





**BANCA GENERALI S.P.A.**

**CONSOLIDATED INTERIM REPORT**  
**AS AT 30.06.2017**

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



# CONSOLIDATED INTERIM REPORT AS AT 30.06.2017

Board of Directors 27 July 2017

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

### Board of Directors

<b>Giancarlo Fancel</b>	Chairman
<b>Gian Maria Mossa</b>	CEO and General Manager
<b>Giovanni Brugnoli</b>	Director
<b>Azzurra Caltagirone</b>	Director
<b>Anna Gervasoni</b>	Director
<b>Massimo Lapucci</b>	Director
<b>Annalisa Pescatori</b>	Director
<b>Cristina Rustignoli</b>	Director
<b>Vittorio Emanuele Terzi</b>	Director

### Board of Statutory Auditors

<b>Massimo Cremona</b>	Chairman
<b>Mario Francesco Anaclerio</b>	
<b>Flavia Minutillo</b>	

### Manager in charge of preparing the Company's Financial Reports

**Tommaso Di Russo**

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**SIENESE CRETE**  
Tuscany, July 2016

Michele Alassio

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## **GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS**

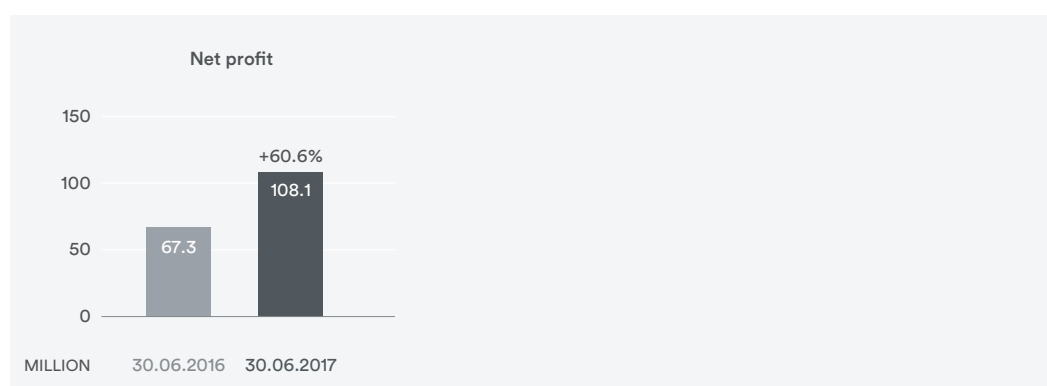
## GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

### Consolidated figures

(€ MILLION)	30.06.2017	30.06.2016	CHANGE %
Net interest income	31.6	29.6	6.9
Net fees	229.2	152.8	50.0
Net income (loss) from trading activities and dividends	9.4	19.6	-52.0
<b>Net banking income</b>	<b>270.2</b>	<b>202.0</b>	<b>33.8</b>
Staff expenses	-43.9	-43.4	1.0
Other general and administrative expenses	-69.6	-64.0	8.8
Amortisation and depreciation	-3.8	-2.3	62.7
Other operating income/expenses	24.0	20.1	19.6
<b>Net operating expenses</b>	<b>-93.2</b>	<b>-89.7</b>	<b>4.0</b>
<b>Operating result</b>	<b>176.9</b>	<b>112.3</b>	<b>57.6</b>
Provisions	-45.7	-28.5	60.4
Adjustments	-3.2	-1.6	94.1
<b>Profit before taxation</b>	<b>128.0</b>	<b>82.1</b>	<b>55.9</b>
<b>Net profit</b>	<b>108.1</b>	<b>67.3</b>	<b>60.6</b>
PERFORMANCE INDICATORS			
	30.06.2017	30.06.2016	CHANGE %
Cost/Income ratio	33.1%	43.3%	-23.5
EBTDA	180.7	114.6	57.7
ROE <sup>(a)</sup>	21.4%	14.6%	46.7
ROA <sup>(b)</sup>	0.21%	0.15%	34.3
EPS - Earning per share (euro)	0.928	0.580	59.9

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

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





## Net inflows

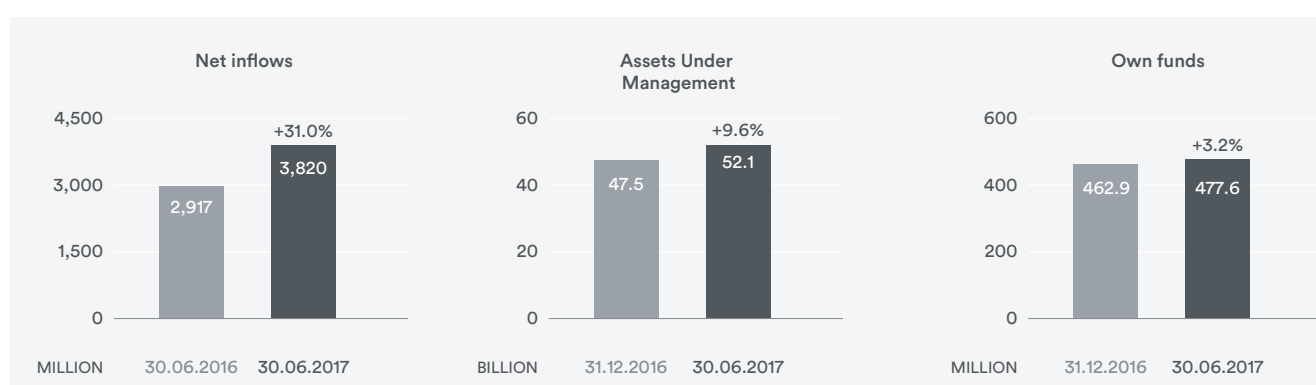
(€ MILLION) (ASSORETI DATA)	30.06.2017	30.06.2016	CHANGE %
Mutual funds and Sicavs	979	-136	819.9
Asset management	1,472	286	414.7
Insurance / Pension funds	986	1,552	-36.5
Securities / Current accounts	383	1,215	-68.5
<b>Total</b>	<b>3,820</b>	<b>2,917</b>	<b>31.0</b>

## Assets Under Management & Custody (AUM/C)

(€ BILLION) (ASSORETI DATA)	30.06.2017	31.12.2016	CHANGE %
Mutual funds and Sicavs	12.4	11.2	11.1
Asset management	6.3	4.7	33.9
Insurance / Pension funds	21.4	20.2	6.0
Securities / Current accounts	12.0	11.5	4.7
<b>Total</b>	<b>52.1</b>	<b>47.5</b>	<b>9.6</b>

## Net equity

(€ MILLION)	30.06.2017	31.12.2016	CHANGE %
Net equity	626.4	646.5	-3.1
Own funds	477.6	462.9	3.2
Excess capital	273.5	261.9	4.4
Total Capital Ratio	18.7%	18.4%	1.6





**CAPODICHINO AIRPORT**

Naples, June 2016

Michele Alassio

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**INTERIM REPORT  
ON OPERATIONS  
AS AT 30.06.2017**

Board of Directors  
27 July 2017



# 1. SUMMARY OF HALF-YEAR OPERATIONS

The Banca Generali Group closed the first half of 2017 with an interim net profit of 108.1 million euros, up by over 60% on the same period of the previous year. Total net inflows amounted to over 3.8 billion euros (+31%), bringing the total volume of the assets entrusted by customers to the Banking Group for management to over 52 billion euros (+9.6%).

In addition, net inflows were by far the strongest ever recorded at the half-yearly level.

Net banking income was 270.2 million euros, up sharply compared to the first half of 2016 (+33.8%) due to the structural growth of the AUM volume over the last year and the additional contribution provided by performance fees.

In this scenario, management fees performed well, up by 18.1%, bearing out the quality of the business model and the ability to develop recurring business, benefiting from stable margins and expanding total assets. Management fees have been steadily increasing since Q4 2011.

In the first half of the year, market performance facilitated a recovery of the most volatile components of the Profit and Loss Account, namely performance fees, which were extremely strong (+48.2 million euros), only partly offset by the decreased contribution of trading activities.

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

Net operating expenses amounted to 93.2 million euros, up moderately, as expected, primarily impacted by charges relating to new projects and the business expansion recorded in the reporting period. The 33.1% cost/income ratio was again one of the best in the industry, confirming the strict cost discipline.

From the standpoint of capital solidity, Banca Generali confirms the solidity of its regulatory aggregates. On a phased-in basis, CET1 ratio stood at 17.0% and Total Capital Ratio at 18.7%. With reference to regulatory capital requirements, excess capital on a phased-in basis amounted to 274 million euros, accounting for over 57% of total Basel 3-compliant Own Funds.

Capital ratios far exceeded the specific requirements set by the Bank of Italy for the company (a CET1 ratio of 7% and a Total Capital Ratio of 10.4%, as the minimum required by the SREP – Supervisory Review and Evaluation Process).

The total value of AUM managed by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 52.1 billion euros at 30 June 2017. In addition, managed assets also included 1.1 billion euros in deposits of assets under administration of companies of the Generali Group and 2.3 billion euros in funds and Sicavs distributed directly by management firms, for an overall total of 55.5 billion euros.

## Significant corporate events

On 6 June 2017, the Boards of Directors of Banca Generali (surviving company) and the subsidiary BG Fiduciaria SIM (merged company) approved the plan for the merger of the latter into Banca Generali pursuant to Articles 2501 et seqq. and Article 2505 of the Italian Civil Code.

The merger – conditional on prior authorisation from the Bank of Italy – will become effective 1 January 2018.

The decision to proceed with the Banking Group's reorganisation derives from the advisability of: 1) rationalising the range of fiduciary services, which will be concentrated within the trust company Generfid S.p.A.; 2) offering customers of BG Fiduciaria access to the innovative wrappers of managed products BG Solution and BG Solution Top Client and the wealth management services dedicated to private banking customers, available through the integrated technology platform BGPA; and, at the same time, 3) streamlining administrative and operational processes through the integration of the resources devoted to portfolio management. The merger is also expected to yield cost and revenue synergies.

## 2. MACROECONOMIC CONTEXT

Global equity markets generated positive returns in the first half of 2017, driven by the strengthening of the macroeconomic context in all areas and expectations of a fiscal policy reversal in support of the economy by the new U.S. Administration.

After gaining momentum last autumn, the global economy remained robust in the first half of 2017: the PMI index, an indicator of the performance and trends of the global manufacturing industry, has remained stable at an average of 53.5 over the past eight months, two points above the level for full year 2016. In general, developed economies contributed more to the international recovery, but emerging markets also clearly did their part. Accordingly, global trade picked up speed. Among developed economies, growth in the Eurozone was more robust than expected and offset the unexpected weakness of growth in the U.S. However, the most significant characteristic of recent months has been resilience in the face of the extreme political uncertainty surrounding Brexit and elections in several countries (the Netherlands, Austria and France). In the United States, growth in the first quarter was limited to a meagre 1.2% on an annualised basis, although this was tied to temporary factors such as inventory reductions and weak spending due to unusually cold weather. In the following months, spending grew and the job market continued to improve, driving the unemployment rate to its lowest level in more than 15 years. In the Eurozone, growth reached 2.4% on an annualised basis in the first quarter, and leading indicators continue to exceed expectations, suggesting that the robust pace will continue. In addition, rising employment and a falling unemployment rate have driven consumer confidence up to its highest level of the last ten years, although salary growth remains flat. China's growth in the first quarter (6.9% on an annualised basis) also began the year on a strong note, but then slowed in the following months. The growth rate of exports fell, as was also the case for investments, for which it was half the level of the first half of 2016. The real-estate market remained robust despite the measures adopted by the government to moderate it, and the Chinese central bank raised rates for reasons relating to regulation of the banking industry.

On financial markets, the increasingly robust macroeconomic data and the victory in the French presidential elections of the pro-Europe candidate Macron provided ongoing support for risk assets in the Eurozone. The risk premium inherent in French government bonds (OATs) fell suddenly and significantly after concerns of a possible "Frexit" were averted by the French elections, which saw the defeat of the anti-Europe right. In addition, the likelihood of elections in Italy in the near future decreased and an agreement was reached to provide an additional 8.5 billion euro aid package to Greece. These factors resulted in sharp decline in southern European sovereign debt risk premia. In particular, the spread between Italian and German bonds decreased by 40 basis points from mid-April to late June. Despite the favourable global environment and support from positive newsflow, yields on long-term United States Treasuries declined and the dollar depreciated. The main reasons for this have to do with growing concerns amongst investors concerning the growth scenario for the U.S. economy in the coming months and increasing political pressure on President Trump, which could delay or even halt plans for a thorough tax reform, including significant tax cuts, as had been planned until just a few months earlier. Despite these factors of uncertainty, it should be noted that over the last year the global recovery has emerged unscathed from a surprising number of political challenges and uncertainties: the Brexit vote, the U.S. political elections, the referendum in Italy that cost Prime Minister Renzi his government and, most recently, the French presidential elections. Within this scenario, job markets in developed economies improved a bit across the board, and spending and investments also began to show signs of improvement in early 2017.

In monetary policy, the Federal Reserve began to increase rates again (mid-March and mid-June, +25 basis points, respectively), as generally expected by the market, whereas the ECB continued with its expansionary quantitative easing (QE) policy. Although the European inflation climate remains moderate, higher import prices and climbing output prices, driven by growing demand, are pushing up core inflation. This scenario means that the ECB can now disregard the risk of deflation; at its June meeting, the Central Bank took a harsher tone, eliminating from its comments any mention of further rate cuts and the possibility of additional risks of a weaker growth scenario. Indeed, as growth begins to rise above the potential level, the margins for continuing the current highly expansionary monetary policy are shrinking. However, the four conditions cited by President Draghi, to be met before a change of policy orientation, remain valid: 1) the medium-term inflation target (2%) must be reached; 2) in a possible transition to a policy with an inflation target, this target must be structural, i.e. it must refer to inflation net of energy prices; 3) the inflation reached must be self-sustaining, without any contribution from monetary policy; and 4) the above criteria must apply to the entire Eurozone. As the official rate range remained unchanged during the period, the three-month

Euribor continued to fluctuate at around -0.33% and the EONIA swap rate at around -0.35% during the reporting period.

The more robust scenario translated into higher equity prices, although performances in euro were weighed down by the depreciation of the dollar. The MSCI World index in euro grew by 1.1% (+9.4% in the local currency), the S&P500 remained essentially unchanged (+8.2% in the local currency) and the Topix increased by 2.5% (+6.1% in the local currency). In Europe, the benchmark index DJ Stoxx 600 increased by 5%; the Italian market index rose by 7%. During the period, emerging market stock exchanges reported a performance in euro varying by reference area, in certain cases even outstanding: +8.3% overall (the MSCI Emerging Markets index), +11.3% in India, +15.3% in China, whereas in Eastern Europe it declined (-11.2%). Overall, the market sectors that performed best in Europe were financial services, technology, personal and household goods, and industry goods and services, whereas energy, retail, commodities and telecommunications performed below average.

Bond yields on the markets of reference (Treasuries and Bunds) showed a diverging trend. In the United States, short-term yields (two years) rose, in line with the official rate increases announced by the Federal Reserve, from 1.17% at the beginning of the year to 1.37% at the end of June. On the other hand, long-term rates (ten years), in response to weaker economic data than expected, fell moderately, from 2.45% at the beginning of 2017 to 2.30% at the end of the half-year. In Europe, improved growth prospects and persistently low structural inflation translated into a modest increase in the two-year rate (from -0.77% to -0.57% in the half-year) and fluctuation of the long-term rate (ten years) in a range of 0.20% to 0.47%, where it ended the period. Spreads between members of the European Monetary Union widened until around mid-April due to political uncertainty and then fell back to values near those of the end of 2016. In particular, Italy's spread remained unchanged between the beginning and end of the period (around 170 basis points), despite reaching a peak of 210 bps during the period.

On currency markets, the dollar gradually weakened. Despite the persistent divergence between the monetary policies pursued by the ECB (very expansionary) and the Federal Reserve (generally restrictive), the prudence in the comments accompanying all tightening by the Federal Reserve, the protectionist rhetoric by the Trump administration and, above all, the improved economic scenario in the Eurozone, all supported the European currency, which appreciated against most currencies. During the period, the euro rose from 1.054 dollars to the euro at the end of 2016 to just above 1.14, while the yen depreciated from 123.4 at the beginning of the year to 127.8 at the end of June.

Finally, the prices of commodities showed an uneven trend. The price of oil (WTI) remained stable at around 55 dollars a barrel until early March, when it began to decline, while fluctuating significantly, to end the half-year at just above 46 dollars a barrel. Gold was more stable, appreciating gradually to end the half-year at 1,242, up from 1,152 at the end of 2016.

## Outlook

Forecasts by the foremost international authorities for the coming months call for a stronger global growth scenario, due to improved international trade and investments. However, within this scenario, productivity and salary growth remains very meagre. In its most recent June 2017 update, the OECD encourages economic policy authorities to implement policies that support the sharing of the benefits of international trade and structural trends, in order to permit globalisation to bring benefits to all countries and at all levels. Particular emphasis is placed on competition, job creation and support for innovation and skills. In the Eurozone, the ECB continues to emphasise that its QE programme is supporting the economic cycle, improving the financial conditions of households and businesses and stabilising rates at low levels.

### 3. BANCA GENERALI'S COMPETITIVE POSITIONING

Banca Generali is a leading 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

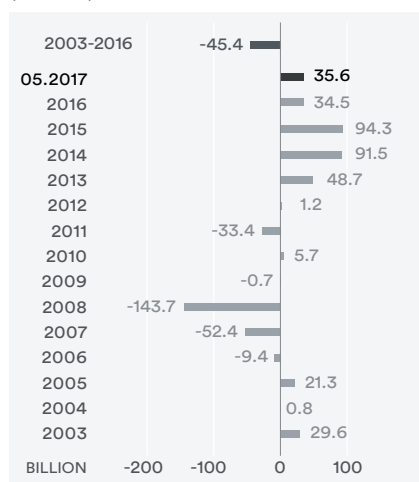
The year 2017 began with good news about the economy: in 2016, Italian GDP grew by 1%, its best performance of the past six years. However, according to ISTAT data, consumer confidence remains at rather low levels. The economic conditions of Italian households have improved, with an increase in disposable income in real terms due to increased employment, driven in part by tax relief for new hires, fiscal policy and the absence of inflation.

For the past several years, household financial decisions have favoured asset management products due to the effects of low interest rates on debt instruments. The choice of asset management solutions is due to the need to rely on professional asset managers, given investors' financial knowledge and awareness of the importance of diversification of investment. During the first five months of 2017, the asset management market generated total net inflows of 35.6 billion euros. The role played by networks of Financial Advisors authorised to make off-premises offers was and still remains very important to the general dynamics of the asset management market. In fact, within the open UCITS segment, the FA networks raised 13.5 billion euros from January to May 2017, accounting for 37.8% of the industry total. The networks' ability to drive the overall demand may also be seen from the performance observed within the retail asset management segment and the insurance market. In the case of the former, net inflows achieved by intermediaries through their Financial Advisors authorised to make off-premises offers amounted to 2.3 billion euros, whereas in the case of insurance products networks recorded net premiums of slightly less than 5 billion euros in just five months. Within this framework, there were significant net inflow volumes into both unit-linked products (2 billion euros) and multi-line policies (2.4 billion euros).

The disposable income of Italian households is expected to continue to grow in 2017-2019, but at a slower rate than in 2016, and thus household propensity to save is also predicted to continue to grow, albeit at a slower pace. In terms of asset allocation, financial market conditions will continue to encourage a reduction of direct investments by households in debt securities in favour of components with higher prospective returns. The shift in portfolio composition will favour asset management products. In early 2017 this process resumed with greater intensity than in 2016, driven above all by bull equity markets and a positive economic growth outlook. Additionally, banks' marketing policies will continue to favour asset management, in pursuit of income from services and a greater focus on business through Financial Advisor networks and the postal channel.

In terms of the mix, net inflows into mutual funds will remain significant, driven in 2017 above all by personal savings plans (for which the Italian acronym is "PIR"), which are becoming a significant focal point for the product lines of various industry players.

The UCITS market in Italy since 2003  
(€ billion)



Assogestioni data updated May 2017

#### Evolution of net inflows and assets under management

(€ MILLION)	NET INFLOWS		ASSETS	
	31.05.2017	31.05.2016	31.05.2017	31.05.2016
Italian funds	5,598	90	247,291	232,613
Foreign funds	30,019	-1,869	711,435	623,787
<b>Total open-ended funds</b>	<b>35,617</b>	<b>-1,779</b>	<b>958,726</b>	<b>856,400</b>
<b>GP Retail</b>	<b>3,344</b>	<b>-208</b>	<b>129,204</b>	<b>122,278</b>
<b>Total assets placed by the network</b>	<b>38,961</b>	<b>-1,987</b>	<b>1,087,930</b>	<b>978,678</b>

Source: Assogestioni data updated May 2017 (€ million).

#### 3.2 The Assoreti market

The net inflows recorded by the Assoreti market (which relate to the distribution activity of FA networks) in the first five months of 2017 reached levels above the already positive values recorded in 2016. Approximately 95% of the net resources invested (15.8 billion euros) is invested in asset management and insurance products, whereas the remainder was invested in assets under administration and custody.



(€ MILLION)	31.05.2017	31.05.2016	CHANGE
Asset management	10,824	-217	11,041
Insurance products	4,954	5,383	-429
Assets under administration and custody	749	8,715	-7,966
<b>Total</b>	<b>16,527</b>	<b>13,881</b>	<b>2,646</b>

Source: Assoreti data updated May 2017 (€ million).

In the asset management market, the first five months of 2017 saw the positive performance of the UCITS segment for approximately 8,539 million euros and net inflows of 2,285 million euros generated by asset management. The insurance sector continued to attract a significant share of investments with net inflows of 4,954 million euros, of which 4,420 million euros, gathered by the networks in the insurance area, was related to unit-linked products and multi-line policies.

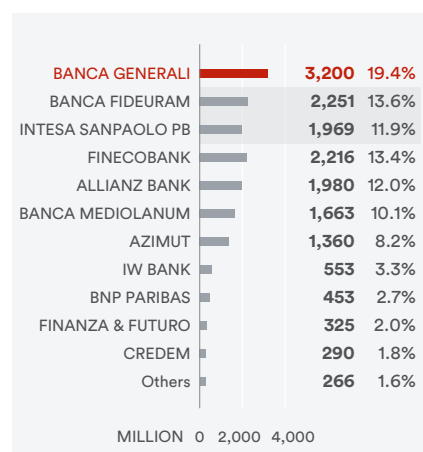
Net inflows into assets under administration and custody amounted to 749 million euros at the end of the half-year, due to significant influx of cash of 1,703 million euros, offset by a sharp decline in the volume of securities under administration and custody.

In the current scenario, characterised by growing uncertainty affecting all components of Italians' wealth, management of household needs is becoming increasingly complex. To satisfy these needs, intermediaries are applying innovation to their service models by moving towards approaches capable of analysing overall household wealth, which is quantified above all in terms of risk and diversification. The most advanced intermediaries are adopting wealth planning techniques capable of pro-actively identifying and analysing the risks and financial needs faced by households, in light of ongoing demographic changes.

### 3.3 Banca Generali

#### Total net inflows Assoreti – 16.5 billion euros – and market share (%)

€ million



Assoreti data, May 2017

Against this very positive background, Banca Generali continues to be one of the market leaders in terms of net inflows through Financial Advisors, with 3,200 million euros at the end of May 2017 (latest available figure for Assoreti comparison), with a market share of 19.4%. The per capita net inflows per Financial Advisor was 1.689 million euros, 130% above the market average (0.7 million euros).

Banca Generali was among the top players in the industry in terms of net inflows into asset management and insurance products, with a 17.9% share of the market and net inflows into asset management and insurance products of 1.486 million euros per capita, 112% above the market average of 0.7 million euros.

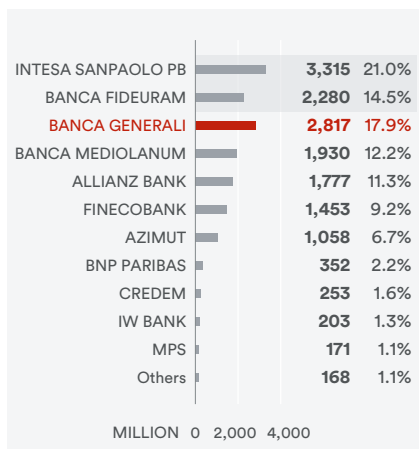
With specific reference to the June figures, the Bank's net inflows further increased to 3,820 million euros. This result reflected the households' high demand for financial advice, in a context where increasingly greater importance is attached to the control of risk and volatility and the diversification potential offered by wrapper products. In this context, the Bank increasingly emerges as a beacon for households in search of a secure, reliable and highly professional partner capable of protecting their assets and providing personalised investment solutions. The figure appears even more significant if it is considered that it is entirely derived from direct inflows from Banca Generali's Financial Advisors and Private Bankers

#### Net inflows of Banca Generali

(€ MILLION)	BG GROUP		Y/Y CHANGES VS 30.06.2016	
	30.06.2017	30.06.2016	AMOUNT	%
Funds and Sicavs	979	-136	1,115	n.s.
GPF/GPM	1,472	286	1,186	418%
<b>Total assets under management</b>	<b>2,451</b>	<b>150</b>	<b>2,301</b>	<b>n.s.</b>
<b>Total insurance products</b>	<b>986</b>	<b>1,552</b>	<b>-566</b>	<b>-36%</b>
<b>Total assets under administration and custody</b>	<b>383</b>	<b>1,215</b>	<b>-832</b>	<b>-68%</b>
<b>Total assets placed by the network</b>	<b>3,820</b>	<b>2,917</b>	<b>903</b>	<b>31%</b>

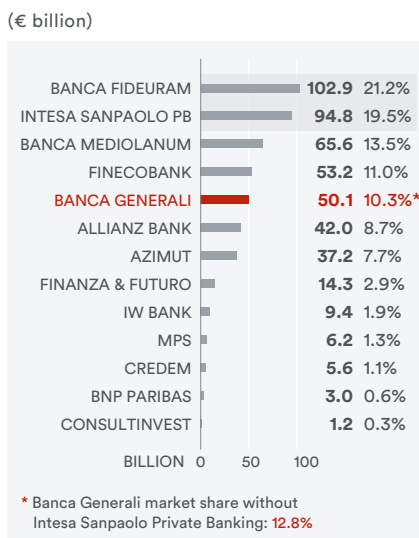
In terms of Assets Under Management, Banca Generali in March 2017 was once again one of the five top competitors in the Assoreti market, with 50.1 billion AUM and a market share of 10.3%.

**Net inflows from AUM and insurance products – Assoreti – 15.8 billion euros**  
(€ million)



Assoreti data, May 2017

**Assoreti total AUM – 486 billion euros and market share (%)**  
(€ billion)



Assoreti data, March 2017

With reference to Banca Generali's assets under management in June – as illustrated in the table below –, the portfolio increased by approximately 10% in the first half of 2017 compared to the end of 2016.

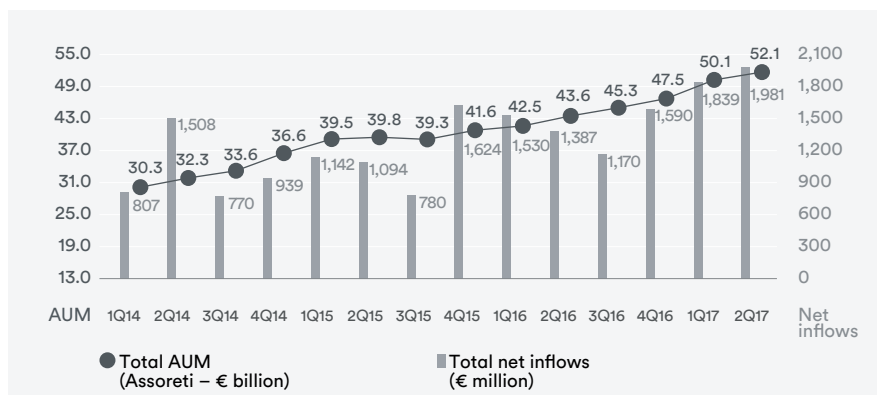
The value of the portfolio, amounting to 52,113 million euros as shown herein, refers to the Assoreti market, which is directly attributable to the distribution activity carried out through the Financial Advisors.

AUM in asset management products rose by 17.8%, due in particular to the increase in assets held in discretionary mandates (GPF/GPM) of approximately 34%, whereas AUM in insurance products climbed by 6%. Assets under administration and custody also rose by 4.7%, driven by the net inflows attributable to the acquisition of new customers.

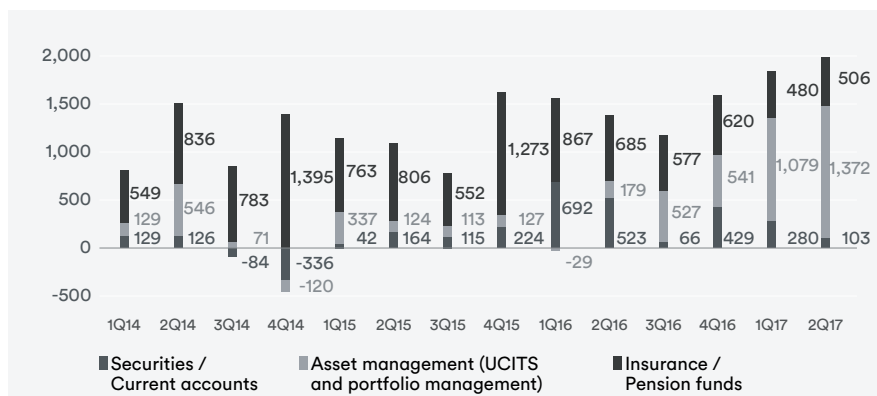
**Banca Generali's AUM**

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2016	
	30.06.2017	31.12.2016	AMOUNT	%
Funds and Sicavs	12,426	11,182	1,244	11.1
GPF/GPM	6,262	4,678	1,584	33.9
<b>Total assets under management</b>	<b>18,688</b>	<b>15,860</b>	<b>2,828</b>	<b>17.8</b>
<b>Total insurance products</b>	<b>21,417</b>	<b>20,213</b>	<b>1,204</b>	<b>6.0</b>
<b>Total assets under administration and custody</b>	<b>12,008</b>	<b>11,474</b>	<b>534</b>	<b>4.7</b>
<b>Total AUM placed by the network</b>	<b>52,113</b>	<b>47,547</b>	<b>4,566</b>	<b>9.6</b>

**Evolution of AUM and net inflows**



**Breakdown of net inflows**



## 4. GROUP INDIRECT INFLOWS

The Banking Group's indirect inflows (not limited to the "Assoreti market") consist of inflows from retail and corporate customers through the sale of third-party and group products – asset management, insurance products and assets under administration and custody (securities portfolios).

### 4.1 Asset Management and Insurance Products

#### Asset management products of the Banking Group

In the asset management segment, in the first half of 2017 the Banking Group conducted wealth management operations through individual asset management portfolios of Banca Generali and BG Fiduciaria, and collective asset management of BG Fund Management Luxembourg.

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2016	
	30.06.2017	31.12.2016	AMOUNT	%
Funds and Sicavs	14,031	12,495	1,536	12.3%
GPF/GPM	6,094	4,577	1,517	33.1%
<b>Total Group's managed assets</b>	<b>20,125</b>	<b>17,072</b>	<b>3,053</b>	<b>17.9%</b>
<i>of which UCITS attributable to the Banking Group GPF</i>	1,848	1,395	453	32.5%
<b>Total assets managed by the Banking Group, net of discretionary mandates, included in the GPF of the Banking Group</b>	<b>18,277</b>	<b>15,678</b>	<b>2,599</b>	<b>16.6%</b>

Group's collective asset management products (funds and Sicavs) are currently represented exclusively by Luxembourg Sicavs and are placed by BG Fund Management S.A., a subsidiary of Banca Generali, with own management or management mandate granted to third parties.

Total assets invested in funds and Sicavs managed by the Banking Group amounted to 14 billion euros, up 1,536 million euros (+12.3%) compared to the end of 2016.

Total individual portfolio management (GPF/GPM) of the Banking Group amounted to 6.1 billion euros, up by 1.5 billion euros (+33.1%) compared to year-end 2016.

#### Third-party asset management products

As part of its product brokerage and placement operations, the Group places third-party products in both the asset management and insurance areas.

In further detail, within its Italian mutual funds segment, Banca Generali distributes the products of the Assicurazioni Generali Group and various third companies, in addition to the products of numerous international investment firms in the international UCITSs segment.

Third-party assets amounted to 6,123 million euros in June 2017, up 21% compared to the end of 2016. This was due to the adoption of the open architecture model, which allows customer access to a vast array of investment products of Italian and international asset managers.

In addition, with reference to the placement of third-party products, it should also be noted that over the years investments directed towards the Luxembourg umbrella fund-of-funds BG Selection of BG Fund Management S.A. also increased significantly. The Sicav is placed directly by the Banca Generali Group but invests primarily in third-party UCITS. Moreover, and in confirmation of the product's multi-manager orientation, at the end of 2009 and during the following years management of a large number of sub-funds has been entrusted directly to several leading international investment firms, using their own brands, thereby significantly expanding the diversification of the asset management portfolios held by the Bank's customers. A similar strategy has been recently adopted for the BG Sicav sub-funds. Overall, 91% of BG Selection and 80% of BG Sicav sub-funds resort to direct third-party management.

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2016	
	30.06.2017	31.12.2016	AMOUNT	%
Funds and Sicavs	6,123	5,059	1,064	21.0%
GPF/GPM	187	188	-1	-0.7%
<b>Total third-party assets managed by the Group</b>	<b>6,310</b>	<b>5,247</b>	<b>1,063</b>	<b>20.3%</b>

## Third-party insurance products

Almost all assets invested in insurance and retirement products consist of traditional and multi-line policies of Genertellife, a company of the Assicurazioni Generali Group, placed under the brand BG Vita. At the end of June 2017, such assets amounted to 21,417 million euros, up by 6.0% compared to December 2016. This result was primarily due to the significant new business generated during the year, net of surrenders and contractual expiries, with the contribution of the multi-line policy BG Stile Libero, which gathered over 900 million euros of net inflows in the first six months of 2017, in addition to the other LOB I policies, for total net inflows to the insurance segment of 986 million euros.

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2016	
	30.06.2017	31.12.2016	AMOUNT	%
Insurance products (unit-linked, traditional policies, etc.)	21,417	20,213	1,204	6.0%
<b>Total third-party insurance products</b>	<b>21,417</b>	<b>20,213</b>	<b>1,204</b>	<b>6.0%</b>

## 4.2 Assets under administration and custody

Indirect net inflows of assets under administration and custody consist of securities deposited by retail and corporate customers for custody and administration in portfolios opened with the Parent Company, Banca Generali.

At 30 June 2017, indirect net inflows amounted to 6,810 million euros at market value, compared to 6,473 million euros at the end of 2016.

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2016	
	30.06.2017	31.12.2016	AMOUNT	%
<b>Indirect inflows of assets under administration and custody of the Banking Group (market value)</b>	<b>6,810</b>	<b>6,473</b>	<b>337</b>	<b>5.2%</b>
<i>of which securities portfolios of the Generali Group's customers</i>	<i>328</i>	<i>278</i>	<i>50</i>	<i>17.8%</i>
<i>of which other customers' securities portfolios</i>	<i>6,482</i>	<i>6,195</i>	<i>287</i>	<i>4.6%</i>

## 5. OPERATING RESULT AND PERFORMANCE OF THE MAIN NET EQUITY AGGREGATES

### 5.1 Profit and Loss results

The Group's net profit at the end of the first half of 2017 was 108.1 million euros, up over 60% compared to the same period of the previous year.

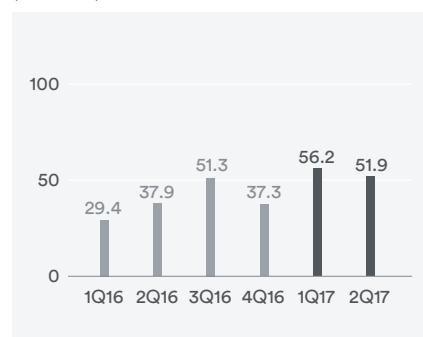
(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
<b>Net interest income</b>	<b>31,580</b>	<b>29,555</b>	<b>2,025</b>	<b>6.9%</b>
<b>Net fees</b>	<b>229,188</b>	<b>152,826</b>	<b>76,362</b>	<b>50.0%</b>
Dividends	1,754	1,484	270	18.2%
Net income (loss) from trading activities	7,633	18,089	-10,456	-57.8%
<b>Net operating income</b>	<b>270,155</b>	<b>201,954</b>	<b>68,201</b>	<b>33.8%</b>
Staff expenses	-43,860	-43,441	-419	1.0%
Other general and administrative expenses	-69,574	-63,974	-5,600	8.8%
Net adjustments of property, equipment and intangible assets	-3,792	-2,331	-1,461	62.7%
Other operating expenses/income	23,994	20,064	3,930	19.6%
<b>Net operating expenses</b>	<b>-93,232</b>	<b>-89,682</b>	<b>-3,550</b>	<b>4.0%</b>
<b>Operating result</b>	<b>176,923</b>	<b>112,272</b>	<b>64,651</b>	<b>57.6%</b>
Net adjustments for non-performing loans	-609	1,517	-2,126	-140.1%
Net adjustments of other assets	-2,555	-3,147	592	-18.8%
Net provisions	-45,651	-28,459	-17,192	60.4%
Gains (losses) from equity investments	-77	-39	-38	97.4%
<b>Operating profit before taxation</b>	<b>128,031</b>	<b>82,144</b>	<b>45,887</b>	<b>55.9%</b>
Income taxes for the period	-19,948	-14,833	-5,115	34.5%
<b>Net profit</b>	<b>108,083</b>	<b>67,311</b>	<b>40,772</b>	<b>60.6%</b>

**Net operating income** amounted to 270.2 million euros, with an increase of 68.2 million euros (+33.8%) compared to the same period of the previous year, determined by the following factors:

- > the significant increase in **management fee income** (+18.1%), which represents the central component of the Banking Group's business model, closely tied to the quality and growth of assets under management;
- > the recovery of the most volatile components of the profit and loss account, i.e., performance fees, which performed brilliantly (+48.2 million euros), only partly offset by the lower net income on trading activities (-10.2 million euros);
- > the stabilisation of **net interest income** (+6.9%) due to the significant increase in business volumes, which offset the decline in net interest income caused by the persistent situation of low interest rates.

#### Quarterly net profit

(€ million)



**Net operating expenses** amounted to 93.2 million euros, with a very slight growth (+4.0%) mostly linked to the new projects carried out for the period and the expansion of business volumes.

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to 33.1% (47.9% net of the more volatile components), reflecting the ongoing improvement of the Group's operating efficiency-building effort.

**Net provisions and net adjustments** amounted to 48.8 million euros, up compared to the first half of 2016, mainly due to the increased net adjustments for incentives and contractual indemnities for the sales network.

**Operating profit before taxation** thus stood at 128.0 million euros, up by 45.9 million euros compared to 2016. The tax burden for the year increased slightly to an overall tax rate of 15.6%, in line with the end of 2016.

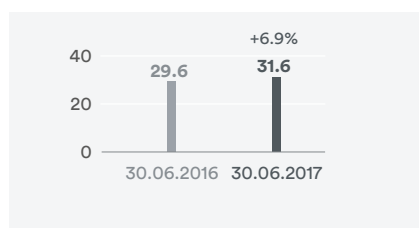
## Quarterly evolution of the Profit and Loss Account

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

## 5.1.1 Net interest income

**Net interest income** amounted to 31.6 million euros, up by 2.0 million euros on 2016 (+6.9%), due to the increase in business volumes, which offset the constant decline in interest collected, attributable to the continuing situation of low interest rates.

## Net interest income (€ million)



## Net interest income (€ million)



In the first half of 2017, interest rate performance in the Euro Area continued to be influenced by the unconventional Quantitative Easing policy launched by the ECB in 2015 and further expanded in 2016.

In this regard, it should be recalled that in order to stimulate a recovery of inflation, in June 2016 the ECB had decided to reduce the interest rate applied to its primary refinancing operations to the all-time low of 0%, in addition to increase the negative interest rates applied to deposit operations with the ECB to the exceptional level of -0.40%.

At its most recent meeting on 20 July, the ECB's Governing Council kept its benchmark rates unchanged and confirmed its current monetary policies until December 2017 or such time as a lasting adjustment of price performance is achieved, in keeping with the ECB's inflation target. However, in June, in response to constantly growing signs of more robust economic growth and stronger business confidence, accompanied by a faster recovery of inflation than expected, debate began as to whether the ECB might begin to taper (i.e., reduce QE) in the near future. Recently, this resulted in a recovery of longer-term interest rates.

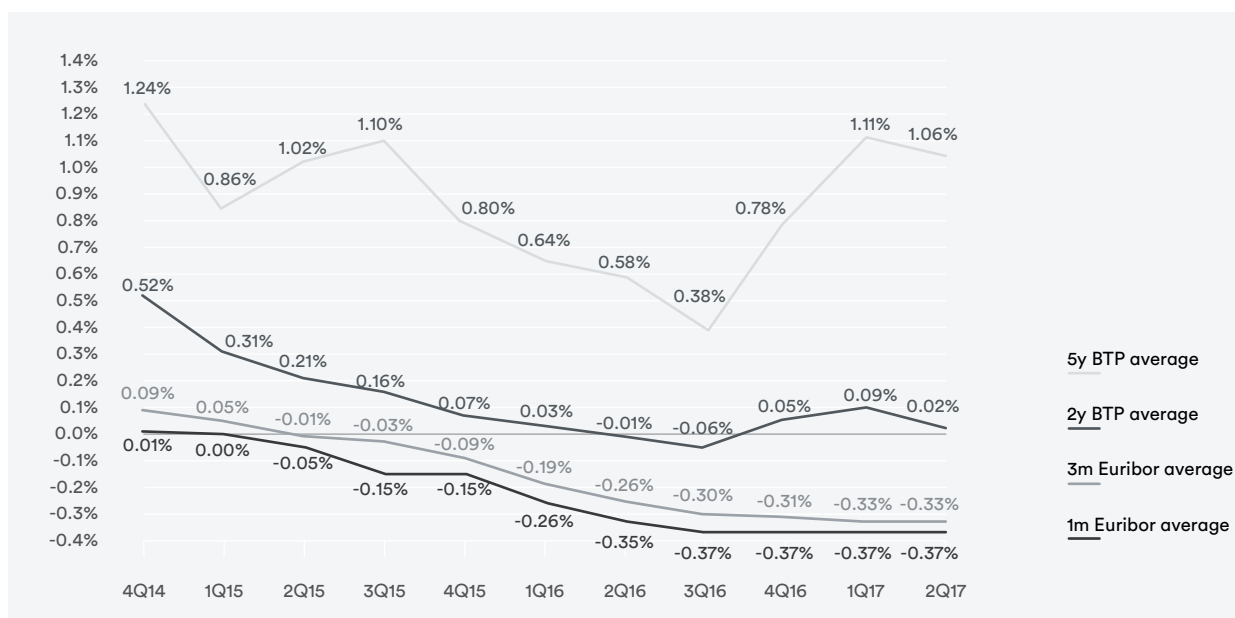
Overall, the interest-rate curve on the interbank market continued to decrease, consolidating an anomalous situation of positive funding rates but negative lending rates that have now exceeded the 12-month maturity.

As a result, in June 2017 short-term interbank rates stood at a monthly average of -0.373% for the one-month Euribor and of -0.330% for the three-month Euribor.

By contrast, the downtrend did not continue on the Italian government bond market, where at the end of 2016 the spread volatility began to increase for longer-time maturities, due to persistent uncertainty in the political scenario.

Yields on Italian government bonds with average residual maturities of two years stood at around 0.15% in June, whereas yields in excess of 1% could only be seen for maturities of more than 5 years.

## Interest rate evolution (quarterly average)



In this environment, interest income increased moderately, by 2.3 million euros compared to the previous year (+7.3%), due to a significant increase in average lending volumes, which offset the symmetrical decline in average interest rates.

The decline in the margins on the government bond portfolio was offset not only by an increase in loans, but also by a prudent extension of maturities, which led the longer-term share of the bond portfolio to 40% of the total. Nonetheless, the bond portfolio's total profitability for the period stood at just above 0.75%.

Interest on loans to customers, most of which are benchmarked on the Euribor, began to show signs of weakness (-6.2%).

Symmetrically, the cost of inflows also stopped decreasing. However, the performance of the cost of inflows appeared largely characterised by the phenomenon of negative interest income.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
HFT financial assets	133	45	88	195.6%
AFS financial assets	9,865	10,056	-191	-1.9%
HTM financial assets	9,859	7,441	2,418	32.5%
Financial assets classified among loans	1,478	1,917	-439	-22.9%
<b>Total financial assets</b>	<b>21,335</b>	<b>19,459</b>	<b>1,876</b>	<b>9.6%</b>
Loans to banks	41	21	20	95.2%
Loans to customers	10,172	10,843	-671	-6.2%
Other assets	1,825	793	1,032	130.1%
<b>Total interest income</b>	<b>33,373</b>	<b>31,116</b>	<b>2,257</b>	<b>7.3%</b>
Due to banks	316	297	19	6.4%
Due to customers	268	270	-2	-0.7%
Subordinated loan	834	837	-3	-0.4%
Other liabilities	375	157	218	138.9%
<b>Total interest expense</b>	<b>1,793</b>	<b>1,561</b>	<b>232</b>	<b>14.9%</b>
<b>Net interest income</b>	<b>31,580</b>	<b>29,555</b>	<b>2,025</b>	<b>6.9%</b>

The negative interest income paid to banks on loans and negative interest expense paid by counterparties on the Bank's inflows operations amounted to 374 thousand euros and 936 thousand euros, respectively, and refer primarily to deposits with the Central Bank (342 thousand euros) and repurchase agreements (907 thousand euros).

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

Considering negative interest expense and net of negative interest income, the balance of total cost of inflows from banks and customers was therefore negative overall at the end of the half-year.

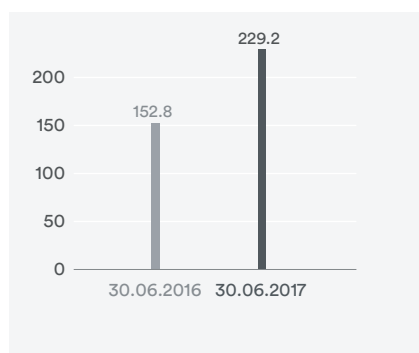
(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Banks	936	596	340	57.0%
Customers	889	197	692	351.3%
<b>Total negative interest expense</b>	<b>1,825</b>	<b>793</b>	<b>1,032</b>	<b>130.1%</b>
Banks	374	153	221	144.4%
Customers	1	4	-3	-75.0%
<b>Total negative interest income</b>	<b>375</b>	<b>157</b>	<b>218</b>	<b>138.9%</b>
<b>Net interest income</b>	<b>1,450</b>	<b>636</b>	<b>814</b>	<b>128.0%</b>

## 5.1.2 Net fees

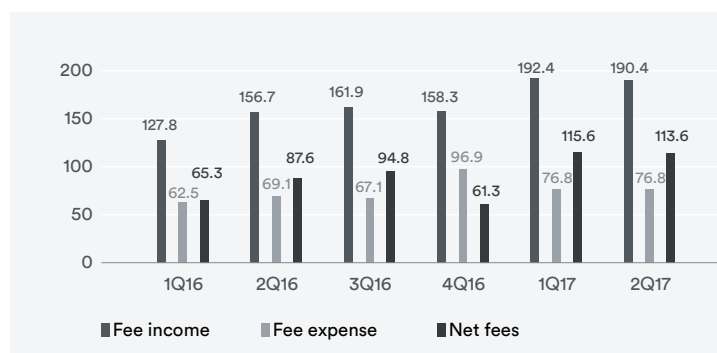
Net fees amounted to 229.2 million euros, up sharply by 50% compared to the same period of the previous year, as a result of the structural growth of AUM transaction volumes in the last year, while also benefiting from an increase in performance fees.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Collective and individual portfolio management fees	224,476	154,272	70,204	45.5%
Fees on the placement of securities and UCITS	36,575	28,367	8,208	28.9%
Fees on the distribution of third-party financial products	102,573	88,470	14,103	15.9%
Fees on trading and securities custody	11,470	7,221	4,249	58.8%
Fees for other banking services	7,738	6,150	1,588	25.8%
<b>Total fee income</b>	<b>382,832</b>	<b>284,480</b>	<b>98,352</b>	<b>34.6%</b>
Fees for off-premises offer	133,714	115,821	17,893	15.4%
Fees for dealing in securities and custody	3,466	1,825	1,641	89.9%
Fees for portfolio management	15,056	12,746	2,310	18.1%
Fees for other banking services	1,408	1,262	146	11.6%
<b>Total fee expense</b>	<b>153,644</b>	<b>131,654</b>	<b>21,990</b>	<b>16.7%</b>
<b>Net fees</b>	<b>229,188</b>	<b>152,826</b>	<b>76,362</b>	<b>50.0%</b>

### Net fees (€ million)



### Quarterly net fees (€ million)



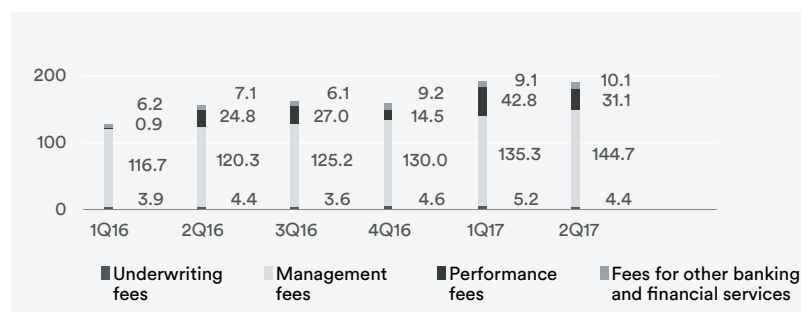
**Fee income** thus amounted to 382.8 million euros, up by 34.6% due to both the robust increase in recurring management fees (+18.1%), in line with the increase in average AUM invested in asset management and insurance products compared to the first half of 2016 (+18.0%), and the non-recurring component, tied to the excellent performances of the Sicavs promoted by the Group within the favourable context of the market growth occurred in 2017.



(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Underwriting fees	9,661	8,332	1,329	16.0%
Management fees	279,994	237,058	42,936	18.1%
Performance fees	73,969	25,719	48,250	187.6%
Fees for other banking and financial services	19,208	13,371	5,837	43.7%
<b>Total</b>	<b>382,832</b>	<b>284,480</b>	<b>98,352</b>	<b>34.6%</b>

The success achieved by the innovative solutions offered by the Banking Group is also borne out by the increase in **underwriting fees**, which rose by 16%, due in part to the success of multi-line management solutions, and **fees for other banking and financial services** (+43.7%), within which revenues on advanced advisory services are beginning to grow.

#### Fee income structure (€ million)



**Fee income from the solicitation of investment and asset management** of households reached 363.6 million euros, with a 34.1% increase compared to 2016.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
1. Collective portfolio management	194,804	137,380	57,424	41.8%
2. Individual portfolio management	29,671	16,892	12,779	75.7%
<b>Asset management fees</b>	<b>224,475</b>	<b>154,272</b>	<b>70,203</b>	<b>45.5%</b>
1. Placement of UCITS	36,390	27,467	8,923	32.5%
<i>of which placement of UCITS promoted by the Group</i>	<i>3,151</i>	<i>2,350</i>	<i>801</i>	<i>34.1%</i>
3. Placement of bonds and equity securities	186	900	-714	-79.3%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	389	350	39	11.1%
5. Distribution of third-party insurance products	101,953	87,931	14,022	15.9%
6. Distribution of other third-party financial products	231	189	42	22.2%
<b>Fees for the placement and distribution of financial services</b>	<b>139,149</b>	<b>116,837</b>	<b>22,312</b>	<b>19.1%</b>
<b>Asset management fee income</b>	<b>363,624</b>	<b>271,109</b>	<b>92,515</b>	<b>34.1%</b>

Within this scenario, the **distribution of insurance products** continued to report constant progress, growing +15.9% compared to the same period of 2016, thanks to the significant increase in average AUM relating to the segment (+13.5%).

During the reporting period, insurance net inflows amounted to 1.0 billion euros, mostly related to the multi-line policy **BG Stile Libero**, which since inception in June 2014 has recorded over 6.8 billion euros. The revenues generated by the distribution of the subsidiary **Genertel-life's** products thus reached 101.7 million euros.

With reference to the “innovative financial wrapper solutions”, mention should also be made of **discretionary portfolio management** schemes, which showed an overall increase in revenues of 75.7% compared to the first half of 2016, thanks to the new multi-line **BG Solution** launched in March 2016.

The strong attention garnered by the new management solutions, which permit a high degree of personalisation of investment lines and the benefits associated with the profiling of the service, allowed new inflows of 1.9 billion euros to be obtained in the first half of the year, bringing the total AUM relating to the new lines to over 3.7 billion euros.

The management fees on the **Sicavs** promoted by the Banking Group, net of the effect of non-recurring components linked to performance (+41.9 million euros), rose more slightly by 8.6% compared to the previous year, as a result of both slower growth of net inflows from retail products and a slight profitability reduction of the institutional classes' portfolio.

Lastly, underwriting and management fees on the **placement of UCITS** amounted to 36.4 million euros, an increase of 32.5% on 2016, due to very positive demand for individual funds and Sicavs, which attracted inflows of nearly 1 billion euros during the first half of the year.

**Other fees** from banking services offered to customers include trading, order collection, custody and administration fees, advisory fees and fees charged to customers for account-keeping expenses and other services. The aggregate amounted to 19.2 million euros.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Dealing in securities and currencies	8,270	5,671	2,599	45.8%
Order collection and securities custody fees	3,200	1,550	1,650	106.5%
Collection and payment services	1,354	1,504	-150	-10.0%
Fee income and account-keeping expenses	1,059	1,099	-40	-3.6%
Consultancy	3,803	2,110	1,693	80.2%
Other services	1,522	1,437	85	5.9%
<b>Total traditional banking operations</b>	<b>19,208</b>	<b>13,371</b>	<b>5,837</b>	<b>43.7%</b>

Fees for the intermediation and custody of customers' financial assets amounted to 11.5 million euros, up by 4.3 million euros on 2016, nearly two thirds of which attributable to the increase in the volumes of transactions on behalf of retail customers (+2.0 million euros) and new transactions on behalf of institutional customers.

**Fee expense** amounted to 153.6 million euros, up moderately on 2016 (+16.7%), mostly due to the increase in fees paid to the Financial Advisor network for off-premises offers (+15.4%).

**Distribution fee expense** thus stood at 133.7 million euros, a growth of 17.9 million euros compared to the first half of 2016, primarily as a result of the following factors:

- > a growth of incentive fees matured for the recruitment plans launched in the first half of the year (welcome bonuses, entry bonuses) or in the previous years (+4.0 million euros);
- > a growth in front-end fees (+1.6 million euros), related to the same trend of underwriting fees and particularly to the placement of UCITS;
- > a growth in management fees (+9.7 million euros), related to the rise in the network's average AUM compared to the same period of the previous year.

In addition, the fees tied to the standard incentive programme for the sales network, set to conclude on 31 December 2017, currently classified among net provisions, have been estimated at 15.4 million euros, up slightly compared to the previous year (+5.1%).

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Front-end fees	7,478	5,803	1,675	28.9%
Management fees	86,389	76,686	9,703	12.7%
Incentive fees	22,688	18,679	4,009	21.5%
Other fees	17,159	14,653	2,506	17.1%
<b>Total</b>	<b>133,714</b>	<b>115,821</b>	<b>17,893</b>	<b>15.4%</b>

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

Within the fee expense aggregate, **asset management fees** amounted to 15.1 million euros (+18.1%) and referred substantially to fees for third-party assets under administration and custody regarding the Sicavs promoted by the Group.

Lastly, **fee expense from traditional banking operations** increased by 57.9% due to the aforementioned expansion in trading activities.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Fees for securities trading and custody	-3,466	-1,825	-1,641	89.9%
Collection and payment services	-1,147	-1,082	-65	6.0%
Other services	-261	-180	-81	45.0%
<b>Total fee expense</b>	<b>-4,874</b>	<b>-3,087</b>	<b>-1,787</b>	<b>57.9%</b>

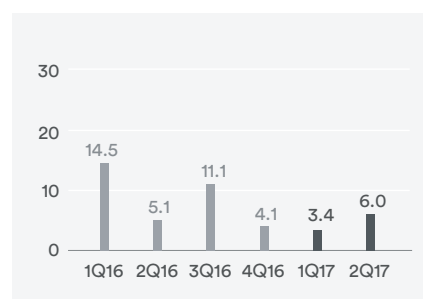
### 5.1.3 Net income from trading activities and dividends

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

At the end of the first half of 2017, the item showed a positive contribution of 9.4 million euros, down sharply compared to the previous year, which benefited from significant capital gains tied to the realisation of government bonds allocated to the AFS portfolio.

#### Net result of financial operations

(€ million)



(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Dividends from trading and UCITS	540	49	491	n.s.
Trading of financial assets and equity derivatives	100	-1,563	1,663	-106.4%
Trading of financial assets and derivatives on debt securities and interest rates	792	38	754	n.s.
Trading of UCITS units	84	-221	305	-138.0%
<b>Securities transactions</b>	<b>1,516</b>	<b>-1,697</b>	<b>3,213</b>	<b>-189.3%</b>
<b>Currency and currency derivative transactions</b>	<b>1,745</b>	<b>1,545</b>	<b>200</b>	<b>12.9%</b>
<b>Net income (loss) from trading activities</b>	<b>3,261</b>	<b>-152</b>	<b>3,413</b>	<b>n.s.</b>
Dividends from AFS assets	1,214	1,435	-221	-15.4%
Gains and losses on equity securities and UCITS	2,261	12	2,249	n.s.
Gains and losses on AFS and HTM debt securities and loans	2,651	18,278	-15,627	-85.5%
<b>Net result of financial operations</b>	<b>9,387</b>	<b>19,573</b>	<b>-10,186</b>	<b>-52.0%</b>

The gains and losses realised on the AFS portfolio include 2.3 million euros of profits on disposal of long-term equity investments, in view of the transition to the new standard IFRS 9, whereas the remainder refers to transactions aimed at shifting the composition of government bond holdings (1.0 million euros) and financial bond holdings (1.3 million euros) based on the market performance of the bank's investment policies.

(€ THOUSAND)	TRANSFER OF RESERVES	GAINS	LOSSES	30.06.2017	30.06.2016	CHANGE
AFS financial assets	6,055	731	-2,155	4,631	18,275	-13,644
Debt securities	4,083	376	-2,089	2,370	18,263	-15,893
Equity securities	1,916	355	-9	2,262	-3	2,265
UCITS units	56	-	-57	-1	15	-16
Financial assets classified among loans	-	351	-70	281	-	281
HTM financial assets	-	-	-	-	15	-15
<b>Total</b>	<b>6,055</b>	<b>1,082</b>	<b>-2,225</b>	<b>4,912</b>	<b>18,290</b>	<b>-13,378</b>

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

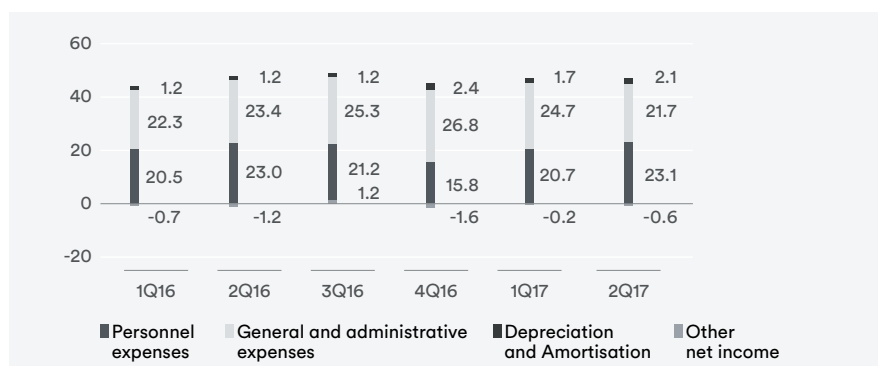
(€ THOUSAND)	CAPITAL GAINS	CAPITAL LOSSES	GAINS	LOSSES	NET RESULT HY17	NET RESULT HY16	CHANGE
<b>1. Financial assets</b>	<b>414</b>	<b>192</b>	<b>989</b>	<b>486</b>	<b>725</b>	<b>-284</b>	<b>1,009</b>
Debt securities	413	46	467	42	792	38	754
Equity securities	1	146	281	287	-151	-101	-50
UCITS units	-	-	241	157	84	-221	305
<b>2. Derivatives</b>	<b>143</b>	<b>221</b>	<b>928</b>	<b>602</b>	<b>248</b>	<b>-1,473</b>	<b>1,721</b>
Options on equity securities	143	221	727	399	250	-1,417	1,667
Options on currencies and gold	-	-	200	203	-3	-11	8
Futures	-	-	1	-	1	-45	46
<b>3. Currency transactions</b>	<b>-</b>	<b>-</b>	<b>1,748</b>	<b>-</b>	<b>1,748</b>	<b>1,556</b>	<b>192</b>
<b>4. Total</b>	<b>557</b>	<b>413</b>	<b>3,665</b>	<b>1,088</b>	<b>2,721</b>	<b>-201</b>	<b>2,922</b>

#### 5.1.4 Operating expenses

Operating expenses, including staff expenses, other general and administrative expenses, amortisation and depreciation and other operating income and expenses, amounted to 93.2 million euros, increasing by 3.5 million euros overall compared to the same period of the previous year (+4.0%).

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Staff expenses	43,860	43,441	419	1.0%
Other general and administrative expenses	69,574	63,974	5,600	8.8%
Net adjustments of property, equipment and intangible assets	3,792	2,331	1,461	62.7%
Other income and expenses	-23,994	-20,064	-3,930	19.6%
<b>Operating expenses</b>	<b>93,232</b>	<b>89,682</b>	<b>3,550</b>	<b>4.0%</b>

#### Operating expenses (€ million)



Staff expenses, including full-time employees, interim staff and directors, reached 43.9 million euros, virtually in line with the same period of 2016 (+1.0%).

Group's employees totalled 890, 31 more compared to the previous year, whereas the average headcount increased by 21.

	30.06.2017	30.06.2016	CHANGE		AVERAGE	
			NUMERO	%	2017	2016
Managers	48	41	7	17.1%	47.5	42.5
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	155	153	2	1.3%	153.0	146.5
Other employees	687	665	22	3.3%	669.0	659.0
<b>Total</b>	<b>890</b>	<b>859</b>	<b>31</b>	<b>3.6%</b>	<b>869.5</b>	<b>848.0</b>

In 2017, there was a slight increase in the recurring component of staff expenses (+0.4 million euros) due to new hires, promotions and the variable component, consisting of current and deferred MBO plans for management, sales incentives, individual and performance bonuses (+0.8 million euros), offset by a reduction of other benefits and remuneration to Directors and external collaborators.

The decline in the item relating to charges for stock option/stock granting plans refers to incentive plans reserved for the Generali Group's strategic management (LTIP - Long Term Incentive Plan) based on the assignment of shares of the Parent Company, Assicurazioni Generali, due to the elimination of the accruals to LTI plans associated with the previous Chief Executive Officer, who passed away in March of last year.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
<b>1) Employees</b>	<b>43,280</b>	<b>42,449</b>	<b>831</b>	<b>2.0%</b>
Salaries and social security charges	28,484	28,076	408	1.5%
Provision for termination indemnity and supplementary pension funds	2,215	2,174	41	1.9%
Costs related to payment agreements based on own financial instruments	1,068	1,602	-534	-33.3%
Short-term productivity bonuses (MBO, CIA, incl. sales)	8,767	7,454	1,313	17.6%
Other long-term incentives (MBO)	715	722	-7	-1.0%
Other employee benefits	2,031	2,421	-390	-16.1%
<b>2) Other staff</b>	<b>-4</b>	<b>219</b>	<b>-223</b>	<b>-101.8%</b>
<b>3) Directors and Auditors</b>	<b>584</b>	<b>773</b>	<b>-189</b>	<b>-24.5%</b>
<b>Total</b>	<b>43,860</b>	<b>43,441</b>	<b>419</b>	<b>1.0%</b>

**Total other general and administrative expenses**, net of recoveries of taxes paid by customers (stamp duty, substitute tax), amounted to 46.4 million euros.

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

Net of that component, the item increased by a modest 0.9 million euros compared to the same period of the previous year, or approximately 2.1%.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
<b>Administration</b>	<b>6,313</b>	<b>6,743</b>	<b>-430</b>	<b>-6.4%</b>
Advertising	1,852	2,067	-215	-10.4%
Advisory	2,201	2,392	-191	-8.0%
Auditing	190	217	-27	-12.4%
Insurance	1,473	1,547	-74	-4.8%
Other general costs (insurance; T&E)	597	520	77	14.8%
<b>Operations</b>	<b>17,987</b>	<b>17,386</b>	<b>601</b>	<b>3.5%</b>
Rent and usage of premises	8,939	8,748	191	2.2%
Outsourced services	2,902	2,331	571	24.5%
Post and telephone	1,254	1,383	-129	-9.3%
Print material and contracts	671	684	-13	-1.9%
Other indirect staff expenses	1,187	1,197	-10	-0.8%
Other operating expenses	3,034	3,043	-9	-0.3%
<b>Information system and equipment</b>	<b>19,834</b>	<b>19,125</b>	<b>709</b>	<b>3.7%</b>
Outsourced IT services	14,982	14,212	770	5.4%
Fees for financial databases and other IT services	3,165	2,883	282	9.8%
Software maintenance and servicing	1,312	1,644	-332	-20.2%
Other expenses (equipment rental, maintenance, etc.)	375	386	-11	-2.8%
<b>Taxes and duties</b>	<b>23,687</b>	<b>18,736</b>	<b>4,951</b>	<b>26.4%</b>
<i>of which virtual stamp duty and other taxes borne by customers</i>	<i>23,429</i>	<i>18,437</i>	<i>4,992</i>	<i>27.1%</i>
<b>Contribution to the Italian National Resolution Fund and Deposit Guarantee Scheme (DGS)</b>	<b>1,753</b>	<b>1,984</b>	<b>-231</b>	<b>-11.6%</b>
<b>Total other general and administrative expense</b>	<b>69,574</b>	<b>63,974</b>	<b>5,600</b>	<b>8.8%</b>
<b>Recovery of stamp duty from customers (item 220)</b>	<b>-23,152</b>	<b>-18,254</b>	<b>-4,898</b>	<b>26.8%</b>
<b>Total other general and administrative expenses, net of stamp duties recovered</b>	<b>46,422</b>	<b>45,720</b>	<b>702</b>	<b>1.5%</b>

### 5.1.5 Provisions for risks and charges

**Net provisions** amounted to 45.6 million euros, up by 17.2 million euros compared to the same period of 2016, mostly attributable to provisions in favour of the sales network.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	317	-122	439	-359.8%
Provisions for legal disputes	3,180	1,007	2,173	215.8%
Provision for incentive fees	34,816	22,065	12,751	57.8%
Provision for contractual indemnities to the sales network	6,332	2,959	3,373	114.0%
Other provisions for liabilities and contingencies	1,006	2,550	-1,544	-60.5%
<b>Total</b>	<b>45,651</b>	<b>28,459</b>	<b>17,192</b>	<b>60.4%</b>

The increase in net provisions for incentive fees (+12.8 million euros) was essentially due to the effects of recruiting activity.

Current and deferred incentives in the process of accruing amounted to 16.6 million euros at the end of the first half of the year, essentially unchanged compared to the same period of the previous year (16.0 million euros), whereas provisions for network development plans amounted to 18.2 million euros, up by 12.1 million euros.

The increase in the provision for contractual indemnities for the sales network was mostly due to the amounts provisioned to account for the component that will be disbursed in cash as part of the new Framework Loyalty Programme approved by the General Shareholders' Meeting on 20 April<sup>1</sup> (3.0 million euros).

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

### 5.1.6 Adjustments

At the end of the first half of 2017, **net adjustments to non-performing loans** amounted to 3.2 million euros, up by 1.5 million euros compared to the same period of the previous year.

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	30.06.2017	30.06.2016	CHANGE
<b>Specific adjustments/reversals</b>	<b>-4,121</b>	<b>272</b>	<b>-3,849</b>	<b>-1,623</b>	<b>-2,226</b>
Equity securities	-24	-	-24	-2,263	2,239
Debt securities (AFS, HTM, Loans)	-2,642	-	-2,642	-	-2,642
Non-performing loans of the banking portfolio	-1,262	248	-1,014	679	-1,693
Operating loans to customers	-193	24	-169	-39	-130
Adjustments to other financial operations	-	-	-	-	-
<b>Portfolio adjustments/reversals</b>	<b>-</b>	<b>685</b>	<b>685</b>	<b>-7</b>	<b>692</b>
Debt securities (Loans, HTM)	-	345	345	13	332
Performing loans and guarantees of the banking portfolio	-	340	340	-20	360
<b>Total</b>	<b>-4,121</b>	<b>957</b>	<b>-3,164</b>	<b>-1,630</b>	<b>-1,534</b>

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

Following a thorough review of loan positions undertaken in the second quarter with the aim of bringing measurement policies into compliance with the more stringent principles set out in the most recent edition (March 2017) of the ECB Guidance on non-performing loans, provisions were recognised on new positions of 0.8 million euros classified as unlikely to pay, which brought net adjustments to non-performing positions to 1.0 million euros at the end of the half-year.

Portfolio adjustments on debt securities and performing loans to customers benefited from net recoveries of 0.7 million euros due to an improvement in risk profiles.

<sup>1</sup> More details on the Framework Loyalty Programme are provided in the following paragraph 5.2.3 on Provisions.

### 5.1.7 Consolidated net result, taxes and earnings per share

Income taxes for the reporting period on a current and deferred basis were estimated at 20.0 million euros, up 5.1 million euros compared to estimated taxes at the end of the same period of the previous year.

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Current taxes for the period	-28,151	-18,501	-9,650	52.2%
Prior years' taxes	339	-	339	n.s.
Changes of prepaid taxation (+/-)	8,142	3,806	4,336	113.9%
Changes of deferred taxation (+/-)	-278	-138	-140	101.4%
<b>Total</b>	<b>-19,948</b>	<b>-14,833</b>	<b>-5,115</b>	<b>34.5%</b>

The estimated total tax rate was 15.6%, down compared to the end of the first half of 2016, chiefly due to the change in the share of profit earned outside of Italy.

The first half of 2017 thus closed with basic net earnings per share of 0.93 euros.

	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	108,083	67,311	40,772	60.6%
Earnings attributable to ordinary shares (€ thousand)	108,083	67,311	40,772	60.6%
Average number of outstanding shares (thousand)	116,489	116,044	445	0.4%
<b>EPS - Earnings per share (euros)</b>	<b>0.93</b>	<b>0.58</b>	<b>0.35</b>	<b>60.0%</b>
Average number of outstanding shares with diluted share capital (thousand)	116,733	116,236	497	0.4%
<b>EPS - diluted Earning per share (euros)</b>	<b>0.93</b>	<b>0.58</b>	<b>0.35</b>	<b>59.9%</b>

### 5.1.8 Comprehensive income

The Banking Group's comprehensive income is determined by the consolidated net profit and all other components that contribute to company performance without being reflected in the Profit and Loss Account, such as changes in valuation reserves for AFS securities.

In the first half of 2017, the latter component provided a negative overall contribution of -9.9 million euros, in line with the net negative change of 10.0 million euros recorded for the first half of the previous year.

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

- > a decrease in net valuation capital gains and an increase in net valuation capital losses, for a total of 7.7 million euros;
- > the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (6.1 million euros);
- > the positive net tax effect associated with the above changes and resulting from offsetting net DTLs and increases in DTAs (+4.0 million euros).

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
<b>Net profit</b>	<b>108,083</b>	<b>67,311</b>	<b>40,772</b>	<b>60.6%</b>
Other income, net of income taxes:				
with transfer to Profit and Loss Account:				
Exchange gains and losses	-14	-71	57	-80.3%
AFS assets	-9,829	-9,818	-11	0.1%
without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-91	-150	59	-39.3%
<b>Total other income, net of taxes</b>	<b>-9,934</b>	<b>-10,039</b>	<b>105</b>	<b>-1.0%</b>
<b>Comprehensive income</b>	<b>98,149</b>	<b>57,272</b>	<b>40,877</b>	<b>71.4%</b>

## 5.2 Balance sheet and net equity aggregates

At the end of the first half of 2017, total consolidated assets amounted to 8.9 billion euros, increasing by 0.5 billion euros compared to the end of 2016.

At the end of the reporting period, overall inflows amounted to 7.5 billion (+1.3%), with an increase in the interbank component (+0.1 billion euros), mainly due to repurchase agreements and a slight reduction of inflows from customers.

Core loans thus amounted to 8.4 billion euros (+5.8%), with an increase in longer-term exposures in the HTM and AFS portfolios.

ASSETS (€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
HFT financial assets	46,189	38,560	7,629	19.8%
AFS financial assets	4,750,650	4,409,318	341,332	7.7%
HTM financial assets	1,005,733	731,362	274,371	37.5%
Loans to banks (*)	696,088	894,000	-197,912	-22.1%
Loans to customers	1,921,613	1,881,927	39,686	2.1%
Equity investments	1,898	1,988	-90	-4.5%
Property, equipment and intangible assets	95,820	97,813	-1,993	-2.0%
Tax receivables	50,975	44,538	6,437	14.5%
Other assets	305,317	257,229	48,088	18.7%
<b>Total assets</b>	<b>8,874,283</b>	<b>8,356,735</b>	<b>517,548</b>	<b>6.2%</b>

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
Due to banks	946,895	802,709	144,186	18.0%
Due to customers	6,598,739	6,648,202	-49,463	-0.7%
Financial liabilities held for trading and hedging	1,013	1,169	-156	-13.3%
Tax payables	32,324	17,118	15,206	88.8%
Other liabilities	516,464	118,853	397,611	n.s.
Special purpose provisions	152,473	122,163	30,310	24.8%
Valuation reserves	-955	8,979	-9,934	-110.6%
Reserves	345,626	314,353	31,273	9.9%
Share premium reserve	58,363	53,803	4,560	8.5%
Share capital	116,839	116,425	414	0.4%
Treasury shares (-)	-1,581	-2,933	1,352	-46.1%
Net profit (loss) for the period	108,083	155,894	-47,811	-30.7%
<b>Total net equity and liabilities</b>	<b>8,874,283</b>	<b>8,356,735</b>	<b>517,548</b>	<b>6.2%</b>



## Quarterly evolution of Consolidated Balance Sheet

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

## 5.2.1 Direct inflows from customers

Direct inflows from customers amounted to 6.6 billion euros, with a slight decrease of 0.7% compared to 31 December 2016, fully attributable to the reduction in inflows from companies of the Assicurazioni Generali Group.

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
1. Current accounts and demand deposits	6,451,206	6,466,672	-15,466	-0.2%
2. Term deposits	-	-	-	-
3. Financing	44,115	43,282	833	1.9%
Subordinated loans	44,115	43,282	833	1.9%
4. Other debts	103,418	138,248	-34,830	-25.2%
Operating debts to sales network	77,349	99,451	-22,102	-22.2%
Other (money orders, amounts at the disposal of customers)	26,069	38,797	-12,728	-32.8%
<b>Total due to customers (Item 20)</b>	<b>6,598,739</b>	<b>6,648,202</b>	<b>-49,463</b>	<b>-0.7%</b>

Captive inflows from the companies within the Assicurazioni Generali Group decreased by 351.4 million euros partly due to the use at the beginning of the year of the temporary treasury balances of an Italian subsidiary, reaching 399.8 million euros, accounting for 6.1% of total inflows.

The aggregate includes 44.1 million euros for the Tier-2 subordinated loan issued by the subsidiary Generali Beteiligungs GmbH in 2014.

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

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
Inflows from Parent Company	5,144	2,802	2,342	83.6%
Inflows from other subsidiaries of the Generali group	394,643	748,355	-353,712	-47.3%
<b>Total inflows from Generali group</b>	<b>399,787</b>	<b>751,157</b>	<b>-351,370</b>	<b>-46.8%</b>
Inflows from other parties	6,198,952	5,897,045	301,907	5.1%
<i>of which current accounts</i>	6,095,926	5,759,079	336,847	5.8%
<b>Total inflows from customers</b>	<b>6,598,739</b>	<b>6,648,202</b>	<b>-49,463</b>	<b>-0.7%</b>

By contrast, there was a decline in the non-interest-bearing debt position (-34.8 million euros) consisting of other sums available to customers, primarily relating to claims settlement activity by the Group's insurance companies (money orders), as well as of payables to the sales network for the placement of financial products and services.

## 5.2.2 Core loans

Core loans totalled 8,420 million euros overall and increased by 465 million euros (+5.8%) compared to 31 December 2016.

The increase in loans was primarily attributable to investments in portfolios of financial assets, which increased by 623.2 million euros (+11.7%), whereas at the end of the six-month period the demand balances with the ECB were 316.3 million euros.

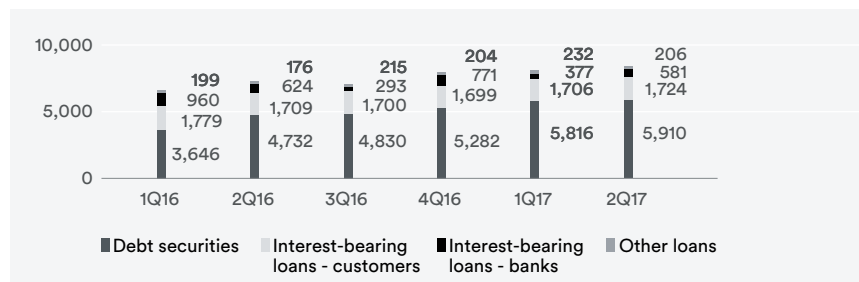
Overall, the ratio of financial assets to core loans thus reached 70.9%, up compared to 67.2% at year-end 2016.

Loans to customers slightly increased (+24.8 million euros).

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
HFT financial assets	46,189	38,560	7,629	19.8%
AFS financial assets	4,750,650	4,409,318	341,332	7.7%
HTM financial assets	1,005,733	731,362	274,371	37.5%
Financial assets classified among loans	166,017	166,147	-130	-0.1%
<b>Financial assets</b>	<b>5,968,589</b>	<b>5,345,387</b>	<b>623,202</b>	<b>11.7%</b>
Loans to and deposits with banks (*)	580,601	770,824	-190,223	-24.7%
Loans to customers	1,723,848	1,699,073	24,775	1.5%
Operating loans and other loans	147,235	139,883	7,352	5.3%
<b>Total interest-bearing financial assets and loans</b>	<b>8,420,273</b>	<b>7,955,167</b>	<b>465,106</b>	<b>5.8%</b>

(\*) ECB demand deposits included

### Evolutions of loans (€ million)

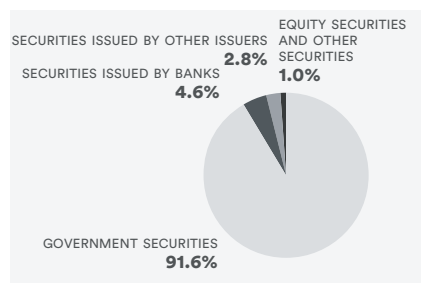


Within a scenario of persistent depression of Italian government bond yields, the Banking Group is continuing to pursue a prudent policy of extending maturities and a limited diversification of investments in the corporate segment.

In particular, the growth of the AFS portfolio (+7.7%) and the HTM portfolio (+37.5%) was driven by significant purchases of government bonds with average maturities of 3.3 of the AFS portfolio and 6.6 years of the HTM portfolio.

## Breakdown of financial assets portfolio

As at 30.06.2017

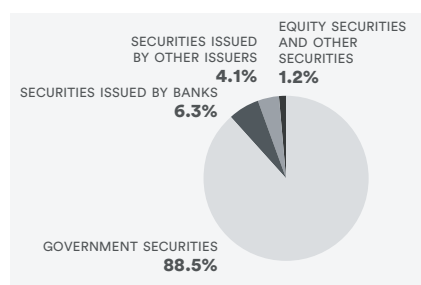


Accordingly, sovereign debt exposure increased by 739.8 million euros accounting for 91.6% of total investments in financial instruments, up compared to 88.5% at the end of the previous year.

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

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
<b>Exposure to the sovereign risk by portfolio:</b>				
HFT financial assets	-	-	-	-
AFS financial assets	4,588,792	4,117,859	470,933	11.4%
HTM financial assets	879,706	610,833	268,873	44.0%
<b>Total</b>	<b>5,468,498</b>	<b>4,728,692</b>	<b>739,806</b>	<b>15.6%</b>

As at 31.12.2016

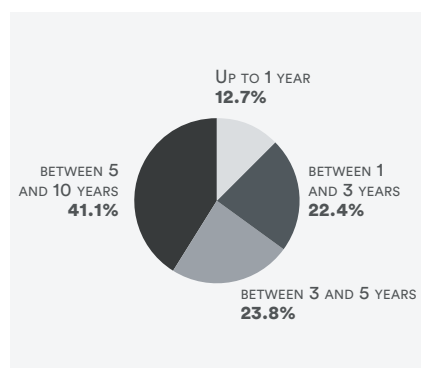


(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
Government securities	5,468,498	4,728,692	739,806	15.6%
Securities issued by banks	274,757	334,290	-59,533	-17.8%
Securities issued by other issuers	166,345	218,561	-52,216	-23.9%
Equity securities and other securities	58,989	63,844	-4,855	-7.6%
<b>Total financial assets</b>	<b>5,968,589</b>	<b>5,345,387</b>	<b>623,202</b>	<b>11.7%</b>

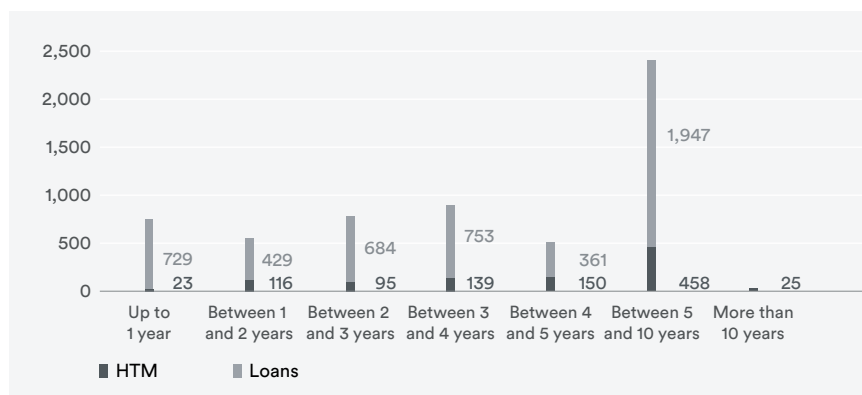
The overall geographical breakdown of the portfolio of debt securities thus showed a high concentration of investments relating to Italian securities (95.8%).

The portfolio of debt securities had an overall average residual life of about 4.1 years and 55.8% of it was made up of variable rate issues, and for the remainder, of fixed-rate issues and zero coupons.

## Breakdown of bonds portfolio by maturity



## Bonds portfolio maturity (€ million)



**Loans to customers** amounted to 1,724 million euros, up compared to year-end 2016, chiefly due to the limited expansion of both the current account overdraft facilities and personal loans. The mortgage segment for the six-month period reported new disbursements amounting to 66 million euros.

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
Current accounts	913,738	907,032	6,706	0.7%
Mortgages and personal loans	806,038	787,294	18,744	2.4%
Other financing and loans not in current accounts	4,072	4,747	-675	-14.2%
<b>Total loans</b>	<b>1,723,848</b>	<b>1,699,073</b>	<b>24,775</b>	<b>1.5%</b>
Operating loans to product companies	104,104	99,252	4,852	4.9%
Sums advanced to Financial Advisors	33,904	32,544	1,360	4.2%
Stock exchange interest-bearing daily margin	4,042	1,940	2,102	108.4%
Charges to be debited and other loans	4,808	6,018	-1,210	-20.1%
<b>Operating loans and other loans</b>	<b>146,858</b>	<b>139,754</b>	<b>7,104</b>	<b>5.1%</b>
<b>Debt securities</b>	<b>50,907</b>	<b>43,100</b>	<b>7,807</b>	<b>18.1%</b>
<b>Total loans to customers</b>	<b>1,921,613</b>	<b>1,881,927</b>	<b>39,686</b>	<b>2.1%</b>

**Net non-performing loans** amounted to 68.7 million euros, equal to 3.57% of total loans to customers, and up by 35.8 million euros compared to the previous year.

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

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

At the end of the first half of 2017, non-performing loans included 27.2 million euros referring to exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A.<sup>2</sup> upon the sale of the said company and mainly secured to that end by cash collateral payments by the counterparty. Net of that portfolio, the weight of non-performing exposures declined to 2.16%.

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE 2017	NET EXPOSURE 2016	CHANGE		SECURED EXPOSURE SUBJECT TO INDEMNITY	RESIDUAL EX INDEMNITY
					AMOUNT	%		
Bad loans	38,188	-14,089	24,099	24,018	81	0.3%	21,998	2,101
Financing	35,175	-11,983	23,192	23,024	168	0.7%	21,998	1,194
Operating loans	3,013	-2,106	907	994	-87	-8.8%	-	907
Unlikely to pay	42,441	-1,165	41,276	6,771	34,505	n.s.	5,155	36,121
Past-due exposures - over 90 days	3,639	-326	3,313	2,064	1,249	60.5%	-	3,313
<b>Total non-performing loans</b>	<b>84,268</b>	<b>-15,580</b>	<b>68,688</b>	<b>32,853</b>	<b>35,835</b>	<b>109.1%</b>	<b>27,153</b>	<b>41,535</b>
Performing loans	1,856,384	-3,459	1,852,925	1,849,074				
<b>Total loans to customers</b>	<b>1,940,652</b>	<b>-19,039</b>	<b>1,921,613</b>	<b>1,881,927</b>				

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

At 30 June 2017, the **interbank position**, net of the securities portfolio and operating loans, showed a net debit imbalance of 366.3 million euros, sharply up compared to a net debt imbalance of 31.9 million euros at the end of the previous year.

This situation was essentially due to a partial decrease in the demand deposits held with the Central Bank as at 31 December 2016 (-251 million euros) and an increase in leveraged net inflows in the form of repurchase agreements at negative rates, undertaken with the aim of supporting net interest income (+134.8 million).

Interbank net inflows also include the TLTRO2 financing disbursed on 29 June 2016, with a maturity of four years, set to come due on 24 June 2020, with an option for early repayment at the end of the second year.

This loan accrues an interest equal to that of the main refinancing operations applicable from time to time, which is currently 0% but may be reduced to the interest rate on overnight deposits with the ECB (currently a negative -0.40%) if at the end of January 2018 the loans disbursed by Banca Generali to households for credit purposes other than home purchases and to non-financial companies residing in the euro area exceed a given benchmark level<sup>3</sup>.

<sup>2</sup> As at 7 April 2017, the swiss operations of BSI S.A. were totally transferred to EFG Bank AG - Lugano Branch, as per the Swiss law on mergers.

<sup>3</sup> For Banca Generali, equal to the amount of such loans at 31 January 2016, plus 2.5%.

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
<b>1. Repayable on demand</b>	<b>472,454</b>	<b>675,342</b>	<b>-202,888</b>	<b>-30.0%</b>
Demand deposits with ECB and Bank of Italy (*)	316,319	567,312	-250,993	-44.2%
Transfer accounts	156,135	108,030	48,105	44.5%
<b>2. Time deposits</b>	<b>108,147</b>	<b>95,482</b>	<b>12,665</b>	<b>13.3%</b>
Mandatory reserve	66,667	56,314	10,353	18.4%
Term deposits	40,083	35,136	4,947	14.1%
Collateral margins	1,397	4,032	-2,635	-65.4%
<b>Total due to banks</b>	<b>580,601</b>	<b>770,824</b>	<b>-190,223</b>	<b>-24.7%</b>
<b>1. Due to Central Banks</b>	<b>400,000</b>	<b>400,000</b>	<b>-</b>	<b>-</b>
TLTRO	400,000	400,000	-	-
<b>2. Due to banks</b>	<b>546,895</b>	<b>402,709</b>	<b>144,186</b>	<b>35.8%</b>
Transfer accounts	24,628	23,673	955	4.0%
Term deposits	4,065	4,748	-683	-14.4%
Repurchase agreements	486,273	351,437	134,836	38.4%
Collateral margins	9,830	268	9,562	n.s.
Other debts	22,099	22,583	-484	-2.1%
<b>Total due to banks</b>	<b>946,895</b>	<b>802,709</b>	<b>144,186</b>	<b>18.0%</b>
<b>Net interbank position</b>	<b>-366,294</b>	<b>-31,885</b>	<b>-334,409</b>	<b>n.s.</b>
<b>3. Debt securities</b>	<b>115,110</b>	<b>123,047</b>	<b>-7,937</b>	<b>-6.5%</b>
<b>4. Other operating receivables</b>	<b>377</b>	<b>129</b>	<b>248</b>	<b>192.2%</b>
<b>Total interbank position</b>	<b>-250,807</b>	<b>91,291</b>	<b>-342,098</b>	<b>n.s.</b>

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

### 5.2.3 Provisions

Total provisions amounted to 152.5 million euros, up by 30.3 million euros compared to the previous year (+24.8%).

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
Provision for termination indemnity	5,026	5,129	-103	-2.0%
<b>Other provisions for liabilities and contingencies</b>	<b>147,447</b>	<b>117,034</b>	<b>30,413</b>	<b>26.0%</b>
Provisions for staff expenses	13,850	12,508	1,342	10.7%
Restructuring provisions – Redundancy incentives plan	5,245	8,500	-3,255	-38.3%
Provisions for legal disputes	17,090	15,123	1,967	13.0%
Provisions for contractual indemnities to the sales network	55,142	49,165	5,977	12.2%
Provisions for sales network incentives	54,868	31,466	23,402	74.4%
Other provisions for liabilities and contingencies	1,252	272	980	n.s.
<b>Total provisions</b>	<b>152,473</b>	<b>122,163</b>	<b>30,310</b>	<b>24.8%</b>

The main component of this aggregate consists of provisions for contractual end-of-service indemnities for the sales network, which accounted for 36% of the total and are characterised by a long period of accrual and disbursement. The increase in this item was due in particular to the increase in the basic fee on which the indemnity is calculated, the increased length of service of the network and the low turnover rate.

Within the framework of provisions for contractual indemnities, on 21 March 2017 the Board of Directors granted its final approval for a Framework Loyalty Program for the sales network aimed at improving the retention of the network and the customers acquired over time and creating value for the Group by attracting stable, high-quality net inflows.

The Framework Loyalty Program consists of a maximum of eight annual plans of decreasing length, ending on 31 December 2026.

The plans can be implemented from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.

In addition, the Framework Program also states that for each plan implemented part of the bonus may be paid in cash and part in Banca Generali shares (a maximum of 50%), after assessing the effects of this on capital ratios and the free float. The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from

one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.

Accordingly, the General Shareholders' Meeting of 20 April, which approved the Program, also ratified the launch of the 2017-2026 annual plan, authorising the Board of Directors to arrange for the payment of the indemnity accrued to the beneficiaries in the form of Banca Generali shares to the maximum permitted extent (50%).

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

## Tax audits and inspections

On 27 March 2017, the Italian Revenue Service – Friuli-Venezia Giulia Regional Department launched a general audit of tax period 2014.

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

In addition, a general inspection of the Banking Group by the supervisory authority was launched on 20 March and completed on 6 July 2017. At present, delivery of the inspection report is still pending.

## 5.2.4 Net equity and regulatory aggregates

At 30 June 2017, consolidated net equity, including net profit for the period, amounted to 626.4 million euros compared to 646.5 million euros at the end of the previous year.

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
Share capital	116,839	116,425	414	0.4%
Share premium reserve	58,363	53,803	4,560	8.5%
Reserves	345,626	314,353	31,273	9.9%
(Treasury shares)	-1,581	-2,933	1,352	-46.1%
Valuation reserves	-955	8,979	-9,934	-110.6%
Equity instruments	-	-	-	-
Net profit (loss) for the period	108,083	155,894	-47,811	-30.7%
<b>Group net equity</b>	<b>626,375</b>	<b>646,521</b>	<b>-20,146</b>	<b>-3.1%</b>

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

	30.06.2017	31.12.2016
<b>Net equity at period-start</b>	<b>646,521</b>	<b>636,798</b>
Dividend paid	-124,674	-139,237
Purchase and sale of treasury shares	-	-1,466
Stock option plans: capital increases	5,787	3,554
Matured IFRS2 reserves (from stock option plans and remuneration policies)	1,209	1,609
Matured IFRS 2 reserves on LTIP	-617	2,814
Change in valuation reserves	-9,934	-13,445
Consolidated net profit	108,083	155,894
<b>Net equity at period-end</b>	<b>626,375</b>	<b>646,521</b>
<b>Change</b>	<b>-20,146</b>	<b>9,723</b>

During the six-month period, on the basis of the achievement of the performance objectives set out in the 2015 and 2016 Remuneration Policy, 58,124 treasury shares, with a value of 1,351 thousand euros, were awarded to managers and network managers.

At the end of the half-year, the parent company, Banca Generali, thus held 68,005 treasury shares, with a value of 1,581 thousand euros, intended solely for the service of remuneration plans for the Banking group's key employees.

On 20 April 2017, the General Shareholders' Meeting also authorised the repurchase of a maximum of 411,354 own shares in service of remuneration plans for key employees for 2017 and of the 2017 Loyalty Programme. On 3 July 2017 the own share repurchase program was authorised by the Supervisory Authority, which also required the recognition of the commitment to repurchase own shares of 14.3 million euros.

The fair value reserves for the AFS financial assets portfolio decreased sharply compared to the end of the previous year, primarily due to the performance of reserves for government bonds, as a result of the greater volatility of the spread on Italian securities.

The aggregate had an overall positive balance of 0.9 million euros, down by 9.8 million compared to year-end 2016.

This trend was mainly influenced by the portfolio of Italian government bonds, for which net reserves amounted to -2.4 million euros compared to 6.5 million euros at year-end 2016.

(€ THOUSAND)	30.06.2017				
	EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES		TOTAL
			CORPORATE	GOVERNMENT	
<b>1. Amount at period-start</b>	<b>2,159</b>	<b>1,459</b>	<b>650</b>	<b>6,492</b>	<b>10,760</b>
<b>2. Increases</b>	<b>293</b>	<b>968</b>	<b>1,524</b>	<b>6,337</b>	<b>9,122</b>
2.1 Fair value increases	173	968	1,354	2,069	4,564
2.2 Transfer to Profit and Loss Account of negative reserves					
due to impairment	11	-	-	-	11
due to disposal	4	-	-	64	68
2.3 Other changes	105	-	170	4,204	4,479
<b>3. Decreases</b>	<b>1,921</b>	<b>355</b>	<b>1,466</b>	<b>15,209</b>	<b>18,951</b>
3.1 Fair value decreases	-	9	163	12,168	12,340
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to Profit and Loss Account of positive reserves: due to disposal	1,920	56	1,105	3,041	6,122
3.4 Other changes	1	290	198	-	489
<b>4. Amount at period-end</b>	<b>531</b>	<b>2,072</b>	<b>708</b>	<b>-2,380</b>	<b>931</b>

**Consolidated own funds**, calculated in accordance with the Basel 3 phase-in rules, amounted to 477.6 million euros, up by 14.7 million euros compared to the end of the previous year, chiefly owing to the portion of retained earnings, which was partly offset by the above-mentioned commitment to repurchase own funds in the amount of 14.3 million euros.

(€ THOUSAND)	30.06.2017		31.12.2016	CHANGE	
	FULLY-LOADED	PHASE-IN	PHASE-IN	AMOUNT	%
Common Equity Tier 1 capital (CET1)	432,444	434,311	419,073	15,238	3.6%
Additional Tier 1 capital (AT1)	-	-	-	-	-
Tier 2 capital (T2)	43,000	43,331	43,854	-523	-1.2%
<b>Total own funds</b>	<b>475,444</b>	<b>477,642</b>	<b>462,927</b>	<b>14,715</b>	<b>3.2%</b>
Credit and counterparty risk	135,965	135,965	132,469	3,496	2.6%
Market risk	2,274	2,274	2,681	-407	-15.2%
Operating risk	65,863	65,863	65,863	-	-
<b>Total absorbed capital</b>	<b>204,101</b>	<b>204,101</b>	<b>201,013</b>	<b>3,088</b>	<b>1.5%</b>
Excess over absorbed capital	271,343	273,541	261,914	11,627	4.4%
Risk-weighted assets	2,551,262	2,551,262	2,512,658	38,604	1.5%
Tier 1 / Risk-weighted assets (Tier 1 capital ratio)	17.0%	17.0%	16.7%	0.3%	2.1%
<b>Total own funds/Risk-weighted assets (Total Capital Ratio)</b>	<b>18.6%</b>	<b>18.7%</b>	<b>18.4%</b>	<b>0.3%</b>	<b>1.6%</b>

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 273.5 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 17.0 %, compared to a minimum requirement of 7%, and Total Capital Ratio (TCR) reached 18.7%, compared to the SREP minimum requirement of 10.4%.

The increase in absorbed capital compared to the previous year (+3.1 million euros) is primarily to be attributed to the growth of requirements for covering credit risks in relation to the slight growth of non-performing loans.

Consolidated own funds, calculated according to the rules set to enter into effect from 1 January 2019, would amount to 475.4 million euros, lower than the value as calculated according to the phase-in rules as a result of the inclusion of negative equity reserves on government bonds.

Total capital ratio upon full application would thus be 18.6%.

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

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

In this regard, it should be noted that Regulation (EU) No. 2067/2016, which adopts accounting standard IFRS 9, was published on 29 November 2016 and entered into effect on 19 December 2016. However, pursuant to Article 2 of that Regulation, IFRS 9 must be applied, at the latest, by the beginning of the first financial year starting on or after 1 January 2018.

Consequently, given the interpretative uncertainty that arose with respect to the relevance of the two different dates, until formal clarification is provided by the European authorities, in its Notice of 23 January 2017 the Bank of Italy confirmed that this discretion may continue to be exercised on a phase-in basis, solely for “less significant” banks subject to direct supervision.

The leverage ratio at the end of the half-year reached 4.9%, in line with that at the end of the previous year.

#### Reconciliation statement between parent company Banca Generali’s net equity and consolidated net equity

(€ THOUSAND)	30.06.2017		
	CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
<b>Net equity of Banca Generali</b>	<b>394,022</b>	<b>123,966</b>	<b>517,988</b>
Differences between net equity and book value of companies consolidated using the line-by-line method	87,015	-	87,015
Goodwill	4,289	-	4,289
Income carried forward of consolidated companies	82,738	-	82,738
Reserve for actuarial losses IAS 19	-86	-	-86
Other changes	74	-	74
Dividends from consolidated companies	41,770	-126,770	-85,000
Consolidated companies’ result for the period	-	110,964	110,964
Result of associates valued at equity	-116	-77	-193
Valuation reserves - consolidated companies	-110	-	-110
Consolidation adjustments	-4,289	-	-4,289
Goodwill	-4,289	-	-4,289
<b>Net equity of the Banca Generali Group</b>	<b>518,292</b>	<b>108,083</b>	<b>626,375</b>



## 6. PERFORMANCE OF GROUP COMPANIES

### 6.1 Banca Generali performance

Banca Generali closed the first half of 2017 with net profit of 124.0 million euros, up compared to 75.5 million euros reported at the end of the same period of the previous year, chiefly due to the higher contribution of dividends distributed both in advance and at the end of the period by the Luxembourg subsidiary BG Fund Management Luxembourg S.A, up from 70.5 to 126.8 million euros.

Net operating income, net of the dividends distributed by the Banking Group's investees, amounted to 141.6 million euros, up by 13.4 million euros (+10.5%) on the same period of the previous year; primarily due to the significant growth net fees (-21.6 million euros), partly offset by a lesser contribution of the net income from trading activities (-10.2 million euros).

(€ THOUSAND)	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
<b>Net interest income</b>	<b>31,613</b>	<b>29,555</b>	<b>2,058</b>	<b>7.0%</b>
<b>Net fees</b>	<b>100,595</b>	<b>79,031</b>	<b>21,564</b>	<b>27.3%</b>
Dividends	1,754	1,484	270	18.2%
Net income (loss) from trading activities	7,628	18,090	-10,462	-57.8%
<b>Net operating income</b>	<b>141,590</b>	<b>128,160</b>	<b>13,430</b>	<b>10.5%</b>
Staff expenses	-40,722	-40,354	-368	0.9%
Other general and administrative expenses	-67,674	-62,118	-5,556	8.9%
Net adjustments of property, equipment and intangible assets	-3,775	-2,303	-1,472	63.9%
Other operating expenses/income	23,479	19,523	3,956	20.3%
<b>Net operating expenses</b>	<b>-88,692</b>	<b>-85,252</b>	<b>-3,440</b>	<b>4.0%</b>
<b>Operating result</b>	<b>52,898</b>	<b>42,908</b>	<b>9,990</b>	<b>23.3%</b>
Net adjustments for non-performing loans	-609	1,367	-1,976	-144.6%
Net adjustments of other assets	-2,555	-3,147	592	-18.8%
Net provisions	-45,136	-28,459	-16,677	58.6%
Dividends and income from equity investments	126,770	70,462	56,308	79.9%
Gains (losses) from the disposal of equity investments	-	15	-15	-100.0%
<b>Operating profit before taxation</b>	<b>131,368</b>	<b>83,146</b>	<b>48,222</b>	<b>58.0%</b>
Income taxes	-7,402	-7,668	266	-3.5%
<b>Net profit</b>	<b>123,966</b>	<b>75,478</b>	<b>48,488</b>	<b>64.2%</b>

The increase in net fees (+27.3%), which amounted to 100.6 million euros at the end of the half-year, is primarily to be attributed to the increase in asset management fees (+19.3%), driven by the success of innovative financial wrapper solutions in the insurance business (+15.9%) and discretionary mandates (+107.1%), in addition, to a lesser extent, to the placement of UCITS with retail customers (+10.1%).

Net operating expenses amounted to 88.7 million euros, showing a more moderate increase (+4.0%).

The cost/income ratio, which measures the ratio of operating expenses (gross of adjustments to property, equipment, intangible assets) to net operating income and dividends, amounted to 31.6%.

Net provisions and net adjustments amounted to 48.3 million euros, up compared to the first half of 2016 (+18.1 million euros), mainly due to net adjustments for incentives and contractual indemnities for the sales network.

Operating profit before taxation amounted to 131.4 million euros, up 48.2 million euros compared to the same period of 2016.

The expected tax burden was 7.4 million euros, with an overall tax rate at 5.6%, down due to the higher weight of dividends.

**Own funds**, calculated in accordance with the Basel 3 phase-in rules, amounted to 370.7 million euros, up by 27.5 million euros compared to the end of the previous year, chiefly due to the portion of retained earnings, which was partly offset by the above-mentioned commitment to repurchase own funds in the amount of 14.3 million euros.

At the end of the reporting period, the aggregate capital for regulatory purposes recorded

198.3 million euros in excess of the amount required to cover credit, market, and operating risks. CET1 ratio reached 15.2% compared to a minimum requirement of 7% and Total capital ratio (TCR) reached 17.2%.

Total AUM managed by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 52.1 billion euros at 30 June 2017, up 9.5% compared to the end of the previous year. Net inflows amounted to 3.8 billion euros, compared to 2.9 billion euros at the end of the same period of 2016 (+31.0%).

## 6.2 Performance of BG Fund Management Luxembourg S.A.

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

BGFML ended the first half of 2017 with net profit of 110.7 million euros, up 49.3 million euros compared to the same period of the previous year, chiefly due to the increase in performance fees (+48.2 million euros).

Net banking income amounted to 125.9 million euros (+55.0 million euros). Total operating expenses amounted to 2.9 million euros (2.0 million euros of which consisted of staff expenses), with a moderate increase compared to the same period of the previous year (+7.4%).

The Company's net equity amounted to 99.9 million euros, net of a dividend payout of 126.8 million euros, as payment in advance for the 2017 result and total payment for 2016.

Overall, assets under management at 30 June 2017 amounted to 14,031 million euros, compared to 12,495 million euros at 31 December 2016, up by 1,536 million euros.

## 6.3 Performance of BG Fiduciaria SIM S.p.A.

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

On 6 June 2017, the Boards of Directors of the company and the parent company, Banca Generali, approved the plan for the merger of BG Fiduciaria into the parent company, to be closed by 31 December 2017 and to enter into effect from 1 January 2018. The terms and conditions were submitted to the Bank of Italy for the appropriate authorisation.

BG Fiduciaria reported a net profit of 0.3 million euros and net equity of 177 million euros in the first half of 2017.

Net banking income of 2.2 million euros was accompanied by operating costs of 1.6 million euros, which included personnel costs of 1.2 million euros, up sharply compared to the same period of the previous due to the effect of provisions for redundancy incentives.

Total assets under management amounted to 695 million euros, compared to 721 million euros at 31 December 2016.

## 6.4 Performance of Generfid S.p.A.

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

Net banking income amounted to about 0.5 million euros and virtually covers operating costs. Assets under management amounted to 1,260 million euros (1,166 million euros at the end of 2016).

## 7. RELATED PARTY TRANSACTIONS

### 7.1 Procedural aspects

In accordance with Article 2391-bis of the Italian Civil Code and Article 4 of the Regulation on Related Party Transactions, adopted by Consob with Resolution No. 17221 of 12 March 2010, as amended by Resolution No. 17389 of 23 June 2010, the Board of Directors of Banca Generali approved the "**Related Party Transactions Procedure**", effective 1 January 2011.

On 12 December 2011, the Bank of Italy also updated the Supervisory Provisions for Banks (Bank of Italy Circular Letter No. 263/2006) by issuing new **Provisions on Risk Assets and Conflicts of Interest of Banks and Banking Groups with Connected Parties** (Title V, Chapter 5), aimed at monitoring the risk that close relations between certain persons and the Bank decision-making bodies may affect the objectivity and impartiality of decisions concerning loans to and other transactions involving those persons, leading to possible distortions in resource allocation, the bank's exposure to risks that are not adequately measured or monitored, and/or potential adverse impacts on depositors and shareholders.

Consequently, on 21 June 2012, the Board of Directors of Banca Generali, in light of the contiguity of the matters, supplemented the above Procedure, by including the provisions regarding Connected Parties and passing a resolution on a new version of the "**Related Party and Connected Party Transaction Procedure**."

Finally, the *Procedure* was further amended to bring it into compliance with the provisions set forth in Article 150 of TUF and those introduced by the Bank of Italy on 2 July 2013 with the 15<sup>th</sup> update of Circular Letter No. 263 of 27 December 2006 called "New Prudential Supervisory Provisions Concerning Banks" on Transactions of Greater Importance and the changes in the Bank's organizational structure.

The new Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance, in force as from 15 May 2017, is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Related Party and Connected Party Transactions and Transactions of Greater Importance governing the related investigation activities and approval, reporting and disclosure powers.

The main themes introduced by the Bank of Italy Provisions (Bank of Italy Circular Letter No. 263/2006) and subsequent amendments, and implemented in the Procedure are the following:

- > expanded scope of the parties involved, i.e., Connected Parties (Related Parties and Associated Entities), and change in the characteristics of some of the identified parties compared to Consob Regulation;
- > definition of criteria to identify Transactions of Greater Importance and the relevant management process, with definition of roles and responsibilities;
- > introduction of prudential limits in respect of Own Funds and the assumption of risks with Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with entities qualifying as non-financial related parties;
- > introduction of specific guidelines relating to organisational arrangements and internal controls intended to identify corporate bodies' responsibilities and corporate functions' tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time;
- > changes in the definition of:
  1. **Non-ordinary Transactions**, as the Bank of Italy considers as "non-ordinary" all transactions that exceed the Greater Importance threshold, even if concluded at market or standard conditions;
  2. **Low Value Transactions**, as the Bank of Italy sets specific thresholds for these transactions, in order to ensure uniform application in the banking sector. To this end, it has established that Low Value transactions cannot exceed **250,000** euros for banks with Own Funds of less than 500 million euros and the lower of 1,000,000 euros and 0.05% of Own Funds, in the other cases. In respect of these transactions, the exemption only applies to provisions relating to approval procedures;
  3. **Highly Significant Transactions**, as the Bank of Italy identifies these transactions on the basis of two parameters – relevance of the consideration and relevance of the assets – making no mention of the liabilities parameter as provided by Consob Regulation;
- > **introduction of the definition of Transactions of Greater Importance** as defined by the Bank of Italy, i.e., the transactions characterised by their economic, capital and financial impact and the transactions that, despite being natural, exceed the value of 2.5% of consoli-

dated Own Funds and have a significant impact on the company and group as they depart from specific standard contractual conditions.

## 7.2 Disclosure on Related Party Transactions

Without prejudice to the disclosure requirements set forth by IAS 24, rules on periodic disclosure on related party transactions are provided for in Article 5, paragraph 8, of Consob Regulations.

In detail, the interim report should provide the following disclosure:

- a) each and every Transaction of Greater Importance effected during the accounting period of reference;
- b) other individual transactions with related parties "that have materially influenced" the financial position or results of the company;
- c) changes or developments in related party transactions described in the latest annual report that had a "material effect" on the financial position or results of the company during the reporting period.

In this regard the following should be noted as follows:

### Unusual, atypical or extraordinary transactions

During the first half of 2017, no related party transactions were carried out that could be defined as atypical or unusual or likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer."

### Highly significant transactions

In the first half of 2017 the Group did not carry out any transactions qualifying as "highly significant", non-ordinary transactions, entered into at non-market or non-standard conditions which, in accordance with the Procedure on Related Party Transactions, would have been subject to market disclosure and the obligation of publishing an information memorandum.

### Other significant transactions

A single "Moderately Significant" transaction was approved in the first half of 2017, after being submitted for an advance non-binding opinion from the Audit and Risks Committee (of an amount of more than 250 thousand euros). The transaction consisted of a loan granted to the Chairman of the Board of Directors (260 thousand euros).

On 22 June 2017, the Board of Directors of Banca Generali approved the proposal to merge the subsidiary BG Fiduciaria into the Parent Company Banca Generali.

The transaction, classified as a "Transaction of Greater Importance", was submitted to the Audit and Risks Committee and accompanied by a specific opinion drafted by the Risk and Capital Adequacy Department.

The procedure with the supervisory authority to obtain the authorisation necessary to complete the transaction was launched on 26 June 2017.

### Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in the first half of 2017 with related parties fall within the Group's ordinary course of business and are usually carried out on an arm's length basis and in any case based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regards these transactions, there were no changes in the situation of related party transactions described in more detail in the Annual Report as at 31 December 2016, which might have a material effect on the financial situation and the results of the company and the Banking Group.

The developments of ordinary transactions with related parties during the first half of 2017 are presented in the specific section of the condensed half-year financial statements as at 30 June 2017, along with other information about related party transactions.

Intra-group related party transactions are not included in the above statement, since they are eliminated on consolidation.

## 8. HUMAN RESOURCES AND THE GROUP'S DISTRIBUTION NETWORK

### 8.1 Employees

At 30 June 2017, the Bank's workforce was 890, composed of 48 managers, 155 3<sup>rd</sup> and 4<sup>th</sup> level executives and 687 employees at other levels; of the last category, 114 were 1<sup>st</sup> and 2<sup>nd</sup> level executives, and 1 was apprentice.

Among the 890 employees at 30 June 2017, 67 were working under fixed-term contracts (23 of these as substitutes for employees on maternity leave or leaves of absence).

	BANCA GENERALI	BG FIDUCIARIA	GENERFID	BG FML	TOTAL AT 30.06.2017	TOTAL AT 31.12.2016
Managers	45	1	-	2	48	47
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	141	5	1	8	155	151
Other employees	665	6	4	12	687	651
<b>Total</b>	<b>851</b>	<b>12</b>	<b>5</b>	<b>22</b>	<b>890</b>	<b>849</b>

There was an increase in the workforce of 41 resources compared to year-end 2016 for the introduction of personnel with fixed-term contracts, as a support to peak workloads linked with special projects and activities, which are expected to cease by year-end and the recruitment of personnel, with a fixed-term contract, to replace personnel on leave.

Turning to trade union relations, on 7 February 2017 a specific union agreement was signed with respect to the introduction of the option – for employees whose incomes in 2016 did not exceed 80,000 euros – to convert their 2016 performance bonus from cash to welfare, i.e. to request that the full amount of the bonus not be liable to tax and social security contributions, provided that it is used to reimburse 'social' expenses incurred on behalf of family members for education, training and assistance. In order to further explore the resulting legal and operational issues, that same agreement also established a bilateral commission formed by company and union representatives.

In addition, in June 2017 negotiations began concerning the introduction with effect from 1 January 2018 of an indemnity mechanism paid for the company in cases of death, permanent total disability and severe illness in keeping with the commitments made in the Union Memorandum of 30 June 2016 concerning the renewal of the supplementary company agreement for clerical workers and managers.

Following the resolutions passed by the Boards of Directors of Banca Generali and BG Fiduciaria with regard to the plan to merge the latter into the banking parent company, the union consultation procedure required by Article 47 of 428/98 and the related provisions of the National Collective Labour Agreement for the credit sector was formally initiated on 5 July 2017.

#### 8.1.1 Training and development of employees

In the first half of 2017, a new edition of the Leadership course was planned, especially targeted to women employee of the Bank, aims to improve a person's inherent leadership qualities, combined with the ability to manage a balanced personal and professional life.

The Bank's top management took part in a training session focused on mission and vision content and on the strategic projects planned for the current year; this was then followed by a cascading plan for all resources coordinated launched in May 2017: this important project was aimed at recounting and explaining the strategy adopted by Banca Generali to shorten the chain of communication and ensure that all employees have the same vision of the bank in order to ensure that projects are completed more efficiently. A total of 24 editions were held, involving approximately 600 participants.

The assessment project dedicated to the people manager population has continued in 2017. Twenty-one managers participated in the project in the first six months of 2017. The project is aimed at assessing the participants' potential to contribute to the growth of the organisation and to increase the managers' self-awareness and engagement. The project will result in the formulation of customised development plans to be implemented starting in the second half of the year.

As in previous years, in pursuit of the development and professional growth of the company population, the "Qualitative Performance Evaluation" process was launched in February. The process is an opportunity for top-down feedback dedicated to the entire population of middle managers and professionals at the Banca Generali Banking Group, aimed at sharing the evalu-

ation of the previous year's performance with the direct superior of the individual concerned and establishing the starting point for the professional development plan, while also assessing possible job rotation opportunities. In addition, all of Banca Generali's people managers were involved in a training process aimed at increasing communication efficiency in interviews with the submission of feedback during the management performance cycle.

In order to align the knowledge of the employees of Banca Generali, which operates in an economic scenario undergoing increasingly rapid evolution, the course "Finance for Non-Specialists" illustrated the main technical characteristics of financial instruments such as shares and bonds, asset management products, insurance and pension products, with a brief overview of fiduciary relationships. In pursuit of constant innovation, two additional courses on Advance Finance and Credit (the latter divided into various modules) have been planned and will become available in the second half of 2017. In addition, training in the products distributed by Banca Generali continued.

The second-level master's degree program in Wealth Governance and Generational Transfer, held in collaboration with a prestigious Italian university, concluded in June. Extensive participation by both employees and Financial Advisors resulted in further exploration of issues relating to wealth management and transfer within the framework of succession planning.

Investment in language training was intensified for both senior managers (in accordance with the internationalisation of the Generali Group) and the entire segment of the company population that has increased their contact with Generali Group employees based in other countries who are native speakers of other languages.

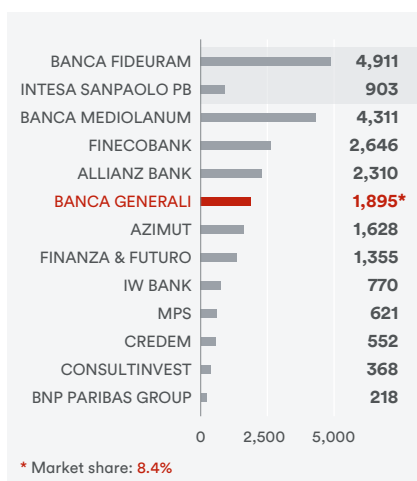
As the process of digitalising and revamping systems continued, it became necessary to organise internal courses on the use of new applications already being used transversally through the bank: internal trainers demonstrated the new features of these systems and communicated the contents of new procedures introduced following updates.

Mandatory courses on the law and safety, technical courses and on-demand follow-up seminars continued to be held consistently.

## 8.2 Financial Advisors

### Financial Advisors

#### Number of Assoreti Financial Advisors: 22,488



Assoreti data, May 2017

Banca Generali owns one of the most important Financial Advisor distribution networks in the Italian market: in May 2017 (latest available data) the structure was made up of 1,895 Financial Advisors and Relationship Managers.

The figures as at June 2017, compared to the end of 2016, show a growth in the number of Financial Advisors by 56. This is due to the recruitment activity from other banks and networks, which yielded excellent results also during the first half of the year.

Banca Generali's main data are summarised in the following tables, comparing figures for 2017 and 2016:

31.12.2016	NO. OF FAS/ PBS/RMS	AUM (€ MILLION)	AUM PER FINANCIAL ADVISOR (€ MILLION)
Financial Planner Division	1,371	28,295	20.6
Private Banking Division	470	19,252	41.0
<b>Total</b>	<b>1,841</b>	<b>47,547</b>	<b>25.8</b>

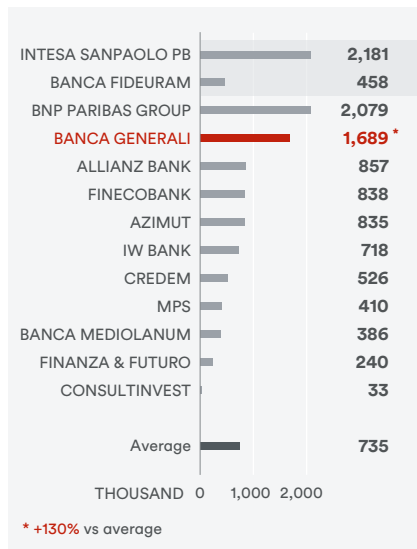
30.06.2017	NO. OF FAS/ PBS/RMS	AUM (€ MILLION)	AUM PER FINANCIAL ADVISOR (€ MILLION)
Financial Planner Division	1,404	31,005	22.1
Private Banking Division	493	21,107	42.8
<b>Total</b>	<b>1,897</b>	<b>52,113</b>	<b>27.5</b>

Careful selection in recruitment activities, targeted primarily at high-level professionals with significant customer portfolios, led to a progressive reduction in less skilled positions, thereby raising the average quality.

In March 2017 (latest available data), Banca Generali ranked second in terms of per-capita wealth per Financial Advisor with 26.7 million euros.

## Financial Advisors and per-capita assets

### Average net inflows of Assoreti Financial Advisors



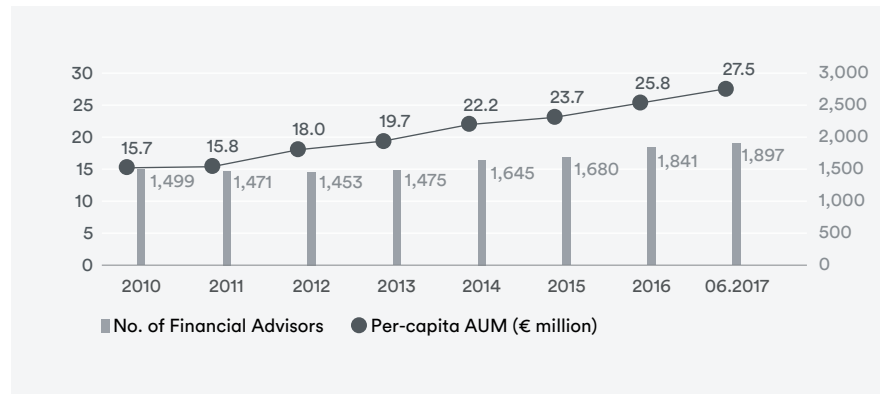
Assoreti data, May 2017

## Distribution network training

The good productivity of the commercial network is also shown by per-capita net inflows. Banca Generali's professionals ranked in the first positions also in May 2017 (latest available data), with a production of 1.7 million euros, almost double compared to the system average (0.7 million euros) exclusively focussed on private and affluent customers.

The productivity of Banca Generali's sales network is also clear from per capita AUM, which amounted to 27.5 million euros in June 2017, up further on previous years, bearing witness to the quality of the distribution network and the important work done.

### Financial Advisors and per-capita AUM



Banca Generali confirmed its commitment to managerial training in the first half of 2017.

In the Financial Planner Commercial Area, the management team consisting of the Area Managers and District Managers continue to strengthen their self-leadership through a process focusing on **Team Coaching** training their leading role in managing the considerable challenges posed by the context and market.

The process "Being Banca Generali: Relational Focus and Abilities in the Recruitment Process" continued. Dedicated to Executive Managers, it aims to strengthen relational capacities essential to recruitment activity.

The training process dedicated to Executive Managers was also expanded to include the formulation of individual development plans.

The **leadership process dedicated to female advisors** continued. This process, combined with the ongoing technical and commercial training, is aimed at consolidating and supporting the professional abilities of Financial Advisors by focusing on the issues of self-leadership, self-empowerment, interpersonal communication and time management.

A training course entitled "**The Value of Advice**", dedicated to Advanced Advice, Banca Generali's new commercial approach, was launched in January.

The goal is to provide training for Financial Advisors that keeps abreast of changes in the industry, and thus to facilitate the development of new business opportunities over time. The training process consists of two distinct sections: a first technical and commercial model and a second relational module.

The first module deals with the technical issues and commercial approaches associated with the new Advanced Advisory Contract. It illustrates the financial, real-estate and family protection services available to customers, forms and content of the new contract. Training, which began in January for Network Managers, then went on to involve approximately 600 FPs/PBs/RMs in the first half of the year.

The second, relational module starts with the company's vision and mission and an overview of changes in the economic, legislative and competitive scenario to then focus on how the role of Financial Advisors is changing and how these changes need to be managed in an informed, prepared manner. This module consists of four days of training during which participants strengthen their interpersonal skills by practicing active listening and honing their ability to construct a narrative and ask new advisory questions, with a focus on how to ask them.

A total of 350 Financial Advisors attended classroom sessions in the first half of the year and the goal is to continue training in the second half of the year.

In addition, Commercial Training activity dedicated to the **BGPA advisory platform** was carried out. Classroom training resumed at the beginning of the year within the framework of the "Financial", "Family Protection" and "Real Estate" models of the BGPA platform, involving approximately 130 Financial Advisors, with a focus on recently recruited Financial Advisors.

In particular, issues relating to analysis and management of financial wealth, succession planning and the proper allocation of a client's total household wealth were further explored.

In the first half of the year, approximately 50 Financial Advisors attended the international behavioural finance conference entitled “**Wealth Management Behavioral Finance International Conference**”, held at the Catholic University of Piacenza in May.

Through the studies conducted by major international experts on this subject, the objective for the two days was to identify the consequences of irrational behaviours by both Customers and Financial Advisors and understand their importance in the daily work of Financial Advisors and their relationships with customers.

Also in the first half of 2017, a specific induction process designed for Financial Planners and Private Bankers who have recently joined Banca Generali continue. The “**Welcome Program**” serves to deepen the knowledge of operating processes and key roles within the Bank's main Departments, thus fostering engagement and a sense of belonging among the newly recruited Financial Advisors.

In the area of **anti-money laundering**, specific workshops were organised on enhanced customer due diligence for 77 Financial Planners and Private Bankers. The goal was to show how the Sales Network is involved in the enhanced customer due diligence and suspicious transaction reporting process and to present some case studies of the identification of potentially anomalous transactions for anti-money laundering purposes.

In view of the 2017-2018 **IVASS** update, in the first few months of the year the entire network participated in product training (BG Stile Libero, 3/17 edition, and BG Stile Libero Special, 3/17 edition) provided through the e-learning platform. For each analysed product, besides reviewing the technical aspects concerning the new product lines, the market environment and commercial aspects were also analysed.

Following the transposition of the Mortgage Credit Directive, specific provisions governing real-estate credit for consumers have been introduced recently, affecting both the Consolidated Banking Act and the regulations adopted by the Bank of Italy. On this important issue, the course “**Real-Estate Credit for Consumers**” was provided via the e-learning platform; the course is also valid for the purposes of the IVASS update.



## 9. PRODUCTS AND MARKETING

### 9.1 Asset management

#### BG Selection Sicav

Launched in 2008, BG Selection Sicav, the fund-of-funds platform managed by BG Fund Management Luxembourg, is now one of the most complete and innovative solutions on the market. The range, which includes 49 sub-funds, boasts not only breadth of coverage of individual asset classes, but also an array of innovative solutions in terms of both the strategies adopted and the specific geographical areas targeted, typically not easily accessible.

After reaching a satisfactory level of coverage, in the first six months of 2017 the focus shifted to constant monitoring of the sub-funds currently offered (19 equity, 21 flexible, three liquid alternatives, five real assets and one money-market fund, 13 of which are managed by BG Fund Management Luxembourg and 36 by leading international investment firms), while efforts continued with the aim of anticipating and harnessing strategic trends in the industry to create new investment solutions.

#### BG Sicav

The selection for innovative solutions capable of responding to the increasing complexity tied to the search for yields guided the development of BG SICAV, a platform of managed products investing in securities complementary to the BG Selection Sicav line.

In May 2017 this economic scenario of widespread volatility and, above all, low returns on traditional asset classes prompted the transformation of the sub-fund BG Sicav Euro Income Bond into BG Sicav Income Coupon. The new sub-fund pursues a flexible bond strategy designed to take advantage of the most attractive opportunities offered by the bond market, with a duration of five years. The sub-fund pays periodic coupon income and benefits from partnerships with innovative European players.

In May 2017, the sub-fund BG Sicav Vontobel Pure Strategy was merged into BG Sicav Vontobel Global Active Bond with rationalisation purposes.

At 30 June 2017, BG Sicav had 29 sub-funds, of which 8 managed by BG Fund Management Luxembourg and 21 under mandate entrusted to leading international investment houses.

The multi-manager platform continued to be updated. Thanks to the partnership struck with AllFunds Bank in 2016, this process resulted in even greater freedom of choice, through the distribution to retail investors of the products of five new companies, each with a different focus in terms of size, specialisation and approach (such as the multi-boutique style): Neuberger Berman, Capital Group, Legg Mason, EGI and Banor.

At 30 June 2017, Banca Generali offered retail investors more than 5,000 UCITS of over 50 companies.

### 9.2 Portfolio management

One noteworthy development in the first six months of 2017 related to the further increase in the already extensive investment opportunities offered by the multi-line portfolio management services BG Solution and BG Solution Top Client (the latter is intended for private-banking customers).

In order to expand the current range of available investment solutions and thus ensure that customers have access to an increasingly high level of personalisation and can build portfolios increasingly suited to their needs, two new GPM Core investment lines were added in May 2017. The objective of these new solutions is to offer greater investment opportunities focusing on the foreign exchange market and global markets.

What sets apart the two new lines, Moderate Global and Growth Global, are their extensive geographical diversification, new global benchmarks and significant foreign currency exposure to USD.

Overall, Banca Generali offers a full portfolio of actively distributed portfolio management solutions, composed of BG Solution (33 management lines) and BG Solution Top Client (35 management lines), BG Elite (4 management lines) and BG Exclusive, which cover all investment strategies, with a strong emphasis on customization, a need typical of high net worth customers.

## 9.3 Insurance products

In the first six months of 2017, Banca Generali's insurance products continued to achieve significant results, due in particular to BG Stile Libero, the multi-line policy that combines investment in a segregated portfolio in both euros and U.S. dollars (from 5% to 30% of investment) with a selection of more than 900 sub-funds from 48 investment firms.

The success of BG Stile Libero is undoubtedly due to the constant process of evolution to which this investment solution is subject. At the beginning of the year, customisation options were further expanded for the insurance services and cover available with the version BG Stile Libero Private Insurance, intended for investments of over 2.5 million euros.

In addition, the consistently strong focus on providing protection to customers who choose Insurance Products with an investment component resulted in some changes to the policy BG Stile Libero, and specifically to some requirements for eligibility for this policy (such as the maximum entry age).

In addition to multi-line solutions, traditional line I policies continued to be distributed, with limits on new policies to ensure that the segregated accounts remained viable.

Worthy of note is the quality of the 2016 certified returns of the major Segregated Accounts (RI. Alto BG 3.50%, Nuova Concreta 3.94% and Nuovo Auris 4.05%) underlying the insurance products distributed by Banca Generali which, in a scenario of generalised decrease in bond yields, exceeded the average performance of the Italian segregated account market (3.53% - source Milano Finanza).

## 9.4 Assets under administration and custody

The new products launched in the first six months of 2017 as part of the constant pursuit of innovation and focus on the new needs of private-banking customers included dedicated new products such as:

- > a credit facility of 30,000 euros linked to the account BG Top Premiere, available only to Customers with assets of at least 1 million euros;
- > a new international debit card with contactless technology, which can be used to make payments of up to 25 euros by holding the card near the reader (using the Tap&Go system) without any need to enter a PIN;
- > Gold and Platinum American Express cards, which in addition to the classic credit function offer customers lifestyle services (Concierge and Priority Pass), insurance cover and top-tier loyalty programmes.

To ensure continuity, promotional activity was extended in the area of the exemption from stamp duty for current and new customers who transfer financial instruments to Banca Generali, whereas mortgage lending saw the renewal of the referral agreement with the Intesa Sanpaolo Group and the related promotions for customers.

Finally, in May 2017 the Bank acted as dealer in the auction of BTP Italia bonds.

## 9.5 Digital marketing

### Customer Front End and BG Store

In the first half of 2017, Banca Generali continued to invest in digital investment management.

Digital Collaboration, the service that simplifies the relationship between the Customer and Financial Advisor by allowing investment proposals to be confirmed over the Internet, has been expanded to include new transaction types. Starting in February, all post-sale transactions involving BG Solution - Market Line can be confirmed by customers using Digital Collaboration. Banca Generali is focusing its development efforts not only on technology, but also support: in April a new website was released in keeping with the bank's private positioning (<http://www.bgpersonaladvisory.bancagenerali.it/>). The new site's goal is to support the launch of the new advanced advisory service in order to keep customers abreast of the numerous advantages associated with the advisory model according to a dynamic, interactive approach.

In early 2017 Banca Generali also simplified the customer experience as regards the use of digital tools. The process of recovering and changing passwords to log in to the home banking service and BG Store app was redesigned to reduce the time and steps needed by customers to obtain a new password. By making a toll-free telephone call, customers can now request a new password that will be sent by text message in real time, without additional costs or pointless waiting.

### Front End and Financial Advisors apps

In pursuit of continuity, Banca Generali proceeded with its planned releases relating to the specifications and new features of Integrated Contract Management. As part of this process, in the first half of 2017 features relating to the drafting of contracts and electronic transactions such as the following were added:

- > multi-class transactions in third-party funds and Sicavs;
- > graphical refresh and adaptation to match the look and feel of the BGPA platform, extending to all features relating to the completion of initial subscription and post-sales forms for funds and Sicavs and insurance products;
- > consolidation of features for completing the MiFID Questionnaire and customer due diligence on a single page to allow Financial Advisors to view and update both modules in one step.

All of the Integrated Contract Management features dedicated to activation and changes of pricing and services were added alongside the new advanced advisory model.

In the first half of 2017, all of the Integrated Contract Management features dedicated to the entry of individual new subscription and post-sales transactions were integrated directly into the BGPA platform, as done for the FEP; advisors will thus be able to complete the entire Integrated Contract Management process directly from the BGPA platform.

“Vertical” apps of course continue to be developed within the advisor’s BG Store. In particular, the following were new in the first few months of 2017:

- > **BG Personal Portfolio:** the app designed to support Financial Advisors as they build, analyse and monitor customised portfolios has also been made available on PCs in a Web version and has been expanded to include new analysis, research and simulation features that extend to à la carte funds and Sicavs;
- > **BG Markets:** a new version of the window into the markets provided by Banca Generali with more contemporary graphics and a revision of the content available to Financial Advisors;
- > **Needs and Opportunities Simulator:** a new tool that permits personalised assessment of customers’ major needs in the five areas covered by the advanced advice provided by BG Personal Advisory (investments, real estate, business, family protection and art advisory).

## BG Personal Advisory – the New Service Model

The new fee-based advanced advisory service BG Personal Advisory was launched in the first quarter of 2017.

This innovative service offers an integrated vision of Customers’ wealth to identify the most effective strategies as their needs evolve and new market opportunities present themselves.

Thanks to the aggregate analysis and excellent partnerships in the sector, the Banca Generali Financial Advisor becomes a point of reference able to provide tailor-made responses not only with regard to the financial world, but also the entire wealth management field.

Through the innovative advisory platform BGPA, Banca Generali’s Financial Advisors can analyse and manage a Customer’s total wealth, and in particular:

- > **Financial Wealth:** the Customer’s financial wealth can be analysed and monitored at a very deep level of analysis, in terms of composition (such as by asset allocation, currency allocation or asset manager), risk, diversification and return, and personalised diagnostic reports can be prepared according to the Customer’s specific needs. In addition, the analysis can be extended to assets held with third institutions, thus ensuring that the values of positions are constantly updated and risk and diversification levels are monitored over time.
- > **Family Protection:** possibility to analyse the Customer’s total wealth (financial and non-financial) in view of generational transfer in order to identify any critical factors in terms of the allocation and distribution of assets or the usability of the real-estate portfolio; the platform also allows the simulation of changes to the current holdings in order to determine the effects of such changes;
- > **Real Estate:** through which it is possible to analyse the Customer’s real-estate holdings in terms of composition, risk (change in commercial value over time and degree of liquidity) and cost/revenue ratio (profit and loss account of the property).

In the area of financial wealth, the Advanced Advisory service offered by Banca Generali also provides customers with periodic access to specialist financial information prepared with the assistance of important players in the financial sector; and in particular:

- > analysis of the markets with views, prospects and performances;
- > buy & sell lists for shares and bonds;
- > buy & sell lists for UCITS.

In addition to the BGPA platform, the new service model benefits from partnerships with leading, highly regarded firms for specialised advice in various fields:

- > Real Estate;
- > Family Protection
- > Corporate Finance
- > Art Services.

The Advanced Advisory model BG Personal Advisory occupies an innovative position on the

market, due not only to the range of services adopted according to a holistic approach, but also to the flexibility of its pricing and scope of its relationships.

In fact, together with their Customers, Financial Advisors can decide whether to include all or only a part of a Customer's wealth in Advanced Advisory with Banca Generali while also choosing from two pricing models: "fee on top" or "fee only" (for assets under administration only).

## 9.6 Communications and External Relations

### Media relations

In the first six months of 2017, Banca Generali consolidated its image as a leading player in the private-banking sector through an inclusive communications strategy involving all major media, both traditional and digital. Starting in January, the Bank released 14 institutional press releases aimed at keeping the market and all of its stakeholders informed of the performance of its business. The results for 2016 were announced in February, according to the schedule imposed by industry regulatory authorities, and feedback on yet another year of record net inflows was positive. The appointment of Gian Maria Mossa as Chief Executive Officer by the General Shareholders' Meeting was clearly announced both on the bank's institutional website and in a press release and dedicated interviews, in which future objectives were also presented. The same approach was also taken to announce the arrival of the new Chief Financial Officer, Tommaso Di Russo.

The progress of net inflows was marked by the publication of press releases for each month and interviews with major industry media. The attention paid to Banca Generali by the Italian press then continued with the new service model, BG Personal Advisory, which was the subject of follow-ups at the local level due to its unique nature and ability to meet the need for advanced financial advisory services expressed by Italian investors.

BG Personal Advisory was also the focus of an advertising campaign with a new creative design aimed at drawing attention to the concept of the comprehensive approach to financial advice, using the image of a kaleidoscope, which was also given a new digital form. In May, BG Personal Advisory was featured on the websites of the main media outlets in a video entitled "Giving Shape to Your Future" in which the new service model adopted by Banca Generali was presented through the words and images of celebrity endorser Davide Oldani, an internationally renowned chef and Michelin star recipient.

Finally, Banca Generali's commitment to increasingly compelling digital communication also took the form of official pages on the main social network, Facebook, LinkedIn and YouTube, where information was shared about the many local initiatives and news was promptly circulated about developments of a commercial and institutional nature.

### Network and customer communications

In pursuit of increasing efficiency and synergy in communications between the FA network and Customers, at the end of the first half of 2017, Customer Communications – previously a part of the Marketing, Products and Tools Department – was merged with Network Communications and made a part of the Communications and External Relations Department.

In the first half of the year, the two Operating Units that were later merged cooperated to design the communication plan for the launch of BG Personal Advisory, involving, among other measures the creation of a dedicated mini-site ([www.bgpersonaladvisory.bancagenerali.it](http://www.bgpersonaladvisory.bancagenerali.it)), a brochure with an integrated a map of the services, a needs and opportunities simulator and a set of mailing texts available to the Network for direct e-mail marketing activities. Finally, a new welcome kit was created for the Bank's accountholders.

With specific regard to Network Communications, a plan to rationalise periodic communications was jointly prepared, involving a restyling and expansion of all formats in accordance with the new areas of activity of BG Personal Advisory. The contents and methods of circulation of the weekly publication "BG e PB News" were reconsidered and the monthly newsletter "BG Monthly News" was created to follow-up on each month's big news items.

A new section of the Personal Page was created to gather together and rationalise all of the marketing and communications tools available to advisors, expanded to include a new, constantly updated presentation, designed to be used at conferences and local events.

In the area of Customer Communications, work continued on the Value Contract project, involving a redesign of the Bank's main contracts, with the launch of the new contracts BG Personal Advisory and BG Next and the revision of the contracts BG Solution and BG Solution Top Client.

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## Events

The year 2017 began as usual with the “Area Meetings”, roadshows dedicated to a presentation of the strategic and commercial guidelines for 2017 by the top management, to which all of the Bank’s Financial Advisors were invited and in which several partner firms participated.

The Bank confirmed its social commitment by sponsoring the tour “Banca Generali – A Champion for a Friend” for the eighth consecutive year. Turn-out for the event ran to thousands of children in ten Italian cities, for a day of sports, games and music, where everyone participated in an outdoor physical education class. For the occasion, Banca Generali also developed an introduction to financial education for all of the children in attendance, aimed at familiarising them with the basic concepts of finance using simple language and drawings.

In athletic endeavours, these first six months of the year saw the continuation of the previous tradition of organising the Golf Tour Invitational, an exclusive tour of Italy’s most important golf clubs, in which top private-banking clients are invited to participate. Both athletic and charitable aims were pursued by participating in the Milan Marathon, a marathon event in which athletes representing BG competed on behalf of the association CAF to raise funds for children in situations of particular adversity, and the Dinamo Challenge, a bicycle race in which employees, advisors and customers participated on behalf of Dynamo Camp, a camp for children undergoing medical treatment where they can enjoy a carefree holiday.

Among institutional sponsorships, the partnership with FAI, the Italian Environmental Fund, continued through support for the Days of Spring, an initiative that reflects Banca Generali’s role in protecting local artistic heritage in the community’s interest.

The Bank’s involvement in cultural activities also continued through its decision to host the exhibit “Confidence” by Michele Alassio at its office on Piazza S. Alessandro. The show features works by the internationally renowned photographer dedicated to the ten-year anniversary of Banca Generali’s IPO.

In the area of corporate social responsibility, Banca Generali supported various non-profits such as LILT, Associazione Caf, WE World, Dynamo Camp, Fondazione Veronesi and Santa Maria Annunziata Onlus, active at hospitals in Florence.

Finally, the company’s institutional commitment comes in addition to efforts by the network of Financial Advisors directly responsible for local marketing activity, resulting in consistent, broad action.

## 10. AUDITING

Banca Generali's Internal Audit Function, a level-three control function, carries out independent, objective assurance and advisory activity aimed at improving the organisation's efficiency, in addition to providing recommendations to the management and top managers for the implementation of control measures aimed at mitigating company risks and promoting an effective governance process and the long-term stability of the Bank.

On the one hand, the Function is tasked with assessing the completeness, adequacy, functionality and reliability of the overall Internal Control System and ICT system, checking and performing onsite audits of the regular conduct of operations and the evolution of risks, while also supporting company bodies, the Board of Directors, the Board of Statutory Auditors, the Internal Audit and Risks Committee and Top Managers in defining the structure of the internal control and corporate governance system and providing possible improvements to risk management.

Audit work is performed on the basis of the methodologies and internal and external standards specified in the function's Rules and Procedures:

- > the Bank of Italy's supervisory instructions;
- > International professional standards of the Association of Internal Auditors;
- > Borsa Italiana's Corporate Governance Code;
- > Basel Committee on Banking Supervision, June 2012 and July 2015;
- > Consob-Bank of Italy Joint Regulation
- > Evolutions of the new SREP and "*Guidelines on common procedures and methodologies for the supervisory review and evaluation process*" EBA 19 December 2014.
- > CoSo Report, ERM (Enterprise Risk Management) model and CobiT-Pam methodology;

Audits carried out in the period involved the controls in place for the following risks (actual or contingent):

- > IT systems, with a particular focus on auditing concerning IT security, the reliability and functioning of IT applications in the administrative and accounting area and audits of the main outsourcer, CSE. In addition, vulnerability assessments and penetration tests were conducted on BG's home banking site and the security of the apps in use at the Bank;
- > Risk Management, to which the audit function provides advice concerning how to improve the structure of the framework in keeping with regulatory developments, in addition to verifying the adequacy of resources, tools and activities. Periodic assurance is also conducted on capital adequacy, with audits of ICAAP and ILAAP;
- > Audits were also conducted of the reliability and functioning of controls of operational financial reporting procedures, the proprietary portfolio and bank branches.

The improvement paths for existing controls, which were initiated as a result of previous audits follow ups, have been monitored.

Finally, Internal Audit produced:

1. a report on the audits carried out on Relevant Outsourced Operating Functions;
2. an IT security assessment report for the year 2016.

## 11. ORGANISATION AND ICT

In the first half of 2017, the portfolio of company projects extended organically to all areas of the company. The Bank invested resources and know-how in launching a process of development of tools and services in support of the bank-advisor-customer “relationship model” in continuity with the drive towards technological innovation and new product platforms in support of commercial activity and customer service.

As in previous years, considerable attention was paid to legal and regulatory developments, among which was the adoption of MiFID2 and its consequences for changes to the Bank’s systems and processes.

### Legal compliance

In the first half of the year, the Bank revised its corporate governance structure, re-establishing the position of Chief Executive Officer and assigning him powers previously assigned to the Board of Directors, the Chairman and the General Manager.

In addition, in the first half of the year the Bank also continued, as in previous years, with a series of initiatives aimed at ensuring constant compliance with industry regulations. Mention should be made of the important initiative concerning the drafting and adoption of the Recovery Plan pursuant to Directive 2014/59/EU (the Bank Recovery and Resolution Directive), with a simultaneous update of the Risk Appetite Framework and the launch of the planning process for compliance by year-end with the provisions of the Fourth Anti-Money Laundering Directive and MiFID2.

### Management of customer services

In the first half of the year, asset administration, asset management and insurance products continued to be extended and expanded. In addition, within the framework of services directly available to customers, a series of measures of a progressive nature was taken with the aim of increasing the simplicity and ease of use of the platforms and expanding the services offered. The process of revamping Banca Generali’s new Internet-banking solution was launched.

### Management of services and support to the commercial network

The functional development of the platforms and tools used by the commercial network continued in the first half of 2017, with a particular focus on BG Personal Advisory and the release into production of Advanced Advisory Statements. Advanced features continued to be planned within the framework of Digital Collaboration, and the related developments will be released into production in the second half of the year.

### Management of internal processes

During the first half of the year a new operating model for the Bank was defined (streamlined processes, support for the Network and more adequate tools) and the related implementation initiatives were identified (Selective Outsourcing, Commercial Assistance, Knowledge Portal, Process Excellence, Robotics and BPM).

In particular, the processes of the Operations Department began to be mapped to identify activities with low added value that could be outsourced (Selective Outsourcing) and the credit disbursement process was redesigned with a focus on activating the Pega System platform (BPM).

Finally, an operational simplification programme was launched with a focus on analysing anomalies/refusals from outsourcers and aimed at implementing definitive solutions for reducing deficiencies associated with process inputs.

## 12. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties to which the Banking Group is exposed may be summarised as follows:

- > The bank's exposure to **market risk** stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account, while the exposure of the subsidiaries is limited and residual. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors). In particular, securities measured at fair value and classified in the HFT and AFS portfolios are exposed to risk, as fluctuations in their prices impact the Group's Profit and Loss Account and net equity. Market risks are maintained within appropriate limits, which are monitored by the Risk Management department. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.
- > The Bank's exposure to **credit risk** mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost and in AFS portfolios, and loans to customers (both corporate and retail). Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure. Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management department and established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors. Loans to customers are characterised by a low risk of losses inasmuch as they are almost entirely secured by collateral (chiefly pledges of securities) and/or personal guarantees, in some cases provided by a leading financial institution.
- > The bank's exposure to **operating risks** across the various legal entities in the Group is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advisors) and the direct involvement of all employees in operations structurally expose the Group to operating risk. This is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, inter alia, losses due to fraud, human errors, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risks. The Risk Management function carries out risk assessment and scoring activities and loss data collection processes and it monitors the action plans adopted to mitigate material risks. Moreover, the Banca Generali Group adopted an insurance coverage for operating risks deriving from acts of third parties or caused to third parties with and adequate clauses covering damages caused by providers of infrastructure and services; it also approved a Business Continuity Plan.
- > Exposure to the **risk of excessive leverage** is caused by a particularly high level of debt, with the resulting risk that any decreases in the value of an asset (e.g., impairment of securities) may result in the high erosion of capital. The level of the leverage risk indicator (the ratio of equity to assets) is periodically monitored by the Risk Management Function in order to ensure that the Bank's targets are met and the legal limits are observed.
- > The Bank's exposure to **liquidity risk** derives from funding and lending transactions in the course of the Group's ordinary business, as well as from the presence of unlisted financial instruments in its owned portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets. The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, to a secondary degree, where available, through the measures proposed by the ECB. In addition, the Group maintains a



portfolio of listed, readily liquidated financial instruments in order to respond to potential crisis scenarios characterised by a sudden interruption of funding flows. The Group uses a maturity ladder to apply the guidelines set out in the Prudential Supervisory provisions governing the measurement of net financial position. Through the maturity ladder the bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative mismatches, the calculation of the net balance of funding requirement (or surplus) over the holding period considered. Liquidity risk is managed through appropriate short-term and structural (beyond one year) operating limits, monitored by the Risk Management function, aimed at maintaining a level of risk deemed consistent with the strategies and risk appetite set by the Board of Directors. The Group also implemented a Contingency Funding Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

## 13. OUTLOOK FOR THE SECOND HALF OF 2017

The second half of 2017 is expected to be characterised by stronger global growth prospects due to an improvement in international trade and investments. Within the Eurozone, the ECB's accommodating policy will continue to drive growth while stabilising real interest rates at low levels.

In a market scenario characterised by low bond yields and a relatively robust recovery by equity markets, the skills and reliability of asset managers and Financial Advisors will be increasingly sought after and needed.

This resulted in a significant shift in both the composition of household financial flows, increasingly oriented towards the asset management and insurance components, and in customers' objectives, which moved to a comprehensive asset protection approach.

A market such as that of Financial Advisors is characterised by potentially high growth margins, but at the same time is increasingly complex and competitive, which requires greater and greater investments to improve the advisory network quality, to integrate and expand products and services, to make use of increasingly advanced technology.

Consequently, also in the second half of 2017 the Banking Group will aim at increasing revenues by fostering the growth of asset management inflows, developing new customers and consolidating the profitability of assets under management, through measures such as:

- > **comprehensive advisory service** covering all of the customer's wealth-related needs, in addition to advice concerning securities. In particular, thanks to several selected exclusive partnerships, the Bank can provide advice concerning **Real Estate, Wealth Planning, Generational Transfer, Corporate Finance** and **Family Office** issues;
- > **digital innovation** that will provide access to cutting-edge tools for **improving and expediting the Bank-Customer-Financial Advisor relationship**, including through the development of specific apps in support of the Financial Advisor's activity, with the progressive extension of Digital Collaboration;
- > **product innovation** that will take the form of a range of flexible financial services (financial and insurance wrappers) which can be built according to the customer's choices and appetites, through wrapper products and solutions with a high correlation between risk and return;
- > **Process innovation**, which will entail the overall revamping of the relationship between the Bank, Customer and Financial Advisor to ensure greater correlation between all methods of contact and communication with clients so that it is simpler, increasingly seamless and more efficient, with a view to improving customer service.

Finally, in the second half of 2017, the bank will continue to pursue its current strategy aimed at containing cost growth well below revenue growth. More specifically, the increase in costs will be primarily applied to the development of useful products and services that help further improve the quality of advice given to customers and the network's productivity, with specific focus on technology investments.

Trieste, 27 July 2017

The Board of Directors





**ISCHIA**  
June 2016

Michele Alassio

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**CONDENSED  
CONSOLIDATED  
HALF-YEAR  
FINANCIAL  
STATEMENTS**  
AS AT 30.06.2017

Board of Directors  
27 July 2017

# CONSOLIDATED ACCOUNTING STATEMENTS

## CONSOLIDATED BALANCE SHEET

### Assets

(€ THOUSAND)	30.06.2017	31.12.2016
10. Cash and deposits	334,265	583,361
20. HFT financial assets	46,189	38,560
40. AFS financial assets	4,750,650	4,409,318
50. HTM financial assets	1,005,733	731,362
60. Loans to banks	379,769	326,688
70. Loans to customers	1,921,613	1,881,927
100. Equity investments	1,898	1,988
120. Property and equipment	6,244	6,333
130. Intangible assets	89,576	91,480
<i>of which:</i>		
<i>goodwill</i>	66,065	66,065
140. Tax receivables	50,975	44,538
a) current	738	3,836
b) prepaid	50,237	40,702
<i>b1) as per Law No. 214/2011</i>	8,837	9,755
160. Other assets	287,371	241,180
<b>Total assets</b>	<b>8,874,283</b>	<b>8,356,735</b>

### Net Equity and Liabilities

(€ THOUSAND)	30.06.2017	31.12.2016
10. Due to banks	946,895	802,709
20. Due to customers	6,598,739	6,648,202
40. HFT financial liabilities	1,013	1,169
80. Tax payables	32,324	17,118
a) current	25,352	7,792
b) deferred	6,972	9,326
100. Other liabilities	516,464	118,853
110. Employee termination indemnities	5,026	5,129
120. Provisions for liabilities and contingencies:	147,447	117,034
b) other provisions	147,447	117,034
140. Valuation reserves	-955	8,979
170. Reserves	345,626	314,353
180. Share premium reserve	58,363	53,803
190. Share capital	116,839	116,425
200. Treasury shares (-)	-1,581	-2,933
220. Net profit (loss) for the period (+/-)	108,083	155,894
<b>Total net equity and liabilities</b>	<b>8,874,283</b>	<b>8,356,735</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### Items

(€ THOUSAND)	30.06.2017	30.06.2016
10. Interest income and similar revenues	33,373	31,116
20. Interest expense and similar charges	-1,793	-1,561
<b>30. Net interest income</b>	<b>31,580</b>	<b>29,555</b>
40. Fee income	382,832	284,480
50. Fee expense	-153,644	-131,654
<b>60. Net fees</b>	<b>229,188</b>	<b>152,826</b>
70. Dividends and similar income	1,754	1,484
80. Net income (loss) from trading activities	2,721	-201
100. Gain (loss) from sale or repurchase of:	4,912	18,290
a) receivables	281	-
b) AFS financial assets	4,631	18,275
c) HTM financial assets	-	15
<b>120. Net banking income</b>	<b>270,155</b>	<b>201,954</b>
130. Net adjustments/reversals due to impairment of:	-3,164	-1,630
a) receivables	-609	1,517
b) AFS financial assets	-24	-2,263
c) HTM financial assets	-2,607	-992
d) other financial transactions	76	108
<b>140. Net result of financial operations</b>	<b>266,991</b>	<b>200,324</b>
180. General and administrative expenses:	-113,434	-107,415
a) staff expenses	-43,860	-43,441
b) other general and administrative expenses	-69,574	-63,974
190. Net provisions for liabilities and contingencies	-45,651	-28,459
200. Net adjustments/reversals of property and equipment	-669	-605
210. Net adjustments/reversals of intangible assets	-3,123	-1,726
220. Other operating expenses/income	23,994	20,064
<b>230. Operating expenses</b>	<b>-138,883</b>	<b>-118,141</b>
240. Gains (losses) from equity investments	-77	-54
270. Gains (losses) from disposal of investments	-	15
<b>280. Profit before income taxes</b>	<b>128,031</b>	<b>82,144</b>
290. Income taxes for the period on operating activities	-19,948	-14,833
<b>300. Net profit after income taxes</b>	<b>108,083</b>	<b>67,311</b>
<b>320. Net profit for the period</b>	<b>108,083</b>	<b>67,311</b>
<b>340. Net profit (loss) for the period of the Parent Company</b>	<b>108,083</b>	<b>67,311</b>

## STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

## Items

(€ THOUSAND)	30.06.2017	30.06.2016
<b>10. Net profit for the period</b>	<b>108,083</b>	<b>67,311</b>
<b>Other income net of income taxes without transfer to Profit and Loss Account</b>		
40. Actuarial gains (losses) from defined benefit plans	-92	-150
<b>Other income net of income taxes with transfer to Profit and Loss Account</b>		
80. Exchange differences	-14	-71
100. AFS financial assets	-9,829	-9,818
<b>130. Total other income net of income taxes</b>	<b>-9,934</b>	<b>-10,039</b>
<b>140. Comprehensive income</b>	<b>98,149</b>	<b>57,272</b>
<b>160. Consolidated comprehensive income attributable to the Parent Company</b>	<b>98,149</b>	<b>57,272</b>



## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	GROUP NET EQUITY	NET EQUITY OF MINORITY INTERESTS
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
<b>Net equity at 31.12.2016</b>	<b>116,425</b>	-	<b>53,803</b>	<b>300,603</b>	<b>13,750</b>	<b>8,979</b>	-	-	<b>-2,933</b>	<b>155,894</b>	<b>646,521</b>	<b>646,521</b>	-
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts at 01.01.2017	116,425	-	53,803	300,603	13,750	8,979	-	-	-2,933	155,894	646,521	646,521	-
Allocation of net profit for the previous period:	-	-	-	31,220	-	-	-	-	-	-155,894	-124,674	-124,674	-
- Reserves	-	-	-	31,220	-	-	-	-	-	-31,220	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-124,674	-124,674	-124,674	-
Change in reserves	-	-	1,444	-	-617	-	-	-	-	-	827	827	-
Transactions on net equity:	414	-	3,117	-	670	-	-	-	1,352	-	5,552	5,552	-
- Issue of new shares	414	-	3,117	-	-447	-	-	-	1,352	-	4,435	4,435	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	1,117	-	-	-	-	-	1,117	1,117	-
Comprehensive income	-	-	-	-	-	-9,934	-	-	-	108,083	98,149	98,149	-
<b>Net equity at 30.06.2017</b>	<b>116,839</b>	-	<b>58,363</b>	<b>331,823</b>	<b>13,803</b>	<b>-955</b>	-	-	<b>-1,581</b>	<b>108,083</b>	<b>626,375</b>	<b>626,375</b>	-
<b>Net equity, Group</b>	<b>116,839</b>	-	<b>58,363</b>	<b>331,823</b>	<b>13,803</b>	<b>-955</b>	-	-	<b>-1,581</b>	<b>108,083</b>	<b>626,375</b>	-	-

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	GROUP NET EQUITY	NET EQUITY OF MINORITY INTERESTS
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
<b>Net equity at 31.12.2015</b>	<b>116,093</b>	-	<b>50,063</b>	<b>236,281</b>	<b>10,933</b>	<b>22,424</b>	-	-	<b>-2,555</b>	<b>203,559</b>	<b>636,798</b>	<b>636,798</b>	-
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts at 01.01.2016	116,093	-	50,063	236,281	10,933	22,424	-	-	-2,555	203,559	636,798	636,798	-
Allocation of net profit for the previous period:	-	-	-	64,322	-	-	-	-	-	-203,559	-139,237	-139,237	-
- Reserves	-	-	-	64,322	-	-	-	-	-	-64,322	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-139,237	-139,237	-139,237	-
Change in reserves	-	-	1,127	-	882	-	-	-	-	-	2,009	2,009	-
Transactions on net equity:	47	-	-482	-	-25	-	-	-	-378	-	-838	-838	-
- Issue of new shares	47	-	-482	-	-54	-	-	-	1,001	-	512	512	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-1,379	-	-1,379	-1,379	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	29	-	-	-	-	-	29	29	-
Comprehensive income	-	-	-	-	-	-10,039	-	-	-	67,311	57,272	57,272	-
<b>Net equity at 30.06.2016</b>	<b>116,140</b>	-	<b>50,708</b>	<b>300,603</b>	<b>11,790</b>	<b>12,385</b>	-	-	<b>-2,933</b>	<b>67,311</b>	<b>556,004</b>	<b>556,004</b>	-
<b>Net equity, Group</b>	<b>116,140</b>	-	<b>50,708</b>	<b>300,603</b>	<b>11,790</b>	<b>12,385</b>	-	-	<b>-2,933</b>	<b>67,311</b>	<b>556,004</b>	-	-

## CONSOLIDATED CASH FLOW STATEMENT

### Indirect method

(€ THOUSAND)	30.06.2017	30.06.2016
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>104,360</b>	<b>75,747</b>
Net profit (loss) for the period	108,083	67,311
Gain/loss on HFT financial assets and liabilities	-695	3,017
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	3,164	1,630
Net adjustments of property, equipment and intangible assets	3,792	2,331
Net provisions for liabilities and contingencies and other costs/revenues	30,413	17,210
Taxes and duties not paid	12,794	7,815
Adjustments/reversals of discontinued operations	-	-
Other adjustments	-53,191	-23,567
<b>2. Liquidity generated by/used for financial assets (+/-)</b>	<b>-474,937</b>	<b>-1,099,342</b>
HFT financial assets	-6,860	-5,421
Financial assets measured at fair value	-	-
AFS financial assets	-359,446	-1,084,882
Loans to banks: repayable on demand	-48,104	100,797
Loans to banks: other receivables	-5,337	-98,789
Loans to customers	-41,461	-17,570
Other assets	-13,729	6,523
<b>3. Liquidity generated by/used for financial liabilities (+/-)</b>	<b>521,048</b>	<b>1,608,245</b>
Due to banks: repayable on demand	955	10,547
Due to banks: other payables	144,309	598,508
Due to customers	-27,529	909,257
Securities issued	-	-
HFT financial liabilities	-215	851
Financial liabilities measured at fair value	-	-
Other liabilities	403,528	89,082
<b>Net liquidity generated by/used for operating activities</b>	<b>150,472</b>	<b>584,650</b>

(€ THOUSAND)	30.06.2017	30.06.2016
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Liquidity generated by</b>	<b>3,993</b>	<b>19,916</b>
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of HTM financial assets	3,993	19,885
Disposal of property and equipment	-	31
Disposal of intangible assets	-	-
Disposal of business units	-	-
<b>2. Liquidity used for</b>	<b>-283,322</b>	<b>-113,720</b>
Purchase of equity investments	-	-
Purchase of HTM financial assets	-281,523	-112,836
Purchase of property and equipment	-580	-884
Purchase of intangible assets	-1,219	-
Purchase of business units and equity investments in subsidiaries	-	-
<b>Net liquidity generated by/used for investing activities</b>	<b>-279,329</b>	<b>-93,804</b>
<b>C. FUNDING ACTIVITIES</b>		
Issue/purchase of treasury shares	4,435	-867
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-124,674	-139,237
<b>Net liquidity generated by/used for funding activities</b>	<b>-120,239</b>	<b>-140,104</b>
<b>NET LIQUIDITY GENERATED/USED IN THE PERIOD</b>	<b>-249,096</b>	<b>350,742</b>
<b>Reconciliation</b>		
Cash and cash equivalents at period-start	<b>583,361</b>	<b>103,111</b>
Total liquidity generated/used in the period	-249,096	350,742
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
<b>Cash and cash equivalents at period-end</b>	<b>334,265</b>	<b>453,853</b>

## NOTES AND COMMENTS

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## PART A – ACCOUNTING POLICIES

### A.1 General

The consolidated half-year financial statements have been drawn up in compliance with Article 154-*ter* of Italian Legislative Decree No. 58/98, enacted by Legislative Decree No. 25 dated 15 February 2016.

In particular, paragraphs 2, 3 and 4 of the Article require that, within three months from the end of the first half of the financial year, listed companies having Italy as their member state of origin publish a half-year financial report including:

- > the Condensed Half-year Financial Statements prepared in a consolidated form, if the listed company is required to prepare Consolidated Financial Statements in compliance with the international accounting standards;
- > an Interim Report on Operations, including a description of important events occurred during the half-year period and their impact on the condensed half-year financial statements, the main risks and uncertainties for the remaining six months of the year and information on related parties;
- > an Attestation by the Manager in charge of preparing the Company's financial reports as per paragraph 5 of Article 154-*bis*;
- > a Report by the independent auditing firm on the Condensed Half-year Financial Statements, to be published within the same time limit.

#### A.1.1 Statement of compliance with International Accounting Standards

These consolidated condensed half-year financial statements have been drawn up in compliance with Italian Legislative Decree No. 38 of 28 February 2005, based on the International Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretation of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

In preparing the Consolidated Condensed Half-year Financial Statements, Banca Generali adopted the IASs/IFRSs in force at the reference date of the report (including SIC and IFRIC interpretations), as endorsed by the European Union.

#### A.1.2 Preparation Criteria

The Condensed Consolidated Half-year Financial Statements are comprised of:

- > a **Balance Sheet** as at the end of the interim period under review and a comparative balance sheet as at the end of the preceding financial year;
- > a **Profit and Loss Account** for the interim reporting period, with a comparative profit and loss account for the same interim period of the preceding financial year;
- > a **Statement of Other Comprehensive Income (OCI)**, which includes the profit and loss items for the period recognised directly in net equity, for the interim reporting period as compared to the same period of the previous year;
- > a **Statement of Changes in Net Equity** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the preceding year;
- > a **Cash Flow Statement** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the preceding year;
- > **Notes and Comments** containing references to the accounting standards used and other notes explaining transactions carried out during the period.

The Consolidated Condensed Half-year Financial Statements are prepared by applying IAS 34 on interim disclosures, the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes and Comments. There were no derogations of the application of international accounting standards (IASs/IFRSs).

In detail, IAS 34 – *Interim Financial Reporting* states that, in the interest of timely disclosure, the Interim Financial Statements (“Condensed Financial Statements”) can contain a condensed version of the information provided in the Annual Report, with the aim of updating the latest complete Annual Report.

In application of this principle, the option to prepare the financial statements for the period in a condensed form has been therefore exercised instead of presenting the complete financial statements prepared for the year.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Condensed Consolidated Half-year Financial Statements were prepared in euros. The amounts included in the Financial Statements and the figures in the Notes and Comments are expressed in thousands of euro. Unless otherwise stated, the amounts reported in the interim Report on Operations are expressed in thousands of euro.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accrual-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.

In further detail, the directors are reasonably certain that the Bank will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis.

Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

## Contents of the Financial Statements and the Notes and Comments

The Financial Statements have been prepared in accordance with Bank of Italy's Circular Letter No. 262/2005 and the fourth update published on 15 December 2015.

Accounts that do not include items pertaining to the period under review or the previous year are not stated in the balance sheet and profit and loss account. In application of IAS 34, Notes and Comments include only the most significant sections and tables. Sections or tables which include no values are not included in the Notes and Comments.

The Statement of Other Comprehensive Income consists of items that present changes in the value of assets recognised in the reporting period through valuation reserves, net of the associated tax effect.

The amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income* also requires the separate recognition in the statement of the components and the relevant taxes, that may or may not be reclassified to profit or loss.

As for the Balance Sheet and Profit and Loss Account, items with nil amounts in both the reporting period and previous year are not presented.

The Statement of Changes in Consolidated Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular Letter No. 262/2005.

The statement presents changes in total consolidated net equity, showing separately the final carrying amounts of the net equity attributable to the Group and minority interests and aggregate changes in those items.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:

- > cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- > cash flows generated by (used for) investing activities involving fixed assets;
- > cash flows generated by (used for) financing activities that alter the company's capital and its remuneration.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.

Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected fees; these items have been disclosed separately and classified under operating activities.

These cash flows also do not include changes in operating assets and liabilities, but include those relating to financing activities, such as changes in operating loans and amounts payable to Financial Advisors and employees and any related advance payments.

### A.1.3 Scope of Consolidation

#### 1. Scope of Consolidation

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	
			INVESTOR	% OF OWNERSHIP INTEREST	ORDINARY SHAREHOLDERS' MEETING
<b>A. Companies in consolidated accounts</b>					
<i>A.1 Recognised using the line-by-line method</i>					
BG Fiduciaria SIM S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
BG Fund Management Luxembourg S.A.	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan	1	Banca Generali	100.00%	100.00%

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

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 June 2017, reclassified and adjusted where necessary to take account of consolidation requirements. The most important intra-Group transactions, influencing both the Balance Sheet and Profit and Loss Account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

## 2. Significant judgements and assumptions used in determining the scope of consolidation

### 2.1 Subsidiaries

Entities, including structured entities, over which the Group has a direct or indirect control, are subsidiaries. Control over an entity exists when the Group has the power to influence the variable returns to which the Group is exposed from its involvement with the investee.

To determine that control exists, the Group considers the following issues:

- > the investee's purpose and structure, to identify the entity's purpose, the activities that determine its returns and how decisions about such activities are made;
- > power, to understand whether the Group has contractual rights that give the Group the ability to direct the relevant activities; for this purpose, only substantive rights entailing practical ability to direct the investee are considered;
- > exposure in the investee, to establish whether the Group has relations with the investee whose returns can vary based on changes in the investee's performance;
- > existence of possible principal/agent relationships.

Where relevant activities are directed through voting rights, the following factors are evidence of control:

- > ownership, direct or indirect through subsidiaries, of more than half of the voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control;
- > ownership of half or less of the votes that can be exercised in the General Shareholders' Meeting and the effective power to unilaterally govern significant activities through:
  - control over more than half of the voting rights by virtue of an agreement with other investors;
  - the power to govern the financial and operating policies of the entity under a statute or an agreement;
  - the power to appoint or remove the majority of the members of the board of directors or equivalent governing body, and the entity is managed by that board or body;
  - the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and the entity is controlled by that board or body.

The existence and effect of potential voting rights, if substantive, are taken into consideration when assessing whether a party has the power to direct the financial and management policies of another entity.

Subsidiaries may also include "structured entities" in which voting rights are not significant in assessing the existence of control, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries when:

- > the Group has power arising from contractual rights to direct relevant activities;
- > the Group is exposed to variable returns arising from such activities.

### 2.2 Associate companies

An associate company is one over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Significant influence is assumed when the investor:

- 1) holds, directly or indirectly, 20% or more of the share capital in the investee, or
- 2) has significant influence over the investee, also by way of shareholders' agreements, through:
  - a) representation on the governing body of the investee;
  - b) participation in policy making processes, including with regard to decisions on dividends and other distributions;
  - c) material transactions;
  - d) interchange of management personnel;
  - e) provision of essential technical information.

Investments in associates are valued using the equity method.

As at 30 June 2017, the only associative shareholding included in the scope of consolidation of the Banking Group is IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali subscribed, in 2015, a 35% interest, equivalent at the acquisition date to approximately 2.2 million euros.

## 2.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture based on the Group's contractual rights or obligations:

- > a Joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement;
- > a Joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

Investments in joint arrangements are valued using the equity method.

As at 30 June 2017, the Banking Group's scope of consolidation did not include any investments in joint arrangements.

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## 3. Equity investments in wholly owned subsidiaries with significant non-controlling interests

As at 30 June 2017, all the Group's equity investments are wholly owned and there are no non-controlling interests.

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## 4. Significant restrictions

As at 30 June 2017, there were no significant restrictions of a legal, contractual, or statutory nature on the Parent Company's ability to access or use the Group's assets and settle the Group's liabilities.

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### A.1.4 Consolidation methods

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#### Full consolidation method

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

After the attribution to minority interests of their portion of net equity and profit and loss results, the value of the equity investment is cancelled due to the residual value of the subsidiary's equity.

The resulting differences are allocated to the assets or liabilities – including intangible assets – of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Negative differences are charged to the Profit and Loss Account.

The most important intra-Group transactions, influencing both the Balance Sheet and Profit and Loss Account, are eliminated. Unreconciled amounts are recognised in other assets/liabilities and other revenues/expenses, respectively. Dividends distributed by subsidiaries are eliminated from the Consolidated Profit and Loss Account and a corresponding adjustment is made to income reserves.

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#### Equity method

Associate companies are consolidated according to the concise equity method.

Under the equity method, an equity investment is initially recognised at acquisition cost, inclusive of goodwill, and subsequently adjusted according to the investor's share in the investee's net equity.

Upon acquisition, the difference between the cost of the equity investment and the share of the net fair value of the investee's identifiable assets and liabilities must be determined and then recognised as goodwill, if positive, or as income, if negative.

The carrying amount is then increased or decreased to recognise the investor's share of the profits or losses of the investee recorded after the acquisition date under item 240 "Gains (losses) from equity investments" of the profit and loss account.

That share is adjusted to reflect:

- > gains and losses on transactions with the associate company, in proportion to the percent interest in the associate company;
- > depreciation and amortisation of depreciable assets at their respective fair values at the acquisition date and impairment losses on goodwill and any other non-monetary elements.

Distributions received from an investee reduce the carrying amount of the equity investment.



Changes in the valuation reserves of associate companies are presented separately in the Statement of comprehensive income.

If the associate company prepares its financial statements in a foreign currency, the translation differences at the reporting date are recognised in a specific valuation reserve for monetary conversion in other comprehensive income.

When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the investment. If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

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## Translation of financial statements denominated in currencies other than the euro

The financial statements of companies operating in areas other than the Euro Area are translated into euro by applying the current exchange rates at period-end to assets and liabilities and average exchange rates for the year to items of profit and loss.

The foreign exchange differences of the financial statements of such companies on the application of different exchange rates to assets and liabilities and profit and loss are recognised among valuation reserves in net equity. Foreign exchange differences on investees' net equity are also recognised among valuation reserves.

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### A.1.5 Events Occurred after the Reporting Date

The Consolidated Half-year Financial Statements were approved by the Board of Directors of Banca Generali on 27 July 2017 and their publication was authorised, pursuant to IAS 10, as at the same date.

No events occurred after 30 June 2017 and until the date of approval of the Consolidated Half-year Financial Statements that would make it necessary to adjust the results presented in the consolidated half-year report at that date.

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### A.1.6 Other Information

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#### Measurement

The preparation of the Consolidated Half-year Financial Statements 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 judgments, which may be based on historical trends.

Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts 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 receivables from product companies for the placement of financial products and services (pay in);
- > the quantification of the Financial Advisor network's remuneration (pay out) for June 2017 and fee-based incentive measures for the first six months of the year;
- > the quantification of provisions for personnel incentives;
- > the quantification of provisions for administrative expenses and the stamp duty;
- > determining the amount of provisions for liabilities and contingencies;
- > the determination of the fair value of financial instruments used for reporting purposes and any required reports;
- > determining the value adjustments and reversals of non-performing loans and the provision for performing loans;
- > estimates and assumptions used to determine current and deferred taxation.

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#### Measurement of Goodwill

During the preparation of the 2016 Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate. Since all required information is only available when drafting the annual report and there currently are no significant indicators of impairment that would require an immediate assessment of loss, it was decided not to conduct an impairment test as at 30 June 2017. For further information on this subject, the reader is referred to the 2016 Financial Statements.

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## Non-recurring Significant Events and Transactions

During the half year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account (Consob Communication No. DEM/6064293 of 28 July 2006).

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## Audit

The Condensed Consolidated Half-year Financial Statements were subjected to limited review by BDO Italia S.p.A.

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## A.2 Accounting Standards adopted by the Banca Generali Group

During the first half of 2017, the accounting policies adopted by the Banking Group underwent no significant amendments and supplementations.

The accounting policies used for preparing the consolidated condensed half-year report at 30 June 2017, with particular reference to the classification, recognition, measurement and derecognition of assets and liabilities as well as the methods used for recognising revenue and expenses, are the same as those adopted for the consolidated annual report as at 31 December 2016, to which the reader is referred to for comprehensive details.

The financial statements and the Notes and Comments presented herein must therefore be read together with the Accounting Standards listed in the Annual Report.

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

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## Disclosure of the impact of application of new accounting standards

Within the framework of the process of implementing the accounting standard IFRS 9 – *Financial Instruments*, in the first half of 2017 the outsourcer CSE began to implement the procedures necessary to ensure the adaptation of the classification and measurement process and of the collective impairment process to comply with the new Standard.

In addition, the first simulations of the impact on the balance sheet of the transition (FTA) were conducted on the basis of the financial statements at 31 December 2016.

At present, these exercises have not shown any significant impact on the balance sheet that would require specific disclosure.

In addition, the process of defining the new business model for the Financial Area, integrated with the general rules and parameters necessary to the proper implementation of the new Standard, has also reached the advanced stages.

In the first half of 2017, with the support of an external consultant, the Banking Group also began the impact assessment process for the implementation of IFRS 15 – *Revenue from Contracts with Customers*, which is also set to enter into force from 1 January 2018. However, the impact of implementation of this Standard is not expected to be material.

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## A.3 Information on Fair Value

IFRS 13 requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:

- 1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
- 2) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

The criteria and procedures for determining fair value used to measure portfolios of financial assets and liabilities in these Consolidated Half-year Financial Statements are the same as those applied in the preparation of the Consolidated Financial Statements at 31 December 2016, as illustrated in Part A, Section 4, of the Notes and Comments to those Financial Statements.

## Fair Value Hierarchy

IFRS 13 requires that financial assets be classified according to a hierarchy of levels (the “fair-value hierarchy”) that reflects the significance of the inputs used in valuation.

- > **Level 1:** quoted prices in active markets, as defined in IFRS 13, for identical instruments;
- > **Level 2:** inputs other than the price quotations indicated above, observable on the market either directly (prices) or indirectly (price-derived data);
- > **Level 3:** inputs not based on observable market data.

Transfers between levels refer to the end of the accounting period of reference (half-yearly or annual), in an independent manner, and generally enter into effect from the beginning of the year of reference. Transfers to and from Level 3 are infrequent and primarily involve the occurrence of situations of default, in which the Bank’s subjective assessment of the recoverability of the debt takes pre-eminence.

### A.3.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

ASSETS/LIABILITIES AT FAIR VALUE	30.06.2017				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	1,598	34,558	10,033	-	46,189
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	4,690,953	50,430	1,928	7,339	4,750,650
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
<b>Total</b>	<b>4,692,551</b>	<b>84,988</b>	<b>11,961</b>	<b>7,339</b>	<b>4,796,839</b>
1. HFT financial liabilities	453	560	-	-	1,013
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>453</b>	<b>560</b>	<b>-</b>	<b>-</b>	<b>1,013</b>

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2016				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	3,659	22,884	12,017	-	38,560
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	4,352,325	47,952	1,941	7,100	4,409,318
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
<b>Total</b>	<b>4,355,984</b>	<b>70,836</b>	<b>13,958</b>	<b>7,100</b>	<b>4,447,878</b>
1. HFT financial liabilities	409	760	-	-	1,169
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>409</b>	<b>760</b>	<b>-</b>	<b>-</b>	<b>1,169</b>

### A.3.2 Annual changes in assets measured at fair value on a recurring basis (Level 3)

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
<b>1. Amount at period-start</b>	<b>12,017</b>	<b>1,941</b>	<b>7,100</b>
<b>2. Increases</b>	<b>136</b>	<b>-</b>	<b>241</b>
2.1 Purchases	-	-	240
2.2 Gains through:			
2.2.1 Profit and loss	57	-	-
- of which: capital gains	57	-	-
2.2.2 Net equity	-	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	79	-	1
- of which: business combinations			
<b>3. Decreases</b>	<b>2,120</b>	<b>13</b>	<b>1</b>
3.1 Disposals	-	-	1
3.2 Redemptions	2,120	-	-
3.3 Losses through:			
3.3.1 Profit and loss	-	13	-
- of which: capital losses	-	13	-
3.3.2 Net equity	-	-	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
<b>4. Amount at period-end</b>	<b>10,033</b>	<b>1,928</b>	<b>7,339</b>

### A.3.3 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair-value levels

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	30.06.2017			
	BV	L1	L2	L3
1. HTM financial assets	1,005,733	1,042,529	-	-
2. Loans to banks	379,769	54,128	326,954	-
3. Loans to customers	1,921,613	25,273	1,027,454	876,488
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	-	-	-	-
<b>Total</b>	<b>3,307,115</b>	<b>1,121,930</b>	<b>1,354,408</b>	<b>876,488</b>
1. Due to banks	946,895	-	946,895	-
2. Due to customers	6,598,739	-	6,554,624	46,466
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
<b>Total</b>	<b>7,545,634</b>	<b>-</b>	<b>7,501,519</b>	<b>46,466</b>

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2016			
	BV	L1	L2	L3
1. HTM financial assets	731,362	759,651	12,859	-
2. Loans to banks	326,688	36,445	289,882	-
3. Loans to customers	1,881,927	23,430	1,036,411	828,958
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	-	-	-	-
<b>Total</b>	<b>2,939,977</b>	<b>819,526</b>	<b>1,339,152</b>	<b>828,958</b>
1. Due to banks	802,709	-	802,709	-
2. Due to customers	6,648,202	-	6,604,921	44,246
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
<b>Total</b>	<b>7,450,910</b>	<b>-</b>	<b>7,407,629</b>	<b>44,246</b>

## PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

### 1. Assets

#### 1.1 Cash and deposits - Item 10

ITEMS/VALUES	30.06.2017	31.12.2016
a) Cash	17,946	16,049
b) Demand deposits with Central Banks	316,319	567,312
<b>Total</b>	<b>334,265</b>	<b>583,361</b>

Note

1. Item b) Demand deposits with Central Banks represents the portion of the balance of the settlement account held with the Bank of Italy that is not restricted according to the mandatory reserve rules.

#### 1.2 Held-for-trading financial assets - Item 20

##### 1.2.1 HFT financial assets: debtors/issuers

ITEMS/VALUES	30.06.2017	31.12.2016
<b>A. Cash assets</b>		
<b>1. Debt securities</b>	<b>43,529</b>	<b>34,120</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	32,501	22,111
d) Other issuers	11,028	12,009
<b>2. Equity securities</b>	<b>1,243</b>	<b>1,967</b>
a) Banks	306	644
b) Other issuers	937	1,323
- insurance companies	407	705
- financial companies	-	-
- non-financial companies	530	618
- other entities	-	-
<b>3. UCITS units</b>	-	<b>1,596</b>
<b>4. Financing</b>	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total A</b>	<b>44,772</b>	<b>37,683</b>
<b>B. Derivatives</b>		
a) Banks	410	193
b) Customers	1,007	684
<b>Total B</b>	<b>1,417</b>	<b>877</b>
<b>Total (A+B)</b>	<b>46,189</b>	<b>38,560</b>

### 1.3 Available-for-sale financial assets - Item 40

#### 1.3.1 AFS financial assets: debtors/issuers

ITEMS/VALUES	30.06.2017	31.12.2016
<b>1. Debt securities</b>	<b>4,694,321</b>	<b>4,349,914</b>
a) Governments and Central Banks	4,588,792	4,117,859
b) Other public institutions	-	-
c) Banks	82,914	144,539
d) Other issuers	22,615	87,516
<b>2. Equity securities</b>	<b>11,131</b>	<b>15,873</b>
a) Banks	-	526
b) Other issuers	11,131	15,347
- insurance companies	665	652
- financial companies	2,201	2,283
- non-financial companies	8,258	12,405
- other entities	7	7
<b>3. UCITS units</b>	<b>45,198</b>	<b>43,531</b>
<b>4. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>4,750,650</b>	<b>4,409,318</b>

#### Notes

- The equity securities portfolio includes for 6,589 thousand euros "minor equity investments" and largely related to service agreements concluded by the Group (CSE, GBS, Tosetti Value Sim, Caricese, SWIFT, etc.), usually non-negotiable. In the absence of reliable estimates of fair value, those interests are measured at purchase cost.
- In the reporting period, contributions to the film production joint ventures with Fabula Pictures Srl and Eskimo Srl increased by 240 thousand euros overall. Capital contributions were recognised at cost.
- In 2016, Banca Generali contributed to the Interbank Deposit Protection Fund FITD to recapitalise Cassa di Risparmio di Cesena. The initial contribution amounting to 1,334 thousand euros was written down by 328 thousand euros at the end of 2016.
- The UCITS portfolio included 27,102 thousand euros related to an interest of about 8% in Tyndaris European Real Estate Finance S.A. TEREFF, an alternative fund under Luxembourg law, which through the master/feeder fund invests in financial instruments linked to the European business real estate market, particularly in mezzanine instruments.
- The fund Tenax Italian Credit Fund, managed by the Irish company Tenax Capital Ltd. and acquired in 2016, amounted to 4,799 thousand euros at 30 June 2017.
- The residual UCITS portfolio is comprised for 2,075 thousand euros of sub-funds of Group's BG Selection Sicav and for 6,863 thousand euros of investments in the Luxembourg Sicav-SIF BNP Flexi III, specialised in investing in leveraged loans, the fund BNP Bond Italy PMI, specialised in mini-bonds, and the Finlabo Investments fund.

## 1.4 Held-to-maturity financial assets - Item 50

### 1.4.1 HTM financial assets: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	30.06.2017	31.12.2016
<b>1. Debt securities</b>	<b>1,005,733</b>	<b>731,362</b>
a) Governments and Central Banks	879,706	610,833
b) Other public institutions	-	-
c) Banks	44,232	44,593
d) Other issuers	81,795	75,936
<b>2. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other entities	-	-
<b>Total</b>	<b>1,005,733</b>	<b>731,362</b>

During the first half of 2017, the Alitalia bond known as “Dolce Vita”, allocated to the HTM portfolio was deemed no longer recoverable due to the airline’s serious state of crisis, which resulted in a court declaration of the company’s insolvency and the commencement of the extraordinary administration procedure.

Therefore, the bond was written off for approximately 2.6 million euros.

The remaining HTM financial assets underwent analytical impairment testing but they were not found to be impaired. The portfolio is also hedged by a collective reserve established to cover contingent losses (regarding exclusively the non-governmental portfolio), for an overall amount of 2,879 thousand euros.

## 1.5 Loans to banks - Item 60

### 1.5.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	30.06.2017	31.12.2016
<b>A. Loans to Central Banks</b>	<b>66,667</b>	<b>56,314</b>
1. Term deposits	-	-
2. Mandatory reserve	66,667	56,314
3. Repurchase agreements	-	-
4. Other	-	-
<b>B. Loans to banks</b>	<b>313,102</b>	<b>270,374</b>
1. Loans	197,992	147,327
1.1 Current accounts and demand deposits	156,135	108,030
1.2 Term deposits	40,083	35,136
1.3 Other loans:	1,774	4,161
- Repurchase agreements	-	-
- Finance lease	-	-
- Other	1,774	4,161
2. Debt securities	115,110	123,047
2.1 Structured securities	5,146	5,060
2.2 Other debt securities	109,964	117,987
<b>Total</b>	<b>379,769</b>	<b>326,688</b>

A specific impairment test was conducted on debt securities classified among loans to banks and no impairment was detected. Moreover, a 886 thousand euro collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.

## 1.6 Loans to customers - Item 70

### 1.6.1 Loans to customers: categories

	30.06.2017	31.12.2016
<b>Loans</b>	<b>1,723,848</b>	<b>1,699,073</b>
Current accounts	913,738	907,032
Mortgages and personal loans	806,038	787,294
Other loans	4,072	4,747
<b>Debt securities</b>	<b>50,907</b>	<b>43,100</b>
<b>Other transactions</b>	<b>146,858</b>	<b>139,754</b>
Operating loans to product companies	104,104	99,252
Sums advanced to Financial Advisors	33,904	32,544
Stock exchange interest-bearing daily margin	4,042	1,940
Amounts to be debited and other loans	4,808	6,018
<b>Total loans to customers</b>	<b>1,921,613</b>	<b>1,881,927</b>

#### Notes

1. Performing loans that have not individually shown signs of impairment are tested for impairment on a collective basis in order to identify any impairment that has not yet become openly manifest. As at 30 June 2017, the collective reserve allocated totalled 1,409 thousand euros.
2. A specific impairment test was conducted on debt portfolios classified among loans to customers and no impairment was detected. Moreover, a 2,051 thousand euro collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.
3. The securities portfolio includes a 14.0 million euro convertible loan issued on 16 December 2015 by Tyndaris LLP, an English fund management company. The bond has a term of six years and may be converted into an interest in Tyndaris LLP at the end of the second year and at final maturity, in an amount not to exceed 2 million GBP at each maturity, and in any event, up to maximum share of 9.9% of the partnership. The loan provides for an interest of 3% for the first two years and subsequently of 7.5%. The bond may be redeemed in advance by the issuer. A collective reserve amounting to about 1.5 million euros was allocated in relation with that position.

### 1.6.2 Doubtful loans

Net non-performing loans amounted to 68.7 million euros, equal to 3.57% of total loans to customers, and up compared to the previous year (35.8 million euros).

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

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

At the end of the first half of 2017, non-performing loans included 27.2 million euros referring to exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. upon the sale of the said company and mainly secured to that end by cash collateral payments by the counterparty. Net of that portfolio, the weight of non-performing exposures declined to 2.16%.

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE 2017	NET EXPOSURE 2016	CHANGE		INDEMNITY	RESIDUAL EX INDEMNITY
					AMOUNT	%		
Bad loans	38,188	-14,089	24,099	24,018	81	0.3%	21,998	2,101
of which financing	35,175	-11,983	23,192	23,024	168	0.7%	21,998	1,194
of which operating loans	3,013	-2,106	907	994	-87	-8.8%	-	907
Unlikely to pay	42,441	-1,165	41,276	6,771	34,505	n.s.	5,155	36,121
Past-due exposures - over 90 days	3,639	-326	3,313	2,064	1,249	60.5%	-	3,313
<b>Total non-performing loans</b>	<b>84,268</b>	<b>-15,580</b>	<b>68,688</b>	<b>32,853</b>	<b>35,835</b>	<b>109.1%</b>	<b>27,153</b>	<b>41,535</b>
Performing loans	1,856,384	-3,459	1,852,925	1,849,074				
<b>Total loans to customers</b>	<b>1,940,652</b>	<b>-19,039</b>	<b>1,921,613</b>	<b>1,881,927</b>				

Net non-performing exposures relating to operating loans amounted instead to 907 thousand euros and referred primarily to litigation or pre-litigation positions of former Financial Advisors.



## 1.7 Equity investments - Item 100

### 1.7.1 Equity investments: disclosure on type of relations

NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF RELATION	SHAREHOLDING		% OF VOTING RIGHTS
				INVESTOR COMPANY	% HELD	
A. Subsidiaries under common control						
B. Companies subject to significant influence						
1. IOCA Entertainment Limited	United Kingdom - London	United Kingdom - London	Associate company	Banca Generali	35%	35%

### 1.7.2 Non-significant investments: accounting information

NAME	BOOK VALUE OF INVESTMENTS	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL REVENUES	NET PROFIT (LOSS) FROM OPERATING ACTIVITIES	NET PROFIT (LOSS) OF DISPOSAL GROUPS	NET PROFIT (LOSS) FOR THE PERIOD (1)	OTHER INCOME COMPONENTS (2)	COMPREHENSIVE INCOME (3) = (1) + (2)
B. Companies subject to significant influence									
1. IOCA Entertainment Limited	1,898	1,181	47	-	-190	-	-190	-	-190
<b>Total</b>	<b>1,898</b>	<b>1,181</b>	<b>47</b>	<b>-</b>	<b>-190</b>	<b>-</b>	<b>-190</b>	<b>-</b>	<b>-190</b>

### 1.7.3 Equity investments: year changes

	30.06.2017	31.12.2016
<b>A. Amount at period-start</b>	<b>1,988</b>	<b>2,152</b>
<b>B. Increases</b>	-	-
B1. Purchases	-	-
B2. Reversals	-	-
B3. Revaluations	-	-
B4. Other changes	-	-
<b>C. Decreases</b>	<b>90</b>	<b>164</b>
C1. Sales	-	-
C2. Adjustments	77	75
C3. Other changes	13	89
<b>D. Amount at period-end</b>	<b>1,898</b>	<b>1,988</b>
<b>E. Total revaluations</b>	-	-
<b>F. Total adjustments</b>	<b>90</b>	<b>164</b>

## 1.8 Property, equipment and intangible assets - Items 120 and 130

### 1.8.1 Breakdown of property, equipment and intangible assets

(€ THOUSAND)	30.06.2017	31.12.2016
<b>A. Property and equipment</b>		
1. Operating		
1.1 Owned assets		
Furniture and fittings	4,652	4,702
EAD machines and equipment	477	567
Miscellaneous machines and equipment	1,115	1,064
1.2 Leased assets	-	-
<b>Total property and equipment</b>	<b>6,244</b>	<b>6,333</b>
<b>B. Intangible assets</b>		
with unspecified maturity		
- Goodwill	66,065	66,065
with specified maturity – at cost		
- Customer relationships (former Banca del Gottardo)	477	953
- Customer relationships (former Credit Suisse)	14,208	14,784
- Charges for legacy systems	7,790	9,638
- Other software costs	21	40
- Other assets and assets in progress	1,015	-
<b>Total intangible assets</b>	<b>89,576</b>	<b>91,480</b>
<b>Total property, equipment and intangible assets</b>	<b>95,820</b>	<b>97,813</b>

### 1.8.2 Changes in property, equipment and intangible assets

	GOODWILL	INTANGIBLE ASSETS	PROPERTY AND EQUIPMENT	30.06.2017
<b>Net amount at period-start</b>	<b>66,065</b>	<b>25,415</b>	<b>6,333</b>	<b>97,813</b>
<b>Increases</b>	<b>-</b>	<b>1,219</b>	<b>580</b>	<b>1,799</b>
Purchases	-	1,219	580	1,799
Other changes	-	-	-	-
<b>Decreases</b>	<b>-</b>	<b>3,123</b>	<b>669</b>	<b>3,792</b>
Sales	-	-	-	-
Adjustments	-	3,123	669	3,792
of which:				
a) amortisation/depreciation	-	3,123	669	3,792
of which:				
b) write-downs	-	-	-	-
Other changes	-	-	-	-
<b>Amount at period-end</b>	<b>66,065</b>	<b>23,511</b>	<b>6,244</b>	<b>95,820</b>

## 1.9 Tax assets and liabilities - Item 140 (Assets) and Item 80 (Liabilities)

### 1.9.1 Breakdown of item 140 (Assets) - tax assets

TYPE OF TRANSACTIONS/VALUES	30.06.2017	31.12.2016
<b>Current taxation</b>	<b>738</b>	<b>3,836</b>
Sums due for taxes to be refunded	483	483
IRES arising on National Tax Consolidation scheme	-	1,650
IRES	252	413
IRAP	3	1,290
<b>Deferred tax assets</b>	<b>50,237</b>	<b>40,702</b>
<b>With impact on profit and loss account</b>	<b>45,436</b>	<b>37,294</b>
IRES	38,924	32,170
IRAP	6,512	5,124
<b>With impact on net equity</b>	<b>4,801</b>	<b>3,408</b>
IRES	4,172	2,974
IRAP	629	434
<b>Total</b>	<b>50,975</b>	<b>44,538</b>

#### Notes

- Current tax assets and liabilities represent the positive or negative imbalance between the estimated income taxes due for the year and the associated tax credits due to overpayments in previous tax periods, prepayments made and amounts withheld.
- In the case of Banca Generali in particular, current tax assets or liabilities due to IRES take the form, respectively, of an account receivable from or payable to the consolidating company, Assicurazioni Generali S.p.A. Due to Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then figures and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.
- Sums due for taxes to be refunded refer mostly to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Legislative Decree No. 201/2011, of the deductibility from that tax of the share of IRAP paid on the cost of labour. The account receivable was recognised on the basis of the provisions of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for presenting refund applications, and also takes the form of a positive entry in Assicurazioni Generali's tax consolidation programme.

### 1.9.2 Breakdown of item 80 (liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	30.06.2017	31.12.2016
<b>Current taxation</b>	<b>25,352</b>	<b>7,792</b>
IRES arising on National Tax Consolidation scheme	6,781	-
IRES (surtax)	1,229	-
IRAP	3,643	-
Other direct taxes payable	13,699	7,792
<b>Deferred tax liabilities</b>	<b>6,972</b>	<b>9,326</b>
<b>With impact on profit and loss account</b>	<b>2,398</b>	<b>2,120</b>
IRES	2,090	1,852
IRAP	308	268
<b>With impact on net equity</b>	<b>4,574</b>	<b>7,206</b>
IRES	3,891	6,076
IRAP	683	1,130
<b>Total</b>	<b>32,324</b>	<b>17,118</b>

## 1.9.3 Breakdown of deferred tax assets

	30.06.2017	PURSUANT TO LAW NO. 214/2011	31.12.2016	PURSUANT TO LAW NO. 214/2011
<b>With impact on profit and loss account</b>	<b>45,436</b>	<b>8,837</b>	<b>37,294</b>	<b>9,755</b>
Provisions for liabilities and contingencies	36,346	-	27,383	-
Credit devaluation	2,860	2,860	2,986	2,986
Redeemed goodwill (pursuant to Art. 15, para. 10, of Legislative Decree No. 185/2008)	3,528	3,528	4,032	4,032
Consolidated goodwill of BG Fiduciaria (Art. 15, para. 10-ter)	1,013	1,013	1,379	1,379
Redeemed goodwill (Art. 176, para. 2-ter, of TUIR)	1,379	1,379	1,057	1,057
Other goodwill	57	57	301	301
Analytical impairment of HTM debt securities	124	-	-	-
Collective reserve for collateral granted	90	-	111	-
Other operating expenses	39	-	45	-
<b>With impact on net equity</b>	<b>4,801</b>	<b>-</b>	<b>3,408</b>	<b>-</b>
Measurement at fair value of AFS financial assets	4,351	-	2,992	-
Actuarial losses IAS 19	450	-	416	-
<b>Total</b>	<b>50,237</b>	<b>8,837</b>	<b>40,702</b>	<b>9,755</b>

## Note

The DTAs eligible for conversion into tax credits pursuant to Law No. 214/2011 include:

- assets associated with goodwill redeemed in accordance with Article 10 of Legislative Decree No. 185/08 and Article 172 of TUIR;
- assets related to goodwill recognised for tax purposes but not for accounting purposes as they refer to business combinations "under common control" (Circular Letter Assonime No. 33/2013, paragraph 3.3.2);
- assets associated with write-downs in excess of 0.30% in connection with the banking portfolio, pursuant to Article 106, para. 3 of TUIR, in the version effective until 2012 (previously eligible for deduction over 18 years on a straight-line basis);
- assets associated with write-downs of loans to customers recognised in the financial statements in accordance with Article 106, paragraph 3, as reformulated by the 2014 Financial Stability Law, applicable for financial years 2013 and 2014 (formerly deductible in the financial year of reference and in the following four years using the straight-line method);
- assets related to 25% of value adjustments of loans operated in 2015 pursuant to new Article 106, paragraph 3, introduced by Law Decree No. 83 of 27 June 2015.
- The above-mentioned Legislative Decree No. 83/2015 made effective the full deductibility of value adjustments of loans in the year in which they are recognised and changed the deductibility percentages of prior write-downs yet to be deducted at 31 December 2014 (and by 25% of value adjustments for 2015). It also envisages a ten-year time horizon – from 2016 to 2025 – with variable annual rates for total repayment. For 2017, the statute provides for 8% deductibility of the total amount of prior value adjustments.

The 2015 Stability Law (Law No. 305 of 28 December 2015) mandated a general reduction in the ordinary IRES rate from 27.5% to 24% with effect from 1 January 2017. However, for the credit sector only, an IRES surtax of 3.5% was concurrently introduced, to be applied with effect from the same date, essentially with the aim of permitting the recovery of the very large volume of DTAs accumulated by the banking industry. As a consequence of the combined effects of the two provisions, DTAs/DTLs were not adjusted to reflect the changed tax rates.

## 1.9.4 Breakdown of deferred tax liabilities

	30.06.2017	31.12.2016
<b>With impact on profit and loss account</b>	<b>2,398</b>	<b>2,120</b>
Termination indemnity (IAS 19)	155	155
Goodwill	2,243	1,965
<b>With impact on net equity</b>	<b>4,574</b>	<b>7,206</b>
Measurement at fair value of AFS financial assets	4,574	7,206
<b>Total</b>	<b>6,972</b>	<b>9,326</b>

## 1.9.5 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	30.06.2017	31.12.2016
<b>1. Amount at period-start</b>	<b>37,294</b>	<b>39,536</b>
<b>2. Increases</b>	<b>15,757</b>	<b>12,281</b>
2.1 Deferred tax assets for the period	15,751	12,281
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	15,751	12,281
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	6	-
<b>3. Decreases</b>	<b>7,615</b>	<b>14,523</b>
3.1 Deferred tax assets eliminated in the period	7,615	14,523
a) transfers	7,534	13,925
b) write-downs for non-recoverability	81	598
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	-	-
<b>4. Amount at period-end</b>	<b>45,436</b>	<b>37,294</b>

## 1.9.6 Change in deferred tax assets pursuant to Law No. 214/2011

	30.06.2017	31.12.2016
<b>1. Amount at period-start</b>	<b>9,755</b>	<b>11,495</b>
<b>2. Increases</b>	<b>-</b>	<b>-</b>
<b>3. Decreases</b>	<b>918</b>	<b>1,740</b>
3.1 Transfers	918	1,740
3.2 Conversion into tax credits	-	-
a) due to losses for the period	-	-
b) due to fiscal losses	-	-
3.3 Other decreases	-	-
<b>4. Amount at period-end</b>	<b>8,837</b>	<b>9,755</b>

## 1.9.7 Change in deferred tax liabilities (offsetting entry to the Profit and Loss Account)

	30.06.2017	31.12.2016
<b>1. Amount at period-start</b>	<b>2,120</b>	<b>1,844</b>
<b>2. Increases</b>	<b>278</b>	<b>557</b>
2.1 Deferred tax liabilities recognised during the period	278	557
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	278	557
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>-</b>	<b>281</b>
3.1 Deferred tax liabilities eliminated in the period	-	281
a) transfers	-	281
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Amount at period-end</b>	<b>2,398</b>	<b>2,120</b>

## 1.9.8 Changes in deferred tax assets (offsetting entry to the Net Equity)

	30.06.2017	31.12.2016
<b>1. Amount at period-start</b>	<b>3,408</b>	<b>909</b>
<b>2. Increases</b>	<b>4,001</b>	<b>3,383</b>
2.1 Deferred tax assets for the period	4,001	3,383
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	4,001	3,383
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>2,608</b>	<b>884</b>
3.1 Deferred tax assets eliminated in the period	21	147
a) transfers	21	147
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	2,587	737
<b>4. Amount at period-end</b>	<b>4,801</b>	<b>3,408</b>

The item 3.3 “Other decreases” refers to the reduction in deferred tax assets following the re-absorption of deductible temporary differences as a result of reversals of assets in the AFS portfolio.

## 1.9.9 Changes in deferred tax liabilities (offsetting entry to the Net Equity)

	30.06.2017	31.12.2016
<b>1. Amount at period-start</b>	<b>7,206</b>	<b>11,016</b>
<b>2. Increases</b>	<b>1,422</b>	<b>3,016</b>
2.1 Deferred tax liabilities recognised during the period	1,422	3,016
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,422	3,016
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>4,054</b>	<b>6,826</b>
3.1 Deferred tax liabilities eliminated in the period	1,467	6,082
a) transfers	1,467	6,082
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	2,587	744
<b>4. Amount at period-end</b>	<b>4,574</b>	<b>7,206</b>

The item 3.3 “Other decreases” refers to the reduction in deferred tax liabilities following the re-absorption of deductible temporary differences as a result of higher value adjustments of assets in the AFS portfolio.

## 1.10 Other assets - Item 160

## 1.10.1 Breakdown of other assets

	30.06.2017	31.12.2016
<b>Fiscal items</b>	<b>48,188</b>	<b>56,731</b>
Advances paid to fiscal authorities – current account withholdings	1,104	1,173
Advances paid to fiscal authorities – stamp duty	38,440	38,248
Sums due from fiscal authorities for advances on capital gains	6,969	15,464
Excess payment of substitute tax for tax shield	634	634
Fiscal authorities/VAT	99	333
Sums due from fiscal authorities for taxes to be refunded - other	226	215
Other advances paid to and sums due from fiscal authorities	716	664
<b>Leasehold improvements</b>	<b>4,622</b>	<b>5,004</b>
<b>Sundry advances to suppliers and employees</b>	<b>4,442</b>	<b>4,499</b>
<b>Operating receivables not related to financial transactions</b>	<b>256</b>	<b>194</b>
<b>Cheques under processing</b>	<b>15,546</b>	<b>13,768</b>
C/a cheques drawn on third parties under processing	21	272
Our c/a cheques under processing c/o service	14,453	9,410
Cheques - other amounts under processing	1,072	4,086
<b>Other amounts to be debited under processing</b>	<b>53,364</b>	<b>32,473</b>
Amounts to be settled in the clearing house (debits)	4,319	522
Clearing accounts for securities and funds procedure	35,375	29,494
Other amounts to be debited under processing	13,670	2,457
<b>Amounts receivable for legal disputes related to non-credit transactions</b>	<b>3,476</b>	<b>3,493</b>
<b>Trade receivables from customers and banks that cannot be traced back to specific items</b>	<b>22,161</b>	<b>30,621</b>
<b>Other amounts</b>	<b>135,316</b>	<b>94,397</b>
Prepayments for the new supplementary fees for FAs	105,479	88,638
Prepayments of exclusive portfolio management fees	959	1,558
Prepayments of segregated asset management fees	22,643	-
Other accrued income and deferred charges	6,087	4,121
Sundry amounts	148	80
<b>Total</b>	<b>287,371</b>	<b>241,180</b>

## 2. Net Equity and Liabilities

### 2.1 Due to banks – Item 10

#### 2.1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	30.06.2017	31.12.2016
<b>1. Due to Central Banks</b>	<b>400,000</b>	<b>400,000</b>
<b>2. Due to banks</b>	<b>546,895</b>	<b>402,709</b>
2.1 Current accounts and demand deposits	24,628	23,673
2.2 Term deposits	4,065	4,748
2.3 Loans	486,273	351,437
2.3.1 Repurchase agreements	486,273	351,437
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	31,929	22,851
<b>Total</b>	<b>946,895</b>	<b>802,709</b>

#### Notes

- The item “Due to Central Banks” includes 400 million euros attributable to a long-term refinancing operation disbursed by the ECB under the new TLTRO 2 programme (Targeted Long Term Refinancing Operations) launched in 2016. The financing, disbursed on 29 June 2016, has a term of four years, with maturity on 24 June 2020, may be repaid in advance at the end of the second year and bears interest at a rate equal to the rate for the main refinancing operations in effect at the time, currently 0%. However, that rate may be reduced to the level of interest rate envisaged for overnight deposits with the ECB (currently negative, at -0.40%) if at the end of January 2018 the loans disbursed by Banca Generali to families for credit purposes other than home purchases and non-financial companies residing in the Euro Area exceed a certain benchmark level (for Banca Generali, equal to the amount of such loans as at 31 January 2016, plus 5%).
- The item “Other debts” includes 22,088 thousand euros in deposits placed by BSI S.A. to secure certain non-performing exposures arising from the acquisition of Banca del Gottardo Italia (collateral deposits), whereas 9,830 thousand euros refer to collateral margins received from counterparties in connection with repurchase agreements.

### 2.2 Due to customers – Item 20

#### 2.2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	30.06.2017	31.12.2016
<b>1. Current accounts and demand deposits</b>	<b>6,451,206</b>	<b>6,466,672</b>
<b>2. Term deposits</b>	<b>-</b>	<b>-</b>
<b>3. Financing</b>	<b>44,115</b>	<b>43,282</b>
3.1 Repurchase agreements	-	-
3.2 Other	44,115	43,282
<b>4. Liabilities for repurchase commitments of own equity instruments</b>	<b>-</b>	<b>-</b>
<b>5. Other debts</b>	<b>103,418</b>	<b>138,248</b>
<b>Total</b>	<b>6,598,739</b>	<b>6,648,202</b>

#### Notes

- The item 5 “Other debts” refers for 9,333 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, other amounts available to customers (16,736 thousand euros) and, for the remaining amount, trade payables to the sales network.
- The item 3.2 “Loans – Other” exclusively refers to a subordinated loan in the amount of 43 million euros from the German company Generali Beteiligungs GmbH to fund the acquisition of the Credit Suisse (Italy) S.p.A. business unit. The loan, entered into on 30 October 2014, has a ten-year term and is repayable on maturity in one instalment. Provision is also made for an early repayment option, as from the sixth year, subject to the Supervisory authority’s prior approval. The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated for repayment in the event of a default by the Bank.



## 2.3 Financial liabilities held for trading - Item 40

### 2.3.1 Breakdown of HFT financial liabilities

TYPE OF TRANSACTIONS/VALUES	30.06.2017	31.12.2016
<b>A. Financial liabilities</b>		
1. Due to banks	-	-
2. Due to customers	-	-
3. Debt securities	-	-
<b>B. Derivatives</b>	1,013	1,169
1. Financial	1,013	1,169
2. Credit	-	-
<b>Total</b>	<b>1,013</b>	<b>1,169</b>

HFT financial liabilities consist for 560 thousand euros of trading transactions relating to currency outright with customers as counterparty. This item has its balancing entry in assets classified under Item 20. The remaining 453 thousand euros relates to options on the stock indices.

## 2.4 Other liabilities – Item 100

### 2.4.1 Breakdown of other liabilities

	30.06.2017	31.12.2016
<b>Trade payables</b>	<b>18,104</b>	<b>27,355</b>
Due to suppliers	16,328	26,763
Due for payments on behalf of third parties	1,776	592
<b>Due to staff and social security institutions</b>	<b>17,367</b>	<b>17,177</b>
Due to staff for accrued holidays etc.	3,621	3,116
Due to staff for productivity bonuses to be paid out	7,713	8,055
Contributions to be paid to social security institutions	2,132	2,323
Contributions to Financial Advisors to be paid to Enasarco	3,901	3,683
<b>Tax authorities</b>	<b>399,322</b>	<b>28,997</b>
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	4,807	4,745
Withholding taxes to be paid to tax authorities on behalf of customers	4,557	15,054
Notes to be paid into collection services	387,216	8,791
VAT payables	2,742	383
Tax payables - other (stamp duty and substitute tax on medium-/long-term loans)	-	24
<b>Amounts to be debited under processing</b>	<b>75,812</b>	<b>38,202</b>
Bank transfers, cheques and other sums payable	21,727	6,106
Amounts to be settled in the clearing house (credits)	28,405	16,713
Liabilities from reclassification of portfolio subject to collection (SBF)	3,048	784
Other amounts to be debited under processing	22,632	14,599
<b>Sundry items</b>	<b>5,859</b>	<b>7,122</b>
Accrued expenses and deferred income that cannot be traced back to specific items	3,389	599
Amounts due to the National Resolution Fund	-	3,979
Sums made available to customers	830	870
Sundry items	1,144	881
Amounts to be credited	169	390
Payables for non-performing signature loans	327	403
<b>Total</b>	<b>516,464</b>	<b>118,853</b>

Note

Based on the instructions included in Circular Letter No. 262/05, write-downs of signature loans are commonly recognised among other liabilities. At 30 June 2017, this item referred only to the collective reserve for performing signature loans.

## 2.5 Provisions for termination indemnity – Item 110

### 2.5.1. Breakdown of provisions for termination indemnity

(€ THOUSAND)	30.06.2017	31.12.2016
Provision for termination indemnity	5,026	5,129
<b>Total</b>	<b>5,026</b>	<b>5,129</b>

### 2.5.2 Provisions for termination indemnity: changes

	30.06.2017	31.12.2016
<b>A. Amount at period-start</b>	<b>5,129</b>	<b>4,889</b>
Change in opening balance	-	-
<b>B. Increases</b>	<b>161</b>	<b>411</b>
B.1 Provisions for the period	35	141
B.2 Other increases	126	270
<b>C. Decreases</b>	<b>264</b>	<b>171</b>
C.1 Amounts paid	264	168
C.2 Other decreases	-	3
<b>D. Amount at period-end</b>	<b>5,026</b>	<b>5,129</b>

### 2.5.3 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.

The provision was measured on the basis of its actuarial value according to the methodology indicated in Part. A.2 of the Notes and Comments to the 2016 Financial Statements.

	30.06.2017	31.12.2016
Discount rate	1.23%	1.21%
Annual inflation rate	1.50%	1.50%
Salary increase rate	1.50%	1.50%
Average duration (years)	10	10

	30.06.2017	31.12.2016
1. Provisions:	35	141
Current service cost	11	48
Interest cost	24	94
2. Actuarial gains and losses:	126	270
Based on financial assumptions	19	215
Based on actuarial demographic assumptions	107	55
<b>Total provisions for the period</b>	<b>161</b>	<b>412</b>
<b>Actuarial value</b>	<b>5,026</b>	<b>5,129</b>
<b>Value calculated re. Article 2120 of the Italian Civil Code</b>	<b>4,704</b>	<b>4,869</b>

## 2.6 Provisions for liabilities and contingencies - Item 120

### 2.6.1 Provisions for liabilities and contingencies: changes

	31.12.2016	OTHER CHANGES	USES	SURPLUS	PROVISIONS	30.06.2017
<b>Provision for staff expenses</b>	<b>21,008</b>	-	<b>-6,298</b>	<b>-137</b>	<b>4,522</b>	<b>19,095</b>
Provision for restructuring plan	8,500	-	-3,255	-	-	5,245
Provision for staff expenses and other charges	12,508	-	-3,043	-137	4,522	13,850
<b>Provisions for legal disputes</b>	<b>15,123</b>	-	<b>-1,213</b>	<b>-1,316</b>	<b>4,496</b>	<b>17,090</b>
Provision for risks related to litigations connected with sales network's embezzlements	10,656	-	-991	-398	818	10,085
Provision for risks related to legal disputes with sales network	734	-	-200	-18	342	858
Provision for risks related to legal disputes with staff	50	-	-	-50	100	100
Provision for other legal disputes	3,683	-	-22	-850	3,236	6,047
<b>Provisions for expenses due to Financial Advisors' contractual indemnities</b>	<b>49,165</b>	-	<b>-355</b>	<b>-651</b>	<b>6,983</b>	<b>55,142</b>
Provision for termination indemnity of sales network	38,511	-	-321	-551	3,789	41,428
Provision for portfolio overfee indemnities	3,263	-	-10	-18	48	3,283
Provision for pension bonuses for Financial Advisors	7,391	-	-24	-82	128	7,413
Provisions for Framework Loyalty Programme	-	-	-	-	3,018	3,018
<b>Provisions for risks related to network incentives</b>	<b>31,466</b>	-	<b>-11,414</b>	<b>-1,097</b>	<b>35,913</b>	<b>54,868</b>
Provision for network development plans	16,872	-	-6,264	-613	18,900	28,895
Provision for deferred bonus	1,282	-	-	-165	99	1,216
Provisions for managers with access gate	4,512	-	-1,627	-187	-	2,698
Provision for sales incentives	5,773	-	-739	-	15,424	20,458
Provision for fees – travel incentives	2,580	-	-2,448	-132	1,290	1,290
Provision for fee plans	336	-	-336	-	200	200
Provision for loyalty programme	111	-	-	-	-	111
<b>Other provisions for liabilities and contingencies</b>	<b>272</b>	-	<b>-26</b>	<b>-</b>	<b>1,006</b>	<b>1,252</b>
<b>Total</b>	<b>117,034</b>	-	<b>-19,306</b>	<b>-3,201</b>	<b>52,920</b>	<b>147,447</b>

### 2.6.2 Provisions for liabilities and contingencies - other provisions

#### 2.6.2.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

- > the share of the variable compensation of managers of the Banking Group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration policy;
- > allocations to the provision for Relationship Managers (RM) recruitment plans, valued also based on the specific contractual conditions agreed upon and on the probability to achieve the net inflow targets set;
- > allocations for post-employment medical benefits of Group's executives, valued using the actuarial method pursuant to IAS 19;
- > the provision related to the performance bonus, if at the balance sheet date the company supplementary contract (CIA) has expired or has not been renewed yet.

The above-mentioned provisions have as their balancing entries staff expenses.

Provisions for staff expenses also include, to a lesser extent, provisions outside the scope of IAS 19 but for which IAS 37 applies and that have therefore as their balancing entries net provisions for liabilities and contingencies.

### 2.6.2.2 Restructuring provisions– Redundancy incentives plan

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

However, in 2016 the implementation of the plan was slowed considerably by various factors, including the consequences of the new strategic reorganisation following the untimely passing of CEO Piermario Motta, the uncertainties surrounding the development of retirement legislation (with particular regard to possible eligibility for early retirement) and, most recently, the particularly long time required for the employees interested in participating to prepare the necessary documentation.

In view of continuing company and business needs and the reliance on the system by employees, the plan, which was originally limited to 2016, has been extended to all of 2017 and the potential beneficiaries have been modified accordingly.

### 2.6.2.3 Provisions for legal disputes

This type of provisions for risks includes provisions for pending litigations connected with sales network's embezzlements after insurance coverage, as well as those with disputes currently underway with the sales network and employees and other legal and extra-legal disputes with customers and other entities.

### 2.6.2.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity, the social-security bonuses and the new provisions associated with the Framework Loyalty Programme, approved by the General Shareholders' Meeting on 20 April 2017.

Provisions covering the cost of the **termination indemnity** of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments.

The expense associated with obligations extant at period-end relating to Financial Advisors is valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

TERMINATION INDEMNITY	30.06.2017	31.12.2016
Discount rate (Eur IRS + 200 bps)	3.00%	3.00%
Turnover rate (professionals)	1.12%	1.12%
Average duration (years)	13.98 years	14 years
DBO IAS 37/Indemnity provision at the measurement date	54.42%	53.02%

The ratio of Deferred benefit obligations (DBO) to nominal value of the accrued obligation towards Financial Advisors is given using the value of the provision after one-off deductions related to seniority.

The increase in the provision for termination indemnities accrued by Financial Advisors during the year was mainly due to basic fees as a result of the increase in the number of active Financial Advisors and the ongoing development of business, and the adjustment of demographic and statistical parameters.

A specific measurement is made for Financial Advisors who have left service.

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 3.0 million euros, is still based on the payment criteria established by the previous employer and was recognised as a debt payable to the acquired sales network. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The **portfolio development indemnity** is instead a scheme (further details are provided in Part A.2 of the Notes and Comments of the Financial Statements as at 31 December 2016) that calls for Financial Advisors with at least five years of service who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reallocation of the latter.

The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank – equal to 25% of the total indemnity – in the event of termination for death or permanent disability.

Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the Bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

The **"pension bonus"** is a component of the sales network's indemnity plans, which entailed the yearly provision of an amount based on the achievement of pre-set sales objectives and to be paid only upon final termination for retirement

or permanent disability. The actuarial method is used also for this type of evaluation. This incentivisation system has no longer been renewed starting 2016, without prejudice to any right the beneficiaries acquired in the previous years.

Within the framework of provisions for contractual indemnities, on 21 March 2017 the Board of Directors granted its final approval for a **Framework Loyalty Program for the sales network** aimed at improving the retention of the network and the customers acquired over time and creating value for the Group by attracting stable, high-quality net inflows.

The Framework Loyalty Program is divided into eight separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which may be activated from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.

The individual Network Framework Loyalty Program plans will all expire on 31 December 2026, after decreasing lengths, and each will allow part of the bonus to be paid in cash and part in shares of Banca Generali (max 50%), after having assessed their effects at the level of capital ratios and free float. The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.

The General Shareholders' Meeting of 20 April 2017 that approved the Programme also ratified the launch of the first 2017-2026 annual plan.

### 2.6.2.5 Provisions for sales network incentives

This aggregate includes:

- > the estimate of the charges accrued in relation with several recruitment plans for middle-term expansion of managed portfolios. These plans envisage different kinds of incentives (entry bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow target and the presence in the company for one or more years (up to 5 or 7 years);
- > the share of network managers' annual incentives deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's remuneration policy;
- > the share of annual incentives (particular transactions), contingent upon the maintenance over time of the inflow targets achieved;
- > provisions for incentive plans based on the network's performance for the period, including the BG Premier Club trip and other special fee plans (supplementary allowances, stabilisers, target-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuous service on the network or the achievement of sales targets.

In 2014, provisions were also made, for an initial amount of 8.0 million euros, for the **Loyalty Plans** agreed upon with Financial Advisors of the former Credit Suisse business unit, intended to facilitate their inclusion in Banca Generali's sales structure and for loyalty-building purposes. The second tranche amounting to 3.8 million euros was paid in December 2016. Therefore, the remainder which amounted to 0.1 million euros and refers to a Financial Advisor will be paid in the two-year period 2017-2018.

### 2.6.2.6 Other provisions for liabilities and contingencies

Lastly, other provisions for liabilities and contingencies include provisions for operating risks.

#### *Tax disputes*

At 31 December 2016, Banca Generali was involved in a single tax dispute concerning the registry tax paid in respect of the acquisition of the Credit Suisse business unit at the end of October 2014. This dispute was concluded in January 2017 through the settlement procedure for a total outlay of approximately 27 thousand euros.

On 27 March 2017, the Italian Revenue Service – Friuli-Venezia Giulia Regional Department launched a general audit of tax period 2014.

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

## 2.7 Net equity - Items 140, 160, 170, 180, 190, 200 and 220

### 2.7.1 Number of shares of the Parent Company: changes

ITEMS/TYPE	ORDINARY	OTHER
<b>A. Existing shares at period-start</b>	<b>116,424,502</b>	-
Paid up	116,424,502	-
Partially paid	-	-
A.1 Treasury shares (-)	-126,129	-
A.2 Outstanding shares: at period-start	<b>116,298,373</b>	-
<b>B. Increases</b>	<b>472,230</b>	-
B.1 Newly issued shares:		
- against payment:	414,106	-
- business combinations	-	-
- bond conversion	-	-
- exercise of warrant	414,106	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	58,124	-
B.3 Other changes	-	-
<b>C. Decreases</b>	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
<b>D. Outstanding shares: at period-end</b>	<b>116,770,603</b>	-
D.1 Treasury shares (+)	68,005	-
D.2 Existing shares at period-end	<b>116,838,608</b>	-
- paid up	116,838,608	-
- partially paid	-	-

At the reporting date, the share capital of the Bank consisted of 116,838,608 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

During the six-month period, as a result of the exercise of options within the stock option plans reserved for Financial Advisors, 414,106 newly issued shares were issued.

## 2.8 Other information

### 2.8.1 Guarantees and commitments

TRANSACTION	30.06.2017	31.12.2016
<b>1) Financial guarantees issued</b>	<b>79,204</b>	<b>79,992</b>
a) Banks	-	-
b) Customers	79,204	79,992
<b>2) Commercial guarantees issued</b>	<b>27,320</b>	<b>38,695</b>
a) Banks	-	-
b) Customers	27,320	38,695
<b>3) Irrevocable commitment to dispense funds</b>	<b>72,061</b>	<b>4,126</b>
a) Banks:	67,272	3,744
i) of certain use	67,272	3,744
ii) of uncertain use	-	-
b) Customers:	4,789	382
i) of certain use	4,337	-
ii) of uncertain use	452	382
<b>4) Underlying commitments to credit derivatives: hedging sales</b>	<b>-</b>	<b>-</b>
<b>5) Assets pledged as collateral of third-party bonds</b>	<b>4,042</b>	<b>1,940</b>
<b>6) Other commitments</b>	<b>16,529</b>	<b>2,181</b>
<i>of which: commitment to disburse funds to FITD</i>	2,181	2,181
<i>of which: commitment to buy-back of treasury shares</i>	14,348	-
<b>Total</b>	<b>199,156</b>	<b>126,934</b>

The item “Other commitments” included 2,181 thousand euros referring to the irrevocable commitment to dispense funds granted by the Bank in favour of the Interbank Deposit Protection Fund (FITD)’s Voluntary Scheme aimed at supporting the Italian banking system, in which the Bank participates. The remaining 14,348 thousand euros regarded the commitment to repurchase the treasury shares in service of the remuneration plans aimed at key personnel for 2017 and the Loyalty Plan 2017, authorised by the General Shareholders’ Meeting on 20 April 2017. The plan to repurchase treasury shares was authorised by the Supervisory Authority on 3 July 2017.

Commitments to grant certain-use funds to banks and customers only refer to financial commitments for securities receivable.

Uncertain-use commitments to customers refer to margins available on irrevocable credit lines granted to customers. Assets pledged as collateral of third-party bonds consist of the default fund contributed to cover possible losses of defaulted operators within the New MIC and transactions concerning customers’ securities and derivatives.

### 2.8.2 Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	30.06.2017	31.12.2016
1. HFT financial assets	-	-
2. Financial assets measured at fair value	-	-
3. AFS financial assets	1,104,795	1,011,120
4. HTM financial assets	439,623	393,772
5. Loans to banks	-	4,997
6. Loans to customers	-	-
7. Property and equipment	-	-
8. Intangible assets	-	-
<b>Total</b>	<b>1,544,418</b>	<b>1,409,889</b>

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

## PART C – INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

### 1. Interest - Items 10 and 20

#### 1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	30.06.2017	30.06.2016
1. HFT financial assets	133	-	-	133	45
2. AFS financial assets	9,865	-	-	9,865	10,056
3. HTM financial assets	9,859	-	-	9,859	7,441
4. Loans to banks	801	41	-	842	1,224
5. Loans to customers	677	10,172	-	10,849	11,557
6. Financial assets measured at fair value	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	1,825	1,825	793
<b>Total</b>	<b>21,335</b>	<b>10,213</b>	<b>1,825</b>	<b>33,373</b>	<b>31,116</b>

By convention, interest on “Other assets” includes the negative interest expense accrued on funding transactions and primarily refers to repurchase agreements with banks. With effect from June 2016, negative interest is also applied to the captive deposits held by Generali Group companies.

#### 1.2 Interest income and similar revenues: further information

	30.06.2017	30.06.2016
Interest income on bank deposits and current accounts	29	34
Repurchase agreements with banks	907	562
Interest income on customer deposit and current accounts	889	197
<b>Total interest income on other liabilities</b>	<b>1,825</b>	<b>793</b>

#### 1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER OPERATIONS	30.06.2017	30.06.2016
1. Due to Central Banks	-	-	-	-	-
2. Due to banks	316	-	-	316	297
3. Due to customers	1,102	-	-	1,102	1,107
4. Securities issued	-	-	-	-	-
5. HFT financial liabilities	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	375	375	157
8. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>1,418</b>	<b>-</b>	<b>375</b>	<b>1,793</b>	<b>1,561</b>

By convention, interest on “Other liabilities” includes the negative interest income accrued on lending transactions and primarily refers to demand deposits with the Central Bank.



## 1.4 Interest expense and similar charges: further information

	30.06.2017	30.06.2016
Interest expense on deposits with the ECB	342	134
Interest expense on deposits with banks	32	19
Interest expense on customer deposits	1	4
<b>Total interest expense on other assets</b>	<b>375</b>	<b>157</b>

## 2. Fees – Items 40 and 50

### 2.1 Breakdown of fee income

ITEMS/TECHNICAL TYPES	30.06.2017	30.06.2016
a) Guarantees issued	328	307
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	378,897	280,440
1. trading of financial instruments	8,270	5,671
2. currency trading	-	-
3. portfolio management:	224,476	154,272
3.1 individual	29,672	16,892
3.2 collective	194,804	137,380
4. custody and administration of securities	132	162
5. depository bank	-	-
6. placement of securities	36,575	28,367
7. order receiving and collection	3,068	1,388
8. consultancy activities	3,803	2,110
8.1 investment advice	3,803	2,110
8.2 advice on financial structure	-	-
9. distribution of third-party services:	102,573	88,470
9.1 portfolio management:	389	350
9.1.1 individual	102	103
9.1.2 collective	287	247
9.2 insurance products	101,953	87,931
9.3 other products	231	189
d) Collection and payment services	1,354	1,504
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	1,059	1,099
j) Other services	1,194	1,130
<i>of which: all-inclusive fees on credit lines</i>	881	844
<b>Total</b>	<b>382,832</b>	<b>284,480</b>

## 2.2 Breakdown of fee expense

SERVICES/VALUES	30.06.2017	30.06.2016
a) Guarantees received	8	8
b) Credit derivatives	-	-
c) Management and brokerage services:	152,236	130,392
1. trading of financial instruments	2,559	1,091
2. currency trading	-	-
3. portfolio management	15,056	12,746
3.1 own portfolio	15,056	12,746
3.2 third-party portfolio	-	-
4. custody and administration of securities	907	734
5. placement of financial instruments	-	-
6. off-premises offer of financial instruments, products, and services	133,714	115,821
d) Collection and payment services	1,147	1,082
e) Other services	253	172
<b>Total</b>	<b>153,644</b>	<b>131,654</b>

## 3. Dividends – Item 70

### 3.1 Breakdown of dividends and similar

ITEMS/INCOME	30.06.2017		30.06.2016	
	DIVIDENDS	INCOME FROM UCITS UNITS	DIVIDENDS	INCOME FROM UCITS UNITS
A. HFT financial assets	37	25	49	-
B. AFS financial assets	1,214	478	1,413	22
C. Financial assets measured at fair value	-	-	-	-
D. Equity investments	-	-	-	-
<b>Total</b>	<b>1,251</b>	<b>503</b>	<b>1,462</b>	<b>22</b>

## 4. Net profit from trading - Item 80

### 4.1 Breakdown of net profit from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSS FROM TRADING	NET RESULT 30.06.2017	NET RESULT 30.06.2016
<b>1. HFT financial assets</b>	<b>414</b>	<b>989</b>	<b>192</b>	<b>486</b>	<b>725</b>	<b>-284</b>
1.1 Debt securities	413	467	46	42	792	38
1.2 Equity securities	1	281	146	287	-151	-101
1.3 UCITS units	-	241	-	157	84	-221
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
<b>2. HFT financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>3. Other financial assets and liabilities: exchange gains and losses</b>					<b>1,748</b>	<b>1,556</b>
<b>4. Derivatives</b>	<b>143</b>	<b>729</b>	<b>221</b>	<b>400</b>	<b>248</b>	<b>-1,473</b>
4.1 Financial	143	729	221	400	248	-1,473
- On debt securities and interest rates:						
- interest rate swaps	-	-	-	-	-	-
- government bond forwards	-	-	-	-	-	-
- On equity securities and stock indexes:	143	729	221	400	251	-1,462
- options	143	728	221	399	251	-1,417
- futures	-	1	-	1	-	-45
- On currency and gold <sup>(1)</sup>	-	-	-	-	-3	-11
- Other	-	-	-	-	-	-
4.2 Credit	-	-	-	-	-	-
<b>Total</b>	<b>557</b>	<b>1,718</b>	<b>413</b>	<b>886</b>	<b>2,721</b>	<b>-201</b>

(1) It includes currency options and currency outright.

## 5. Gains (losses) from transfer/repurchase - Item 100

### 5.1 Breakdown of gains (losses) from transfer/repurchase

ITEMS/INCOME COMPONENTS	30.06.2017			30.06.2016		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
<b>Financial assets</b>						
1. Loans to banks	52	-	52	-	-	-
2. Loans to customers	300	71	229	-	-	-
3. AFS financial assets	6,854	2,223	4,631	19,288	1,013	18,275
3.1 Debt securities	4,523	2,153	2,370	19,271	1,008	18,263
3.2 Equity securities	2,275	13	2,262	-	3	-3
3.3 UCITS units	56	57	-1	17	2	15
3.4 Loans	-	-	-	-	-	-
4. HTM financial assets	-	-	-	22	7	15
<b>Total assets</b>	<b>7,206</b>	<b>2,294</b>	<b>4,912</b>	<b>19,310</b>	<b>1,020</b>	<b>18,290</b>
<b>Financial liabilities</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Equity reserves transferred back to the Profit and Loss Account are illustrated in the following table:

	POSITIVE	NEGATIVE	NET
Debt securities	4,147	-64	4,083
Equity securities	1,920	-4	1,916
UCITS units	56	-	56
<b>Total</b>	<b>6,123</b>	<b>-68</b>	<b>6,055</b>

## 6. Net adjustments/reversals for impairment - Item 130

### 6.1 Breakdown of net adjustments to non-performing loans

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				30.06.2017	30.06.2016
	SPECIFIC			SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
<b>A. Loans to banks</b>	-	-	<b>436</b>	-	-	-	<b>673</b>	<b>237</b>	<b>1,005</b>
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	436	-	-	-	673	237	1,005
<b>B. Loans to customers</b>	<b>56</b>	<b>1,398</b>	<b>236</b>	-	<b>272</b>	-	<b>572</b>	<b>-846</b>	<b>512</b>
Non-performing loans purchased:	-	-	-	-	-	-	-	-	-
- loans	-	-	-	-	-	-	-	-	-
- operating loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
Other:	56	1,398	236	-	272	-	572	-846	512
- loans	55	1,205	-	-	248	-	264	-748	551
- operating loans	1	193	-	-	24	-	-	-170	-39
- debt securities	-	-	236	-	-	-	308	72	-
<b>C. Total</b>	<b>56</b>	<b>1,398</b>	<b>672</b>	-	<b>272</b>	-	<b>1,245</b>	<b>-609</b>	<b>1,517</b>

Specific value adjustments to loans to customers amounted to 1,205 thousand euros and included 1,004 thousand euros for unlikely-to-pay positions, 192 thousand euros for positions past due by more than 90 days, and bad loans for the remainder.

These write-downs were partially offset through reversals relating to positions past due at the end of the previous year (222 thousand euros) and reclassified out of the non-performing category, and to unlikely to pay exposures (24 thousand euros).

Net value adjustment of the collective reserve on performing loans amounted to 264 thousand euros.

Value adjustments to operating loans primarily refer to write-downs of advanced fees to former Financial Advisors.

Portfolio reversals and adjustments relating to debt securities classified among loans to banks (net amount of 237 thousand euros) and loans to customers (net amount of 72 thousand euros) refer to the adjustment of the collective reserve recognised to account for latent losses in the bond portfolio determined on the basis of the risk profiles (ratings/residual lives) of the bonds.

## 6.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				30.06.2017	30.06.2016
	SPECIFIC			SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	24	-	-	-	-	-	-24	-2,263
C. UCITS units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
<b>F. Total</b>	-	<b>24</b>	-	-	-	-	-	<b>-24</b>	<b>-2,263</b>

## 6.3 Breakdown of net adjustments for impairment of held-to-maturity financial assets

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				30.06.2017	30.06.2017
	SPECIFIC			SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	2,642	540	-	-	-	575	-2,607	-992
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
<b>D. Total</b>	-	<b>2,642</b>	<b>540</b>	-	-	-	<b>575</b>	<b>-2,607</b>	<b>-992</b>

Net adjustments for impairment to debt securities classified as held-to-maturity financial assets of 2,642 thousand euros are related to the impairment of the Alitalia bond.

Reversals and portfolio adjustments on debt securities classified under "HTM financial assets", for a net amount of 35 thousand euros, refer to the adjustments of the collective reserve allocated to account for latent losses on the bond portfolio, calculated based on the risk profile (rating/residual lives) of the bonds.

## 6.4 Breakdown of net adjustments for impairment of other financial operations

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				30.06.2017	30.06.2016
	SPECIFIC			SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER	PORTFOLIO	FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Guarantees issued	-	-	-	-	-	-	76	76	108
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to grant funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
<b>E. Total</b>	-	-	-	-	-	-	<b>76</b>	<b>76</b>	<b>108</b>

Reversals refer to the adjustment of the collective reserve for performing guarantees.

## 7. General and administrative expenses - Item 180

### 7.1 Breakdown of staff expenses

TYPE OF EXPENSES/VALUES	30.06.2017	30.06.2016
<b>1) Employees</b>	<b>43,265</b>	<b>42,449</b>
a) Wages and salaries	22,617	22,428
b) Social security charges	5,867	5,648
c) Termination indemnity	250	227
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	35	71
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Contributions paid to supplementary pension funds:	1,930	1,876
- defined contribution	1,930	1,876
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	1,068	1,602
i) Other employee benefits	11,498	10,597
<b>2) Other staff</b>	<b>-4</b>	<b>219</b>
<b>3) Directors and Auditors</b>	<b>584</b>	<b>773</b>
<b>4) Retired personnel</b>	<b>15</b>	<b>-</b>
<b>Total</b>	<b>43,860</b>	<b>43,441</b>

### 7.2 Breakdown of personnel

	30.06.2017	30.06.2016
<b>Employees</b>	<b>890</b>	<b>859</b>
a) Managers	48	41
b) Total executives	269	260
<i>of which: 3<sup>rd</sup> and 4<sup>th</sup> level</i>	155	153
c) Employees at other levels	573	558
<b>Other employees</b>	<b>7</b>	<b>7</b>
<b>Total</b>	<b>897</b>	<b>866</b>

### 7.3 Breakdown of other employee benefits

	30.06.2017	30.06.2016
Short-term productivity bonuses	5,281	5,318
<b>Long-term benefits</b>		
Charges for Relationship Manager recruitment plans	3,486	2,136
Charges for deferred variable remuneration (managers' MBO)	715	722
Charges for post-employment medical care plans	73	505
<b>Other benefits</b>		
Charges for staff supplementary pensions	1,171	1,331
Amounts replacing cafeteria indemnities	498	378
Training expenses	137	124
Allowances and charitable gifts	90	32
Other expenses	47	51
<b>Total</b>	<b>11,498</b>	<b>10,597</b>

Short-term productivity bonuses include the portion of non-deferred variable remuneration payable in cash (MBO) for office and sales managers and portfolio managers, the performance bonus envisaged in company supplementary contracts ("CIA") and allocations in service of the 2017 plan for measures.

### 7.4 Breakdown of other general and administrative expenses

	30.06.2017	30.06.2016
<b>Administration</b>	<b>6,313</b>	<b>6,743</b>
Advertising	1,852	2,067
Consultancy and professional advice expenses	2,201	2,392
Audit fees	190	217
Insurance	1,473	1,547
Entertainment expenses	186	113
Membership contributions	354	373
Charity	57	34
<b>Operations</b>	<b>17,987</b>	<b>17,386</b>
Rent and usage of premises and management of property	8,939	8,748
Outsourced administrative services	2,902	2,331
Post and telephone	1,254	1,383
Print material	671	684
Other expenses for sales network management	1,699	1,706
Other expenses and purchases	1,335	1,337
Other indirect staff expenses	1,187	1,197
<b>Information system and equipment</b>	<b>19,835</b>	<b>19,125</b>
Expenses related to outsourced IT services	14,982	14,212
Fees for IT services and databases	3,165	2,883
Software maintenance and servicing	316	314
Fees for equipment hired and software used	1,004	1,330
Other maintenance	368	386
<b>Indirect taxation</b>	<b>23,686</b>	<b>18,736</b>
Stamp duty on financial instruments	23,165	18,437
Substitute tax on medium/long-term financing	264	227
Other indirect taxes to be paid by the bank	257	72
<b>Contributions to the Italian National Resolution Fund and Deposit Guarantee Scheme (DGS)</b>	<b>1,753</b>	<b>1,984</b>
<b>Total</b>	<b>69,574</b>	<b>63,974</b>

## 8. Net provisions for liabilities and contingencies - Item 190

### 8.1 Breakdown of net provisions

	30.06.2017			30.06.2016		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
<b>Provision for staff expenses</b>	<b>322</b>	<b>-5</b>	<b>317</b>	<b>-</b>	<b>-122</b>	<b>-122</b>
Provision for restructuring plan	-	-	-	-	-	-
Provision for staff expenses – Other <sup>(1)</sup>	322	-5	317	-	-122	-122
<b>Provision for legal disputes</b>	<b>4,496</b>	<b>-1,316</b>	<b>3,180</b>	<b>2,290</b>	<b>-1,283</b>	<b>1,007</b>
Provision for risks related to legal disputes with subscribers	818	-398	420	1,608	-	1,608
Provision for risks related to legal disputes with Financial Advisors	342	-18	324	156	-526	-370
Provision for risks related to legal disputes with staff	100	-50	50	-	-656	-656
Provision for risks related to legal disputes with other parties	3,236	-850	2,386	526	-101	425
<b>Provisions for contractual indemnities – Financial Advisors</b>	<b>6,983</b>	<b>-651</b>	<b>6,332</b>	<b>3,453</b>	<b>-494</b>	<b>2,959</b>
Provision for termination indemnity for Financial Advisors	3,789	-551	3,238	2,425	-386	2,039
Provision for portfolio overfee indemnities	48	-18	30	848	-51	797
Provision for pension bonuses for Financial Advisors	128	-82	46	180	-57	123
Provisions risks for the Framework Loyalty Programme	3,018	-	3,018	-	-	-
<b>Provisions for risks related to network incentives</b>	<b>35,913</b>	<b>-1,097</b>	<b>34,816</b>	<b>22,650</b>	<b>-585</b>	<b>22,065</b>
Provision for network development plans	18,900	-613	18,287	6,292	-444	5,848
Provision for deferred bonus	99	-165	-66	166	-	166
Provision for sales incentives	15,424	-	15,424	14,676	-	14,676
Provisions for managers with access gate	-	-187	-187	-	-	-
Provision for incentive travels	1,290	-132	1,158	1,300	-141	1,159
Provision for fee plans	200	-	200	216	-	216
<b>Other provisions for liabilities and contingencies</b>	<b>1,006</b>	<b>-</b>	<b>1,006</b>	<b>2,550</b>	<b>-</b>	<b>2,550</b>
<b>Total</b>	<b>48,720</b>	<b>-3,069</b>	<b>45,651</b>	<b>30,943</b>	<b>-2,484</b>	<b>28,459</b>

(1) Provisions for staff expenses do not include the items that are classified as “Staff expenses - other benefits” in accordance with IAS 19.

## 9. Net adjustments/reversals of property and equipment - Item 200

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 30.06.2017	NET RESULT 30.06.2016
<b>A. Property and equipment</b>					
A.1 Owned:	669	-	-	669	605
- operating	669	-	-	669	605
- investment	-	-	-	-	-
A.2 Finance leases:	-	-	-	-	-
- operating	-	-	-	-	-
- investment	-	-	-	-	-
<b>Total</b>	<b>669</b>	<b>-</b>	<b>-</b>	<b>669</b>	<b>605</b>



## 10. Net adjustments/reversals of intangible assets - Item 210

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 30.06.2017	NET RESULT 30.06.2016
<b>A. Intangible assets</b>					
A.1 Owned:	3,123	-	-	3,123	1,726
- generated in-house	-	-	-	-	-
- other	3,123	-	-	3,123	1,726
A.2 Finance leases	-	-	-	-	-
<b>Total</b>	<b>3,123</b>	<b>-</b>	<b>-</b>	<b>3,123</b>	<b>1,726</b>

## 11. Other operating income and expenses - Item 220

### 11.1 Breakdown of other operating expenses

	30.06.2017	30.06.2016
Adjustments of leasehold improvements	634	507
Write-downs of other assets	37	-
Indemnities and compensation for litigation and claims	237	13
Charges from accounting adjustments with customers	720	477
Charges for card compensation and guarantees	5	9
Costs associated with tax disputes, penalties and fines	2	5
Other contingent liabilities and non-existent assets	886	403
Consolidation adjustments	-	-26
<b>Total</b>	<b>2,521</b>	<b>1,388</b>

### 11.2 Breakdown of other operating income

	30.06.2017	30.06.2016
Recovery of taxes from customers	23,152	18,254
Recovery of expenses from customers	378	330
Fees for outsourced services	28	28
Charge-back of portfolio development indemnity to incoming Financial Advisors	508	523
Indemnities for Financial Advisors' termination without notice	145	539
Other recoveries of repayments and costs from Financial Advisors	531	479
Contingent assets related to provisions for staff expenses	1,035	615
Contributions to Employment in the Banking Sector (FOC)	79	130
Other contingent assets and non-existent liabilities	513	296
Insurance compensation and indemnities	22	158
Other income	124	100
<b>Total</b>	<b>26,515</b>	<b>21,452</b>
<b>Total other net income</b>	<b>23,994</b>	<b>20,064</b>

## 12. Gains (losses) of equity investments - Item 240

### 12.1 Breakdown of gains (losses) from disposal of equity investments

INCOME COMPONENTS/VALUES	30.06.2017	30.06.2016
<b>A. Gains</b>	-	-
1. Revaluations	-	-
2. Gains from disposal	-	-
3. Reversals	-	-
4. Other positive changes	-	-
<b>B. Charges</b>	<b>-77</b>	<b>-54</b>
1. Write-downs	-77	-54
2. Adjustments for impairment	-	-
3. Losses from disposal	-	-
4. Other negative changes	-	-
<b>Net result</b>	<b>-77</b>	<b>-54</b>

Write-downs on equity investments related to the measurement using the equity method of the associate company IOCA Entertainment Ltd.

## 13. Gains (losses) from disposal of investments - Item 270

### 13.1 Breakdown of gains (losses) from disposal of investments

INCOME COMPONENTS/VALUES	30.06.2017	30.06.2016
<b>A. Buildings</b>	-	-
Gains from disposal	-	-
Losses from disposal	-	-
<b>B. Other assets</b>	-	15
Gains from disposal	-	15
Losses from disposal	-	-
<b>Net result</b>	<b>-</b>	<b>15</b>

## 14. Income taxes for the period for current operations - Item 290

### 14.1 Breakdown of income taxes for the period for current operations

INCOME COMPONENTS/VALUES	30.06.2017	30.06.2016
1. Current taxation (-)	-28,151	-18,501
2. Change in prior years' current taxes (+/-)	339	-
3. Reduction of current taxes for the period (+)	-	-
3.bis Reduction of current taxes arising on tax credits, pursuant to Law No. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	8,142	3,806
5. Changes of deferred taxation (+/-)	-278	-138
<b>6. Taxes for the period (-)</b>	<b>-19,948</b>	<b>-14,833</b>

## 14.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes due for the period, including both current and deferred taxes, as indicated in Item 290 of the Profit and Loss Account, and the theoretical corporate income tax IRES calculated by applying the 27.5% current applicable tax rate to pre-tax profit.

The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the P&L account compared to the theoretical taxation.

	30.06.2017	30.06.2016
<b>Current taxation</b>	<b>-28,151</b>	<b>-18,501</b>
IRES	-22,107	-14,594
IRAP	-6,038	-3,904
Other	-6	-3
<b>Prepaid and deferred taxation</b>	<b>7,864</b>	<b>3,668</b>
IRES	6,527	3,234
IRAP	1,337	434
<b>Prior years' taxes</b>	<b>339</b>	<b>-</b>
IRES	-23	-
IRAP	362	-
<b>Income taxes</b>	<b>-19,948</b>	<b>-14,833</b>
<b>Theoretical tax rate</b>	<b>27.5%</b>	<b>27.5%</b>
<b>Profit (loss) before taxation</b>	<b>128,032</b>	<b>82,144</b>
<b>Theoretical taxation</b>	<b>-35,209</b>	<b>-22,590</b>
<b>Non-taxable income (+)</b>		
Dividends	317	369
ACE	402	1,051
Deductible IRAP and other	31	232
<b>Non-deductible charges (-)</b>		
Double taxation on 5% of Group's dividends	-1,743	-969
Non-deductible interest expense (4%)	-	-17
Impairment of AFS equity securities PEX	-57	-622
Other non-deductible costs	-828	-735
IRAP	-4,339	-3,470
Rate change of companies under foreign law	21,522	11,936
Prior years taxes	-23	-
Other taxes	-6	-3
Not related deferred tax assets and liabilities	7	-
Other consolidation adjustments	-22	-15
<b>Actual tax expense</b>	<b>-19,948</b>	<b>-14,833</b>
<b>Total actual tax rate</b>	<b>15.6%</b>	<b>18.1%</b>
<b>Actual tax rate (IRES)</b>	<b>12.2%</b>	<b>13.8%</b>
<b>Actual tax rate (IRAP)</b>	<b>3.4%</b>	<b>4.2%</b>

## 15. Earnings per Share

### 15.1 Average number of ordinary shares with diluted capital

	30.06.2017	30.06.2016	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	108,083	67,311	40,772	60.6%
Earnings attributable to ordinary shares (€ thousand)	108,083	67,311	40,772	60.6%
Average number of outstanding shares	116,489	116,044	445	0.4%
<b>EPS - Earnings per share (euros)</b>	<b>0.93</b>	<b>0.58</b>	<b>0.35</b>	<b>60.0%</b>
Average number of outstanding shares with diluted capital	116,733	116,236	497	0.4%
<b>EPS - Diluted Earnings per share (euros)</b>	<b>0.93</b>	<b>0.58</b>	<b>0.35</b>	<b>59.9%</b>

## PART D – COMPREHENSIVE INCOME

## Analytical Statement of Comprehensive Income

ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10. Net profit (loss) for the period	X	X	108,083
<b>Other components of income, without transfer to Profit and Loss:</b>			
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	-126	35	-91
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves of investments valued at equity	-	-	-
<b>Other components of income, with transfer to Profit and Loss:</b>			
<b>70. Hedges of foreign investments:</b>			
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
<b>80. Exchange differences:</b>	<b>-14</b>	<b>-</b>	<b>-14</b>
a) value adjustments	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-14	-	-14
<b>90. Cash-flow hedges:</b>			
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
<b>100. AFS financial assets:</b>	<b>-13,820</b>	<b>3,991</b>	<b>-9,829</b>
a) fair value changes	-7,776	2,545	-5,231
b) transfer to Profit and Loss Account:	-6,044	1,446	-4,598
- adjustments due to impairment	11	-	11
- gains (losses) on disposal	-6,055	1,446	-4,609
c) other changes	-	-	-
<b>110. Non-current assets held for sale:</b>			
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
<b>120. Share of valuation reserves of investments valued at equity:</b>			
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account:	-	-	-
- adjustments due to impairment	-	-	-
- gains (losses) on disposal	-	-	-
c) other changes	-	-	-
<b>130. Total other components of income</b>	<b>-13,960</b>	<b>4,026</b>	<b>-9,934</b>
<b>140. Comprehensive income (Items 10 + 130)</b>	<b>-</b>	<b>-</b>	<b>98,149</b>

## PART E – INFORMATION ON NET EQUITY

### 1. Net Equity

#### 1.1 Breakdown of net equity

The Banca Generali Group's net equity amounted to 626.4 million euros at 30 June 2017 and may be broken down as follows.

(€ THOUSAND)	30.06.2017	31.12.2016	CHANGE	
			AMOUNT	%
Share capital	116,839	116,425	414	0.4%
Share premium reserve	58,363	53,803	4,560	8.5%
Reserves	345,626	314,353	31,273	9.9%
(Treasury shares)	-1,581	-2,933	1,352	-46.1%
Valuation reserves	-955	8,979	-9,934	-110.6%
Equity instruments	-	-	-	-
Net profit (loss) for the period	108,083	155,894	-47,811	-30.7%
<b>Group net equity</b>	<b>626,375</b>	<b>646,521</b>	<b>-20,146</b>	<b>-3.1%</b>

Net equity decreased by 20.1 million euros, compared to the end of the previous year, due to the following changes:

(€ THOUSAND)	GROUP
<b>Net equity at period-start</b>	<b>646,521</b>
Dividend paid	-124,674
Purchase and sale of treasury shares	-
Stock option plans: capital increases	5,787
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	1,209
Matured IFRS 2 reserves on LTIP	-617
Change in valuation reserves	-9,934
Consolidated net profit	108,083
<b>Net equity at period-end</b>	<b>626,375</b>
<b>Change</b>	<b>-20,146</b>

#### 1.2 Valuation reserves

##### 1.2.1 Breakdown of valuation reserves

The fair value reserves for the financial assets portfolio decreased sharply compared to the end of the previous year, primarily due to the performance of reserves for government bonds at the end of the quarter, as a result of the greater volatility of the spread on Italian securities.

The aggregate was positive for 0.9 million euros overall, decreasing by 9.8 million euros compared to year-end 2016. This performance was mainly influenced by the Italian government bond portfolio, the net positive reserves of which amounted to -2.4 million euros compared to 6.5 million di euros at year-end 2016.

ASSETS/VALUES	30.06.2017			31.12.2016	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
1. Debt securities	7,358	-9,030	-1,672	7,142	-8,814
2. Equity securities	531	-	531	2,159	-1,628
3. UCITS units	2,225	-153	2,072	1,459	613
AFS reserves	10,114	-9,183	931	10,760	-9,829
Exchange gains and losses	-	-110	-110	-96	-14
Actuarial gains (losses) from defined benefit plans	-	-1,776	-1,776	-1,685	-91
<b>Total</b>	<b>10,114</b>	<b>-11,069</b>	<b>-955</b>	<b>8,979</b>	<b>-9,934</b>

## 1.2.2 Reserves from financial assets available for sale: change

Valuation reserves on the AFS portfolio showed a net decrease of 9.8 million euros for the first half of 2017, as a result of the following factors:

- > an increase in net valuation capital losses totalling 7.8 million euros;
- > the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-6.1 million euros);
- > the positive net tax effect (DTAs) associated with the above changes (+4 million euros).

(€ THOUSAND)	30.06.2017				
	EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES		TOTAL
			CORPORATE	GOVERNMENT	
<b>1. Amount at period-start</b>	<b>2,159</b>	<b>1,459</b>	<b>650</b>	<b>6,492</b>	<b>10,760</b>
<b>2. Increases</b>	<b>293</b>	<b>968</b>	<b>1,524</b>	<b>6,337</b>	<b>9,122</b>
2.1 Fair value increases	173	968	1,354	2,069	4,564
2.2 Transfer to Profit and Loss Account of negative reserves					
- due to impairment	11	-	-	-	11
- due to disposal	4	-	-	64	68
2.3 Other changes	105	-	170	4,204	4,479
<b>3. Decreases</b>	<b>1,921</b>	<b>355</b>	<b>1,466</b>	<b>15,209</b>	<b>18,951</b>
3.1 Fair value decreases	-	9	163	12,168	12,340
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to Profit and Loss Account of positive reserves: due to disposal	1,920	56	1,105	3,041	6,122
3.4 Other changes	1	290	198	-	489
<b>4. Amount at period-end</b>	<b>531</b>	<b>2,072</b>	<b>708</b>	<b>-2,380</b>	<b>931</b>

## 1.3 Own Funds

**Own funds**, calculated in accordance with the Basel 3 transitional rules (phase in), amounted to 477.6 million euros, up by 14.7 million euros compared to the end of the previous year, chiefly due to the portion of retained earnings.

ITEMS/VALUES	30.06.2017		31.12.2016	CHANGE	
	FULLY LOADED	PHASE IN	PHASE IN	AMOUNT	%
Common Equity Tier 1 capital (CET1)	432,444	434,311	419,073	15,238	3.6%
Additional Tier 1 capital (AT1)	-	-	-	-	-
Tier 2 capital (T2)	43,000	43,331	43,854	-523	-1.2%
<b>Total own funds</b>	<b>475,444</b>	<b>477,642</b>	<b>462,927</b>	<b>14,715</b>	<b>3.2%</b>

The composition of own funds is shown synthetically below, illustrating the effects of the prudential filters and the changes linked to the transitional provisions.

A detailed analysis including all the components of own funds (CET1, Tier 1, Tier 2) and relevant adjustments applicable in the phase-in is given in Part F of the Notes and Comments of the Consolidated Financial Statements for the year ended 31 December 2016, to which reference is made.

OWN FUNDS BASEL 3	30.06.2017			31.12.2016	CHANGE
	FULLY LOADED	ADJUST.	PHASE IN	PHASE IN	
<b>CET1 instruments</b>	<b>159,273</b>	-	<b>159,273</b>	<b>167,295</b>	<b>-8,022</b>
Reserves	345,626	-	345,626	314,353	31,273
Net profit (loss) for the period	21,645	-	21,645	31,455	-9,810
Other components of other comprehensive income (OCI)	-955	1,866	911	992	-81
Capital and reserves	525,589	1,866	527,455	514,095	13,360
Goodwill	-63,822	-	-63,822	-64,101	279
Intangible assets	-23,511	-	-23,511	-25,415	1,904
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-1,013	-	-1,013	-1,057	44
Intangible assets	-88,346	-	-88,346	-90,573	2,227
Negative prudential filters	-4,798	-	-4,798	-4,449	-349
<b>Total</b>	<b>432,444</b>	<b>1,866</b>	<b>434,311</b>	<b>419,073</b>	<b>15,238</b>
Portion exceeding non-significant investments (<10%) in CET1 instruments	-	-	-	-	-
Portion exceeding significant investments (>10%) in CET1 instruments	-	-	-	-	-
<b>General deduction with threshold 17.65%-15%</b>	-	-	-	-	-
<i>General deduction - portion exceeding DTAs</i>	-	-	-	-	-
<i>General deduction - portion exceeding significant investments</i>	-	-	-	-	-
<i>50% deduction - portion exceeding significant investments to be deducted from CET1</i>	-	-	-	-	-
<b>Total Common Equity Tier 1 capital (CET1)</b>	<b>432,444</b>	<b>1,866</b>	<b>434,311</b>	<b>419,073</b>	<b>15,238</b>
<b>Total Additional Tier 1 capital (AT1)</b>	-	-	-	-	-
T2 instruments (subordinated liabilities)	43,000	-	43,000	43,000	-
Significant investments: 50% excess portion deducted from Tier 1 capital	-	-	-	-	-
50% positive AFS reserves – phase-in – T2 impact (20%)	-	331	331	854	-523
<b>Total Tier 2 capital</b>	<b>43,000</b>	<b>331</b>	<b>43,331</b>	<b>43,854</b>	<b>-523</b>
<b>Total own funds</b>	<b>475,444</b>	<b>2,198</b>	<b>477,642</b>	<b>462,927</b>	<b>14,715</b>

In the reporting period, the performance of the aggregate was mainly influenced by the regulatory provisions for **retained earnings**, calculated on the net profit for the period, net of the foreseeable dividends to be distributed to shareholders at the end of the financial year.

To this end, reference was made to the provisions set forth in Article 2 of the Commission Delegated Regulation (EU) No. 241 of 7 January 2014 providing for the methods to be applied in deducting dividends from the net profit for the period, specifying the hierarchy of approved methodologies.

Dividends paid by Banca Generali are generally based on the consolidated net profit for the year rather than the Bank's net profit.

Where the institution's management body has not formally taken a decision or in the absence of an approved dividend policy, the Regulation calls for the application of a dividend payout ratio which shall be based on the highest of the following:

- the average dividend pay-out ratio over the three years prior to the year under consideration (2014-2016), equal to 73%;
- the dividend pay-out ratio of the year preceding the year under consideration, equal to 80%.

The foreseeable dividends were therefore determined by calculating 80% (86.4 million euros) of the consolidated net profit for the reporting year, amounting to 108.1 million euros.

Changes in the CET1 were attributable to the recognition of repurchase commitments of own funds for an amount of 14.3 million euros. In this regard, it should be noted that on 20 April 2017 the General Shareholders' Meeting authorised the repurchase of a maximum of 411,354 own shares in service of remuneration plans for key employees for 2017 and of the 2017 loyalty plan.

<b>Own funds at period-start</b>	<b>462,927</b>
<b>Change in Tier 1 capital</b>	
Purchase of treasury shares and repurchase commitments of CET1 instruments	-14,348
Change in reserves for share-based payments (IFRS2)	6,379
2016 dividend payout	-235
Regulatory provisions for retained earnings 2017	21,645
Phase-in: change in AFS positive and negative reserves	74
Change in IAS 19 reserves (net of the filter)	-155
Change in goodwill and intangibles	2,227
Negative prudential filters	-349
Deductions for significant investments, DTAs; general deductions	-
Phase-in: CET1	-
<b>Total changes in TIER 1 capital</b>	<b>15,238</b>
<b>Change in Tier 2 capital</b>	
Tier 2 subordinated loans (regulatory amortisation)	-
Phase-in: change in AFS positive reserves	-523
Other effects	-
<b>Total change in TIER 2 capital</b>	<b>-523</b>
<b>Own funds at period-end</b>	<b>477,642</b>
<b>Change</b>	<b>14,715</b>

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

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

In this regard, it should be noted that Regulation (EU) No. 2067/2016, which adopts accounting standard IFRS 9, was published on 29 November 2016 and entered into effect on 19 December 2016. However, pursuant to Article 2 of that Regulation, IFRS 9 must be applied, at the latest, by the beginning of the first financial year starting on or after 1 January 2018.

Consequently, given the interpretative uncertainty that arose with respect to the relevance of the two different dates, until formal clarification is provided by the European authorities, in its Notice of 23 January 2017 the Bank of Italy confirmed that this discretion may continue to be exercised on a phase-in basis, solely for “less significant” banks subject to direct supervision.

## 1.4 Capital adequacy

Supervisory provisions require banks to comply with specific capital adequacy ratios calculated by relating the corresponding category of own funds (CET1, Tier 1, Total Capital) to the bank's overall risk exposure (RWAs - Risk Weighted Assets).

In particular, own funds must represent at least 8% of total weighted assets in relation to the credit risk profile, valued based on the category of debtor counterparties, term, country risk and guarantees received (**credit and counterparty risk**).

Banks are also required to comply with regulatory capital requirements connected to trading activities. Related **market risks** are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.

Internal models may be used to calculate capital requirements for market risk; however, the Banca Generali Group uses standard methods under all circumstances.

Lastly, banks are required to set aside part of their Own Funds to cover **operating risk**, taking into account the type and volumes of operations performed.

A minimum CET1 ratio of 4.5%, a Tier 1 ratio of 6% and a Total Capital Ratio of 8% were envisaged by the Prudential Supervisory Provisions for 2017. In addition to these minimum ratios, the new regulations state that banks must also hold a capital conservation buffer (CCB) equal to 2.5% of the bank's overall risk exposure, consisting of Common Equity Tier 1 capital, bringing the overall capital requirement to 10.5%.



Moreover, as part of the SREP Supervisory Review and Evaluation Process carried out annually by the competent Supervisory Authority, the Bank of Italy to Banca Generali the following specific capital requirements to be applied to the Banking Group commencing with the reporting on Own Funds at 1 January 2017:

- > CET1 ratio of **6.4%**, consisting of:
  - an **Overall Capital Requirement (OCR)** of **5.9%**, made of a binding ratio of **4.7%** (of which 4.5% as minimum regulatory requirement and 0.2% as additional requirement following the SREP) and a capital conservation buffer for the remainder;
  - a **capital guidance** of 0.5%, due to a higher risk exposure under stress conditions;
- > Tier 1 ratio of **8.1%**, consisting of:
  - an **Overall Capital Requirement (OCR)** of **7.5%**, made of a binding ratio of **6.2%** (of which 6% as minimum regulatory requirement and 0.2% as additional requirement following the SREP) and a capital conservation buffer for the remainder;
  - a **capital guidance** of **0.6%**, due to a higher risk exposure under stress conditions;
- > Total Capital Ratio of **10.4%**, consisting of:
  - an **Overall Capital Requirement (OCR)** of **9.6%**, made of a binding ratio of **8.3%** (of which 8% as minimum regulatory requirement and 0.3% as additional requirement following the SREP) and a capital conservation buffer for the remainder;
  - a **capital guidance** of 0.8%, due to a higher risk exposure under stress conditions.

In 2017, the conservation capital buffer envisaged in the ratios was reduced from 2.5% to 1.25% (in line with the Bank of Italy's decision to bring the requirement to the level set forth in the phase-in, and repositioning at 2.5% in 2019, as stated in the 18<sup>th</sup> update of the Circular Letter 285 del 4 October 2016).

Total capital adequacy requirements for credit, market and operating risks set by the Supervisory Authority reached 204.1 million euros at period-end, with a decrease of 3.1 million euros compared to the previous year (+1.5%).

ITEMS/VALUES	30.06.2017		31.12.2016		CHANGE	
	FULLY LOADED	PHASE IN	PHASE IN	AMOUNT	%	
Credit risk	135,965	135,965	132,469	3,496	2.6%	
Market risks	2,274	2,274	2,681	-407	-15.2%	
Other prudential requirements (concentration risk)	-	-	-	-	-	
Operating risk	65,863	65,863	65,863	-	-	
<b>Total own funds absorbed</b>	<b>204,101</b>	<b>204,101</b>	<b>201,012</b>	<b>3,089</b>	<b>1.5%</b>	

The increase in capital absorbed compared to the previous year was primarily due to the increased requirements for credit risk (+3.5 million euros), and in particular of exposures to the government and central banks (+2.4 million euros), as a result of DTA growth, and past-due exposures (+3.1 million euros), offset by a reduction of exposures to companies (-5 million euros).

CREDIT RISK REGULATORY PORTFOLIO	30.06.2017			31.12.2016		CHANGE	
	INITIAL EXPOSURE	WEIGHTED ASSETS	REQUIREMENT	WEIGHTED ASSETS	REQUIREMENT	WEIGHTED ASSETS	REQUIREMENT
Administrations and Central Banks	5,943,775	98,781	7,902	69,170	5,534	29,611	2,369
Non-profit organisations and public entities	-	-	-	-	-	-	-
Supervised intermediaries	993,159	221,868	17,749	207,970	16,638	13,898	1,112
Companies	1,146,567	799,039	63,923	861,261	68,901	-62,222	-4,978
Detail	1,075,669	297,677	23,814	285,114	22,809	12,563	1,005
Exposures secured by real property	371,874	131,323	10,506	131,743	10,539	-420	-34
Past-due exposures	89,182	44,155	3,532	5,131	410	39,024	3,122
UCITS	19,018	19,018	1,521	13,928	1,114	5,090	407
Equity exposures	39,137	39,142	3,131	44,230	3,538	-5,088	-407
Other	195,393	46,795	3,744	36,709	2,937	10,086	807
Securitisation	-	-	-	-	-	-	-
<b>Total requirements</b>	<b>9,873,774</b>	<b>1,697,798</b>	<b>135,824</b>	<b>1,655,256</b>	<b>132,420</b>	<b>42,542</b>	<b>3,403</b>
Risk of credit valuation adjustment		1,760	141	560	45	1,200	96
<b>Total credit risk</b>	<b>9,873,774</b>	<b>1,699,558</b>	<b>135,965</b>	<b>1,655,816</b>	<b>132,465</b>	<b>43,742</b>	<b>3,499</b>

The simultaneous increase in consolidated own funds however allows to establish the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at 273.5 million euros, up by 11.6 million euros compared to the value recognised at the end of the previous year.

The CET1 ratio reached 17.0%, compared to a minimum regulatory requirement of 7%, and the Total Capital ratio reached 18.7%, compared to a minimum requirement of 10.4% indicated by the supervisory authority following the SREP. Consolidated own funds, calculated in accordance with Basel 3 rules, which will become fully applicable as at 1 January 2019, were 475.4 million euros, with Total Capital Ratio at 18.6%.

(€ THOUSAND)	30.06.2017		31.12.2016	CHANGE	
	FULLY LOADED	PHASE IN	PHASE IN	AMOUNT	%
Total Common Equity Tier 1 capital (CET1)	432,444	434,311	419,073	15,238	3.6%
Total Additional Tier 1 capital (AT1)	-	-	-	-	-
Total Tier 2 capital	43,000	43,331	43,854	-523	-1.2%
<b>Total own funds</b>	<b>475,444</b>	<b>477,642</b>	<b>462,927</b>	<b>14,715</b>	<b>3.2%</b>
Credit risk	135,965	135,965	132,469	3,496	2.6%
Market risks	2,274	2,274	2,681	-407	-15.2%
Other prudential requirements (concentration risk)	-	-	-	-	-
Operating risk	65,863	65,863	65,863	-	-
<b>Total own funds absorbed</b>	<b>204,101</b>	<b>204,101</b>	<b>201,012</b>	<b>3,089</b>	<b>1.5%</b>
Excess over absorbed capital	271,343	273,541	261,915	11,626	4.4%
Risk-weighted assets	2,551,262	2,551,262	2,512,652	38,609	1.5%
Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)	17.0%	17.0%	16.7%	0.3%	2.1%
<b>Own funds/Risk-weighted assets (Total Capital ratio)</b>	<b>18.6%</b>	<b>18.7%</b>	<b>18.4%</b>	<b>0.3%</b>	<b>1.6%</b>

## PART F – RELATED PARTY TRANSACTIONS

### 1. Disclosure of Related Party Transactions

As part of its normal business operations, Banca Generali carries out numerous financial and commercial transactions with related parties included in the scope of consolidation of the Generali Group.

Banca Generali is a subsidiary of Assicurazioni Generali S.p.A., controlled mainly through Generali Italia S.p.A., holding of all the Insurance Group's operations in Italy, and other Italian and foreign subsidiaries. Therefore, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code is the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali, in compliance with IAS 24.

In the banking area, such relationships include current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.

As regard the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisors network's placement of asset-management and insurance products, as well as banking products and services.

To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

Finally, as part of its normal operations, the Bank also maintains relationships pertaining to outsourcing, IT and administration, insurance and leasing relationships, as well as other minor relationships with Generali Group companies. Transactions with related parties outside the Generali Group are mostly confined to direct and indirect inflows activities and loans to Key Management Personnel (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm's length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

#### 1.1 Extraordinary and non-recurring transactions

##### Unusual, atypical or extraordinary transactions

During the first half of 2017, no related party transactions were carried out that could be defined as atypical or unusual or likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer."

##### Highly significant transactions

In the first half of 2017 the Group did not carry out any transactions qualifying as "highly significant", non-ordinary transactions, entered into at non-market or non-standard conditions which, in accordance with the Procedure on Related Party Transactions, would have been subject to market disclosure and the obligation of publishing an information memorandum.

##### Other significant transactions

During the first half of 2017, a single transaction was approved qualifying as "moderately significant" transaction, and thus subject to the prior non-binding opinion of the Internal Audit and Risk Committee (the amount of which exceeded 250 thousand euros), and was as follows.

TRANSACTION	RELEVANT PARTY	DATE	AMOUNT (EURO/000)
Granting of a loan	Fancel Giancarlo	10.02.2017	260

#### 1.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties for the first half of 2017 are presented in the following sections.

## Transactions with Assicurazioni Generali Group

### Balance Sheet data

(€ THOUSAND)	PARENT COMPANY ASS. GENERALI	SUBSIDIARIES OF THE AG GROUP	30.06.2017	31.12.2016	WEIGHT % 2017
HFT financial assets	230	-	230	225	0.5%
AFS financial assets	665	246	911	898	-
Loans to customers	-	20,582	20,582	19,100	1.1%
Tax assets (AG tax consolidation)	405	-	405	2,150	0.8%
Other assets	1	1,241	1,242	428	0.4%
<b>Total assets</b>	<b>1,301</b>	<b>22,069</b>	<b>23,370</b>	<b>22,801</b>	<b>0.3%</b>
Due to customers	5,144	394,643	399,787	751,157	6.1%
Tax liabilities (AG tax consolidation)	6,781	-	6,781	-	21.0%
Other liabilities	-	5,957	5,957	10,824	1.1%
<b>Total liabilities</b>	<b>11,925</b>	<b>400,600</b>	<b>412,525</b>	<b>761,981</b>	<b>4.7%</b>
<b>Guarantees issued</b>	<b>2,073</b>	<b>760</b>	<b>2,833</b>	<b>2,508</b>	<b>2.8%</b>

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 23.4 million euros, compared to the 22.8 million euros recognised at the end of 2016, equal to 0.3% of Banca Generali's total assets.

By contrast, the total debt position reached 412.5 million euros, accounting for 4.6% of liabilities, down by 349.4 million euros (-45.8%) compared to the previous year, due to the use at the beginning of the year of the temporary treasury balances of an Italian subsidiary.

As part of assets, **HFT and AFS financial assets** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolios of Banca Generali. As part of the AFS portfolio, shareholdings in subsidiaries of the Generali insurance group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services).

Exposures to Generali Group companies recognised as **loans to customers** amounted to 20.6 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	30.06.2017		31.12.2016	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Genertellife	Subsidiary of the AG group	Operating receivables	17,979	-	17,461	-
Other companies of the Generali Group	Subsidiary of the AG group	Operating receivables	2,601	-	1,632	-
Other exposures with Group companies	Subsidiary of the AG group	Temporary current account exposures	2	911	7	816
			<b>20,582</b>	<b>911</b>	<b>19,100</b>	<b>816</b>

**Operating receivables** are comprised of transitional items including fees accrued over the first half of the year for the distribution of insurance and financial products of Group companies.

The tax credit amounting to 405 thousand euros represents the tax credit arising from the application for the refund of the portion of the IRAP tax made deductible for IRES purposes pursuant to Legislative Decree No. 201/2011, and subject to reimbursement within tax consolidation scheme adopted by the Parent Company Assicurazioni Generali.

Amounts receivable from the Parent Company for **tax liabilities** consisted of Banca Generali S.p.A.'s net tax liabilities resulting from the balance between tax prepayments, withholdings and credits and the IRES tax due at the end of the reporting period.

**Amounts due to customers** attributable to Generali Group's related parties reached 399.8 million euros at the end of the period and included amounts due to the parent company Assicurazioni Generali S.p.A. for 5.1 million euros and amounts due to Generali Italia S.p.A. for 119.9 million euros.

Amounts due to customers also included the **subordinated loan** with the subsidiary Generali Beteiligungs GmbH, taken up at the end of 2014 to acquire the Credit Suisse Italia S.p.A.'s business line and amounting to 44.1 million euros, gross of accrued interest.

Finally, a total of 2.8 million euros in personal guarantees was issued for Generali Group companies, of which 2.1 million euros on behalf of Assicurazioni Generali S.p.A.

**Profit and Loss Account data**

At 30 June 2017, the profit and loss components recognised in the financial statements with regard to transactions with companies of the Generali Group amounted to 97.6 million euros, that is 55.2% of operating profit.

(€ THOUSAND)	PARENT COMPANY ASS. GENERALI	SUBSIDIARIES OF THE AG GROUP	30.06.2017	31.12.2016	WEIGHT % 2017
Interest income	221	690	911	158	2.7%
Interest expense	-	-833	-833	-845	46.5%
<b>Net interest income</b>	<b>221</b>	<b>-143</b>	<b>78</b>	<b>-687</b>	<b>0.2%</b>
Fee income	1	105,856	105,857	90,335	27.6%
Fee expense	-	-747	-747	-502	0.5%
<b>Net fees</b>	<b>1</b>	<b>105,109</b>	<b>105,110</b>	<b>89,833</b>	<b>45.9%</b>
Dividends	49	-	49	45	2.8%
<b>Operating income</b>	<b>271</b>	<b>104,966</b>	<b>105,237</b>	<b>89,191</b>	<b>39.0%</b>
Staff expenses	-	122	122	105	-0.3%
General and administrative expenses	-	-7,761	-7,761	-7,895	11.2%
Other operating income and expenses	-	36	36	36	0.1%
<b>Net operating expenses</b>	<b>-</b>	<b>-7,603</b>	<b>-7,603</b>	<b>-7,754</b>	<b>8.1%</b>
<b>Operating result</b>	<b>271</b>	<b>97,363</b>	<b>97,634</b>	<b>81,437</b>	<b>55.2%</b>
<b>Operating profit</b>	<b>271</b>	<b>97,363</b>	<b>97,634</b>	<b>81,437</b>	<b>76.3%</b>
<b>Net profit (loss) for the period</b>	<b>271</b>	<b>97,363</b>	<b>97,634</b>	<b>81,437</b>	<b>90.3%</b>

Overall, **net interest income** accrued in dealings with companies of the Insurance Group amounted to 78 thousand, with interest paid (0.8 million euros) accounting for 46.5% of the total amount recognised in the Profit and Loss Account and interest income paid by the said companies (0.9 million euros) accounting for 2.7% of the total amount recognised in the Profit and Loss Account. By convention, interest income also includes the negative interest expense applied to the deposits of Generali Group companies, calculated according to the average one-month Euribor for the month prior to the month of calculation.

Interest paid in relation with the subordinated loan of Generali Beteiligungs GmbH totalled 0.8 million euros, whereas at present the interest income from other companies of the Generali Group consisted of interest expense (profit), negative for 0.9 million euros.

**Fee income** paid back by companies of the insurance Group amounted to 105.9 million euros, equal to 27.6% of the aggregate amount and was broken down as follows:

	30.06.2017	30.06.2016	CHANGE	
			ABSOLUTE	%
Asset management fees	1,818	1,750	68	3.9%
Distribution of insurance products	101,949	87,399	14,550	16.6%
Advisory fees	1,855	928	927	n.s.
Other banking fees	235	258	-23	n.s.
<b>Total</b>	<b>105,857</b>	<b>90,335</b>	<b>15,522</b>	<b>17.2%</b>

The most significant component consists of fees on the **distribution of insurance products** by Genertellife, up by 16.6% compared to the same period of the previous year (+14.6 million euros).

Fees on the placement of units of UCITS of the Insurance Group were largely related to the income on the distribution of BG Focus funds, promoted by Generali Investments Europe SGR.

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in the first half of 2017 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 1.8 million euros.

The other bank fees refer primarily to SDD collection activity on behalf of Group companies.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the banking and insurance Group. Such fees, amounting to 2.9 million euros, are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.

The Bank also directly collects from customers – through the correspondent bank – subscription fees debited to subscribers of the Sicav promoted by the Group (BG Sicav, BG Selection Sicav, Generali Investments Sicav).

**Net operating expenses** recognised by the Bank in relation to transactions with related parties of the Generali Group amounted to 7.6 million euros, equal to 8.1% of the aggregate total and refer to outsourced services in the insurance, leasing, administrative and IT sectors.

	30.06.2017	30.06.2016	CHANGE	
			ABSOLUTE	%
Insurance services	1,148	1,120	28	2.5%
Property services	2,846	2,896	-50	-1.7%
Administration, IT and logistics services	3,731	3,843	-112	-2.9%
Financial services	-	-	-	-
Staff services	-122	-105	-17	16.2%
<b>Total administrative expenses</b>	<b>7,603</b>	<b>7,754</b>	<b>-151</b>	<b>-1.9%</b>

Administrative expenses incurred in relation to Generali Italia S.p.A. amounted to 1.6 million euros, of which 1.1 million euros refer to insurance services and the remainder to rentals property leases.

The cost of property services relating to the lease of offices, branch network and the bank's operating outlet premises totalled 2.8 million euros and referred to Generali Italia S.p.A. (0.6 million euros), as well as to Generali Properties (1.5 million euros) and Fondo Mascagni (0.7 million euros).

Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

### Transactions with other related parties

Exposure in respect of **Key Managers** of the Bank and its parent company Assicurazioni Generali mainly referred to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other Executives of the Banking and Insurance Group.

Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the Banking and Insurance Group.

Equity investments include the interest acquired by the Banking Group in 2015 in the UK-based firm IOCA Entertainment Ltd.

In the first half of 2017, the share of the loss for the period attributable to Banca Generali amounted to approximately 77 thousand euros, whereas the exchange differences on the equity investment in foreign currency amounted to 110 thousand euros.

In addition, the **AFS portfolio** included an equity investment in Dea Capital – whose amount was not material – attributable to a Key Manager of the Parent Company, Assicurazioni Generali S.p.A. In the first half of 2017, the equity investment earned dividends for 36 thousand euros.

(€ THOUSAND)	KEY MANAG. PERSONNEL	ENTITIES UNDER CONTROL OR SIGNIFICANT INFLUENCE
AFS financial assets	-	279
Loans to customers	2,368	-
Equity investments	-	1,898
Due to customers	3,534	-
Guarantees issued	45	-

## PART G – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

At 30 June 2017, the payment agreements based on own equity instruments activated by Banca Generali consisted of:

- > effective from 2015, the plans launched with respect to the *Remuneration and Incentivisation Policy of the Banca Generali Group*, which envisages that part of the variable remuneration of Key Personnel be paid by assigning Banca Generali's financial instruments;
- > the new 2017-2026 loyalty plan, approved by the General Shareholders' Meeting on 20 April 2017, which calls for 50% of the indemnity accrued at the end of the year to be paid in financial instruments.

The two stock option plans, one for Financial Advisors and the other for Network Managers and Relationship Managers (employees) of Banca Generali, approved by the General Shareholders' Meeting on 21 April 2010, for which the vesting period had already ended in previous years, expired on 30 June 2017, the final date on which the options could be exercised.

### 1.1 2010 stock option plans

The stock option plans approved in 2010 are divided into six tranches with annual vesting, the last of which became exercisable on 1 July 2016.

The final date for the exercise of all assigned options expired on 30 June 2017 and accordingly the plans have definitively expired.

For a more detailed analysis of the above-mentioned plans, please refer to Part I of the Notes and Comments to the Financial Statements at 31 December 2016.

During the first half of 2017, a total of **418,690** options were exercised, of which **34,429** by Relationship Managers. A total of **15,496** options were cancelled due to the termination of contracts with Financial Advisors or failure to exercise them by the expiry date.

Overall, the options exercised over the duration of the plans amount to 2,364,377 and the options cancelled were 135,623.

### 1.2 Variable components of remuneration in connection to performance objectives

As at financial year 2015, in accordance with the Supervisory Provisions set forth in the 7<sup>th</sup> update dated 18 November 2014 of Bank of Italy's Circular Letter No. 285/2013, the Remuneration and Incentivisation Policy of the Banca Generali Group provides that the remuneration package for Key Management Personnel be made up of fixed and variable components, and that a part of the variable remuneration be paid by assigning Banca Generali's financial instruments.

In detail, for Key Personnel, including the main network managers, 25% of the variable remuneration linked to short-term objectives will be paid in Banca Generali shares, according to the following assignment and retention mechanism:

- > 60% of the bonus will be paid up-front during the year after that of reference, 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
- > 20% of the bonus will be deferred for one year: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
- > the remaining 20% of the bonus will be deferred by two years: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year.

Therefore, the payment in shares will be conditional not only upon the achievement of the pre-set objectives defined in the MBO mechanism, but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio, LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and the following two-year period of retention.

In calculating the number of shares to be assigned, a method is applied where:

- > the numerator is equal to 25% of the variable remuneration accrued in respect of the actual achievement of the targets set for the year in question; and
- > the denominator is equal to the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that in which the cycle in question begins.

In the reporting period, on the basis of the achievement of the performance objectives set out in the 2015 and 2016 Remuneration Policy, **58,124** treasury shares were awarded to company managers and network managers.

In particular, the shares assigned for 2015 related to the first tranche deferred by one year (20%), whereas the shares assigned for 2016 related to the upfront amount (60%).

	DATE OF SHAREHOLDERS' MEETING	BANK OF ITALY'S AUTHORISATION	PRICE ASS.	SHARES ACCRUED/ ACCRUING	SHARES ALLOCATED	SHARES CANCELLED	SHARES NOT VESTED
Year 2015	23.04.2015	03.06.2015	23,9396	29,776	-11,458	-6,387	11,931
Year 2016	21.04.2016	06.06.2016	25,2769	94,559	-46,666	-822	47,071
				<b>124,335</b>	<b>-58,124</b>	<b>-7,209</b>	<b>59,002</b>

The third cycle of share-based payments for the year 2017 was approved by the General Shareholders' Meeting on 20 April 2017, which simultaneously resolved to proceed with the purchase, over a period of 18 months, of the treasury shares to be allocated for assignment to Key Personnel.

In particular, the General Shareholders' Meeting authorised the repurchase of a maximum of 411,354 treasury shares in service of the remuneration plans for Key Personnel for 2017 and the 2017 loyalty programme, as set out in point 1.3 below. The treasury share purchase programme was authorised by the Supervisory Authority on 3 July 2017 and the repurchase transactions have yet to begin.

For the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 12 December 2016 to 9 March 2017, was determined to be 23.73 euros.

### 1.3 Framework Loyalty Programme for the Network

On 21 March 2017, the Board of Directors granted its final approval for a Framework Loyalty Programme for the sales network aimed at improving the retention of the network and the customers acquired over time and creating value for the Group by attracting stable, high-quality net inflows.

The Framework Loyalty Programme consists of a maximum of eight annual plans of decreasing length, ending on 31 December 2026.

The plans can be implemented from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.

In addition, the Framework Programme also states that for each plan implemented part of the bonus may be paid in cash and part in Banca Generali shares (a maximum of 50%), after assessing the effects of this on capital ratios and the free float. The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.

Accordingly, the General Shareholders' Meeting of 20 April, which approved the Programme, also ratified the launch of the 2017-2026 annual plan, authorising the Board of Directors to arrange for the payment of the indemnity accrued to the beneficiaries in the form of Banca Generali shares to the maximum permitted extent (50%).



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## PART H – SEGMENT REPORTING

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions (so-called "management approach").

The Banking Group identifies the following three main business areas:

- > the **Affluent Channel**, which refers to the total earnings generated for the Group by the network of Financial Advisors reporting to the Financial Planner Division, and their respective customers;
- > the **Private Channel**, which refers to the total earnings generated for the Group by the network of Private Bankers and Relationship Managers, reporting to the Private Banking and Private Relationship Manager Divisions, and by their respective clients;
- > the **Corporate Channel**, which refers to the total earnings generated for the Group by the financial activities of the Finance Department and the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

The interest expense incurred by the Affluent and Private segments was determined on the basis of the actual interest paid on each segment's direct inflows. Interest income for the two segments includes, in addition to the actual interest accrued on the loans issued to customers in each segment, a share of the "notional interest" attributed to the Corporate segment.

Performance fees have been directly allocated to the business areas which place the products. All the revenue components presented are measured using the same accounting principles adopted to prepare the Group's Consolidated Financial Statements so that segment data can be reconciled more easily with consolidated data.

The following table shows the consolidated profit and loss results of each of the three operating segments, stated net of intra-segment eliminations.

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT (€ THOUSAND)	30.06.2017				30.06.2016			
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL
Interest income and similar revenues	5,601	3,575	22,016	31,192	5,519	3,873	20,804	30,196
Notional interest	2,970	2,197	-5,167	-	6,672	3,142	-9,814	-
Interest expense and similar charges	-161	-69	618	388	-104	-81	-456	-641
<b>Net interest income</b>	<b>8,410</b>	<b>5,703</b>	<b>17,467</b>	<b>31,580</b>	<b>12,087</b>	<b>6,934</b>	<b>10,534</b>	<b>29,555</b>
Fee income	222,119	123,395	37,318	382,832	172,826	96,347	15,307	284,480
<i>of which:</i>								
- subscriptions	7,795	1,705	161	9,661	7,033	1,277	22	8,332
- management	172,658	97,065	10,271	279,994	145,826	82,602	8,631	237,059
- performance	34,938	18,557	20,474	73,969	14,894	7,605	3,220	25,719
- other	6,728	6,068	6,412	19,208	5,073	4,863	3,434	13,370
Fee expense	-96,550	-51,314	-5,780	-153,644	-83,912	-45,027	-2,715	-131,654
<b>Net fees</b>	<b>125,569</b>	<b>72,081</b>	<b>31,538</b>	<b>229,188</b>	<b>88,914</b>	<b>51,320</b>	<b>12,592</b>	<b>152,826</b>
Net income (loss) from trading activities	-	-	7,633	7,633	-	-	18,089	18,089
Dividends	-	-	1,754	1,754	-	-	1,484	1,484
<b>Net banking income</b>	<b>133,979</b>	<b>77,784</b>	<b>58,392</b>	<b>270,155</b>	<b>101,001</b>	<b>58,254</b>	<b>42,699</b>	<b>201,954</b>
Staff expenses	-	-	-	-43,860	-	-	-	-43,441
Other general and administrative expenses	-	-	-	-69,574	-	-	-	-63,974
Net adjustments/reversal of property, equipment and intangible assets	-	-	-	-3,792	-	-	-	-2,331
Other operating expenses/income	-	-	-	23,994	-	-	-	20,064
<b>Net operating expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-93,232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-89,682</b>
<b>Operating result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>176,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,272</b>
Reversal value of loans	-	-	-	-609	-	-	-	1,517
Adjustments of other assets	-	-	-	-2,555	-	-	-	-3,147
Net provisions	-	-	-	-45,651	-	-	-	-28,459
Gains (losses) from the disposal of equity investments	-	-	-	-77	-	-	-	-39
<b>Operating profit before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,144</b>
Income taxes for the period on current operations	-	-	-	-19,948	-	-	-	-14,833
Profit (loss) from disposal groups	-	-	-	-	-	-	-	-
Minority interests (+/-) for the period	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,311</b>
(€ MILLION)								
Assets Under Management	31,005	21,107	3,372	55,485	25,920	17,667	2,429	46,016
Net inflows	2,270	1,550	n.a.	3,820	2,077	840	n.a.	2,917
No. of FAs/RMs	1,404	493	n.a.	1,897	1,333	435	n.a.	1,768

Trieste, 27 July 2017

The Board of Directors

# ATTESTATION TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS



## Attestation to the Condensed Half-year Financial Statements Pursuant to Article 81-ter of Consob Regulation 11971 Dated 14 May 1999, as Amended

1. The undersigned Gian Maria Mossa in his capacity as Chief Executive Officer, and Tommaso Di Russo, in his capacity as Manager in charge of preparing the accounting documents of Banca Generali S.p.A., hereby declare, taking into account the provisions set out in article 154-bis, paragraphs 3 and 4 of the legislative decree dated 24 February 1998, No.58, that the administrative and accounting procedures adopted to prepare the condensed half-year report for the first half of 2017
  - are appropriate in light of the features of the company, and
  - have been applied.
2. The appropriateness of administrative and accounting procedures for preparing the condensed half-year financial statements at 30 June 2017 was assessed using a process established by Banca Generali S.p.A. based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is generally accepted as a reference framework worldwide.
3. The undersigned further declare that:
  - 3.1 the condensed half-year financial statements at 30 June 2017:
    - a) were prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of Legislative Decree No. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
    - b) reflect the accounting books and records;
    - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and all consolidated companies.
  - 3.2 The interim report includes a reliable analysis of references to important events occurred in the first six months of the year, and to their impact on the condensed half-year financial statements; it also includes a description of the main risks and uncertainties regarding the coming six months of the year. The interim report also includes a reliable analysis of information on significant related-party transactions.

Trieste, 27 July 2017

Dott. Gian Maria Mossa  
Chief Executive Officer

BANCA GENERALI S.p.A.

Dott. Tommaso Di Russo  
Manager in charge of preparing  
the Company's Financial Documents  
BANCA GENERALI S.p.A.

# REPORT OF THE INDEPENDENT AUDITORS

pursuant to Articles 14 and 16 of Legislative Decree 27.01.2010, No. 39



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**Auditors' review report on the interim condensed consolidated financial statement**  
(Translation from the original Italian text)

To the shareholders of  
Banca Generali S.p.A.

## Introduction

We have reviewed the accompanying interim condensed consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and the related explanatory notes, of Banca Generali Group as of June 30, 2017. Directors are responsible for the preparation of the interim condensed consolidated financial statements in compliance with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

## Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution No. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statement of Banca Generali Group as of June 30, 2017 are not prepared, in all material respects, in conformity with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 2, 2017

BDO Italia S.p.A.

Signed by Rosanna Vicari  
Partner

*This report has been translated into English language solely for the convenience of international readers*

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# Banca Generali S.p.A.

Registered office  
Via Machiavelli 4  
I-34132 Trieste

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

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

Bank which is a member of the Interbank  
Deposit Protection Fund  
Registration with the bank register  
of the Bank of Italy under No. 5358  
Parent Company of the Banca Generali Banking Group  
registered in the banking group register  
ABI code 3075.9

Company managed and coordinated  
by Assicurazioni Generali S.p.A.





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GENERALI**

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