3.8 million euros compared to the previous year (+25.5%), mainly due to the impact of the aforementioned increases in bond market interest rates on the securities in the Bank's investment portfolio (+3.9 million euros; +44.7%). The weighted average yield of the HTC portfolio stood at 1.22% at the end of the quarter.

Interest on loans to customers, most of which are benchmarked on the Euribor, did not give signs of a recovery, despite the modest increase in loan volume compared to the same period of 2018.

The increase in the cost of customer funding instead referred to a commercial initiative involving time deposits launched in late 2018 and limited to the first quarter of 2019 only.

[5] In this regard, it should be recalled that, in order to stimulate a recovery of inflation, in June 2016 the ECB had decided, inter alia, 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%.

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	45	58	-13	-22.4%
Financial assets at fair value through other comprehensive income	1,023	1,279	-256	-20.0%
Financial assets at amortised cost	11,492	7,342	4,150	56.5%
Total financial assets	**12,560**	**8,679**	**3,881**	**44.7%**
Loans to banks	197	136	61	44.9%
Loans to customers	5,292	5,275	17	0.3%
Other assets	420	623	-203	-32.6%
Total interest income	**18,469**	**14,713**	**3,756**	**25.5%**
Due to banks	136	125	11	8.8%
Due to customers	494	172	322	187.2%
Repurchase agreements - customers	43	-	43	n.a.
Subordinated loan	413	408	5	1.2%
IFRS 16-related financial liabilities	850	-	850	n.a.
Other liabilities	659	765	-106	-13.9%
Total interest expense	**2,595**	**1,470**	**1,125**	**76.5%**
Net interest income	**15,874**	**13,243**	**2,631**	**19.9%**

The negative interest income paid to counterparties on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 659 thousand euros and 420 thousand euros, respectively.

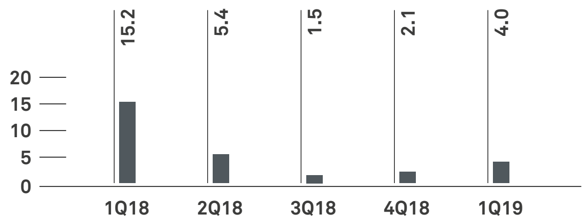
The expenses incurred primarily related to balances held with the Central Bank (611 thousand euros), whereas the income accrued related to net inflows from institutional clients belonging both to the Generali Group and not related to the latter (379 thousand euros) and repurchase agreements at negative rates (39 thousand euros).

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Banks	2	98	-96	-98.0%
Customers	418	525	-107	-20.4%
Total income for negative interest expense	**420**	**623**	**-203**	**-32.6%**
Banks	648	760	-112	-14.7%
Customers	11	5	6	120.0%
Total expense for negative interest income	**659**	**765**	**-106**	**-13.9%**
Net negative interest income and expense	**-239**	**-142**	**-97**	**68.3%**

4.2 Net income from trading activities and dividends

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

NET RESULT OF FINANCIAL OPERATIONS (€ million)



At the end of the first quarter of 2019, the item showed a positive contribution of 4.0 million euros, down compared to the same period of the previous year, which had already benefited from the capital gains earned on the strong banking book de-risking process.

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Dividends and income on UCITS	**275**	**124**	**151**	**121.8%**
Trading of financial assets and equity derivatives	2	24	-22	-91.6%
Trading of financial assets and derivatives on debt securities and interest rates	376	172	204	118.6%
Trading of UCITS units	-	-1	1	-100.0%
Securities transactions	378	195	183	94.1%
Currency and currency derivative transactions	1,330	991	339	34.2%
Net income (loss) from trading activities	**1,708**	**1,186**	**522**	**44.0%**
Equity securities and UCITS	1,182	1,045	137	13.1%
Debt securities	33	98	-65	-66.3%
Financial Advisors' policies	141	-	141	n.a.
Net income (loss) of assets mandatorily measured at fair value through profit and loss	**1,356**	**1,143**	**213**	**18.6%**
Debt securities	656	12,774	-12,118	-94.9%
Gains (losses) from disposal on HTC and HTCS debt securities	**656**	**12,774**	**-12,118**	**-94.9%**
Net result of financial operations	**3,995**	**15,227**	**-11,232**	**-73.8%**

Trading activities also reported a positive performance overall (+44.0%), thanks to the contribution of monetary operations and to the performance of trading on own account as market maker on securities placed.

Excluding the trading portfolio, the net income on assets mandatorily measured at fair value through profit or loss amounted to 1.4 million euros and was tied to the fair-value accounting treatment of UCITS through the profit and loss account (1.1 million euros), together with an additional contribution from the treasury management of debt securities allocated to the HTCS portfolio (0.7 million euros).

(€ THOUSAND)	TRANSFER OF RESERVES	GAINS	LOSSES	CAPITAL GAINS	CAPITAL LOSSES	1Q2019	1Q2018	CHANGE
Debt securities at FV through other comprehensive income	-576	1,227	-	x	x	651	12,774	-12,123
Debt securities at amortised cost	x	5	-	x	x	5	-	5
Financial assets mandatorily measured at FV:	x	638	-400	1,850	-732	1,356	1,143	213
Debt securities	x	-	-	33	-	33	98	-65
UCITS units	x	631	-400	1,217	-383	1,065	1,310	-245
Equity securities	x	-	-	116	-	116	-265	381
Financial Advisors' policies	x	7	-	484	-349	142	-	142
Total	**-576**	**1,870**	**-400**	**1,850**	**-732**	**2,012**	**13,917**	**-11,905**

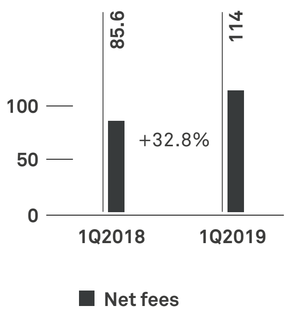
4.3 Net fees

Net fees amounted to 113.7 million euros, up 32.8% compared to the first quarter of the previous year, chiefly due to the increase of the non-recurring component consisting of performance fees.

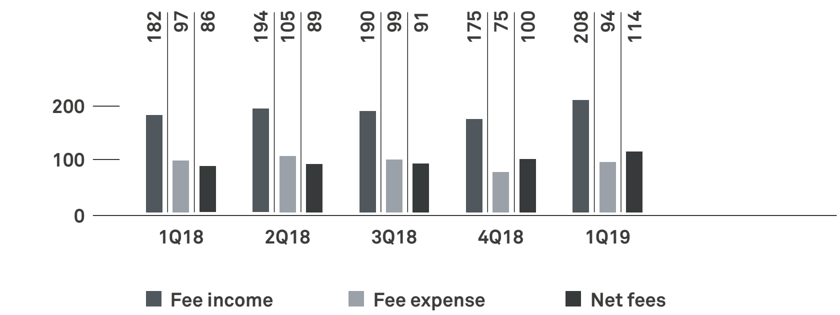
(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Collective and individual portfolio management fees	112,110	91,650	20,460	22.3%
Fees for the placement of securities and UCITS	25,892	24,846	1,046	4.2%
Fees for distribution of third-party financial products	56,823	54,258	2,565	4.7%
Fees for trading and securities custody	6,070	6,337	-267	-4.2%
Investment advisory fees	4,862	3,429	1,433	41.8%
Fees for other banking and financial services	2,217	1,845	372	20.2%
Total fee income	**207,974**	**182,365**	**25,609**	**14.0%**
Fees for off-premises offer (*)	84,651	85,892	-1,241	-1.4%
of which: advances on incentive fees and recruitment	*3,160*	*9,161*	*-6,001*	*-65.5%*
Fees for dealing in securities custody	1,367	2,513	-1,146	-45.6%
Fees for portfolio management	6,846	7,582	-736	-9.7%
Fees for other banking services	1,397	747	650	87.0%
Total fee expense	**94,261**	**96,734**	**-2,473**	**-2.6%**
Net fees	**113,713**	**85,631**	**28,082**	**32.8%**

(*) Including allocations and provisions for incentives and recruitment bonuses.

NET FEES (€ million)



QUARTERLY NET FEES (€ million)



Fee income

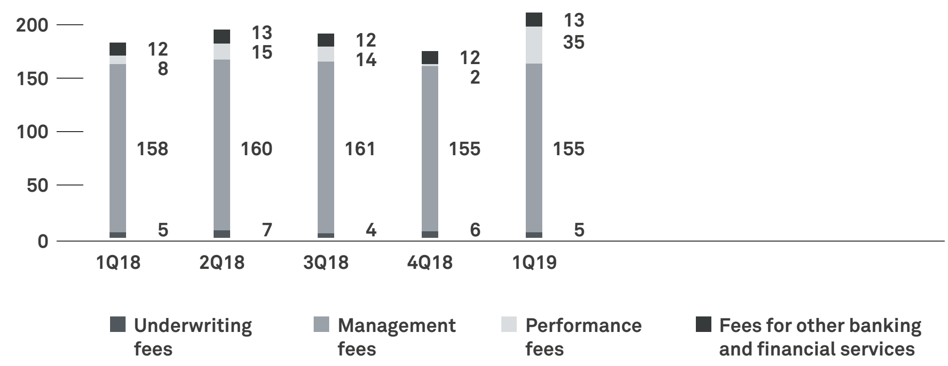
Fee income amounted to 208.0 million euros, up by 14.0%, mainly due to the aforementioned growth in performance fees calculated on the income generated by the Sicavs promoted by the Group.

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Underwriting fees	4,834	4,980	-146	-2.9%
Management fees	154,776	158,140	-3,364	-2.1%
Performance fees	35,215	7,634	27,581	361.3%
Fees for other services	13,149	11,611	1,538	13.2%
Total	**207,974**	**182,365**	**25,609**	**14.0%**

Management fees declined slightly on the first quarter of 2018 (-2.1%), due above all to the performance of the individual portfolio management segment (-7.1%) and the contraction in the margins generated by the Sicavs promoted by the Group, owing to the fee structure of the new sub-funds that began to be distributed in the second quarter of 2018.

The performance of management fees was however offset by the increase in fees for other banking and financial services (+13.2%) thanks to higher revenues arising from advisory services (+1.4 million euros in the reporting period, equal to 41.8%). In this regard, it should be noted that **Assets under Advisory** grew significantly, bringing the total value of AUM to 3.0 billion euros at the end of the first quarter of 2019 (1.7 billion euros at the end of the first quarter of 2018), with a 700 million euro improvement in the year underway.

BREAKDOWN OF FEE INCOME (€ million)



Fee income from the solicitation of investment and asset management of households reached 194.8 million euros, with a 2.2% decline compared to the same period of the previous year, net of the aforementioned non-recurring component.

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
1. Collective portfolio management	92,981	71,047	21,934	30.9%
2. Individual portfolio management	19,129	20,602	-1,473	-7.1%
Portfolio management fees	**112,110**	**91,649**	**20,461**	**22.3%**
1. Placement of UCITS	23,748	23,243	505	2.2%
of which: underwriting of UCITS promoted by the Group	*933*	*901*	*32*	*3.6%*
2. Placement of bonds and equity securities	2,144	1,604	540	33.7%
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	209	223	-14	-6.3%
4. Distribution of third-party insurance products	56,510	53,904	2,606	4.8%
5. Distribution of other third-party financial products	104	131	-27	-20.6%
Fees for the placement and distribution of financial services	**82,715**	**79,105**	**3,610**	**4.6%**
Asset management fee income	**194,825**	**170,754**	**24,071**	**14.1%**

Fee income from the **distribution of insurance products** continued to improve constantly (+4.8% on the first quarter of 2018), thanks to the stable increase in average AUM in this segment (+5.6%), which in the first quarter of 2019 was however affected by a more defensive approach to customer investments. Net inflows from insurance products in the first three months of 2019 amounted to 0.6 billion euros and were thus concentrated in traditional LOB I insurance products.

Sicavs promoted by the Banking Group – net of the effect of non-recurring performance components – reported an 8.9% decrease in management fees compared to the same period of the previous year, due to the aforementioned more competitive fee structure of new sub-funds launched beginning from the second quarter of 2018 and the ever increasing ratio of institutional classes compared to their retail counterparts.

In this regard, worth of mention is the commercial success reported by the sub-funds of the innovative Luxembourg-based Sicav **LUX IM**, which was launched in April 2018 and posted an AUM increase going from 3.9 billion euros at the end of the first quarter of 2018 to the current 7.6 billion euros (+95%), of which nearly 1.0 billion referring to the retail segment (+134%).

Fees for the **placement of UCITS** amounted to 23.7 million euros, with an increase of 2.2% on the first quarter of 2018, thanks to the positive demand for à-la-carte funds and Sicavs.

In addition, the placement of **Certificates** generated fees for over 2 million euros compared to 1.6 million euros reported in 2018.

Fee income for other services amounted to 13.1 million euros, due to the aforementioned rise in Assets under Advisory.

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Fees for trading and custody	6,070	6,338	-268	-4.2%
Investment advisory fees	4,862	3,429	1,433	41.8%
Fees for collection and payment services	999	603	396	65.7%
Fee income and account-keeping expenses	448	481	-33	-6.9%
Fees for other services	770	760	10	1.3%
Total fee income for other services	**13,149**	**11,611**	**1,538**	**13.2%**

Fee expense

Fee expense, including fee provisions[6], amounted to 94.3 million euros, down moderately compared to the same period of the previous year (-2.6%).
The Bank's total payout ratio to total fee income (net of performance fees) was thus 54.6%, slightly down compared to 55.4% for the same period of the previous year.

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Ordinary payout	64,994	64,070	924	1.4%
Extraordinary payout	19,657	21,822	-2,165	-9.9%
Fee expense for off-premises offer	**84,651**	**85,892**	**-1,241**	**-1.4%**
Fees for portfolio management	6,846	7,582	-736	-9.7%
Fee expense for other services	2,764	3,260	-496	-15.2%
Total	**94,261**	**96,734**	**-2,473**	**-2.6%**

Fee expense for off-premises offers paid or allocated to the Financial Advisors network amounted to 84.7 million euros, down by 1.2 million euros compared to the first quarter of 2018 (-1.4%).
The increase in the ordinary payout (+1.4%), due largely to the greater contractual indemnities disbursed during the quarter, was offset by a decline in incentive fees (-9.9%), partly attributable to the change of estimate relating to the amortisation schedule for the ordinary incentives paid to Financial Advisors on the basis of net inflow targets, applied in the fourth quarter of 2018, entailing a gross positive effect on fees and commissions of 3.4 million euros[7].

6 Incentive fee expense also includes net fee provisions for an amount of 3.2 million euros for 2019 and 9.2 million euros for 2018.

7 It should be recalled that the modification concerning the accounting treatment of ordinary sales incentives, which qualifies as a change of accounting estimate in respect of the amortisation period for the costs incurred to obtain/fulfil contracts, was applied prospectively beginning from the fourth quarter of 2018, in accordance with IAS 8. These change, implemented in part owing to the greater flexibility of the accounting standard IFRS 15, made it possible to align the accounting treatment of incremental costs paid to Financial Advisors in relation to the organic growth of assets under management with the treatment of recruitment incentives tied to the acquisition of new customers (amortised over five years), thereby ensuring a more effective correlation between total fee expense and the fee income generated by customer investments.

Fees for portfolio management amounted to 6.8 million euros and mostly referred to administration and third-party management fees incurred by the Group's management company for the management of the Sicavs under administration.

Fee expense for other services decreased by 15.2%, essentially due to the decline of fee expense for collection services.

			CHANGE	
(€ THOUSAND)	1Q2019	1Q2018	AMOUNT	%
Fees for securities trading and custody	-1,367	-2,513	1,146	-45.6%
Fees for collection and payment services	-979	-565	-414	73.3%
Fees for other services	-418	-182	-236	129.7%
Total fee expense for other services	**-2,764**	**-3,260**	**496**	**-15.2%**

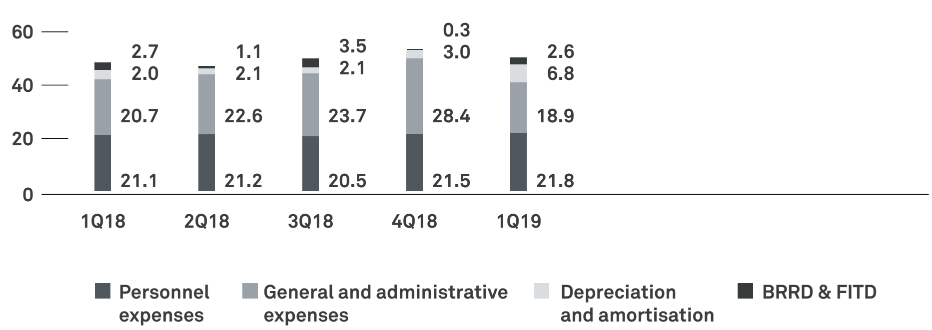
4.4 Operating expenses

Operating expenses amounted to 50.0 million euros, increasing by 7.5% compared to the same period of the previous year.

			CHANGE	
(€ THOUSAND)	1Q2019	1Q2018	AMOUNT	%
Staff expenses	21,790	21,136	654	3.1%
General and administrative expenses (net of duty recovery) and other net income	18,868	20,711	-1,843	-8.9%
BRRD and FITD contributions	2,586	2,650	-64	-2.4%
Net adjustments of property, equipment and intangible assets	6,792	2,046	4,746	232.0%
Operating expenses	**50,036**	**46,543**	**3,493**	**7.5%**

In accordance with the international accounting standards (IFRIC 21) and the Bank of Italy's technical rules, at 31 March 2019 **expenses related to the contributions to the Italian National Resolution and Interbank Deposit Protection Funds**, amounting to 2.6 million euros, included exclusively the ordinary contributions to the Single Resolution Fund and not the ordinary contributions to the Interbank Deposit Protection Fund (FITD), which came due in the third quarter of the year.

BREAKDOWN OF OPERATING EXPENSES (€ million)



Staff expenses, including full-time employees, interim staff and directors, reached 21.8 million euros, increasing by 3.1% compared to the same period of the previous year, chiefly due to the increase of the ordinary component of remuneration (+5.1%), associated with the growth of the average workforce, partially offset by a slight decline of the variable component.

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
1) Employees	**21,418**	**20,773**	**645**	**3.1%**
Salaries and social security charges	15,432	14,763	669	4.5%
Provision for termination indemnity and supplementary pension funds	1,318	1,173	145	12.4%
Ordinary remuneration	**16,750**	**15,936**	**814**	**5.1%**
Costs related to payment agreements based on own financial instruments	652	521	131	25.1%
Incentives and short-term productivity bonuses paid to managers	2,238	2,677	-439	-16.4%
Deferred incentives paid to managers	454	346	108	31.2%
Variable remuneration and incentives	**3,344**	**3,544**	**-200**	**-5.6%**
Other employee benefits	1,324	1,293	31	2.4%
2) Other staff	**16**	**20**	**-4**	**-20.0%**
3) Directors and Auditors	**356**	**343**	**13**	**3.8%**
Total	**21,790**	**21,136**	**654**	**3.1%**

Group's employees totalled 908, 27 more compared to the same period of the previous year, whereas the average headcount increased by over 11.

	31.03.2019	31.03.2018	CHANGE AMOUNT	CHANGE %	AVERAGE 2019	AVERAGE 2018
Managers	53	49	4	8.2%	52.5	48.5
3rd and 4th level executives	154	148	6	4.1%	153.5	148.5
Other employees	701	684	17	2.5%	682.0	680.0
Total	**908**	**881**	**27**	**3.1%**	**888.0**	**877.0**

Other general and administrative expenses and other net income amounted to 18.9 million euros, with an 8.9% decrease compared to the same period of the previous year.
However, the item's performance was directly affected by the first-time adoption of IFRS 16, which in the first quarter of 2019 entailed the recognition of greater amortisation of right-of-use assets associated to operating lease agreements for real estate, motor vehicles and other company equipment of 4.4 million euros, against a decrease in lease payments and rental fees of 4.7 million euros, resulting in a net positive impact of 0.3 million euros.
Accordingly, on a like-for-like basis the item would have increased moderately by 2.8 million euros, due to the strong efforts made by the Bank to expedite all of its ongoing strategic projects. This item also includes some one-off components such as the relocation of the administrative offices and the recent acquisitions for a total of 1.2 million euros.

(€ THOUSAND)	1Q2019	1Q2018	CHANGE AMOUNT	CHANGE %
Adjustments/reversals of property and equipment	369	361	8	2.2%
Adjustments/reversals of rights-of-use acquired through leases	4,352	-	4,352	n.a.
Adjustments/reversals of intangible assets	2,071	1,685	386	22.9%
Total	**6,792**	**2,046**	**4,746**	**232.0%**

4.5 Net provisions

Net provisions amounted to 6.1 million euros, up by 1.3 million euros compared to the same period of 2018, due to provisions to cover staff commitments, which bucked the trend.
Net of this item, provisions largely referred to all types of Financial Advisor network's contrac-

tual indemnities, and in particular included provisions in connection with the beginning of the third annual cycle 2019-2026 of the Framework Loyalty Programme for the Financial Advisor Network.

			CHANGE	
(€ THOUSAND)	1Q2019	1Q2018	AMOUNT	%
Provision for staff liabilities and contingencies	946	-550	1,496	n.a.
Provisions for legal disputes	135	182	-47	-25.8%
Provision for contractual indemnities to the sales network	4,790	4,831	-41	-0.8%
Other provisions for liabilities and contingencies	250	320	-70	-21.9%
Guarantees and commitments	-	-	-	n.a.
Total	**6,121**	**4,783**	**1,338**	**28.0%**

4.6 Adjustments

Net adjustments for non-performing loans reported a net income resulting from the recycling to the profit and loss account of 4.0 million euro reserves previously allocated.
The reversals referred primarily to collective reserves for performing debt securities held in the HTC and HTCS portfolios, which in the first quarter of 2019 benefited from a significant improvement in forward-looking probability of default (PD) based on market data, adopted following the transition to IFRS 9.

(€ THOUSAND)	ADJUSTMENTS	REVERSALS	1Q2019	1Q2018	CHANGE
Specific adjustments/reversals	**-266**	**637**	**371**	**205**	**166**
Equity securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Non-performing loans of the banking book	-214	634	420	212	208
Operating loans to customers	-52	3	-49	-7	-42
Contribution to the Interbank Deposit Protection Fund (FITD)	-	-	-	-	-
Portfolio adjustments/reversals	**-1,075**	**4,693**	**3,618**	**-13**	**3,631**
Debt securities	-1,075	4,693	3,618	-13	3,631
Performing loans to customers and banks	-	-	-	-	-
Total	**-1,341**	**5,330**	**3,989**	**192**	**3,797**

4.7 Consolidated net result, taxes and earnings per share

Income taxes for the reporting period on a current and deferred basis were estimated at 14.7 million euros, up 0.9 million euros compared to estimated taxes at the end of the same period of the previous year.

			CHANGE	
(€ THOUSAND)	1Q2019	1Q2018	AMOUNT	%
Current taxes for the period	-13,424	-16,166	2,742	-17.0%
Prior years' taxes	14	39	-25	-64.1%
Changes of prepaid taxation (+/-)	-1,200	246	-1,446	-587.8%
Changes of deferred taxation (+/-)	-121	2,049	-2,170	-105.9%
Total	**-14,731**	**-13,832**	**-899**	**6.5%**

The estimated total tax rate was 18.1%, down compared to the end of the same period of the previous year, chiefly due to the increase in the share of profits earned outside of Italy.

The first quarter of 2019 thus closed with basic net earnings per share of 0.57 euros.

	31.03.2019	31.03.2018	CHANGE AMOUNT	CHANGE %
Net profit for the period (€ thousand)	66,624	49,047	17,577	35.8%
Earnings attributable to ordinary shares (€ thousand)	66,624	49,047	17,577	35.8%
Average number of outstanding shares	116,482	116,482	-	-
EPS - Earnings per Share (euros)	**0.57**	**0.42**	**0.15**	**35.8%**
Average number of outstanding shares with diluted share capital	116,482	116,482	-	-
EPS - Diluted Earnings per Share (euros)	**0.57**	**0.42**	**0.15**	**35.8%**

4.8 Comprehensive income

The Banking Group's comprehensive income is determined by the consolidated net profit and all other components that contribute to company performance without being reflected in the Profit and Loss Account, such as changes in valuation reserves for securities at fair value through other comprehensive income.
In the first quarter of 2019, the latter component provided a positive overall contribution of 5.8 million euros, against a net positive change of +10.1 million euros recorded at the end of the same period of the previous year.
In detail, HTCS portfolio valuation reserves grew, as a result of the following factors:
- an increase in net valuation capital gains totalling 9.8 million euros;
- the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (1.2 million euros);
- the negative net tax effect associated with the above changes and resulting from increases in DTLs and re-absorption of DTAs (-2.8 million euros).

(€ THOUSAND)	1Q2019	1Q2018 RESTATED (*)	CHANGE AMOUNT	CHANGE %
Net profit for the period	**66,624**	**49,047**	**17,577**	**35.8%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	-	4	-4	-100.0%
Financial assets at fair value through other comprehensive income	5,838	10,129	-4,291	-42.4%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-177	-31	-146	471.0%
Total other income, net of taxes	**5,661**	**10,102**	**-4,441**	**-44.0%**
Comprehensive income	**72,285**	**59,149**	**13,136**	**22.2%**

(*) Data restated to comply with final IFRS 9 FTA.

5. Balance sheet and net equity aggregates

At the end of the first quarter of 2019, total consolidated assets amounted to 10.0 billion euros, increasing by nearly 0.3 billion euros (+3.0%) compared to the end of 2018.
Total net inflows amounted to 8.9 billion euros (+2.3%), driven by the significant net inflows from customers (+2.7%), which offset the decline in interbank net inflows.
Core loans thus totalled 9.4 billion euros, up 1.5%.

ASSETS (€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %	31.03.2018 RESTATED (**)
Financial assets at fair value through profit or loss	103,924	90,640	13,284	14.7%	115,739
Financial assets at fair value through other comprehensive income	2,224,602	1,987,315	237,287	11.9%	2,917,725
Financial assets at amortised cost	7,057,490	7,166,172	-108,682	-1.5%	5,834,313
a) Loans to banks (*)	849,522	1,434,533	-585,011	-40.8%	1,111,505
b) Loans to customers	6,207,968	5,731,639	476,329	8.3%	4,722,808
Equity investments	1,629	1,661	-32	-1.9%	1,736
Property, equipment and intangible assets	235,350	101,834	133,516	131.1%	96,778
Tax receivables	48,842	52,799	-3,957	-7.5%	46,605
Other assets	356,542	335,473	21,069	6.3%	291,632
Total assets	**10,028,379**	**9,735,894**	**292,485**	**3.0%**	**9,304,528**

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %	31.03.2018 RESTATED (**)
Financial liabilities at amortised cost	8,879,340	8,675,596	203,744	2.3%	8,186,830
a) Due to banks	100,287	128,725	-28,438	-22.1%	505,127
b) Due to customers	8,779,053	8,546,871	232,182	2.7%	7,681,703
Financial liabilities held for trading and hedging	506	384	122	31.8%	290
Tax payables	22,586	18,018	4,568	25.4%	36,307
Other liabilities	154,919	142,176	12,743	9.0%	143,151
Special purpose provisions	162,741	164,845	-2,104	-1.3%	159,234
Valuation reserves	-5,974	-11,636	5,662	-48.7%	10,200
Reserves	595,619	414,368	181,251	43.7%	557,668
Share premium reserve	57,819	57,889	-70	-0.1%	58,170
Share capital	116,852	116,852	-	-	116,852
Treasury shares (-)	-22,653	-22,724	71	-0.3%	-13,221
Net profit (loss) for the period (+/-)	66,624	180,126	-113,502	-63.0%	49,047
Total net equity and liabilities	**10,028,379**	**9,735,894**	**292,485**	**3.0%**	**9,304,528**

(**) Data restated to comply with final IFRS 9 FTA.

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018 RESTATED (**)	01.01.2018 FTA (**)
Financial assets at fair value through profit or loss	103,924	90,640	98,128	104,355	115,739	118,778
Financial assets at fair value through other comprehensive income	2,224,602	1,987,315	2,129,338	2,379,521	2,917,725	2,977,389
Financial assets at amortised cost	7,057,490	7,166,172	6,495,179	6,550,780	5,834,313	5,389,959
a) Loans to banks	849,522	1,434,533	912,269	1,133,932	1,111,505	922,492
b) Loans to customers	6,207,968	5,731,639	5,582,910	5,416,848	4,722,808	4,467,467
Equity investments	1,629	1,661	1,688	1,716	1,736	1,820
Property, equipment and intangible assets	235,350	101,834	93,603	95,318	96,778	98,381
Tax receivables	48,842	52,799	57,226	54,734	46,605	46,794
Other assets	356,542	335,473	304,856	328,518	291,632	355,526
Total assets	**10,028,379**	**9,735,894**	**9,180,018**	**9,514,942**	**9,304,528**	**8,988,647**

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018 RESTATED (*)	01.01.2018 FTA (*)
Financial liabilities at amortised cost	8,879,340	8,675,596	8,201,383	8,521,256	8,186,830	7,879,968
a) Due to banks	100,287	128,725	72,348	497,996	505,127	682,531
b) Due to customers	8,779,053	8,546,871	8,129,035	8,023,260	7,681,703	7,197,437
Financial liabilities held for trading and hedging	506	384	925	518	290	206
Tax payables	22,586	18,018	25,123	37,049	36,307	35,168
Other liabilities	154,919	142,176	114,659	147,761	143,151	184,757
Special purpose provisions	162,741	164,845	160,820	158,926	159,234	155,305
Valuation reserves	-5,974	-11,636	-23,388	-19,350	10,200	14,051
Reserves	595,619	414,368	412,683	411,409	557,668	353,287
Share premium reserve	57,819	57,889	57,893	57,893	58,170	58,219
Share capital	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-22,653	-22,724	-22,779	-9,938	-13,221	-13,271
Net profit (loss) for the period (+/-)	66,624	180,126	135,847	92,566	49,047	204,105
Total net equity and liabilities	**10,028,379**	**9,735,894**	**9,180,018**	**9,514,942**	**9,304,528**	**8,988,647**

(**) Data restated to comply with final IFRS 9 FTA.

5.1 Direct inflows from customers

Total direct inflows from customers amounted to 8.8 billion euros, up by 232 million euros (+2.7%) on 31 December 2018, owing in part to the accounting effect of the recognition of the financial liability relating to operating lease contracts (+136 million euros) according to the new accounting model introduced by IFRS 16 with effect from 1 January 2019.
Consequently, net of this item, inflows from customers showed a net increase of 96 million euros (+1.1%) due to a significant increase in inflows to demand and time deposits, which offset the unwinding of the repurchase agreement funding transactions undertaken in late 2018.

(€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
1. Current accounts and demand deposits	8,419,763	8,187,790	231,973	2.8%
2. Term deposits	44,946	25,939	19,007	73.3%
3. Financing	43,695	173,824	-130,129	-74.9%
Repurchase agreements	-	130,542	-130,542	-100.0%
Subordinated loans	43,695	43,282	413	1.0%
4. Other debts	270,649	159,318	111,331	69.9%
IFRS 16-related lease liabilities	136,152	-	136,152	n.a.
Operating debts to sales network	104,066	108,896	-4,830	-4.4%
Other (money orders, amounts at the disposal of customers)	30,431	50,422	-19,991	-39.6%
Total due to customers	**8,779,053**	**8,546,871**	**232,182**	**2.7%**

The growth in inflows from customers (external to the Insurance Group) continued to be driven by demand current account balances, which reported a net increase of 308 million euros to 8,015 million euros.

Captive inflows from the companies within the Assicurazioni Generali Group, net of financial liabilities attributable to the introduction of IFRS 16 (+52.1 million euros) decreased by 75.5 million euros due to the treasury balances of some Italian subsidiaries, reaching 500.8 million euros at the end of the reporting period, accounting for 5.7% of total inflows.
The aggregate includes 43.7 million euros for the Tier-2 subordinated loan issued by the subsidiary Generali Beteiligungs GmbH in 2014.

(€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Net inflows from Parent Company	23,901	87,798	-63,897	-72.8%
Net inflows from other subsidiaries of the Generali Group	424,737	436,349	-11,612	-2.7%
IFRS 16-related lease liabilities	52,150	-	52,150	n.a.
Total net inflows from Generali Group	**500,788**	**524,147**	**-23,359**	**-4.5%**
Net inflows from other parties	8,278,265	8,022,724	255,541	3.2%
of which: current accounts	*8,015,330*	*7,707,735*	*307,595*	*4.0%*
Total inflows from customers	**8,779,053**	**8,546,871**	**232,182**	**2.7%**

The non-interest-bearing debt position consisted of other sums available to customers, primarily relating to claims settlement activity by the Group's insurance companies (money orders), as well as of payables to the sales network for the placement of financial products and services. This segment instead shrank significantly, mostly as a result of the collection of the money orders issued at the end of December on behalf of insurance companies.

5.2 Core loans

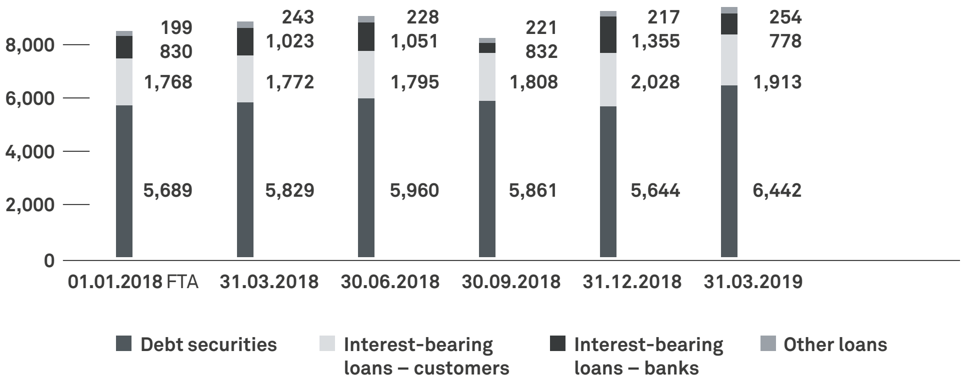
Core loans totalled 9,386 million euros overall, with a net increase of 141.9 million euros compared to 31 December 2018 (+1.5%).

The Bank's investment activity gained renewed momentum in the first quarter of 2019, absorbing a great deal of the surplus liquidity held at the end of 2018 in the form of bank deposits (-577 million euros) and repurchase agreements (-100.6 million euros).
Demand deposits with the ECB declined by 630 million euros, reaching 362 million euros at the end of the quarter, while investments in portfolios of financial assets significantly increased by 814.3 million euros (+14.3%).

(€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	103,924	90,640	13,284	14.7%
Financial assets at fair value through other comprehensive income	2,224,602	1,987,315	237,287	11.9%
Financial assets at amortised cost	4,192,880	3,629,126	563,754	15.5%
Financial assets	**6,521,406**	**5,707,081**	**814,325**	**14.3%**
Loans to and deposits with banks (*)	777,563	1,354,804	-577,241	-42.6%
Loans to customers	1,913,223	2,028,164	-114,941	-5.7%
Operating loans and other loans	173,824	154,078	19,746	12.8%
Total interest-bearing financial assets and loans	**9,386,016**	**9,244,127**	**141,889**	**1.5%**

(*) ECB demand deposits included.

QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, financial assets accounted for 69.5% of the core loan aggregate's total, sharply increasing compared to 61.7% at the end of 2018. The exposure to financial instruments other than debt securities was extremely limited.

(€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Government securities	5,881,127	5,150,100	731,027	14.2%
Other public institutions	13,387	13,019	368	2.8%
Securities issued by banks	313,411	271,636	41,775	15.4%
Securities issued by other issuers	233,701	209,103	24,598	11.8%
Equity and other securities	79,780	63,223	16,557	26.2%
Total financial assets	**6,521,406**	**5,707,081**	**814,325**	**14.3%**

On the basis of the guidelines set out in the new risk framework and the new industrial plan 2019-2021, investments in financial assets were concentrated in the held-to-collect (HTC) portfolio, i.e., assets measured at amortised cost and held for investment, which reported a 563.7 million euro growth in the reporting quarter, mainly driven by the government bond purchases. The portfolio of financial assets designated at fair value through other comprehensive income (HTCS) was however rebalanced, showing a 237 million euro increase, of which over 30% allocated to financial and corporate securities.

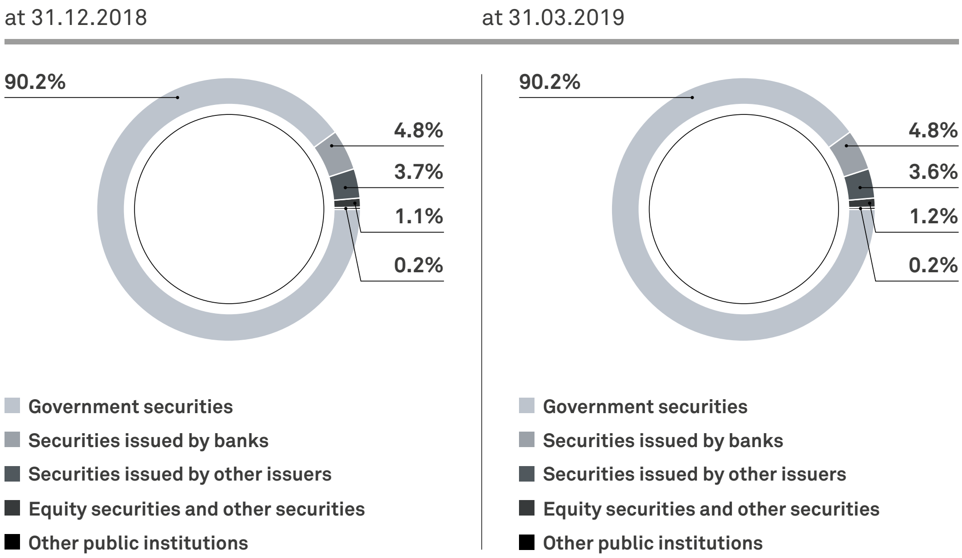
Sovereign debt exposure increased by 731 million euros maintaining its ratio to total investments in financial instruments (90.4%), essentially stable compared to the end of the previous year (90.5%).

Within the government bond portfolio, it was also sought to diversify away from Italy risk through significant investments in Spanish and Portuguese bonds, all of which are held within the HTCS portfolio and have short-term maturities.
At the end of the quarter, the exposure to non-Italian government bonds, consisting of Spanish, Portuguese and US government bonds, thus amounted to 485.2 million euros, accounting for 8.2% of the total exposure.

			CHANGE	
(€ THOUSAND)	31.03.2019	31.12.2018	AMOUNT	%
Exposure to the sovereign risk by portfolio:				
Financial assets at fair value through profit or loss	52	-	52	n.a.
Financial assets at fair value through other comprehensive income	1,898,289	1,736,525	161,764	9.3%
Financial assets at amortised cost	3,996,173	3,426,594	569,579	16.6%
Total	**5,894,514**	**5,163,119**	**731,395**	**14.2%**

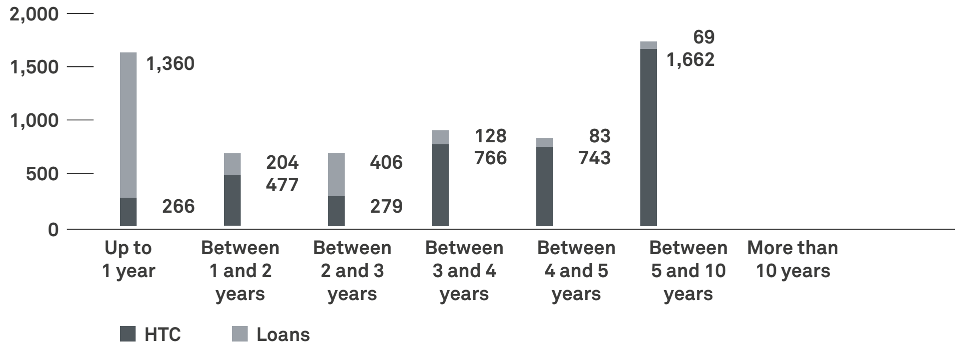
The overall geographical breakdown of the portfolio of debt securities thus showed a lower concentration of investments relating to Italian securities, decreasing to 87.5% from 95% at year-end 2018.

BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO

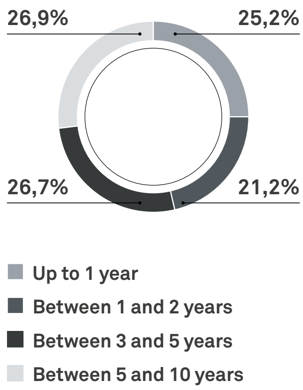


Within this new scenario, the policy of reducing the maturities of the securities in portfolio pursued in the previous year was also scaled back.
At the end of March 2019, the share of financial assets with a maturity of more than 3 years rose to 53.6% from 51.1% at the end of 2018.
The portfolio of debt securities had an overall average residual life of about 3.4 years (3.5 years at the end of 2018). In particular, the average maturity of the HTC portfolio is 4.6 years, whereas the average maturity of the HTCS portfolio was 1.4 years.
Moreover, 42.4% of the portfolio was made up of variable-rate issues, and for the remainder, of fixed-rate issues and zero coupons (40.8% at the end of 2018).

BONDS PORTFOLIO MATURITY
(€ million)



BREAKDOWN OF BONDS PORTFOLIO BY MATURITY AT 31.03.2019



Loans to customers reached 1,913 million euros, decreasing by 114.9 million euros compared to the end of 2018, mostly due to the closing of some year-end treasury repurchase agreements (-100.6 million euros).

(€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Current accounts	980,556	985,907	-5,351	-0.5%
Mortgages and personal loans	831,097	840,147	-9,050	-1.1%
Other financing and loans not in current accounts	2,190	2,173	17	0.8%
Reverse repurchase agreement with customers and deposits on the MIC	99,380	199,937	-100,557	-50.3%
Loans	**1,913,223**	**2,028,164**	**-114,941**	**-5.7%**
Operating loans to management companies	132,132	117,126	15,006	12.8%
Sums advanced to Financial Advisors	34,351	19,395	14,956	77.1%
Stock exchange interest-bearing daily margin	5,594	13,088	-7,494	-57.3%
Charges to be debited and other loans	1,568	4,172	-2,604	-62.4%
Operating loans and other loans	**173,645**	**153,781**	**19,864**	**12.9%**

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

Net **non-performing exposures** on loans to customers amounted to 30.9 million euros, or 1.62% of total loans to customers reported in the table above.

The aggregate includes all the exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A.[8] upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty.
Net of this aggregate, non-performing exposures on loans to customers amounted to 11.1 million euros and consisted for 95% of credit facilities secured by financial collaterals mainly in the form of pledges of financial instruments and/or similar products, such as mandate to policy redemption.

Unsecured exposures to customers, for which risk is effectively borne by the Bank, amounted to just 0.4 million euros, or around **0.02%** of total loans to customers.

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

(€ THOUSAND)	31.03.2019 BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	TOTAL NON-PERFORMING LOANS AT 31.03.2019	31.12.2018 BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	TOTAL NON-PERFORMING LOANS AT 31.12.2018	CHANGE	CHANGE %
Gross exposure	32,493	9,155	1,319	42,967	32,380	11,849	5,074	49,303	-6,336	-13%
Adjustments	10,905	831	329	12,065	10,913	1,294	281	12,488	-423	-3%
Total net exposure	**21,588**	**8,324**	**990**	**30,902**	**21,467**	**10,555**	**4,793**	**36,815**	**-5,913**	**-16%**
Gross exposure	28,328	-	-	28,328	28,214	-	-	28,214	114	-%
Adjustments	8,427	-	-	8,427	8,427	-	-	8,427	-	-
Exposure guaranteed by net indemnity	**19,901**	**-**	**-**	**19,901**	**19,787**	**-**	**-**	**19,787**	**114**	**1%**
Gross exposure	4,165	9,155	1,319	14,639	4,166	11,849	5,074	21,089	-6,450	-31%
Adjustments	2,478	831	329	3,638	2,486	1,294	281	4,061	-423	-10%
Exposure net of indemnity	**1,687**	**8,324**	**990**	**11,001**	**1,680**	**10,555**	**4,793**	**17,028**	**-6,027**	**-35%**
Net guaranteed exposure	**1,632**	**8,168**	**768**	**10,568**	**1,625**	**9,926**	**4,691**	**16,242**	**-5,674**	**-35%**
Net exposure not guaranteed	**55**	**156**	**222**	**433**	**55**	**629**	**102**	**786**	**-353**	**-45%**

At 31 March 2019, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of 677.3 million euros, sharply down compared to a net exposure of 1,226 million euros at the end of the previous year.
This situation was essentially due to the significant reduction in the credit position with the ECB (-630 million euros) and the liquidity spikes that occurred at the end of the year on the interbank market, partly offset by the launch of new repurchase agreements for investment purposes, with securitisation notes (Brixia) as their underlying (166.3 million euros).

(€ THOUSAND)	31.03.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
1. Repayable on demand	**491,005**	**1,253,295**	**-762,290**	**-60.8%**
Demand deposits with ECB and Bank of Italy (*)	361,916	991,874	-629,958	-63.5%
Demand deposits with credit institutions	-	29,918	-29,918	-100.0%
Transfer accounts	129,089	231,503	-102,414	-44.2%
2. Time deposits	**286,558**	**101,509**	**185,049**	**182.3%**
Mandatory reserve	86,335	82,714	3,621	4.4%
Term deposits	31,301	17,611	13,690	77.7%
Repurchase agreements	166,252	-	166,252	n.a.
Collateral margins	2,670	1,184	1,486	125.5%
Total loans to banks	**777,563**	**1,354,804**	**-577,241**	**-42.6%**
1. Due to Central Banks	**-**	**-**	**-**	**n.a.**
2. Due to banks	**100,287**	**128,725**	**-28,438**	**-22.1%**
Transfer accounts	80,078	108,850	-28,772	-26.4%
Collateral margins	220	-	220	n.a.
Other debts	19,989	19,875	114	0.6%
Total due to banks	**100,287**	**128,725**	**-28,438**	**-22.1%**
Net interbank position	**677,276**	**1,226,079**	**-548,803**	**-44.8%**

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

5.3 Provisions

Total special purpose provisions amounted to 162.7 million euros overall, down 2.1 million euros compared to the previous year (-1.3%) chiefly due to lower provisions for ordinary sales incentives, partly offset by provisions for contractual indemnities of the sales network.

			CHANGE	
(€ THOUSAND)	31.03.2019	31.12.2018	AMOUNT	%
Provision for termination indemnity	5,037	4,831	206	4.3%
Provisions for guarantees issued and commitments	86	86	-	n.a.
Other provisions for liabilities and contingencies	**157,618**	**159,928**	**-2,310**	**-1.4%**
Provisions for staff expenses	14,387	13,762	625	4.5%
Restructuring provisions – Redundancy incentives plan	1,369	1,369	-	-
Provisions for legal disputes	14,189	14,287	-98	-0.7%
Provisions for contractual indemnities to the sales network	86,247	81,595	4,652	5.7%
Provisions for sales network incentives	38,539	46,131	-7,592	-16.5%
Other provisions for liabilities and contingencies	2,887	2,784	103	3.7%
Total provisions	**162,741**	**164,845**	**-2,104**	**-1.3%**

Contractual indemnities mainly included 55.9 million euros referring to provisions for covering the cost of Financial Advisors' termination indemnities pursuant to Article 1751 of the Italian Civil Code, which are determined on an actuarial basis.
The aggregate included a 9.9 million euros provision for the service of the annual cycles of the 2017-2026 Framework Loyalty Programme for the Sales Network, which saw the launch of the third annual cycle (2019-2026) in 2019.
The Framework Loyalty Programme 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. Both cycles call for the allotment of Banca Generali shares for an amount equal to 50% of the indemnity accrued.

In the tax dispute relating to 2014, there were no further contacts with the Italian Agency of Revenue during the quarter. Accordingly, the reader is referred to the information previously disclosed in the 2018 Integrated Annual Financial Report.

5.4 Net equity and regulatory aggregates

At 31 March 2019, consolidated net equity, including net profit to the period, stood at 808.3 million euros, gross of the 2018 dividend payout resolved upon by the General Shareholders' Meeting on 18 April 2019 for a total amount of 144.9 million euros to be distributed in May.

			CHANGE	
(€ THOUSAND)	31.03.2019	31.12.2018	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	57,819	57,889	-70	-0.1%
Reserves	595,619	414,368	181,251	43.7%
(Treasury shares)	-22,653	-22,724	71	-0.3%
Valuation reserves	-5,974	-11,636	5,662	-48.7%
Equity instruments	-	-	-	n.a.
Net profit (loss) for the period	66,624	180,126	-113,502	-63.0%
Group net equity	**808,287**	**734,875**	**73,412**	**10.0%**

The increase in net equity during the reporting quarter was attributable to the change in the reserves for share-based payments (IFRS 2), the change in fair value valuation reserves for the portfolio of HTCS financial assets and other reserves included in other comprehensive income, in addition to the net profit for the period.

ITEM (€ THOUSAND)	31.03.2019	31.12.2018
Net equity at period-start	**734,875**	**736,070**
IFRS 9 and IFRS 15 FTA	-	-2,827
Dividend paid	-	-145,474
Purchase and sale of treasury shares	-	-12,841
Matured IFRS 2 reserves on own financial instruments	968	4,408
Matured IFRS 2 reserves on LTIP	158	1,100
Change in valuation reserves (net of FTA)	5,662	-25,687
Consolidated net profit	66,624	180,126
Net equity at period-end	**808,287**	**734,875**
Change	**73,412**	**-1,195**

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a net increase of 5.8 million euros, primarily owing to the uptrend in the prices of debt securities on financial markets during the first quarter of 2019.

	31.03.2019			31.12.2018	
(€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
HTCS reserves - debt securities	2,159	-5,978	-3,819	-9,657	5,838
Exchange differences	-	-131	-131	-131	-
Actuarial gains (losses) from defined benefit plans	-	-2,024	-2,024	-1,848	-176
Total	**2,159**	**-8,133**	**-5,974**	**-11,636**	**5,662**

Consolidated own funds, calculated in accordance with the Basel 3 phase-in rules, amounted to 546.6 million euros, up by 8.7 million euros compared to the end of the previous year, chiefly owing to the increase in the valuation reserves for HTCS financial assets (+5.8 million euros).

In accordance with the new dividend policy approved by the Board of Directors on 8 March 2019, and pending the clarification requested from the supervisory authority, none of the consolidated net profit for the current period was included in own funds in the first quarter of 2019.

Own funds at 31 December 2018	**537,915**
Purchase and sale of treasury shares	1
Change in equity reserves for share-based payments (IFRS 2)	1,125
Consolidated net profit	-
Change in OCI reserves on HTCS	5,838
Change in OCI reserves pursuant to IAS 19	-247
Change in goodwill and intangibles	2,262
Negative prudential filters (prudent valuation)	-251
Total changes in TIER 1 capital	**8,728**
Total changes in TIER 2 capital	**-**
Own funds at 31 March 2019	**546,643**
Change	**8,728**

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 187.2 million euros in excess of the SREP minimum requirement for 2019. CET1 ratio reached 16.59%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 18.01%, compared to the SREP minimum requirement of 11.84%.

		31.12.2018	CHANGE	
(€ THOUSAND)	31.03.2019	PHASE IN	AMOUNT	%
Common Equity Tier 1 capital (CET1)	503,643	494,915	8,728	1.8%
Tier 2 capital (T2)	43,000	43,000	-	-
Total own funds	**546,643**	**537,915**	**8,728**	**1.6%**
Credit and counterparty risk	169,202	152,708	16,494	10.8%
Market risk	381	575	-194	-33.8%
Operating risk	73,274	73,274	-	-
Total absorbed capital (Pillar I)	**242,857**	**226,557**	**16,300**	**7.2%**
Total SREP minimum requirements (Pillar II)	**359,429**	**288,860**	**16,106**	**24.4%**
Excess over SREP minimum requirements	187,214	249,055	-61,841	-24.8%
Risk-weighted assets	3,035,718	2,831,965	203,753	7.2%
Tier 1 capital/Risk-weighted assets (Tier 1 Capital Ratio)	16.59%	17.48%	-0.89%	-5.07%
Total own funds/Risk-weighted assets (Total capital ratio)	**18.01%**	**18.99%**	**-0.99%**	**-5.20%**

The capital absorbed for credit risk increased significantly on the previous year (+16.0 million euros), primarily due to the adoption with effect from 1 January 2019 of the new international accounting standard IFRS 16 – Leases, which entailed the recognition of new items of property, plant and equipment in the form of rights of use (RoU), in the amount of approximately 136 million euros, net of prepaid lease payments already recognised in the 2018 financial statements, and the ensuing effect on the relevant capital requirement of approximately 10.9 million euros.

With reference to the adoption of IFRS9, the Banking Group did not opt to apply the phase-in regime set forth in the Regulation (EU) No. 217/2395 which allows banks, whose opening balance sheet at the date of IFRS9 first-time adoption reports a decline in CET1 due to the increase in expected credit loss provisions (net of tax effects), to include in their CET1 a portion of the said increased provisions for a phase-in period of five years.

The leverage ratio at the end of the quarter reached 4.97%, slightly up compared to that at the end of the previous year (4.95%).

RECONCILIATION STATEMENT BETWEEN PARENT COMPANY BANCA GENERALI'S NET EQUITY AND CONSOLIDATED NET EQUITY

	31.03.2019		
(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	**639,287**	**56,988**	**696,275**
Differences between net equity and book value of companies consolidated using the line-by-line method	102,915	-	102,915
- Profit carried forward of consolidated companies	102,641	-	102,641
- Other changes	274	-	274
Dividends from consolidated companies	-	-47,000	-47,000
Consolidated companies' result for the period	-	56,668	56,668
Result of associates valued at equity	-408	-32	-440
Valuation reserves - consolidated companies	-131	-	-131
Consolidation adjustments	-	-	-
Net equity of the Banking Group	**741,663**	**66,624**	**808,287**

6. Performance of Group companies

6.1 Banca Generali performance

Banca Generali closed the first quarter of 2019 with net profit of 56.9 million euros, down compared to 74.6 million euros reported at the end of the same period of the previous year, chiefly due to the lower contribution of dividends distributed both in advance and at the end of the previous period by the Luxembourg subsidiary BG Fund Management Luxembourg S.A., decreasing from 58.7 million euros to 47.0 million euros.

Reclassified net operating income[9], net of the dividends distributed by the Banking Group's investees, amounted to 69.4 million euros, down compared to 76.0 million euros (-8.7%) reported in the same period of the previous year. Said decline was primarily due to the net income from trading activities (-11.4 million euros), partly offset by an increase in net interest income (+2.7 million euros) and in net fees (+1.9 million euros).

			CHANGE	
(€ THOUSAND)	1Q2019	1Q2018	AMOUNT	%
Interest income	18,489	14,713	3,776	25.7%
Interest expense	-2,578	-1,470	-1,108	75.4%
Net interest income	**15,911**	**13,243**	**2,668**	**20.1%**
Fee income	137,117	136,947	170	0.1%
Fee expense	-87,629	-89,382	1,753	-2.0%
Net fees	**49,488**	**47,565**	**1,923**	**4.0%**
Dividends	276	124	152	122.6%
Net income (loss) from trading activities	3,719	15,103	-11,384	-75.4%
Net operating income	**69,394**	**76,035**	**-6,641**	**-8.7%**
Staff expenses	-20,424	-19,865	-559	2.8%
Other general and administrative expenses	-34,668	-36,863	2,195	-6.0%
Net adjustments of property, equipment and intangible assets	-6,682	-2,037	-4,645	228.0%
Other operating expenses/income	13,659	13,815	-156	-1.1%
Net operating expenses	**-48,115**	**-44,950**	**-3,165**	**7.0%**
Operating result	**21,279**	**31,085**	**-9,806**	**-31.5%**
Net adjustments for non-performing loans	3,989	192	3,797	n.a.
Net provisions	-6,117	-4,783	-1,334	27.9%
Dividends and gains from equity investments	47,000	58,724	-11,724	-20.0%
Gains (losses) from the disposal of equity investments	-27	-	-27	-
Operating profit before taxation	**66,124**	**85,218**	**-19,094**	**-22.4%**
Income taxes for the period on current operations	-9,136	-10,576	1,440	-13.6%
Net profit	**56,988**	**74,642**	**-17,654**	**-23.7%**

Within net interest income, interest income rose by 3.8 million euros, almost entirely due to the portfolio of financial assets, whereas the increase in interest expense was attributable to interest on the financial liability of 0.8 million euros relating to the operating lease contracts recognised following the introduction of the new accounting standard IFRS 16, in effect from 1 January 2019.

The increase in net fees (+4%), which amounted to 49.5 million euros at the end of the period, is primarily to be attributed to the slight decline in fee expense (-1.8 million euros), and in particular in fee expense for off-premises offers and the trading and custody of securities.

Net operating expenses amounted to 48.1 million euros, up compared to the same period of the previous year (+7.0%). The increase was tied to the Bank's pronounced efforts to expedite all of its current strategic projects. This item also includes some one-off components referring to the relocation of the administrative offices and the recent acquisitions for a total of 1.2 million euros,

[9] In order to ensure a better understanding of operating performance, in the reclassified Profit and Loss Account the provisions for sales incentives and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 3.2 million euros for 2019 and 9.2 million euros for 2018.

partially offset by the application of the new IFRS 16, which yielded at the level of operating expenses a total benefit of 0.3 million euros.

The cost/income ratio, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income and dividends, amounted to 59.7%.

Net provisions and net adjustments amounted to 2.1 million euros, down compared to the same period of 2018 (-2.5 million euros), mainly due to collective reversals on the government bond portfolio (+4.2 million euros), partly offset by the increase of net allocations to the provisions for staff expenses (+1.5 million euros).

Operating profit before taxation thus amounted to 66.1 million euros, down by 22.4% compared to the same period of 2018.
The expected tax burden was 9.1 million euros, with an overall tax rate at 13.8%, up as a result of the lower weight of dividends.

Total AUM managed by the Bank on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 61.1 billion euros at 31 March 2019, up 6.1% compared to the end of the previous year. Net inflows amounted to 1.4 billion euros, compared to 1.6 billion euros at the end of the same period of 2018 (-10.4%).

6.2 Performance of BG Fund Management Luxembourg S.A.

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

BGFML ended the first quarter of 2019 with net profit of 56.7 million euros, up 23.5 million euros compared to the same period of the previous year, chiefly due to increase in performance fees (+27.6 million euros).
Net banking income amounted to 63.9 million euros (+26.1 million euros). Total operating expenses were stable at 1.6 million euros (1.1 million euros of which consisted of staff expenses).
The company's net equity amounted to 114 million euros, net of a dividend payout of 47 million euros, as payment in advance for 2019 and total payment for 2018.
Overall, assets under management at 31 March 2019 amounted to 15,118 million euros, compared to 14,111 million euros at 31 December 2018, up by 1,007 million euros.

6.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the first quarter of 2019 with a slight net loss and net equity amounting to about 0.8 million euros.
Net banking income amounted to about 0.3 million euros and virtually covers operating expenses.
Assets under management amounted to 1,299 million euros (1,261 million euros at the end of 2018).

7. Basis of preparation

The Interim Report for the first quarter of 2019 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 statement of financial position of the issuer and its subsidiaries.

This document contains the following quantitative data on the balance sheet situation and profit and loss performance:
› the consolidated condensed balance sheet at the end of the reporting quarter compared with the figures at the end of the previous year;
› the consolidated condensed profit and loss account for the first three months of the year, compared with data for the same period of the previous year;
› the statement of comprehensive income for the first three months of the year, compared with data for the same period of the previous year.

The Consolidated Statement of Financial Position 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 on transactions undertaken during the quarter.
The amounts included in the Financial Statements and Notes and Comments are expressed in thousands of euros, unless otherwise indicated.

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

7.1 Accounting Standards

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2018, with the exception of the new international accounting standard, entered into effect on 1 January 2019:
IFRS 16 – *Leases*, superseding IAS 17.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2019, several amendments to the IASs/IFRSs, and IFRICs were adopted and new IFRICs were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2019	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 16 – Leases (issued on 13 January 2016)	2017/1986	09.11.2017	01.01.2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017)	2018/489	22.03.2018	01.01.2019
IFRIC 23 – Uncertainty Over Income Tax Treatments (issued on 7 June 2017)	2018/1595	24.10.2018	01.01.2019

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2019 AND EFFECTIVE AS OF 2019			
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	2019/412	15.03.2019	01.01.2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	2019/402	14.03.2019	01.01.2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)	2019/237	11.02.2019	01.01.2019

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards.
The effect of the first-time adoption as of 1 January 2019 of IFRS 16 is briefly outlined here below.
The other standards and interpretations that entered into force in 2019 did not have a significant impact on the Group's statement of financial position and profit and loss account.

First-time adoption of IFRS 16

IFRS 16 was issued by the IASB on 13 January 2016 with the aim of improving the accounting treatment of lease arrangements, replacing the previous standards and interpretations (IAS 17 – *Leases*, IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, SIC 15 – *Operating Leases – Incentives* and SIC 27 – *Evaluating the Substance of Transactions in the Legal Form of a Lease*). The Standard was endorsed by the European Commission by Regulation (EU) No. 2017/1986 and entered into effect on 1 January 2019.

IFRS 16 lays down the principles for recognition, measurement, presentation in the financial statements and disclosures regarding leases. It is designed to ensure that lessees and lessors provide appropriate information in a way that faithfully represents the transactions, in order to permit an understanding of the effect of the lease on the entity's financial position, operating result and cash flows.

In particular, IFRS 16 introduces
- a new definition of lease;
- a single accounting model applicable to lessees' transactions, similar to that already used to account for finance leases in accordance with IAS 17.

Accordingly, on the basis of the new standard, the distinction between operating and finance leases for accounting purposes is eliminated for the lessees.

However, the Standard provides for two exemptions from application of the model:
- lease contracts relating to low value assets (indicatively, less than USD/EUR 5,000);
- short-term lease contracts with terms of less than twelve months.

A lease is defined as a contract the fulfilment of which depends on the use of an identified asset and which grants the right to control the asset's use for a period of time in exchange for consideration.
This standard applies to all the contracts that refer to a right of use of an asset for a certain period of time, for a consideration, regardless of the contractual form adopted (finance or operating leases, rental or other).

With respect to the accounting model to be applied by the lessee, the new Standard provides that for all types of leases an asset must be recognised to represent the right of use of the leased property, alongside the lease payment due in accordance with the lease contract.

This results in a significant change in the treatment of lease transactions in the financial statements of the lessee, which recognises a liability in the statement of financial position on the basis of the present value of the future lease payments and an asset consisting of the right to use the asset governed by the lease contract.
After initial recognition, the right of use is amortised over the term of the contract or the useful life of the leased asset, while the liability is progressively reduced due to lease payments made and the interest on the liability is recognised in profit or loss.

Accordingly, rather than the previous accounting treatment in profit or loss, administrative expenses will decline due to the decrease in the lease payments caption, offset by an increase in the amortisation and interest expense recognised in respect of the financial liabilities booked.

IFRS 16 implementation project

In 2018, the Banking Group carried out an assessment activity – within the framework of a broader project coordinated by the Assicurazioni Generali Group – aimed at identifying contracts governing leases of assets (real estate, operating assets, etc.) that fall within the scope of application of the new Standard and of impacts on accounting and operating processes.
A specific IT product was acquired for IFRS 16 accounting management, and the measurement and recognition of the right of use and associated lease liabilities – aspects that represent the main element of discontinuity from the IAS 17 accounting model.
With regard to the scope of application, the banking group only acts as lessee in operating lease transactions, previously classified as operating leases under IAS 17, involving a wide range of assets.
It should be emphasised that the Group's entire logistical structure – divided into head offices, bank branches and financial advisor offices – is based on leased properties[10] and therefore falls within the scope of the new Standard.
Most of the lease contracts relating to the branch network have terms of six years, subject to automatic renewal for an additional six years, with an option to terminate with six months' notice, as well as a break option for the lessor at the end of the first period.
However, the contracts for the most prestigious properties and those in which the head offices are located have longer initial terms (up to ten years) and are subject to limitations on early termination or cancellation by the lessor.
The scope of application of the Standard also extends to the fleet of company cars, primarily granted to the Group's executives for personal and business use and, to a residual extent, the limited ATM fleet managed by the outsourcer CSE.
The scope does not include ICT equipment, consisting of hardware and network infrastructure, subject to the facility management contracts with the outsourcers CSE (legacy infrastructure) and GBS (servers, PCs, telephones, etc.), since the requirement of control of the right of use has been excluded for the assets subject to these contracts.
Within the office equipment category, it was opted to apply the exemption for low value assets to the multifunction printer and fax pool managed directly by the bank under lease contracts, which has an average value per asset of under €5,000.

First-time adoption

On the basis of paragraphs C7 to C13 of the Appendix to IFRS 16, the Banking Group has decided to elect to apply the modified retrospective method on the basis of the cumulative approach upon first-time adoption.
According to this method, the lessee may apply the Standard retroactively, recognising the cumulative effect of initial application of the Standard at the date of initial application, i.e., 1 January 2019 (IFRS 16 C5 b), with an adjustment to retained earnings, where applicable, and **without restating the comparative information** (IFRS 16 C8).

Accordingly, the comparative figures will not be restated on a like-for-like basis in the financial statements of first-time adoption of the new Standard.

In particular, at the date of initial application, the Banking Group, for contracts in which it acts as the lessee:
- measured **the leasing liability** at the present value of the remaining payments due for the lease, discounted according to the lessee's marginal financing rate at the date of initial application;
- recognised **the asset consisting of the right of use** (ROU) at the amount of the leasing liability, adjusted by the amount of any prepayments relating to the lease recognised in the statement of financial position immediately prior to the date of initial application;
- conducted an impairment test on the assets recognised on the basis of IAS 36.

Taking account of the Banking Group's extensive use of lease contracts for its offices and branch network, the adoption of the new Standard is expected to result in an increase in assets and liabilities, as a consequence of the recognition of the aforementioned rights of use and associated

[10] In particular, there are over 200 such contracts used for branches and the financial advisor network, in addition to about 20 contracts referring to the head offices, mostly with companies of the Insurance Group, in addition to a residual number of guest residences.

liabilities, and thus also in an increase in RWAs, given the need to apply prudential rules to the newly recognised assets as well[11].

On the basis of the method adopted, it is not believed that there will be financial effects on retained earnings upon initial application.
The new accounting Standard entailed the recognition at 1 January 2019 of new intangible assets, consisting of rights of use, in the amount of approximately **136 million euros**, net of lease prepayments, already recognised in the 2018 financial statements. Financial liabilities associated with the aforementioned lease transactions were recognised in a symmetrical manner.
However, this amount is subject to verification and revision and will only be consolidated when the consolidated half-year report is prepared.

Given that for prudential purposes rights of use (RoUs) are subject to the same weighting applied to items of property, plant and equipment, the impact on the requirement for credit risk upon FTA amounts to 10.9 million euros and results in an effect on prudential ratios at 1 January 2019 of at least 87 bps at the level of the consolidated TCR and of 80 bps at the level of consolidated CET1.

FTA – Statement of reconciliation of the balance sheet

The following is a statement of reconciliation of assets and liabilities as at 31 December 2018 and as at 1 January 2019 due to the first-time application of IFRS 16.

ASSETS (€ THOUSAND)	31.12.2018	FTA IFRS 16	01.01.2019
Financial assets at fair value through profit or loss	90,640	-	90,640
Financial assets at fair value through other comprehensive income	1,987,315	-	1,987,315
Financial assets at amortised cost	7,166,172	-	7,166,172
a) Loans to banks (*)	1,434,533	-	1,434,533
b) Loans to customers	5,731,639	-	5,731,639
Equity investments	1,661	-	1,661
Property, equipment and intangible assets	101,834	138,944	240,778
Tax receivables	52,799	-	52,799
Other assets	335,473	-2,909	332,564
Total assets	**9,735,894**	**136,035**	**9,871,929**

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2018	FTA IFRS 16	01.01.2019
Financial liabilities at amortised cost	8,675,596	-	8,675,596
a) Due to banks	128,725	-	128,725
b) Due to customers	8,546,871	136,035	8,682,906
Financial liabilities held for trading and hedging	384	-	384
Tax payables	18,018	-	18,018
Other liabilities	142,176	-	142,176
Special purpose provisions	164,845	-	164,845
Valuation reserves	-11,636	-	-11,636
Reserves	414,368	-	414,368
Share premium reserve	57,889	-	57,889
Share capital	116,852	-	116,852
Treasury shares (-)	-22,724	-	-22,724
Net profit (loss) for the period (+/-)	180,126	-	180,126
Total net equity and liabilities	**9,735,894**	**136,035**	**9,871,929**

[11] ROUs must be 100% weighted like property, plant and equipment.

Measurement

The preparation of the Interim Report requires the use of estimates and assumptions that could influence the amounts reported in the balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.
The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.
Given their nature, the estimates and assumptions used may vary from year to year, meaning that the actual amounts reported herein may differ materially due to changes in the subjective judgements used.
The main areas for which management is required to use subjective judgements include:
- the quantification of allocations for staff incentives and provisions for liabilities and contingencies;
- the quantification of incentives for the distribution network currently being accrued;
- the determination of the fair value of financial instruments and derivatives used for reporting purposes;
- the determination of value adjustments and reversals of non-performing loans;
- estimates and assumptions used to determine current and deferred taxation.

7.2 Consolidated companies and business combinations

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

COMPANY NAME	REGISTERED OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
			INVESTOR	% HELD	
A. Companies in consolidated accounts					
A.1 recognised using the line-by-line method					
- BG Fund Management Luxembourg S.A.	Luxembourg	1	Banca Generali	100.00%	100.00%
- Generfid S.p.A.	Milano	1	Banca Generali	100.00%	100.00%

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

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 31 March 2019, 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 May 2019

The Board of Directors

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

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

declares

that the Interim Report on Operations as of 31 March 2019 corresponds to document results, books and accounts records.

Trieste, 08 May 2019

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

BANCA GENERALI

BANCA GENERALI S.P.A.

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