BANCA GENERALI

ANNUAL REPORT AT 31.12.2012

BANCA GENERALI S.P.A.

ANNUAL REPORT

as of 31 December 2012

BANCA GENERALI

ANNUAL REPORT 2012

BOARD OF DIRECTORS 8 MARCH 2013

Banca Generali S.p.A.

Administration and control bodies

BOARD OF DIRECTORS

Paolo Vagnone	Chairman
Piermario Motta	Chief Executive Officer
Raffaele Agrusti	Director
Mario Francesco Anaclerio	Director
Paolo Baessato	Director
Giovanni Brugnoli	Director
Fabio Genovese	Director
Anna Gervasoni	Director
Angelo Miglietta	Director
Ettore Riello	Director

BOARD OF STATUTORY AUDITORS

Giuseppe Alessio Vernì	Chairman
Alessandro Gambi	Acting Auditor
Angelo Venchiarutti	Acting Auditor
Luca Camerini	Alternate Auditor
Anna Bruno	Alternate Auditor

GENERAL MANAGER
Piermario Motta

MANAGER IN CHARGE OF PREPARING
THE COMPANY'S FINANCIAL REPORTS
Giancarlo Fancel

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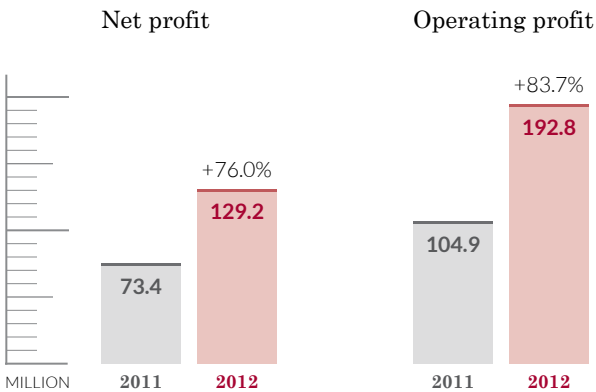
GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

Group economic and financial highlights

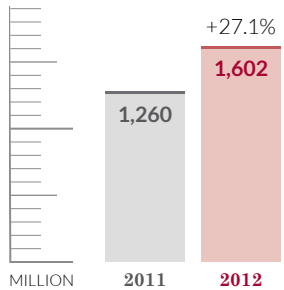
Consolidated figures

(€ MILLION)	2012	2011	CHANGE %
Net interest income	111.6	49.1	127.4
Net commissions	214.1	188.0	13.9
Dividends and net profit from trading activities	12.4	6.7	84.7
Net banking income	**338.0**	**243.7**	**38.7**
Staff expenses	-67.2	-64.8	3.7
Other general and administrative expense	-92.7	-78.6	17.9
Amortisation and depreciation	-4.5	-4.1	9.8
Other net operating income (expense)	19.1	8.7	120.9
Net operating expense	**-145.2**	**-138.8**	**4.6**
Operating profit	**192.8**	**104.9**	**83.7**
Provisions	-18.6	-10.1	84.9
Adjustments	-4.3	-6.0	-28.3
Profit before taxation	**169.9**	**88.9**	**91.1**
Net profit	**129.2**	**73.4**	**76.0**
Cost/Income ratio	41.6%	55.3%	-24.7
EBTDA	197.3	109.0	81.0
ROE	58.26%	38.93%	49.7
EPS - Earnings per Share (euro)	1.154	0.657	75.6



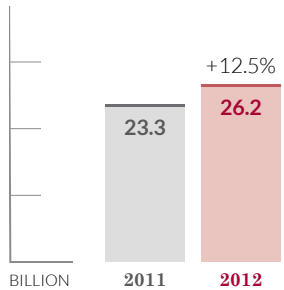
Net inflows

ASSORETI DATA (€ MILLION)	31.12.2012	31.12.2011	CHANGE %
Mutual funds and SICAVs	444	-11	4,136.4
Asset management	68	-177	138.4
Insurance/Pension funds	1,115	713	56.4
Securities/Current accounts	-25	735	-103.4
Total	**1,602**	**1,260**	**27.1**



Asset Under Management & Custody (AUM/C)

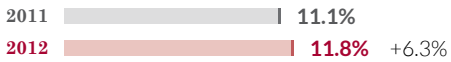
ASSORETI DATA (€ BILLION)	31.12.2012	31.12.2011	CHANGE %
Mutual funds and SICAVs	6.8	5.9	15.6
Asset management	3.1	2.8	10.3
Insurance/Pension funds	8.5	7.3	16.0
Securities/Current accounts	7.8	7.2	7.3
Total	**26.2**	**23.3**	**12.5**



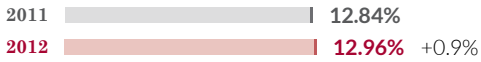
Net equity

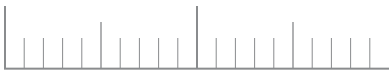
(€ MILLION)	31.12.2012	31.12.2011	CHANGE %
Net equity	395.1	262.4	50.6
Capital for regulatory purposes	276.5	236.5	16.9
Excess capital	105.8	89.1	18.7
Solvency margin	12.96%	12.84%	0.9

Tier 1

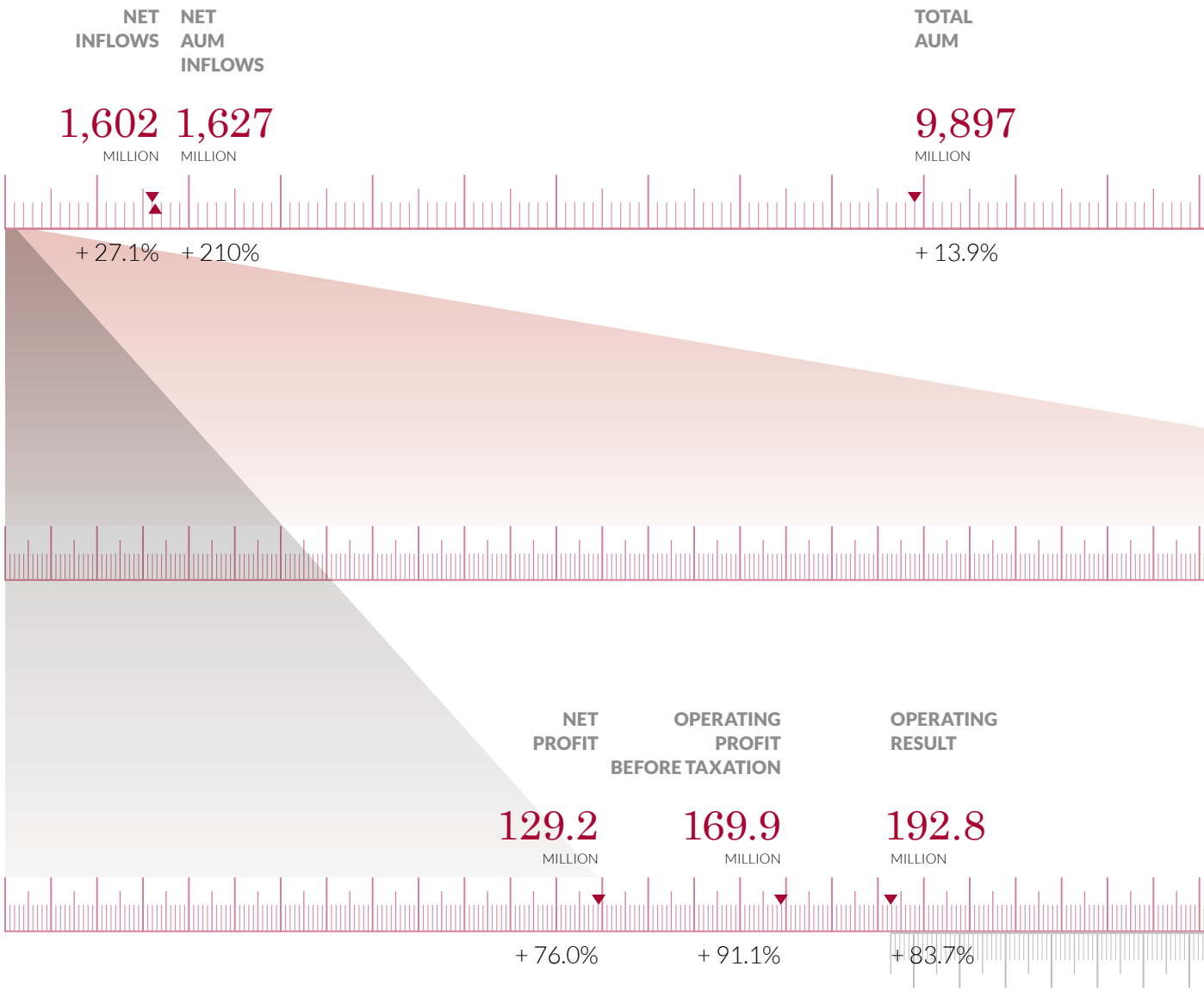


Total Capital Ratio





Highlights 2012



TOTAL ASSETS

26,164
MILLION

+ 12.5%

TOTAL CAPITAL FOR REGULATORY PURPOSES

276.5
MILLION

+ 16.9%

NET EQUITY

395.1
MILLION

+ 50.6%

TOTAL CAPITAL RATIO

12.96%
+ 0.9%

TIER 1

11.8%
+ 6.3%

NET OPERATING PROFIT

338.0
MILLION

+ 38.7%

NET OPERATING EXPENSES

145.2
MILLION

+ 4.6%

Chairman's Letter

Dear Shareholders,

in 2012 there was a gradual consolidation of the recovery of confidence in the financial markets, despite the presence of persistent critical issues of an economic and social nature. Europe and the sustainability of the Monetary Union were at the centre of severe speculation due to the imbalance in the public accounts of various countries and pressure on their debt. The decisions reached by the ECB's Executive Board in the summer were crucial to quelling investors' concerns regarding the solidity of the Eurozone.
In a scenario of heightened volatility, Italy's fundamentals were also put to a severe test. Economic activity, already weak for many years due to structural reasons, intensified the slowdown resulting from measures aimed at rebalancing the public accounts. This trend has been estimated to have improved slightly during the year as a result of the initial effects of reforms and positive signs from global demand, which drives exports. Thus, despite the considerable complexity faced by Italy, we believe that the crisis and correlated changes represent an extraordinary occasion for renewal and evolution that will translate into new opportunities.

Confidence in Italy's ability to react has also characterised Banca Generali's main strategic decisions. The company responded to last year's challenges in a dynamic, flexible spirit, succeeding in further developing its solutions aimed at households. Faced with a number of economic variables, it chose to accelerate its process of developing the quality of its advice and investment solutions.
The efficacy of these actions is summed up by the net inflow figure, which in 2012 exceeded one billion six hundred million euros, marking significant growth compared with the average for recent years.
The acceleration in inflows was the result of the commitment and efforts applied while pursuing a specialist vocation focused on protecting investment. The same determination comes to light from an analysis of the equally satisfactory financial results.
Net profit totalled approximately 130 million euros, up by 78% compared to the previous year, bringing the return on capital to 58% at year-end.

On the basis of the excellent results achieved, Banca Generali proposed that the ordinary Shareholders' Meeting approve the distribution of a dividend of 100.4 million euros, or 90 eurocents per share, up 64% compared to the previous year. We believe that the Shareholders will appreciate this decision, which we are able to put into effect thanks to the great solidity of the Bank's financial structure, further reinforced during the past year.

The company's extraordinary growth confirms the validity of the choices made in the past year and highlights the competitiveness of a business model that promises to be especially relevant in a future in which responsibility for protecting investments, and thus specialised financial advice, will be priority factors in Italy's economic and social equilibrium.

I would thus like to express my heartfelt thanks to our management and employees for the results achieved. Their devoted commitment and excellent work have made Banca Generali an example of excellence for the industry. We are therefore confident that 2013 will be another year of great satisfaction for Banca Generali.

Paolo Vagnone

Chairman of Banca Generali S.p.A.

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REPORT ON OPERATIONS

as of 31 December 2012

BOARD OF DIRECTORS 8 MARCH 2013

1.1

REPORT ON OPERATIONS

1. The Banca Generali Group in 2012

The Banca Generali Group is a leading manager, producer and distributor of financial products for Affluent and Private customers through Financial Advisors.

1.1 The banking Group's strategy

The Banca Generali Group's model is founded on offering a wide range of financial products and services that also include those of third parties, according to the **open-architecture model**. The breadth of this product range on an international scale strengthens the qualified advisory service offered by the Banca Generali Group's Financial Advisors and Private Bankers, allowing customers to use the products that best suit their needs and characteristics. This qualitative approach is especially consistent with the service offered to the affluent and private-banking customers that the Bank has determined to be its target market.

The Banca Generali Group was among the first Italian companies in the industry to decide to introduce this new model, firmly established on the world's most advanced capital markets - and the United States foremost among them - to Italy, in a manner consistent with the European Union's financial services directive (MiFID), which acknowledges and promotes advisory service as an investment service, demonstrating its desire to **anticipate and set market trends**.

Within this general view, there are five key traits that identify the Banca Generali Group's approach to its business:

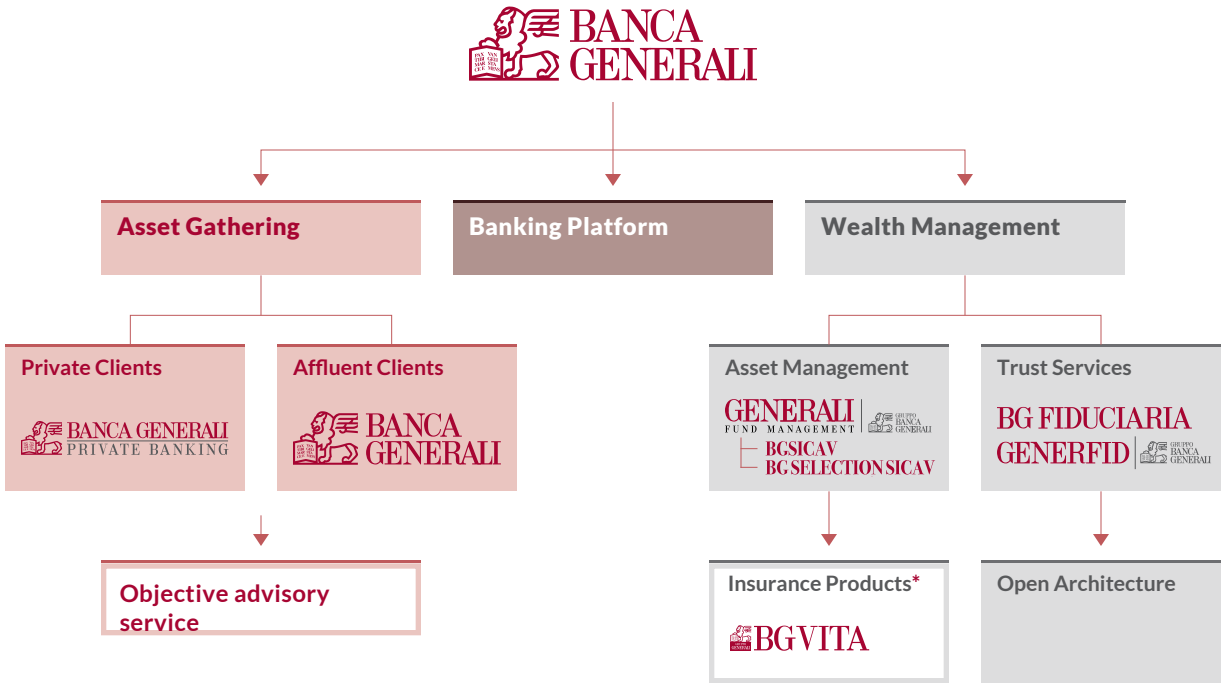
- offering **professional advisory services** through its Financial Advisors and Private Bankers in order to allow customers' long-term financial needs to be identified and met, whether through a general approach or an advanced approach based on specific tools (BG Advisory service);
- focusing distribution on the **role of the Financial Advisor/ Private Banker**, who is thus able to offer a professional, customised advisory service on an ongoing basis throughout the country;
- providing access to **a full range of investment products and services** supplied both by the Group and international market leaders;
- developing important **management know-how** and pursuing **product innovation** to benefit customers;
- fully exploiting and realising the characteristics implied in the **Generali brand**, synonymous with reliability, solidity and competence.

Supporting the professionalism of its staff, called upon to form a direct advisory relationship with top customers, customer service also benefits from the cutting-edge resources provided by a **multi-channel system** based on services via the Internet, call centres and numerous offices and branches spread throughout the country. This allows us to best combine competence, customisation and ease of use by customers.

The Banca Generali Group's financial products and services cover a **wide range of needs**: from mutual funds/SICAVs to discretionary accounts and insurance and pension products. A total of over 1,300 products and services, provided by the Group and 33 management companies, banks and insurers, are offered.

From an organisational standpoint, the Banca Generali Group has a distribution network split into two divisions dedicated to different types of customers (affluent and private), allowing it to move beyond an undifferentiated approach to the market. In addition, there are two management companies, one of which based in Luxembourg (Generali Fund Management) and two trust companies (BG Fiduciaria and Generfid).

The characteristics set out above and developments in recent years have resulted in the Group occupying a top position in its market.



* BG Vita is the trademark of GenertelLife focusing only on life products of Banca Generali.

1.2 Committing to sustainability

In recent years, the Banca Generali Group has constantly intensified its commitment in the various spheres of social responsibility in harmony with the increasing efforts in this direction by the entire Generali Group. Aware of its role in Italy's social and economic fabric, as well as of its responsibilities in safeguarding households' investments, the Company devotes considerable attention to the needs of the various stakeholders (suppliers, clients, partners and local institutions) with which it interacts and the community in which it operates. Its growing sensitivity to sustainability issues is witnessed by its systemic, operational approach to certain aspects of its activity and by the transparency of its communications. In particular, the details of the social and environmental aspects of operations are presented in the Sustainability Report, drafted according to the guidelines of the Global Reporting Initiative (GRI). However, this document anticipates certain pertinent information that is to be considered in addition to that of a financial nature.

At a strategic level, the approach to sustainability pursued by the Banca Generali Group may be broken down into the following objectives:

- pursuing sustainable growth in the long-term, through entrepreneurial action aimed at achieving stable, satisfactory economic and commercial results in the long-term, while reducing the risks associated with the volatility of the economic and financial scenario in which the Bank operates;
- valorising the people who work for the company and its subsidiaries, encouraging the constant development of skills and professionalism among collaborators and acknowledging the contribution of individuals to the success of the organisation;
- focusing on the social context in which it is based by participating in welfare, cultural and athletic initiatives benefiting the community;
- favouring the **reduction of direct and indirect environmental impacts** by taking steps to minimise the consumption of energy, paper and water, and lower pollutant emissions.

The Banca Generali Group attaches fundamental importance to the satisfaction of its **clients**, which it seeks to achieve through the high quality of the products and services provided. Client relationship management is considered a crucial aspect: in order to ensure professional, competent advice, specific training courses are prepared for financial advisors, who may thus continue to keep current in the face of shifting financial

2012 NET PROFIT
€ MILLION

and legal demands. In addition, financial advisors are required to behave with integrity, professionalism and transparency, as well as to aid clients in identifying the solutions best suited to their financial needs.

Employees' awareness of social and environmental issues continues to deepen thanks to the array of initiatives in which they are involved. These range from the promotion of events supporting volunteer associations and institutions to the direct collection of funds to provide aid to areas affected by natural disasters and support charitable organisations, the sponsorship of local sports initiatives, and the in-depth education concerning policies for managing individual and company resources in order to protect health and the environment (for example, through careful differentiated waste disposal).

The approval of the Code of Ethics for the Generali Group's suppliers is aimed at pursuing transparency towards stakeholders by requesting that suppliers adhere to company policies by complying with the applicable voluntary codes.

Banca Generali's actions towards its private and institutional shareholders have always been inspired by three guidelines: creating value, providing a return to shareholders and ensuring transparency and constant dialogue with the financial community. In this latter area, it is with pleasure that we report the positive exchange between our Bank and the association E.DI. VA - Etica Dignità e Valori Associazione Stakeholders Aziende di Credito Onlus. The association is highly committed to promoting the issues of corporate social responsibility and ethical finance in the world of banking, which are also of fundamental importance to Banca Generali. It participated in Banca Generali's 2010, 2011 and 2012 General Shareholders' Meetings. In addition, subsequent meetings were held with the Bank, also involving Assicurazioni Generali's CSR unit. On these occasions, the association emphasised the importance for the Bank of launching initiatives in support of households, young couples and the birth rate - matters of particular urgency due to the severity of the economic crisis. The Bank acknowledged these guidelines and committed to intensifying its efforts in the context of its activity. During the most recent meeting, it was also agreed to promote the subject of the financial education of today's youth through joint initiatives to be organised during the year.

Finally, financial and marketing disclosures comply with the principles enshrined by the Generali Group's Code of Ethics and the directives of the Supervisory Authorities, fulfilling the obligation of prior disclosure to these authorities as established by regulations. Furthermore, there is also a specific company Compliance Policy designed to promote a corporate philosophy aimed not only at respecting the letter of these standards but also their spirit, as well as to prepare specific organisational facilities in order to ensure strict observance of the applicable regulatory and self-regulatory provisions. In 2012, there were no cases of non-compliance with regulations or voluntary codes in reference to the marketing communications of Banca Generali.

1.3 Summary of 2012 operations

The Banca Generali Group closed 2012 with net profit of 129.2 million euros - an increase of about 55.8 million euros compared to 2011 (+76.0%), thus reporting the highest level ever achieved in Banca Generali's history.
The brilliant result achieved reflects the significant increase in activity in terms of both net inflows and asset performance, accompanied by a policy of close attention to containing the rise in operating costs.

Net banking income increased significantly compared to 31 December 2011, rising from 243.7 million euros in 2011 to 338 million euros in 2012 (+38.7%) due to a sharp rise in net commissions (+13.9% or +26.1 million euros), a significant increase in net interest of 62.5 million euros (+127.4%) deriving from the performance of the interest-rate market and the LTROs undertaken and, finally, the strong results achieved in terms of net profit on investments in securities, which increased by 5.7 million euros compared to the previous year.

Administrative expense amounted to 159.8 million euros at 31 December 2012, up 11.5% compared to 2011, with staff expenses rising from 64.8 million euros in 2011 to 67.2 million euros in 2012 (+3.7%), whereas other administrative expense totalled 92.7 million euros at year-end, up 17.9% compared to the 78.6 million euros of the previous year, chiefly owing to the increase in charges associated with the new stamp duty, which, however, was offset by the symmetrical increase in tax recovered from clients, recognised among other income; net of this component, other administrative expense would have increased 6.8%.
Net provisions were approximately 18.6 million euros, up 84.9% compared to 2011 and refer primarily to provisions pertaining to

the distribution network and, to a lesser extent, staff expenses and legal disputes.

At 31 December 2012, the total value of the assets managed by the Group for its customers, obtained through the financial advisor network, was 26.2 billion euros, compared to 23.3 billion euros in 2011. Moreover, in addition to this amount, at 31 December 2012, the assets under administration or custody of Assicurazioni Generali companies totalled approximately 1.5 billion euros, while 6.4 billion euros were held in mutual funds/SICAVs and discretionary accounts (GPF/GPM) managed and distributed either directly by management companies or parties outside the Group, for an overall total of 34.1 billion euros compared to 31.5 billion euros at the end of 2011.

Based on Assoreti data, the Banca Generali Group is one of the market leaders in the distribution of financial products through its network of Financial Advisors, in terms of both assets under management, with 26.2 billion euros, and net inflows of approximately 1.6 billion euros in 2012.

In 2012, in an economic context characterised by the severe volatility of financial markets and European sovereign debt crisis, the Banking Group continued to increase its market share by developing its competitive edge, consisting of a specific combination of high-quality products, networks and services.

In this context, the Banking Group focused, on the one hand, on constantly improving customer service levels by launching new services devoted to mobility and, on the other, on achieving the greatest possible diversification of the investment solutions offered, from liquidity management to medium-/long-term investments with the protection of capital at maturity (protected-capital portfolio management and structured bonds) or the consolidation of the capital of life policies within the multi-manager framework that has always set Banca Generali's offerings apart. In fact, the objective that the Banking Group has always pursued is to assist customers in optimising their portfolios with the aim of obtaining an asset allocation that best responds to the customers' financial and pension needs, as well as generating returns that are consistent with a range of risk/return profiles.
In addition, in a complex macroeconomic scenario that brings to light an increasing need for professional financial advice, the Banking Group continued to enhance its sales network through a selection and recruitment policy aimed at professionals of high standing, the implementation of tools supporting the sales network's advisory activity and the increase in assets under management per advisor, with a constant improvement in the network's quality and management costs.

The reporting year also witnessed the completion of several corporate actions that involved reorganising the group's operations to create cost and skill synergies and enhancing the operating structure's efficiency. In fact, effective 1 April 2012, the subsidiary BG SGR sold the business unit represented by the Italian mutual funds established and/or managed by to the subsidiary Generali Investments Italy SGR (now Generali Investments Europe SGR), whereas on 1 September the subsidiary BG SGR was merged into the Parent Company, Banca Generali.

Following the merger of BG SGR into Banca Generali, an Investment Division was created with the aim of enhancing portfolio management activity and continuing the profitable pursuit of the mission of establishing itself as clients' bank of choice by offering a full, customised range of investment solutions and wealth management services.

Before analysing the sales and financial results for 2012, macroeconomic information for the main economic regions of the world is reported, to provide a better understanding of the factors that influenced the Banking Group's results.

2012 ASSET UNDER MANAGEMENT

€ BILLION

2. Macroeconomic context

Financial markets initially strengthened in 2012, buoyed by expectations of a relenting of tensions in Europe and injections of liquidity by the ECB. In April the global economic scenario became more uncertain and Europe saw a renewal of sovereign debt tensions, which peaked in May, when the results of Greek elections heightened concerns of a departure from the Eurozone and critical aspects of the Spanish banking system came to light. Consequently, risk aversion began to rise once more, driving down the prices of the riskiest asset classes (equities, commodities and bond spreads), while driving up prices of safe-haven assets (U.S. and German government bonds and the U.S. dollar). However, the response by institutions at the European level was even firmer: at the European summit held in late June, measures were approved that, while acknowledging the need to separate the banking crisis from the sovereign debt crisis, laid the foundation for a deepening of EU mechanisms and a more long-term resolution of the crisis. Then, at the end of July, ECB President Draghi clarified that the central bank was to adopt all measures necessary to preserving the euro, and in late August the ECB's board approved a conditional sovereign debt purchasing programme in unlimited quantities (OMTs). At the same time, in the United States the Federal Reserve approved a government bond purchasing programme without time limits, with the aim of maintaining a favourable climate in view of an improvement in the job market. The initiatives by the two major monetary authorities thus created the conditions for a gradual increase of risk appetite: in the final quarter of 2012, equity prices gradually recovered, closing the year at a high, while the sectors considered safe havens recorded lesser inflows and price reductions.

In 2012 global growth was weak and constantly revised downwards in the light of the slowdown in China and the deterioration of the economic scenario in Europe, where there continued to be a gap between exporting countries and peripheral countries, burdened by fiscal consolidation measures. In addition, in the fourth quarter the debate regarding fiscal policy in the United States further contributed to uncertainty, significantly slowing investment spending. In many emerging economies, the effects of the restrictive monetary policies of previous years entailed a slowing of growth. Faced with these tendencies, Western central banks gave signs of monetary loosening, which contributed to improving the prospective scenario in the final part of the year. Central Banks of emerging countries also adopted stances increasingly in support of growth by cutting rates (Brazil, India and China). The weakening of the economic scenario drove a further decline in inflation, which in some cases was held back by temporary fluctuations of energy prices, while restoring, on the whole, wide margins for manoeuvre for monetary policies, which in the advanced countries remain highly expansionary.

During the period, interbank market rates in the Euro Area trended downwards, first driven by the abundant liquidity offered by the ECB and then by the negative economic growth scenario in the Euro Area. In early July, the ECB decided to decrease the refinancing rate by 25 bps, lowering it to 0.75%. During the period, both the three-month EURIBOR and EONIA rate responded to the expansionary monetary policy measures: the former fell from 1.36% at the end of 2011 to 0.19% at the end of 2012; the latter, following a period of fluctuation between 0.35% and 0.40% in the first few months of the year, declined to 0.13% at the end of December. In late August, the ECB's Executive Board approved the launch of its OTM programme, which aims to reduce the fragmentation of spreads in the Eurozone through unlimited purchases of sovereign securities subject to speculative pressures. In the final months of the year, only the consideration that this aid mechanism would be ready to be activated contributed to greater uniformity of financing conditions on the primary and secondary markets.

Despite the difficult macroeconomic scenario, equity markets anticipated an improvement in the cycle, yielding positive total returns, diversified by region. The MSCI World index rose by 11%, the S&P500 by 11.2% and the Topix by 4.1%. In Europe, the index of reference for the entire area (DJ Stoxx 600) yielded an increase of 14.4%, that for the sole Euro Area (DJ Euro Stoxx) of 15.5% and the FTSE MIB of 7.8%. During the period, stock exchanges in emerging markets in general went up: 12.9% the MSCI Emerging Markets index, 23.5% the MSCI India index and 20.4% the MSCI China index. In general, banks, commodities, insurance and technology were the sectors of the European market that performed most positively.

Bond markets were dominated by general economic data and news on the evolution of the sovereign debt crisis of the Euro Area. Long-term yields on reference markets (Germany and the United States) remained largely unchanged in the first quarter compared to the levels reached in late 2011 and then gradually declined until reaching new historical lows at the end of July: 1.17% the ten-year maturity in euro, 1.39% the ten-year maturity in dollars. Beginning in August, following the new programme in support of the euro and sovereign securities undertaken by the ECB, the rates rose back from their lows, closing the period at 1.18% (euro) and 1.75% (dollar), respectively. In the Euro Area, events relating to the sovereign debt crisis continued to have a fluctuating impact on bond yields and spreads of the most indebted countries. Italy's spread initially fell from 512 points at the end of 2011 to a low of 277 in mid-March, to then climb back to reach a high of 533 in late July and close the period at 332 points: these trends allowed positive returns to be earned during the period, with rates on ten-year securities falling from 7.1 to 4.5 and twelve-month rates from 4.1 to 1.4.

In the first part of the period, the euro-dollar exchange rate fluctuated between 1.30 and 1.35. The recurrence of political tensions in Europe then resulted in capital flows that benefited the dollar and yen, which are considered safe havens: the euro-dollar exchange rate reached a low of slightly above 1.20 at the end of July, whereas the euro-yen exchange rate fell to 94.2 from approximately 111 yen to the euro at the end of March. The European authorities' firm response then allowed the trend to be reversed: at the end of the period, the exchange rate with the dollar was slightly above 1.32, while the exchange rate with the yen was around 113.6.

Commodities prices reflected expectations of global growth, rising until mid-March and then showing downtrends differentiated by product. Oil prices (WTI) rose from approximately 100 dollars a barrel at the end of December to a maximum of around 111 at the end of February, to then decline to values below those of the beginning of the year and climb once more, closing the year around 92. Throughout the year, gold performed laterally in response to U.S. monetary policy events, closing 2012 at around 1,675 dollars an ounce, approximately at the mid-point in the fluctuation range.

Outlook

Forecasts by the major international organisations call for a modest improvement in the global growth profile in 2013. In the advanced countries, growth rates will remain below their potential level, and will continue to be negative for the peripheral countries of the Euro Area. In all emerging countries the growth scenario will overall be positive although subdued compared to past few year. Consensus forecasts for China call for growth to amount between 7% and 8%. The European agenda for 2013 envisages a continuing reinforcement of fiscal policy coordination and a gradual implementation of the banking union project.

2012 NET BANKING INCOME

€ MILLION

338 +38.7%

3. Major corporate events

Financial year 2012 was characterised by the launch of several corporate actions aimed at reorganising and improving the efficiency of the Banking Group.

3.1 Sale of the Italian mutual fund business unit

On 1 April 2012, the sale of the business unit consisting of the Italian mutual funds established and/or managed by the subsidiary BG SGR to the subsidiary Generali Investments Italy SGR became effective.
On the one hand, the above transaction approved on 27 September 2011 is part of a broader plan to rationalise the Generali Group in the asset management sector in Italy, while on the other it represents the implementation of the strategic plan laid by the board of directors of BG SGR to focus its activity gradually on individual portfolio management in the form of both securities and funds.

The business unit was sold for 5.5 million euros, 0.3 million euros of which resulted from the surplus of assets acquired over liabilities assumed.
In addition, there is a price-adjustment clause tied to the average volume of AuM subject to sale at 31 December 2015.
Although pursuant to the CONSOB Regulation and Procedure approved by Banca Generali's Board of Directors the transaction may be regarded as a Moderately Significant Related Party Transaction, considering that the transaction's significance index was very close to the threshold for Highly Significant RP Transactions, it was nonetheless deemed appropriate, as allowed by the aforementioned CONSOB Resolution and Procedure approved by the Bank's Board of Directors, to invoke the procedure applicable to Highly Significant RP Transactions, which therefore entailed the following:

1. the transaction was submitted to the prior authorisation of Banca Generali's Board of Directors;
2. an independent expert (KPMG Advisory S.p.A.) was tasked with evaluating the fairness of the planned consideration for the sale of the business unit;
3. a binding opinion was requested from the Internal Control Committee concerning the Group's interest in undertaking the transaction, as well as the expediency and substantial property of the conditions thereof;
4. a disclosure document was drafted pursuant to Article 5 of the CONSOB Regulation in order to provide the public with information concerning the transaction.

3.2 Merger of BG SGR into Banca Generali

The merger of the subsidiary BG SGR S.p.A. into the parent company Banca Generali entered into force on 1 September 2012, effective for accounting and tax purposes retroactively from 1 January 2012.
This transaction was approved on 14 December 2011 and authorized by the Bank of Italy on 13 April 2012 and is part of the process of rationalising the Banca Generali Banking Group following the approved sale by BG SGR to Generali Investments Italy SGR S.p.A. of the collective asset management business unit discussed above.
The completion of that sale, along with the ensuing discontinuation of the management arrangements for the Alto family of funds, currently promoted by Generali Investments Italy SGR S.p.A., resulted in the loss by BG SGR of authorisation to provide collective asset management service, and thus required a subsequent company reorganisation aimed at identifying the best possible positioning of individual portfolio management service within the Banking Group.
The decision to integrate the portfolio management service provided by BG SGR into Banca Generali is motivated, on the one hand, by the strategic importance of portfolio management service at the level of the Banking Group and, on the other, the expediency of increasing all administrative, financial, corporate and human resource management support and coordination services, which, although rendered by the banking Parent Company under specific service contracts, nonetheless entail the absorption of resources typical of a company with all of its own obligations.

From an organisational standpoint, the choice to transfer portfolio management service directly to Banca Generali through the merger was implemented by creating a dedicated division within Banca Generali's organisational structure, organised in such a way as to ensure that the unit responsible for management service will enjoy the required autonomy.

The transaction, which did not impact the consolidated financial statements, did not involve an increase in the capital of Banca Generali, as the bank already owned 100% of the merged company.

4. Banca Generali's competitive positioning

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

4.1 The asset management market

The Italian asset management market (collective management, open-ended funds and retail portfolio management) recorded net outflows of 5 billion euros, thus clearly improving compared to 2011 (-43 billion euros). Moreover, those outflows were driven solely by individual retail asset management schemes, which showed net outflows of nearly 7 billion euros, marking a continuation of the long-term downtrend that has more than halved assets compared to the end of 2006.

Evolution of net inflows and Assets Under Management (€ million)

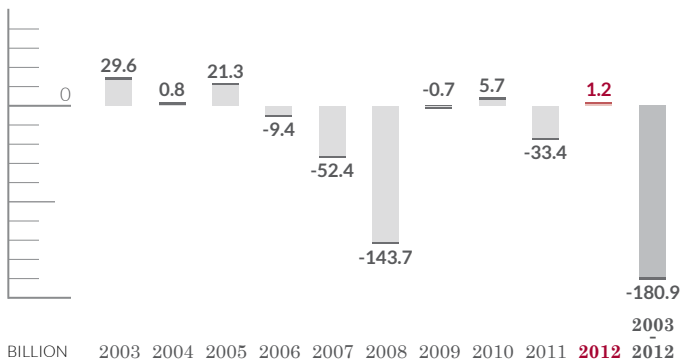
	NET INFLOWS			ASSETS		
DECEMBER:	2012	2011	2010	2012	2011	2010
Italian funds	-13,790	-34,492	-24,662	148,910	151,692	191,483
Foreign funds	14,971	1,140	30,358	333,296	267,258	268,959
Total funds	**1,181**	**-33,352**	**5,697**	**482,205**	**418,950**	**460,443**
Managed funds portfolios (GPM)	**-6,801**	**-10,006**	**3,361**	**92,520**	**100,403**	**121,214**
Total	**-5,620**	**-43,358**	**9,057**	**574,725**	**519,353**	**581,657**

Source: **Assogestioni**.

By contrast, in 2012 the UCITs market reported slight net inflows, after an especially negative 2011. The trend in recent years has generally been negative, driven by various factors: (i) a legislative and fiscal situation detrimental to products subject to Italian law, which only in 2011 finally saw changes aimed at equating rules for UCITs subject to Italian and foreign law; (ii) a market scenario that has seen repeated disturbances since 2007, with inevitable repercussions on performances; and (iii) the commercial policies of the traditional banking system, which privileged classic bank inflows instruments, thus diverting resources from asset management products.
One consequence is the gradual decrease in Italian UCITs in favour of international UCITs. This trend is also due to the spread of "open architectures" amongst many distributors, allowing customers to access the vast international market of asset management products, and in particular Luxembourg SICAVs offered by major international management companies.

The UCIT market in Italy in the past ten years

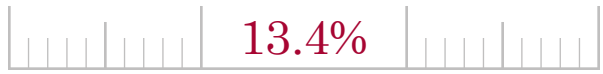
(€ billion)



Source: **Assogestioni** figures updated as of 20 February 2013.

BANCA GENERALI MARKET SHARE

ON 2012 INFLOWS



Another consequence, according to a study by Assoreti, the financial advisors' trade association, is that sales channels involving financial advisors have reported constant net inflows since 2004, more than offset by net disinvestments originating in the banking system. In 2012 it is estimated that there were more than 10 billion euros in net inflows from networks, with an equal amount of outflows originating with banks.

4.2 The Assoreti market

The net inflows reported by the Assoreti market (total distribution activity through financial advisors) exceeded those registered in 2011 by approximately 12%.

In terms of composition, the gradual stabilisation of financial markets resulted in a reversal of investment flows compared to 2011 in the segments asset management, insurance products and assets under administration and custody, with outflows from the latter of capital allocated to that segment by customers pending better assessments of future rate and market developments.

(€ MILLION) - DECEMBER:	2012	2011	CHANGE
Asset management	6,404	1,500	4,904
Insurance products	5,470	1,398	4,071
Assets under administration and custody	70	7,761	-7,691
Total	**11,943**	**10,659**	**1,284**

4.3 Banca Generali

Within this scenario, Banca Generali remained among the market leaders in terms of net inflows through Financial Advisors, with net inflows of 1,602 million euros, sharply growing compared to the excellent levels of 2011, and thus an increase in market share from 11.8% to 13.4%.

In detail, Banca Generali's net inflows not only confirm the insurance figure, which has always been highly positive, but also represent one of the best performances in its history, also influenced in this case by a product line with specific levels of excellence (over 1.4 billion euros in new insurance business).

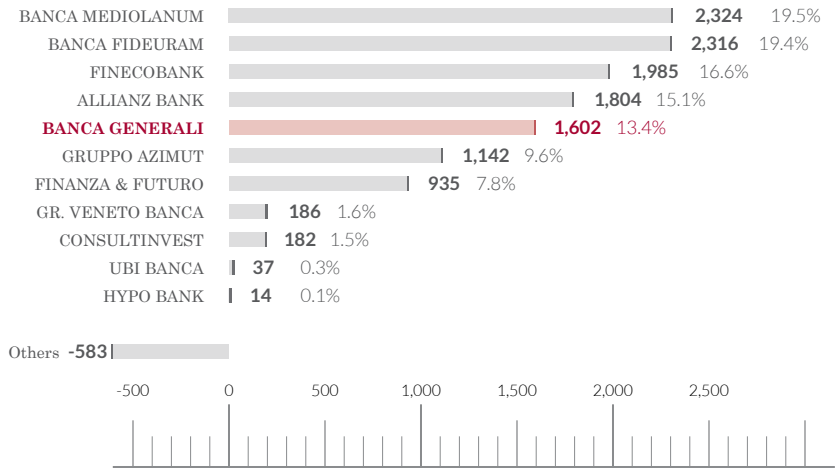
In addition, inflows to asset management products returned to positive territory, amounting to more than half a billion euros.
Finally, the administration and custody component once more positively performed its role as collector of inflows intended for subsequent allocation to asset management products that offer greater added value and better suit customers' needs.

Banca Generali also ranked among the top five competitors on the market in terms of assets under management at the end of 2012, with a slight increase in market share compared to 2011.

Net inflows of Banca Generali

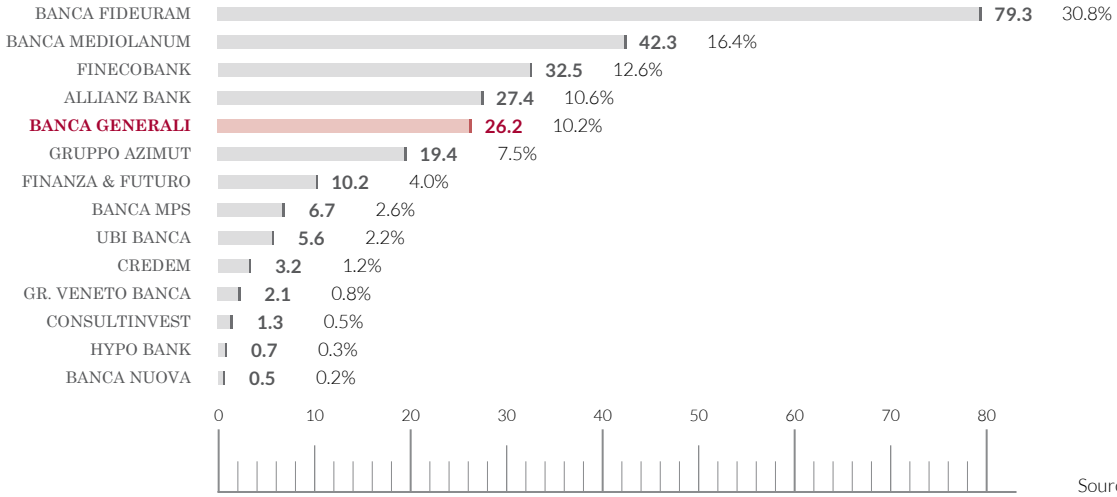
			YOY CHANGES VS 31.12.2011	
(€ MILLION)	31.12.2012	31.12.2011	AMOUNT	%
Total assets under management	**512**	**-188**	**700**	**372.3%**
Funds and SICAVs	444	-11	455	n.s.
GPF/GPM	68	-177	245	138.4%
Total insurance products	**1,115**	**713**	**402**	**56.4%**
Total assets under administration and custody	**-25**	**735**	**-760**	**-103.4%**
Total assets placed by the network	**1,602**	**1,260**	**342**	**27.1%**

Total net inflows - Assoreti - 11.9 € billion (December 2012, € million)



Source: **Assoreti**.

Total assets - Assoreti - 257.2 € billion (December 2012, € billion)



Source: **Assoreti**.

The following table provides a summary of Banca Generali's assets, updated through 2012, illustrating their composition by macro-aggregate and providing a comparison with the figures as of December 2011. These assets refer to the Assoreti market, and therefore to the Financial Advisor operating area.
The total value of assets increased significantly during the year, partly due to the net inflows discussed above, and partly due to the strong performances shown by the products in which customers' assets are invested. Consequently, the percentage invested in asset management and insurance products increased to the detriment of asset administration and custody products, although the latter component also increased in absolute terms, driven by the revaluation of securities held in customers' portfolios.

Banca Generali's total assets

			YTD CHANGES VS 31.12.2011	
(€ MILLION)	31.12.2012	31.12.2011	AMOUNT	%
Total assets under management	**9,897**	**8,692**	**1,204**	13.9%
Funds and SICAVs	6,763	5,850	913	15.6%
GPF/GPM	3,134	2,842	291	10.2%
Total insurance products	**8,488**	**7,319**	**1,170**	16.0%
Total assets under administration and custody	**7,779**	**7,244**	**536**	7.4%
Total assets placed by the network	**26,164**	**23,254**	**2,910**	**12.5%**

5. Operating performance

The net profit reported by the Group at the end of 2012 climbed to 129.2 million euros, marking an increase of 76.0% compared to 2011 and representing an all-time high in Banca Generali's history.

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
Net interest	**111,552**	**49,059**	**62,493**	**127.4%**
Net commissions	**214,065**	**187,962**	**26,103**	**13.9%**
Dividends	739	92,259	-91,520	-99.2%
Net result of financial operations	11,615	-85,571	97,186	-113.6%
Net operating income	**337,971**	**243,709**	**94,262**	**38.7%**
Staff expenses	-67,161	-64,780	-2,381	3.7%
Other general and administrative expense	-92,651	-78,563	-14,088	17.9%
Net adjustments of property, equipment and intangible assets	-4,493	-4,091	-402	9.8%
Other operating expense/income	19,139	8,666	10,473	120.9%
Net operating expense	**-145,166**	**-138,768**	**-6,398**	**4.6%**
Operating profit	**192,805**	**104,941**	**87,864**	**83.7%**
Net adjustments for non-performing loans	-3,572	-2,163	-1,409	65.1%
Net adjustments of other assets	-712	-3,816	3,104	-81.3%
Net provisions	-18,613	-10,068	-8,545	84.9%
Gain (loss) from equity investments	-4	-1	-3	300.0%
Operating profit before taxation	**169,904**	**88,893**	**81,011**	**91.1%**
Income taxes for the period	-37,276	-13,354	-23,922	179.1%
Gains from non-current assets held for sale	451	1,835	-1,384	-75.4%
Profit attributable to minority interests	-3,867	-3,955	88	-2.2%
Net profit	**129,212**	**73,419**	**55,793**	**76.0%**

Net operating income amounted to 338 million euros, up by 94.3 million euros (+38.7%) compared to the previous year.

This situation was determined by several factors:

- the strong contribution to net interest (+127.4%), driven chiefly by the investment of the liquidity deriving from the refinancing operations (LTROs) undertaken by the ECB in December 2011 and February 2012, as well as by the considerable increase in the average return on investments;
- the growth of the commissions aggregate (+13.9%), driven by fund performance commissions (+40.4 million euros) and the highly positive inflow dynamics, which, reaching 1.6 billion euros, greatly exceeded the results achieved in all of 2011 (+27.1%);
- the good result of financial operations, including dividends, which increased by 5.7 million euros compared to 2011.

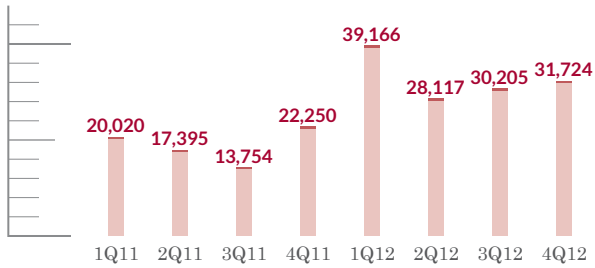
Net operating expense increased at a much slower rate (+4.6%), amounting to 145.2 million euros. The **cost/income ratio**, the key performance indicator used to calculate the percentage weight of operating costs, gross of adjustments of property, equipment and intangible assets with respect to net operating revenues, significantly improved compared to the previous year, going from 55.3% to 41.6%.

Operating profit thus amounted to 192.8 million euros, increasing by 83.7% compared to the previous year.

Value adjustments and provisions climbed to 22.9 million euros (+42.7%) overall, primarily due to the performance of provisions for contractual indemnities for the Financial Advisors network and, to a lesser extent, allocations relating to integration expenses for BG SGR and the costs of legal disputes.

Operating profit before taxation thus stood at 169.9 million euros, up by 81 million euros compared to 2011 (+91.1%).

Net interest (€ thousand)



Quarterly evolution of the profit & loss account

(€ THOUSAND)	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11
Net interest	**31,164**	**29,123**	**28,121**	**23,144**	**15,741**	**11,824**	**10,424**	**11,070**
Net commissions	**46,998**	**50,678**	**46,000**	**70,389**	**47,004**	**42,625**	**47,866**	**50,467**
Dividends	12	30	652	45	11,763	22,829	57,656	11
Net result of financial operations	3,261	-437	1,179	7,612	-10,356	-23,362	-54,338	2,485
Net operating income	**81,435**	**79,394**	**75,952**	**101,190**	**64,152**	**53,916**	**61,608**	**64,033**
Staff expenses	-15,111	-17,144	-16,877	-18,029	-15,140	-16,323	-16,670	-16,647
Other general and administrative expense	-23,903	-24,441	-21,256	-23,051	-16,224	-20,983	-23,034	-18,322
Net adjustments of property, equipment and intangible assets	-1,083	-1,141	-1,090	-1,179	-1,016	-1,181	-951	-943
Other operating expense/income	5,789	4,200	5,584	3,566	788	2,101	4,231	1,546
Net operating expense	**-34,308**	**-38,526**	**-33,639**	**-38,693**	**-31,592**	**-36,386**	**-36,424**	**-34,366**
Operating profit	**47,127**	**40,868**	**42,313**	**62,497**	**32,560**	**17,530**	**25,184**	**29,667**
Net adjustments for non-performing loans	-2,278	1,614	147	-3,055	-1,152	-563	-458	10
Net adjustments of other assets	221	-128	-429	-376	-2,482	-113	-1,151	-70
Net provisions	-3,285	-1,022	-2,628	-11,678	1,701	-1,880	-4,567	-5,322
Gain (loss) from equity investments	-2	-	-2	-	-	-1	-	-
Operating profit before taxation	**41,783**	**41,332**	**39,401**	**47,388**	**30,627**	**14,973**	**19,008**	**24,285**
Income taxes for the period	-9,245	-10,187	-10,276	-7,568	-7,924	-830	-1,078	-3,522
Gains from non-current assets held for sale	133	-	159	159	523	431	420	461
Profit attributable to minority interests	-947	-940	-1,167	-813	-976	-820	-955	-1,204
Net profit	**31,724**	**30,205**	**28,117**	**39,166**	**22,250**	**13,754**	**17,395**	**20,020**

5.1 Net interest

Net interest income was 111.6 million euros, more than double compared to 2011 (+127.4%), mainly thanks to:

- an expansion of inflows volumes at favourable rates (1%), owing to the aforementioned Banca Generali's participation in the refinancing transactions promoted by the ECB;
- the high yields guaranteed by Italian government securities, which offered excellent investment opportunities;
- the concurrent increase in inflows from "high-yield" customers (deposit accounts and repurchase agreements), characterised by higher cost levels than traditional inflows, and interbank inflows (repurchase agreements), which however benefitted from a sharp reduction in interest rates.

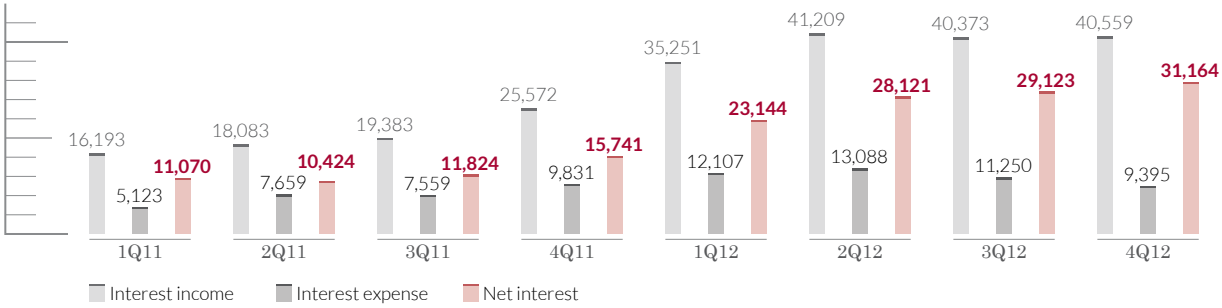
In this regard, it should be noted that in July the ECB further reduced the interest rate applied to primary refinancing operations from 1% to 0.75%, whereas EURIBOR rates continued to follow a flattening trend, with the three-month EURIBOR declining to a low of 0.19%.

In comparison to that figure, the internal rate of return (IRR) on the HTM portfolio - to which the securities purchased following the LTROs were allocated - still amounted to over 3.35% on an annual basis.

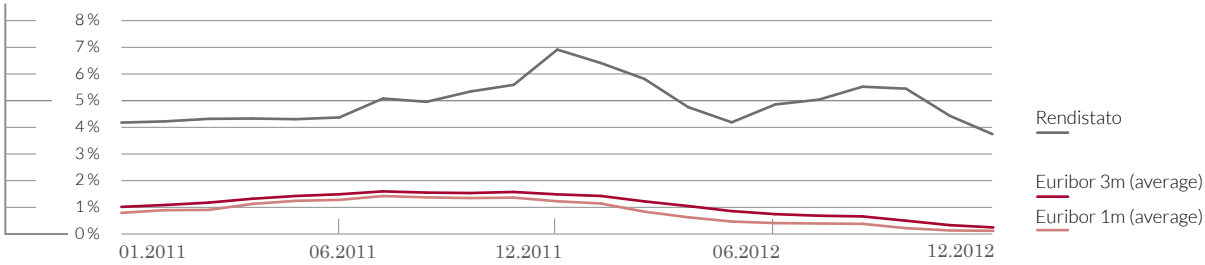
Interest income thus grew by 78.2 million euros (98.6%), owing to the decisive contribution of the securities portfolio (+79.5 million euros or 134.1%).
By contrast, the cost of funding showed a more limited growth by 15.7 million euros (+51.9%), primarily due to the expenses associated with the ECB operations (+11.2 million euros) and high-yield transactions with customers (+12.3 million euros), partially offset by the reduction in costs associated with ordinary funding (-8.6 million euros) and the increase in interbank transactions in the form of repurchase agreements (+1.2 million euros).

			CHANGE	
(€ THOUSAND)	31.12.2012	31.12.2011	AMOUNT	%
Financial assets held for trading	2,963	492	2,471	n.s.
AFS financial assets	32,877	32,945	-68	-0.2%
Financial assets held to maturity	97,628	19,422	78,206	402.7%
Financial assets classified among loans	5,245	6,402	-1,157	-18.1%
Total financial assets	**138,713**	**59,261**	**79,452**	**134.1%**
Loans to banks	1,244	3,708	-2,464	-66.5%
Loans to customers	16,640	16,254	386	2.4%
Hedging derivatives	777	-	777	n.s.
Other assets	18	8	10	125.0%
Total interest income	**157,392**	**79,231**	**78,161**	**98.6%**
Due to ECB	12,128	954	11,174	n.s.
Due to banks	624	782	-158	-20.2%
Repurchase agreements - banks	8,899	7,744	1,155	14.9%
Due to customers	19,584	17,925	1,659	9.3%
Repurchase agreements - customers	3,249	1,111	2,138	192.4%
Subordinated loan	1,352	1,623	-271	-16.7%
Other liabilities	4	33	-29	-87.9%
Total interest expense	**45,840**	**30,172**	**15,668**	**51.9%**
Net interest	**111,552**	**49,059**	**62,493**	**127.4%**

Net interest (€ thousand)



Interest rate evolution

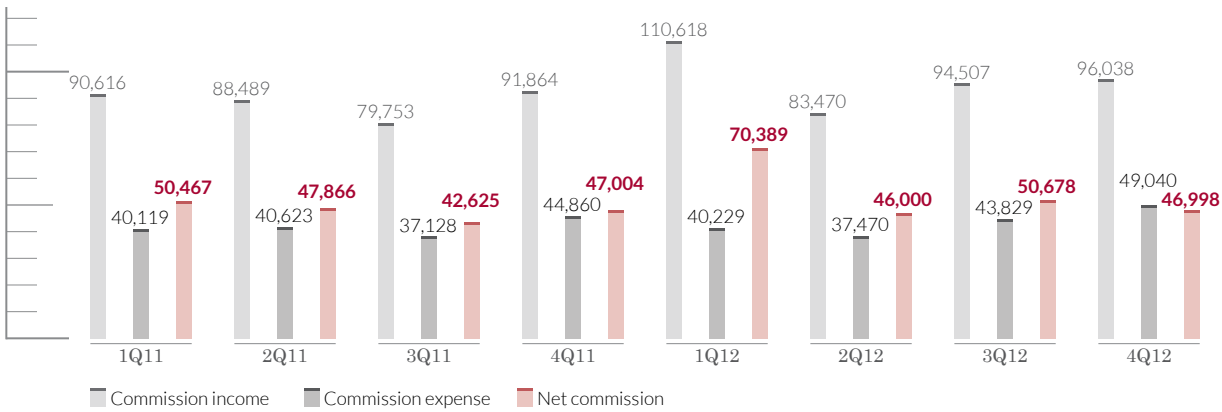


5.2 Net commissions

Net commissions amounted to 214.1 million euros, up by 13.9% compared to 2011 and were broken down as follows.

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
Collective and individual portfolio management commissions	250,509	216,279	34,230	15.8%
Commissions on the placement of securities and UCITs	36,756	41,048	-4,292	-10.5%
Commissions on the distribution of third-party fin. products	70,007	63,229	6,778	10.7%
Trading and securities custody commissions	18,985	22,968	-3,983	-17.3%
Commissions for other banking services	8,376	7,198	1,178	16.4%
Total commission income	**384,633**	**350,722**	**33,911**	**9.7%**
Commissions for external offer	150,076	141,310	8,766	6.2%
Dealing in securities and custody	3,282	4,028	-746	-18.5%
Asset management	14,743	15,301	-558	-3.6%
Commissions for other banking services	2,467	2,121	346	16.3%
Total commission expense	**170,568**	**162,760**	**7,808**	**4.8%**
Net commissions	**214,065**	**187,962**	**26,103**	**13.9%**

Commission income (€ thousand)



Commission income increased by 33.9 million euros due to the performance commissions (+40.4 million euros) earned especially in the first and third quarters of the year.

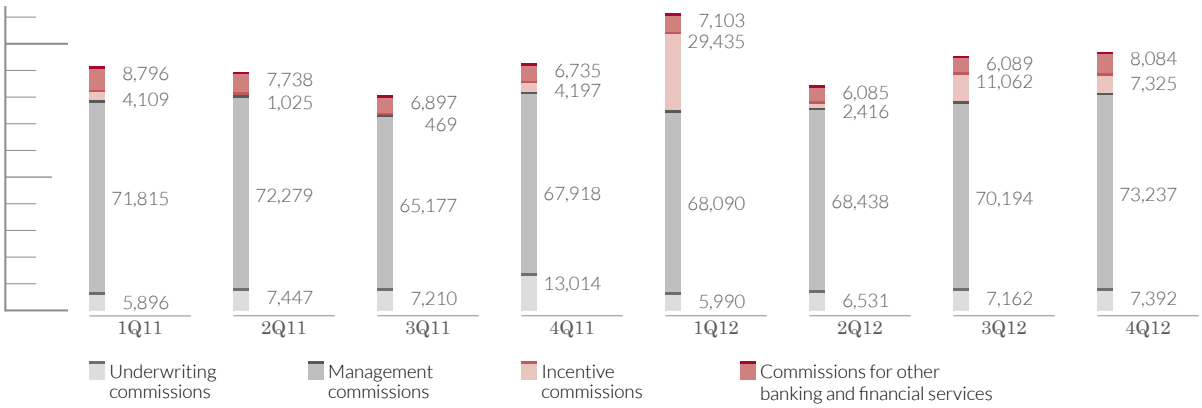
The significant growth in assets under management in the second half of the year, driven by the sharp increase in net inflows and the easing of tensions on financial markets, also gave new momentum to management commissions, leading to higher year-end results than in the previous year (+1,0%).

These trends offset the decline in underwriting commissions for 6.5 million euros (-19.3%), influenced by the performance of bond placements and, to a lesser extent, the commissions for other banking and financial services (-9.3%).

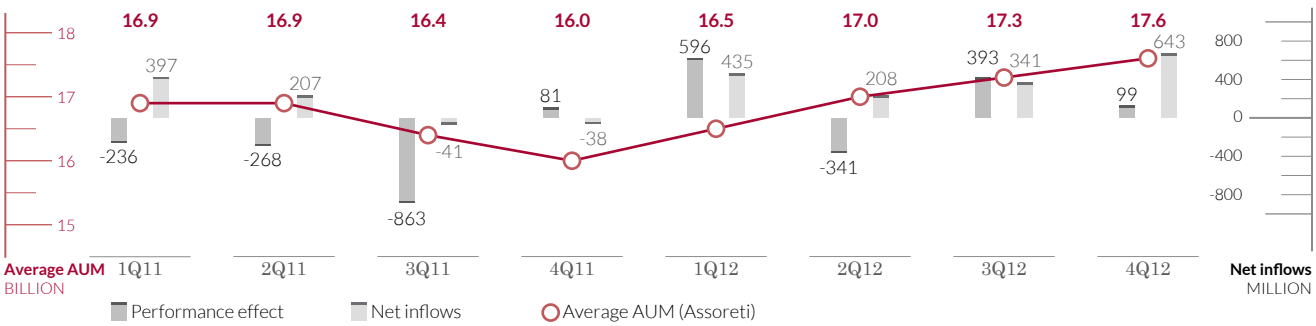
Commission income structure

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
Underwriting commissions	27,075	33,567	-6,492	-19.3%
Management commissions	279,959	277,189	2,770	1.0%
Incentive commissions	50,238	9,800	40,438	412.6%
Commissions for other banking and financial services	27,361	30,166	-2,805	-9.3%
Total	**384,633**	**350,722**	**33,911**	**9.7%**

Commission income (€ thousand)



Evolution of managed assets and life insurance AUM



Commission income from the **solicitation of investment and asset management** of households amounted to 357.3 million euros, with an increase of 36.7 million euros compared to the same period of the previous year, mainly attributable to the SICAVs promoted by the Banking Group (+19.3%) and the above-mentioned performance commissions trend.
In addition, the performance of discretionary accounts, which yielded a 10.7% increase in revenues, was positively influenced at year-end by the consolidation of the overperformance commissions accrued during the year (+2.0 million euros).

The distribution of third-party financial products and services continued to show an increase in revenues driven by the distribution of the insurance products of Genertellife (+7.0 million euros, or +11.3%). By contrast, bond placements were affected by the reduction of the issuance of structured securities placed through the distribution network, only partly offset by income on the placement of various Italian BTP securities.

The contribution of management commissions for funds distributed by foreign companies of the Generali Group, arising from the operations of the merged Generali Investments Luxembourg (GIL), amounted to 28.4 million euros, with no significant changes compared to the previous year.

			CHANGE	
(€ THOUSAND)	2012	2011	AMOUNT	%
1. Collective asset management	185,327	155,339	29,988	19.3%
2. Collective assets management of the Generali Group	28,455	27,774	681	2.5%
3. Individual asset management	36,727	33,166	3,561	10.7%
Commissions on asset management	**250,509**	**216,279**	**34,230**	**15.8%**
1. Placement of third-party UCITs	27,848	25,925	1,923	7.4%
2. Bond placement	8,908	15,123	-6,215	-41.1%
3. Other placement operations	-	-	-	n.a.
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	389	358	31	8.7%
5. Distribution of third-party insurance products	69,299	62,270	7,029	11.3%
6. Distribution of other third-party financial products	319	601	-282	-46.9%
Placement and distribution of third-party products	**106,763**	**104,277**	**2,486**	**2.4%**
Asset management commissions earned	**357,272**	**320,556**	**36,716**	**11.5%**

Commission expense amounted to 170.6 million euros, up compared to the previous year (+4.8%), due to the increase in distribution commissions (+6.2%).
The aggregate includes 22.2 million euros in commissions related to the activity of the merged company Generali Investments Luxembourg (GIL).
Net of the result from such non-core activity, the Group's total pay-out ratio, compared to commission income, net of performance commission income, therefore was 48.6%, up compared to 45.2% at the end of 2011.

Distribution commission expense reached 150.1 million euros, showing an increase of 8.8 million euros compared to the previous year, primarily owing to the incentives provided to the sales network in return for excellent fund-raising activity, as well as the recovery of management commissions.

Structure of distribution commission expense

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
Front-end commissions	17,161	19,350	-2,189	-11.3%
Management commissions	101,527	97,336	4,191	4.3%
Incentive commissions	17,520	11,733	5,787	49.3%
Other commissions	13,868	12,891	977	7.6%
Total	**150,076**	**141,310**	**8,766**	**6.2%**

Other net commissions from banking services offered to customers include trading, order receipt and custody and administration commissions, in addition to commissions charged to customers for account-keeping expenses and other services. This aggregate stood at 21.6 million euros, down 10% compared to 2011, due to the slowdown in trading and order receipt.

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
Dealing in securities and currencies	13,212	15,240	-2,028	-13.3%
Order collection and securities custody commissions	5,773	7,728	-1,955	-25.3%
Collection and payment services	2,090	1,900	190	10.0%
Commission income	2,871	2,952	-81	-2.7%
Commissions for other banking services	3,415	2,346	1,069	45.6%
Total traditional banking operations	**27,361**	**30,166**	**-2,805**	**-9.3%**
Commissions for securities trading and custody	-3,282	-4,028	746	-18.5%
Collection and payment services	-1,086	-889	-197	22.2%
Commissions for other banking services	-1,381	-1,232	-149	12.1%
Total commission expense	**-5,749**	**-6,149**	**400**	**-6.5%**
Net commissions	**21,612**	**24,017**	**-2,405**	**-10.0%**

5.3 Net profit from trading and financial operations

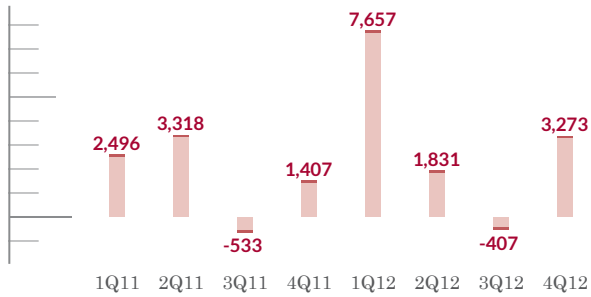
The net result of financial operations is composed of the result of financial asset and liability trading, gains and losses from the disposal of financial assets allocated to the AFS portfolio and other portfolios valued at amortised cost (HTM, Loans), from the related dividends and any result of hedging.

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
Dividends from trading	163	91,609	-91,446	-99.8%
Trading of financial assets and equity derivatives	273	-86,925	87,198	-100.3%
Trading of financial assets and derivatives on debt securities and interest rates	4,829	-142	4,971	n.s.
Trading of UCIT units	1,204	-1,456	2,660	-182.7%
Securities transactions	**6,469**	**3,086**	**3,383**	**109.6%**
Currency and currency derivative transactions	**2,179**	**930**	**1,249**	**134.3%**
Net profit from trading operations	**8,648**	**4,016**	**4,632**	**115.3%**
Net profit from hedging	-937	-	-937	n.s.
Dividends from AFS assets	576	650	-74	-11.4%
Gains and losses on equity securities	-52	20	-72	-360.0%
Gains and losses on AFS and HTM debt securities and loans	4,119	2,002	2,117	105.7%
Net profit (loss) of financial operations	**12,354**	**6,688**	**5,666**	**84.7%**

At the end of 2012, the aggregate presented a positive contribution of 12.4 million euros, increasing sharply compared to 6.7 million euros reported at the end of the previous year.

In this context, net gains on securities of the trading investment portfolio amounted to 6.5 million euros and refer chiefly to transactions involving Italian government bonds undertaken with leading Italian and international banking counterparties, whilst gains from currency trading amounted to 2.2 million euros.

Net profit (loss) of financial operations (€ thousand)



(€ THOUSAND)	NET PROFIT AND DIVIDENDS	CAPITAL GAINS	LOSSES	CAPITAL LOSSES	NET RESULT 2012	NET RESULT 2011
1. Debt securities transactions	**7,277**	**429**	**2,381**	**126**	**5,199**	**-326**
2. Equity securities transactions	**177**	**210**	**48**	**5**	**334**	**212**
Equity securities	116	210	48	5	273	70
Dividends	61	-	-	-	61	69
Options on equity securities	-	-	-	-	-	73
3. Par asset swaps	**-**	**-**	**-**	**-**	**-**	**917**
Debt securities	-	-	-	-	-	764
Asset swaps	-	-	-	-	-	153
4. Equity securities transactions and futures	**-**	**-**	**-**	**-**	**-**	**4,379**
Equity securities	-	-	-	-	-	-137,251
Dividends	-	-	-	-	-	91,447
Futures	-	-	-	-	-	50,183
5. UCITs unit transactions	**587**	**730**	**3**	**8**	**1,306**	**-1,363**
6. Interest rate swaps (IRS)	**208**	**44**	**622**	**-**	**-370**	**-733**
7. Currency transactions	**2,477**	**-**	**298**	**-**	**2,179**	**930**
Derivatives	298	-	298	-	-	5
Exchange gains and losses	2,179	-	-	-	2,179	925
Result from trading	**10,726**	**1,413**	**3,352**	**139**	**8,648**	**4,016**

By contrast, the disposal of financial assets classified to portfolios measured at amortised cost generated net gains of 4.1 million euros, largely owing to the contribution of the Italian government securities allocated to the AFS portfolio, which offset the loss on financial assets allocated among loans. In detail, the losses realised with respect to securities allocated to the loans portfolio were caused by the cancellation by the issuer in the fourth quarter of a subordinated tranche of a foreign real-estate securitisation (-2.5 million euros), as well as the divestment during the year of significant positions in ABSs, partly relating to the Iberian market.

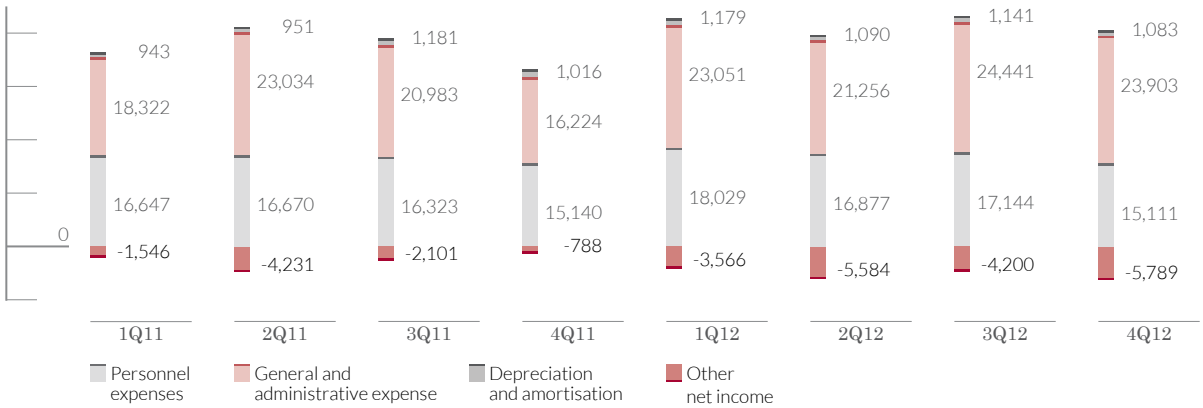
(€ THOUSAND)	GAINS	LOSSES	TRANSFER OF RESERVES	2012	2011
AFS financial assets	21,773	-256	-13,969	7,548	1,330
Debt securities	21,773	-204	-13,969	7,600	1,310
Equity securities	-	-52	-	-52	20
Financial assets classified among loans	806	-5,117	-	-4,311	893
HTM financial assets	1,241	-411	-	830	-201
Total	**23,820**	**-5,784**	**-13,969**	**4,067**	**2,022**

5.4 Operating expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses amounted to 145.2 million euros, showing an increase of 6.4 million euros (+4.6%).

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
Staff expenses	67,161	64,780	2,381	3.7%
Other general and administrative expense	92,651	78,563	14,088	17.9%
Net adjustments of property, equipment and intangible assets	4,493	4,091	402	9.8%
Other income and charges	-19,139	-8,666	-10,473	120.9%
Operating expense	**145,166**	**138,768**	**6,398**	**4.6%**

Operating expense (€ thousand)



The Group's **employees** totalled 785, marking a moderate increase of 20 resources (+9 compared to the average for 2011) owing to new hires to departments supporting business development and an increase in definite-term contracts in replacement of employees absent due to maternity leaves.

	31.12.2012	31.12.2011	CHANGE NO.	CHANGE %	AVERAGE 2012	AVERAGE 2011
Managers	46	51	-5	-9.8%	49	51
3rd and 4th level executives	126	119	7	5.9%	123	121
Other employees	613	595	18	3.0%	604	596
Total	**785**	**765**	**20**	**2.6%**	**776**	**768**

Accordingly, staff expenses, including full-time employees, interim staff and directors, increased by 2.4 million euros (+3.7%), primarily as a result of compensation factors, including the impact of short- and long-term incentives (+1.6 million euros), whereas the change of management during the year resulted in a considerable decrease in expenses attributable to directors.

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
1. Employees	**65,727**	**62,033**	**3,694**	**6.0%**
Salaries and social security charges	47,281	45,977	1,304	2.8%
Provision for termination indemnity and supplementary pension funds	5,042	4,430	612	13.8%
Costs related to payment agreements based on own financial instruments	57	162	-105	-64.8%
Short-term productivity bonuses	8,592	7,849	743	9.5%
Other long-term incentives	2,303	1,431	872	60.9%
Other employee benefits	2,452	2,184	268	12.3%
2. Other staff	**-77**	**-102**	**25**	**-24.5%**
3. Directors and Auditors	**1,511**	**2,849**	**-1,338**	**-47.0%**
of which incentives	24	1,082	-1,058	-97.8%
Total	**67,161**	**64,780**	**2,381**	**3.7%**

Other general and administrative expense amounted to 92.7 million euros, an increase of 14.1 million euros compared with the previous year (+17.9%). Approximately 8.7 million euros of this amount is attributable to the increase in stamp duty charges as a result of the new provisions governing stamp duty on financial instruments introduced by the Save Italy Decree (Law Decree No. 201/2011), which however was offset by the symmetrical increase in taxes recovered from customers, recognised among the other income and expense aggregate.
Accordingly, net of that component, the aggregate would present an increase of approximately 5.4 million euros, or 6.8%, attributable to greater insurance expenses associated with the new social-security programmes benefiting financial advisors and outsourced administrative and information technology services.

(€ THOUSAND)	2012	2011	CHANGE AMOUNT	CHANGE %
Administration	**12,565**	**11,125**	**1,440**	**12.9%**
Advertising	3,778	3,588	190	5.3%
Consultancy and professional advice expense	3,137	3,047	90	3.0%
Auditing	501	504	-3	-0.6%
Other general costs (insurance; T&E)	5,149	3,986	1,163	29.2%
Operations	**30,998**	**29,270**	**1,728**	**5.9%**
Rent and usage of premises	15,318	14,707	611	4.2%
Outsourced services	4,588	3,502	1,086	31.0%
Post and telephone	2,948	2,064	884	42.8%
Print material and contracts	854	897	-43	-4.8%
Other indirect staff expenses	2,944	2,981	-37	-1.2%
Other operating expenses	4,346	5,119	-773	-15.1%
Information system and equipment	**30,926**	**28,772**	**2,154**	**7.5%**
Outsourced IT services	22,300	19,080	3,220	16.9%
Fees for financial databases and other IT services	5,367	4,740	627	13.2%
Software maintenance and servicing	2,325	3,960	-1,635	-41.3%
Other expenses (equipment rental, maintenance, etc.)	934	992	-58	-5.8%
Taxes and duties	**18,162**	**9,396**	**8,766**	**93.3%**
Total other general and administrative expense	**92,651**	**78,563**	**14,088**	**17.9%**

Other net operating income is a residual item that includes profit and loss components of a highly varied nature. Recurring income mainly includes the reimbursement of expenses from customers for taxes and the management of their current accounts, allowances and repayments from Financial Advisors. Other charges include reclassified depreciation on leasehold improvements that, in accordance with Bank of Italy regulations, are classified among other assets and no longer as intangible assets.

By contrast, that aggregate, net of the component related to recovery of stamp duty (+9.0 million euros), increased by 1.5 million euros compared with the previous year, chiefly owing to indemnities and other recoveries from financial advisors and adjustments of prior-year revenues and costs, offset by the rise in indemnities not covered by specific provisions tied to legal disputes.

			CHANGE	
(€ THOUSAND)	2012	2011	AMOUNT	%
Recovery of expenses from customers	554	468	86	18.4%
Recovery of taxation from customers	17,101	8,110	8,991	110.9%
Indemnities and recovery of costs from advisors	1,859	912	947	103.8%
Indemnities and compensation	356	133	223	167.7%
Other income	3,343	2,444	899	36.8%
Total	**23,213**	**12,067**	**11,146**	**92.4%**
Adjustments of leasehold improvements	506	749	-243	-32.4%
Charges from accounting adjustments with customers	315	290	25	8.6%
Costs associated with indemnities and disputes	2,081	1,148	933	81.3%
Other charges	1,172	1,214	-42	-3.5%
Total	**4,074**	**3,401**	**673**	**19.8%**
Other net operating income	**19,139**	**8,666**	**10,473**	**120.9%**

5.5 Provisions and adjustments

Net provisions amounted to 18.6 million euros and increased by 8.5 million euros compared with 2011 (+84.9%), primarily due to the performance of provisions for contractual indemnities benefiting the distribution network and prudential allocations to provisions for staff expenses in relation to integration expenses for BG SGR.

The change in net provisions for contractual indemnities benefiting financial advisors was affected above all by the changes to the portfolio development mechanism, which at the end of the previous year had resulted in a considerable reduction in the total charge to the profit and loss account due to the significant decrease in specific provisions allocated (3.0 million euros).
By contrast, during the current year a new provision of 0.4 million euros was introduced to cover the new "social-security bonus" programmes, aimed at ensuring that the most deserving workers receive supplementary pension benefits upon retirement.

Allocations to provisions include 4.8 million euros relating to deferred incentives and incentives set to accrue, and 3.5 million euros in allocations in the recruitment plan service aimed at expanding portfolios in the medium term.

Finally, other provisions for liabilities and contingencies include an estimate of the cost of the new stamp duty on financial instruments that presumably will not be recovered in relation to both the share of assets under management affected by promotional campaigns ongoing at year-end and to customers who do not use banking services.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
Provision for staff expenses	2,662	-655	3,317	n.s.
Provisions for legal disputes	4,111	3,509	602	17.2%
Provision for incentive fees	8,260	9,144	-884	-9.7%
Provisions for termination indemnity and over fees	2,602	-1,839	4,441	-241.5%
Other provisions for liabilities and contingencies	978	-91	1,069	n.s.
Total	**18,613**	**10,068**	**8,545**	**84.9%**

Adjustments for impairment amounted to 4.3 million euros, down from the 6.0 million euros reported at the end of 2011 due to the lower impairment losses recognised on financial assets.
Financial assets net adjustments amounted to 2.5 million euros, of which 1.0 million euros refer to write-downs of AFS equity securities already subject to impairment in prior years and 1.5 million euros refer to net write-downs to cover portfolios of debt securities classified as receivables (L&R) and held to maturity (HTM), statistically defined and aimed at offsetting potential losses.
At year-end, 0.5 million euros in impairment was recognised on receivables not arising from lending operations, primarily relating to commission advances paid to former Financial Advisors who have left service, for which recovery actions have been initiated.
In addition, prudential impairment losses were recognised on the portfolio of non-performing loans to customers, with particular regard to the segments substandard loans and expired loans (0.7 million euros).

(€ THOUSAND)	VALUE ADJUSTMENT	REVERSAL VALUE	31.12.2012	31.12.2011	CHANGE
Specific adjustments/reversals	**-2,693**	**28**	**-2,665**	**-5,704**	**3,039**
Debt securities (AFS, HTM, Loans)	-	-	-	-552	552
Equity securities	-1,016	-	-1,016	-3,980	2,964
Operating loans	-484	9	-475	-1,037	562
Non-performing loans of the bank portfolio	-1,193	19	-1,174	-135	-1,039
Portfolio adjustments/reversals	**-1,923**	**304**	**-1,619**	**-275**	**-1,344**
Debt securities (Loans, HTM)	-1,831	304	-1,527	-275	-1,252
Performing loans of the banking portfolio	-92	-	-92	-	-92
Total	**-4,616**	**332**	**-4,284**	**-5,979**	**1,695**

5.6 Income taxes

Taxes for the year on a current and deferred basis have been estimated at 37.3 million euros.
The Group's consolidated tax rate was 21.9%, up from the 15.0% recognised at the end of the previous year, mainly as a result of the greater incidence, in terms of both IRES and IRAP, of the net profit realised by the parent company, Banca Generali, and the discontinuation of the non-recurring positive effect of tax redemption transactions (1.7 million euros) recognised in 2011.

Following the publication of the Order of the Director of the Italian Revenue Service of 17 December 2012 governing the methods of submission of the refund application for the share of IRAP (regional production tax) deductible for the purposes of IRES (corporate income tax), introduced by Law Decree No. 201/11, the Group also recognised the associated tax benefit of approximately 1.4 million euros.

			CHANGE	
(€ THOUSAND)	2012	2011	AMOUNT	%
Current taxes for the year	-36,756	-16,457	-20,299	123.3%
Prior period taxes	1,577	1,347	230	17.1%
Changes of prepaid taxation (+/-)	-2,048	102	-2,150	n.s.
Changes of deferred taxation (+/-)	-49	-77	28	-36.4%
Other taxes for the year	**-37,276**	**-15,085**	**-22,191**	**147.1%**
Substitute tax for goodwill redemption	-	-1,278	1,278	-100.0%
Prepaid taxes related to goodwill redemption	-	3,009	-3,009	-100.0%
Net effect of redemption	**-**	**1,731**	**-1,731**	**-100.0%**
Total	**-37,276**	**-13,354**	**-23,922**	**179.1%**

5.7 Net result for the year and earnings per share

Financial year 2012 closed with consolidated net profit of 129.2 million euros, bringing basic net earnings per share above the threshold of 1.15 euros, compared to the 66 eurocents calculated at the end of the previous year.

			CHANGE	
	2012	2011	AMOUNT	%
Net profit for the period (€ thousand)	129,212	73,419	55,793	76.0%
Earnings attributable to ordinary shares (€ thousand)	129,212	73,419	55,793	76.0%
Average number of outstanding shares	111,973	111,729	244	0.2%
EPS - Earning per share (euro)	**1.154**	**0.657**	**0.497**	**75.6%**
Average number of outstanding shares diluted capital	115,065	114,839	226	0.2%
EPS - Earning per share - diluted (euro)	**1.123**	**0.639**	**0.484**	**75.6%**

5.8 Statement of comprehensive income

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

At the end of 2012, the aggregate concerned stood at 175.0 million euros, up by 134.2 million euros compared with the previous year. This considerable progress was due not only to the increase in net profit for the year, but also to the clear reversal of the performance of valuation reserves for AFS financial assets, which improved sharply during the year (+45.8 million euros), compared to the decline witnessed at the end of 2011 (-32.6 million euros).

The net increase in such reserves during 2012 was due to the combined effects of:

- the mark to market of the carrying amount of the AFS portfolio (+51.6 million euros), largely attributable to the gradual easing of tensions in the Italian sovereign debt segment in the second half of the year;
- the reduction of pre-existing net negative reserves due to reabsorption in the profit and loss account through realisation and impairment (+15.4 million euros);
- the negative tax effect deriving from the release of deferred tax assets related to the foregoing changes (-21.2 million euros).

			CHANGE	
(€ THOUSAND)	2012	2011	AMOUNT	%
Net profit (loss)	**129,212**	**73,419**	**55,793**	**76.0%**
Other income, net of income taxes:				
AFS assets	45,754	-32,629	78,383	-240.2%
Cash-flow hedges	-	-	-	n.s.
Total other income, net of taxes	**45,754**	**-32,629**	**78,383**	**-240.2%**
Comprehensive income	**174,966**	**40,790**	**134,176**	**328.9%**

6. Balance sheet and net equity aggregates

At the end of 2012, total consolidated assets amounted to 7.3 billion euros, marking a significant increase of 2.8 billion euros (+60.9%) compared to the end of 2011.

The above increase included the following components: 1.2 billion euros due to the rise in direct interbank inflows, largely attributable to participation in the refinancing operations undertaken by the ECB in February 2012, and 1.4 billion euros owing to the increase in inflows from customers, with particular reference, in the latter part of the year, to the business of the Assicurazioni Generali insurance group.
As a result, the volume of core loans amounted to 7.1 billion euros, up by 64.7% compared to 2011.

ASSETS (€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
Financial assets held for trading	222,548	35,323	187,225	n.s.
AFS financial assets	1,733,885	1,318,992	414,893	31.5%
HTM financial assets	3,000,330	1,415,701	1,584,629	111.9%
Loans to banks (*)	843,368	574,171	269,197	46.9%
Loans to customers	1,308,585	971,648	336,937	34.7%
Equity investments	-	-	-	n.a.
Property, equipment and intangible assets	51,778	52,103	-325	-0.6%
Tax receivables	41,163	77,046	-35,883	-46.6%
Other assets	115,608	103,230	12,378	12.0%
Financial assets held for sale	-	675	-675	-100.0%
Total assets	**7,317,265**	**4,548,889**	**2,768,376**	**60.9%**

(*) Including loans with central banks repayable on demand.

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
Due to banks	2,229,896	1,070,909	1,158,987	108.2%
Due to customers	4,491,173	3,042,371	1,448,802	47.6%
Financial liabilities held for trading and hedging	1,448	1,737	-289	-16.6%
Tax payables	36,620	21,019	15,601	74.2%
Other liabilities	95,013	85,043	9,970	11.7%
Financial liabilities held for sale	-	316	-316	-100.0%
Special purpose provisions	67,995	65,073	2,922	4.5%
Valuation reserves	-10,587	-56,341	45,754	-81.2%
Reserves	139,841	126,508	13,333	10.5%
Additional paid-in capital	16,591	3,231	13,360	413.5%
Share capital	112,938	111,676	1,262	1.1%
Treasury shares (-)	-41	-248	207	-83.5%
Minority interests	7,166	4,176	2,990	71.6%
Net profit for the period	129,212	73,419	55,793	76.0%
Total net equity and liabilities	**7,317,265**	**4,548,889**	**2,768,376**	**60.9%**

Quarterly evolution of consolidated balance sheet

ASSETS (€ THOUSAND)	31.12.2012	30,09,2012	30,06,2012	31,03,2012	31.12.2011	30,09,2011	30,06,2011	31,03,2011	31.12.2010
Financial assets held for trading	222,548	200,056	33,676	34,272	35,323	35,818	61,000	163,384	119,952
AFS financial assets	1,733,885	1,085,941	1,138,390	1,186,802	1,318,992	1,449,068	1,640,036	1,606,598	1,533,275
HTM financial assets	3,000,330	3,019,003	3,045,018	2,937,276	1,415,701	546,190	529,644	566,830	608,118
Loans to banks	843,368	398,604	325,737	727,002	574,171	533,089	519,638	464,427	475,597
Loans to customers	1,308,585	1,152,179	1,091,698	1,035,070	971,648	889,075	892,350	859,164	852,038
Property, equipment and intangible assets	51,778	49,148	50,115	50,970	52,103	53,094	53,020	52,665	53,269
Tax receivables	41,163	48,222	61,905	65,673	77,046	76,584	60,731	65,486	71,040
Other assets	115,608	104,139	92,217	86,072	103,230	84,721	96,684	100,439	94,599
Financial assets held for sale	-	-	-	468	675	-	-	-	-
Total assets	**7,317,265**	**6,057,292**	**5,838,756**	**6,123,605**	**4,548,889**	**3,667,639**	**3,853,103**	**3,878,993**	**3,807,888**

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2012	30,09,2012	30,06,2012	31,03,2012	31.12.2011	30,09,2011	30,06,2011	31,03,2011	31.12.2010
Due to banks	2,229,896	2,337,782	2,328,576	2,327,369	1,070,909	682,904	605,108	612,939	450,431
Due to customers	4,491,173	3,132,826	3,016,706	3,249,417	3,042,371	2,506,795	2,771,002	2,740,307	2,910,878
Financial liabilities held for trading and hedging	1,448	3,359	2,005	2,864	1,737	1,837	774	6,194	6,502
Tax payables	36,620	34,355	28,286	30,699	21,019	19,556	18,724	20,741	18,336
Other liabilities	95,013	136,158	104,589	106,436	85,043	144,599	129,771	119,962	82,763
Financial liabilities held for sale	-	-	-	291	316	-	-	-	-
Special purpose provisions	67,995	67,711	69,432	72,961	65,073	63,208	62,386	61,791	57,759
Valuation reserves	-10,587	-17,317	-40,897	-25,582	-56,341	-49,056	-17,634	-10,889	-23,712
Reserves	139,841	142,466	142,645	200,143	126,508	126,089	125,974	187,103	105,400
Additional paid-in capital	16,591	4,494	3,406	3,406	3,231	3,231	3,109	2,086	-
Share capital	112,938	111,792	111,694	111,694	111,676	111,676	111,662	111,574	111,363
Treasury shares (-)	-41	-41	-248	-248	-248	-248	-248	-660	-660
Minority interests	7,166	6,219	5,279	4,989	4,176	5,879	5,060	7,825	6,621
Net profit for the period	129,212	97,488	67,283	39,166	73,419	51,169	37,415	20,020	82,207
Total net equity and liabilities	**7,317,265**	**6,057,292**	**5,838,756**	**6,123,605**	**4,548,889**	**3,667,639**	**3,853,103**	**3,878,993**	**3,807,888**

6.1 Direct inflows from customers

Direct inflows from customers amounted to 4,491.2 million euros and increased by 1,448.8 million euros (+47.6%) compared to the consolidated situation at 31 December 2011, primarily owing to the increase in term deposits by the Parent Company at year-end (1,255 million euros) for temporary treasury needs.

Captive inflows, from the Parent Company, Assicurazioni Generali, and the Italian and international subsidiaries belonging to that group, reached 1,962 million euros at year-end, accounting for approximately 43% of total inflows, and marking an increase of 1,110 million euros compared to the previous year.

In any case, inflows from customers not belonging to the insurance group showed a significant increase of 338 million euros (+15.4%) owing to the strong performance of funding in the form of deposit accounts and high-yield repurchase agreements, as well as traditional current account funding.

			CHANGE	
(€ THOUSAND)	31.12.2012	31.12.2011	AMOUNT	%
1. Current accounts and free deposits	2,632,355	2,495,597	136,758	5.5%
2. Term deposits	1,610,868	344,262	1,266,606	367.9%
3. Financing	177,593	134,149	43,444	32.4%
Repurchase agreements	153,397	101,764	51,633	50.7%
Generali Versicherung subordinated loan	24,196	32,385	-8,189	-25.3%
4. Other debts	70,357	68,363	1,994	2.9%
Operating debts to sales network	30,401	28,696	1,705	5.9%
Other	39,956	39,667	289	0.7%
Total due to customers	**4,491,173**	**3,042,371**	**1,448,802**	**47.6%**

6.2 Core loans

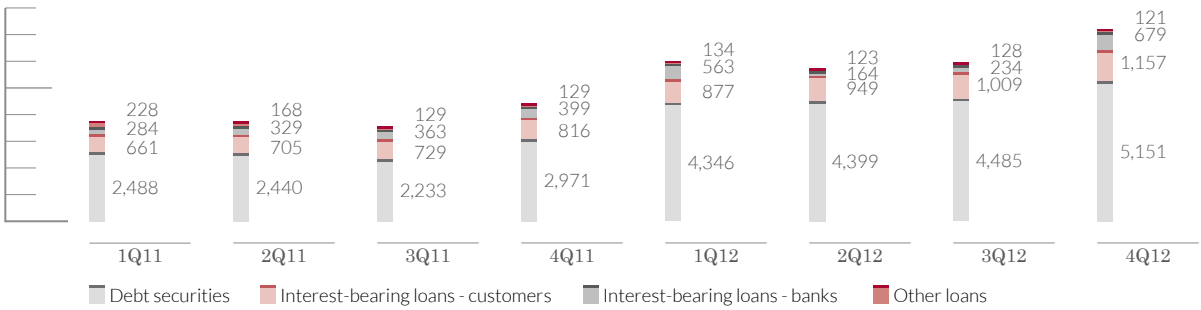
Core loans totalled 7,108.7 million euros.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
Financial assets held for trading	222,548	35,323	187,225	n.s.
AFS financial assets	1,733,885	1,318,992	414,893	31.5%
HTM financial assets	3,000,330	1,415,701	1,584,629	111.9%
Financial assets classified among loans	234,138	238,571	-4,433	-1.9%
Financial assets	5,190,901	**3,008,587**	**2,182,314**	**72.5%**
Loans to banks	679,064	399,144	279,920	70.1%
Loans to customers	1,157,008	816,145	340,863	41.8%
Operating loans and other loans	81,743	91,959	-10,216	-11.1%
Total interest-bearing financial assets and loans	**7,108,716**	**4,315,835**	**2,792,881**	**64.7%**

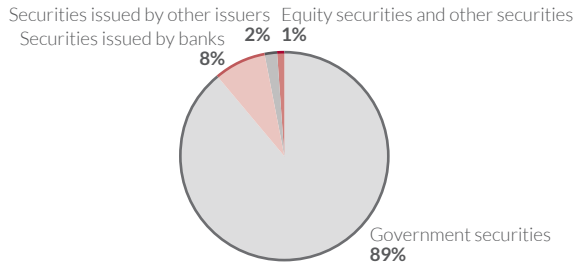
The Group's financial assets held for treasury and investment needs and allocated to the various IAS portfolios accounted for 73% of the aggregate and totalled 5,190.9 million euros, marking an increase of 2,182.3 million euros compared to the end of the previous year (+72.5%), involving mainly the portfolio of HTM financial assets.

The loans to customers and banks aggregate also showed considerable growth, with loans to customers increasing by 340.9 million euros (+41.8%) and loans to banks up by 280 million euros (+70.1%).

Evolution of loans (€ million)



Breakdown of financial assets portfolio at 31.12.2012



6.2.1 Financial assets

On the whole, the exposure to financial instruments classified to the various IAS portfolios was concentrated in government bonds (89%), whereas the share of bonds issued by financial institutions dropped sharply from 21% to 8%, and the share invested in equities and funds was not material.

Sovereign debt exposure, consisting solely of securities issued by the Italian Republic, reached 4,645.8 million euros and may be broken down as follows by portfolio of allocation.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
Exposure to the sovereign risk by portfolio:				
Financial assets held for trading	190,073	455	189,618	n.s.
AFS financial assets	1,605,949	1,130,509	475,440	42.1%
HTM financial assets	2,849,763	1,064,025	1,785,738	167.8%
Total	**4,645,785**	**2,194,989**	**2,450,796**	**111.7%**

The overall geographical breakdown of the portfolio of debt securities thus shows a high concentration of investments relating to Italian securities (97.2%).
The corporate portfolio is concentrated on senior securities.
The portfolio of debt securities had an overall average residual life of about 1.8 years and 84% of it was made up of fixed rate issues.

The portfolio of **assets held to maturity** amounted to 3,000 million euros at the end of 2012, marking an increase of 1,584.6 million euros compared to 31 December 2011.

The new investments within this portfolio, for a total amount of 1,785.7 million euros, net of redemption flows, related to issues of Italian government bonds, largely set to mature in 2014 and 2015 (BTPs), as well as traditional money-market securities (BOTs and CTZs), whereas there was a decrease in the exposure to other types of issuers due to the redemption flow of securities reaching their natural maturities and divestment activity.
The HTM portfolio consists of securities set to mature between 2013 and 2016 with residual average lives limited to approximately 1.4 years. The securities arising from the IAS 39 reclassification performed in 2008 now account for slightly more than 3.5% of the portfolio.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
A. Governments and Central Banks	2,849,763	1,064,025	1,785,738	167.8%
B. Other public institutions	-	-	-	n.a.
C. Banks	119,826	295,239	-175,413	-59.4%
D. Other issuers	30,741	56,437	-25,696	-45.5%
Total debt securities	**3,000,330**	**1,415,701**	**1,584,629**	**111.9%**

The portfolio of AFS financial assets, which represents the main container of the Bank's treasury investments, amounted to 1,733.9 million euros at year-end, up compared to the balance reported at the end of the previous year (+414.9 million euros), chiefly owing to the effect of new investments in government securities undertaken in the latter part of the year.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
1. Debt securities	**1,709,802**	**1,299,636**	**410,166**	**31.6%**
A. Governments and Central Banks	1,605,949	1,130,509	475,440	42.1%
B. Other public institutions	-	-	-	n.a.
C. Banks	103,577	154,123	-50,546	-32.8%
D. Other issuers	276	15,004	-14,728	-98.2%
2. Equity securities	**19,964**	**18,314**	**1,650**	**9.0%**
Equity investments	**4,756**	**3,207**	**1,549**	**48.3%**
CSE	3,480	1,930	1,550	80.3%
GBS, GBC	245	246	-1	-0.4%
Simgenia	967	967	-	-
Other minor securities (Caricese, Swift, etc.)	64	64	-	-
Private-equity investments	**4,824**	**4,823**	**1**	**-**
Athena Private Equity S.A.	4,824	4,823	1	-
Other equities available for sale	**10,384**	**10,284**	**100**	**1.0%**
Assicurazioni Generali	633	530	103	19.4%
Veneto Banca	5,071	4,977	94	1.9%
Enel S.p.A.	2,879	2,839	40	1.4%
Other equity securities	1,801	1,938	-137	-7.1%
3. UCIT units	**4,119**	**1,042**	**3,077**	**295.3%**
4. Financing	**-**	**-**	**-**	**n.a.**
Total AFS financial assets	**1,733,885**	**1,318,992**	**414,893**	**31.5%**

The portfolio of debt securities consists of government securities (94%) and bank corporate bonds (6%), with maturities primarily falling between 2013 and 2017, and a residual average life of slightly less than two years.

At year-end, the portfolio showed an overall decrease in fair value through equity of 16 million euros, down sharply from the 83 million euros recorded at the end of 2011 and chiefly attributable to the measurement of Italian government debt securities.

Financial assets classified among loans to banks and customers totalled 234.1 million euros, with a net decrease of 4.4 million euros, due to the effect of the redemption and divestment of assets of 76 million euros, entirely offset by the subscription for new unlisted corporate and bank bonds.

Nearly three-fourths (70%) of this portfolio consisted of bonds issued by financial institutions and had a longer residual life due to the presence of ABSs. Just 27.4% of this portfolio is now associated with the reclassification according to IAS 39 undertaken in 2008.

			CHANGE	
(€ THOUSAND)	31.12.2012	31.12.2011	AMOUNT	%
A. Banks	164,190	174,505	-10,315	-5.9%
B. Other issuers	69,948	64,066	5,882	9.2%
Total debt securities	**234,138**	**238,571**	**-4,433**	**-1.9%**

Financial assets and liabilities held for trading totalled 221 million and increased considerably compared to the end of the previous year due to the assumption at year-end of very short-term positions in money-market securities (BOTs).

			CHANGE	
(€ THOUSAND)	31.12.2012	31.12.2011	AMOUNT	%
Cash assets				
1. Debt securities	**207,183**	**17,228**	**189,955**	**n.s.**
Government and Central Banks	190,073	455	189,618	n.s.
Banks	2,086	1,695	391	23.1%
Other issuers	15,024	15,078	-54	-0.4%
2. Equity securities	**1,377**	**1,062**	**315**	**29.7%**
3. UCIT units	**13,591**	**16,336**	**-2,745**	**-16.8%**
Total cash assets	**222,151**	**34,626**	**187,525**	**n.s.**
Derivatives (positive FV)	397	697	-300	-43.0%
Financial assets held for trading	**222,548**	**35,323**	**187,225**	**n.s.**
Derivatives (negative FV)	-1,448	-1,737	289	-16.6%
Assets and liabilities held for trading	**221,100**	**33,586**	**187,514**	**n.s.**

6.2.2 Loans to customers and other operating receivables

Loans to customers amounted to 1,157 million euros, up by 340.9 million euros compared to the balance at the end of the previous year (+41.8%), essentially due to the disbursement of loans to customers (+173.1 million euros) and overdraft facilities (+118.2 million euros).

Customer lending operations are nonetheless guided by criteria of the utmost prudence and control of risk, and are primarily conducted in the segments property mortgage lending and lending secured by financial assets. In further detail, this latter segment presents a loan-to-value ratio of approximately 70%.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
Current accounts	629,453	511,291	118,162	23.1%
Personal loans	418,953	245,872	173,081	70.4%
Other financing and loans not in current accounts	47,226	38,398	8,828	23.0%
Short-term term deposits on the new MIC	40,003	-	40,003	n.a.
Financing	**1,135,635**	**795,561**	**340,074**	**42.7%**
Gesav life insurance participating policy	**21,373**	**20,584**	**789**	**3.8%**
Total loans	**1,157,008**	**816,145**	**340,863**	**41.77%**
Receivables from product companies	54,507	50,831	3,676	7.2%
Sums advanced to Financial Advisors	22,078	26,733	-4,655	-17.4%
Interest-bearing daily margin, Italian Stock Exchange	2,167	4,061	-1,894	-46.6%
Changes to be debited and other loans	2,877	9,812	-6,935	-70.7%
Operating loans and other loans	**81,629**	**91,437**	**-9,808**	**-10.7%**
Debt securities	**69,948**	**64,066**	**5,882**	**9.2%**
Total loans to customers	**1,308,585**	**971,648**	**336,937**	**34.7%**

Within the loans to customers segment, net non-performing loans amounted to 27.3 million euros, accounting for 2.4% of the associated net exposure, and showing a decrease of 4.2 million euros compared to the volume reported at the end of the previous year.

(€ THOUSAND)	NET EXPOSURE	VALUE ADJUSTMENT	NET EXPOSURE 2012	NET EXPOSURE 2011
Bad loans	36,341	-12,941	23,400	21,743
Substandard loans	2,815	-728	2,087	3,050
Restructured loans	960	-	960	2,948
Expired loans/outstanding over 90 days	976	-91	885	3,837
Total non-performing loans	**41,092**	**-13,760**	**27,332**	**31,578**
Performing loans	1,109,800	-1,497	1,108,303	763,983
Total loans	**1,150,892**	**-15,257**	**1,135,635**	**795,561**

The non-performing exposures covered by the guarantee granted by BSI SA following the disposal of Banca del Gottardo Italia amounted to 24.9 million euros, accounting for 91% of total non-performing financing transactions.

In detail, bad loans and substandard loans are currently secured by 20.2 million euros in collateral deposits by BSI SA.
However, during the year non-performing positions and substandard and expired positions were nonetheless subject to impairment on a prudential basis.

Operating receivables classified among loans to customers consist primarily of trade receivables from product companies in connection with the distribution of financial products and services and advances paid to Financial Advisors under incentive plans.

Net impaired loans relating to operating receivables amounted instead to 1.0 million euros and referred primarily to litigation or prelitigation positions against former Financial Advisors.

6.2.3 Interbank position

The interbank position, net of the securities portfolio and operating loans, showed a net debit balance of 1,550.8 million euros, growing by 879.1 million euros compared to the previous year, due to the above-mentioned refinancing transactions with ECB.

In this connection, it should be remarked that Banca Generali participated in the refinancing auction held by the ECB in late February, obtaining 1,100 million euros in funds set to mature in three years, and repaid the annual financing of 300 million euros obtained in October 2011.

Amounts due to banks also increased, primarily in the form of repurchase agreements (+262.8 million euros), as did loans to banks (+279.9 million), also principally in the form of repurchase agreements and term deposits.

			CHANGE	
(€ THOUSAND)	31.12.2012	31.12.2011	AMOUNT	%
1. Repayable on demand	**111,936**	**329,460**	**-217,524**	**-66.0%**
Demand deposit with ECB	-	60,000	-60,000	-100.0%
Demand deposits with credit institutions	65,000	169,430	-104,430	-61.6%
Transfer accounts	46,936	100,030	-53,094	-53.1%
2. Time deposits	**567,128**	**69,684**	**497,444**	**n.s.**
Mandatory reserve	19,519	10,341	9,178	88.8%
Term deposits	147,693	59,343	88,350	148.9%
Repurchase agreements	398,136	-	398,136	n.a.
Collateral margins	1,780	-	1,780	n.a.
Total due to banks	**679,064**	**399,144**	**279,920**	**70.1%**
1. Due to central banks	**1,309,841**	**500,696**	**809,145**	**161.6%**
Term deposit with ECB	1,309,841	500,696	809,145	161.6%
2. Due to banks	**920,055**	**570,213**	**349,842**	**61.4%**
Transfer accounts	80,217	1,259	78,958	n.s.
Term deposits	8,892	10,082	-1,190	-11.8%
Repurchase agreements	801,383	538,625	262,758	48.8%
Collateral margins	9,336	-	9,336	n.a.
Other debts	20,227	20,247	-20	-0.1%
Total due to banks	**2,229,896**	**1,070,909**	**1,158,987**	**108.2%**
Net interbank position	**-1,550,832**	**-671,765**	**-879,067**	**130.9%**
3. Debt securities	**164,190**	**174,505**	**-10,315**	**-5.9%**
4. Other operating receivables	**114**	**522**	**-408**	**-78.2%**
Total interbank position	**-1,386,528**	**-496,738**	**-889,790**	**179.1%**

6.3 Special purpose provisions

Provisions allocated to cover specific liabilities and contingencies totalled 68.0 million euros and increased moderately compared to the previous year overall.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
Provision for termination indemnity	**4,190**	**4,003**	**187**	**4.7%**
Other provisions for liabilities and contingencies	**63,805**	**61,070**	**2,735**	**4.5%**
Provisions for staff expenses	12,961	11,526	1,435	12.5%
Provisions for legal disputes	11,464	11,489	-25	-0.2%
Provisions for contractual indemnities to the sales network	11,255	9,156	2,099	22.9%
Provisions for sales network incentives	27,147	28,899	-1,752	-6.1%
Other provisions for liabilities and contingencies	978	-	978	n.a.
Total provisions	**67,995**	**65,073**	**2,922**	**4.5%**

Provisions for staff expenses include the following:

- 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;
- the estimate of the variable compensation provided for in the new long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali (the Long-Term Incentive Plan);
- allocations for post-employment benefits related to healthcare for the Group's executives;
- allocations for measures involving staff intended to support a company reorganisation plan launched following the merger of BG SGR, informal incentives and other expenses associated with the classification of personnel outside the scope of IAS 19.

In 2012, provisions for staff expenses also included the allocation related to the performance bonus envisaged in the company supplementary contract. In fact, at the date of publication of the financial statements, the new supplementary contract for the three-year period 2012-2014 will not yet be in effect, inasmuch as negotiations with union representatives are still in the initial phases. However, the Bank decided to allocate the amount of the bonus on the basis of the mechanisms agreed for the previous two-year period 2010-2011.

Provisions for network incentives include 22.2 million euros in obligations assumed by the Bank in connection with recruitment plans aimed at expanding portfolios in the medium term, while the remainder refers to incentive plans based on the network's performance for the period and the share of incentives for non-employee network managers subject to the Group's new compensation policy (deferred incentives with access gates).

Provisions for contractual indemnities for the sales network were affected by the establishment in late 2011 of a new portfolio development mechanism, and therefore primarily consist of the provision for advisors' end-of-service indemnities, measured according to actuarial criteria. During the year, a new provision was also created to cover the new social-security bonus programmes aimed at ensuring that the most deserving workers receive supplementary pension benefits upon retirement.

6.4 Net equity

At 31 December 2012, consolidated net equity, including the net profit for the year, amounted to 395.1 million euros compared to the 262.4 million euros at the end of the previous year and underwent the following changes.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE AMOUNT	CHANGE %
Share capital	112,938	111,676	1,262	1.1%
Additional paid-in capital	16,591	3,231	13,360	413.5%
Reserves	139,841	126,508	13,333	10.5%
(Treasury shares)	-41	-248	207	-83.5%
Valuation reserves	-10,587	-56,341	45,754	-81.2%
Equity instruments	-	-	-	n.a.
Net profit (loss) for the period	129,212	73,419	55,793	76.0%
Group net equity	**387,954**	**258,245**	**129,709**	**50.2%**
Minority interests	7,166	4,176	2,990	71.6%
Consolidated net equity	**395,120**	**262,421**	**132,699**	**50.6%**

	GROUP	THIRD PARTIES	OVERALL
Net equity at year-start	**258,245**	**4,176**	**262,421**
Dividend paid	-61,415	-876	-62,291
Previous stock option plans: issue of new shares	11,733	-	11,733
New stock option plans	712	-	712
Other decreases	3	-1	2
Transfer of the focus funds business unit	3,710	-	3,710
Change in valuation reserves	45,754	-	45,754
Consolidated profit	129,212	3,867	133,079
Net equity at year-end	**387,954**	**7,166**	**395,120**
Change	**129,709**	**2,990**	**132,699**

The change in net equity was influenced by the distribution of the 2011 dividend, the performance of fair value reserves for the portfolio of financial assets available for sale and by the effects of old and new stock option plans. The net gain from the sale of the mutual funds business unit effective 1 April 2012 was also recognised in equity.

The fair value reserves for the portfolio of available for sale financial assets, which at the end of the year amounted to a negative balance of 10.6 million euros, mainly refer to the portfolio of government bonds.

(€ THOUSAND)	31.12.2012 POSITIVE RESERVE	31.12.2012 NEGATIVE RESERVE	31.12.2012 NET RESERVE	31.12.2011 NET RESERVE	CHANGES
1. Debt securities	1,623	-13,313	-11,690	-56,268	44,578
2. Equity securities	1,043	-	1,043	-80	1,123
3. UCIT units	70	-10	60	7	53
4. Cash-flow hedges	-	-	-	-	-
Total	**2,736**	**-13,323**	**-10,587**	**-56,341**	**45,754**

6.4.1 Capital for regulatory purposes

Capital for regulatory purposes amounted to 276.5 million euros at 31 December 2012, on the basis of projected total dividends to be distributed of 105.5 million euros.

The increase in the aggregate of 40.0 million euros was primarily due to the following: the share of the net profit for the year not planned for distribution (27.6 million euros), the increases in capital caused by old and new stock-option plans (12.4 million euros), the significant increase in AFS reserves (+4.7 million euros) and the effect of the extraordinary transaction undertaken (3.7 million euros), which allowed the repayment of the second tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros) to be offset in its entirety.

The capital committed to the minimum capital requirements for risks required by the Supervisory Authority amounted to 170.7 million euros, up compared to the previous year owing to the effect of the greater absorption required by credit risks (+20.9 million euros), related to the increase in risk assets and positions associated with Italy risk and operating requirements (+4.0 million euros).

The excess over prudential requirements therefore amounted to 105.8 million euros, whereas the total capital ratio reached 12.96%, compared to a minimum requirement of 8%.

			CHANGE	
(€ THOUSAND)	31.12.2012	31.12.2011	AMOUNT	%
Tier 1 Capital	252,359	204,862	47,497	23.19%
Tier 2 Capital	24,163	31,624	-7,461	-23.59%
Tier 3 Capital	-	-	-	n.a.
Capital for regulatory purposes	**276,523**	**236,486**	**40,037**	**16.93%**
B.1 Credit risk	122,701	101,830	20,871	20.50%
B.2 Market risk	6,446	7,861	-1,415	-18.00%
B.3 Operating risk	41,576	37,655	3,921	10.41%
B.4 Other capital requirements	-	-	-	n.a.
B.4 Total capital requirements	**170,723**	**147,346**	**23,377**	**15.87%**
Excess over prudential requirements	105,800	89,140	16,660	18.69%
Risk-weighted assets	2,134,038	1,841,825	292,213	15.87%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	11.83%	11.12%	0.70%	6.32%
Regulatory capital/Risk-weighted assets (Total capital ratio)	**12.96%**	**12.84%**	**0.12%**	**0.9%**

It should be noted that Banca Generali has informed the Bank of Italy of its decision to exercise the option to neutralise the capital gains and losses deriving from fair-value measurement of financial assets available for sale belonging to the Euro Area government bond segment for the purposes of capital for regulatory purposes, as allowed under Bank of Italy Order of 18 May 2010.

6.4.2 Reconciliation statement between Parent Company net equity and net profit and the consolidated net equity and net profit

(€ THOUSAND)	CAPITAL AND RESERVES	NET PROFIT	31.12.2012 NET EQUITY
Net equity of Banca Generali	**215,719**	**118,143**	**333,862**
Differences between net equity and book value of companies consolidated using the line-by-line method	32,535	-	32,535
Goodwill	4,289	-	4,289
Income carried forward of consolidated companies	28,228	-	28,228
Reserve from the transfer of the funds business unit	-	-	-
Other changes	18	-	18
Dividends from consolidated companies	14,820	-86,220	-71,400
Consolidated companies' result for the year	-	101,110	101,110
Minority interests	-	-3,864	-3,864
Valuation reserves - consolidated companies	-	-	-
Consolidation adjustments	-4,332	43	-4,289
Goodwill	-4,289	-	-4,289
GIL incorporation expenses	-43	43	-
Net equity of the Banca Generali Group	**258,742**	**129,212**	**387,954**

6.5 Cash flows

At the end of 2012, operating activities had generated a total of 1,529.3 million euros in cash, primarily owing to the simultaneous increases in:

- amounts due to banks (+1,152.4 million euros), chiefly due to the Bank's participation, to the extent of 1,100 million euros, in the LTROs undertaken by the ECB at the end of February 2012;
- amounts due to customers (+1,438.7 million euros), primarily due to the increase in term deposits by the Parent Company, Assicurazioni Generali S.p.A. (1,255 million euros).

Operations also yielded cash of 145.4 million euros.
The resulting cash flows drove an increase in the financial portfolios held-for-trading and available-for-sale (+521.6 million euros), loans to customers (+347.4 million euros) and the exposure on the interbank market through repurchase agreements (+330.9 million euros), with a positive imbalance that allowed the financing of significant net investments in government securities allocated to the residual portfolio of assets held to maturity (1,544 million euros).
Financing activity used 62.3 million euros in resources in connection with the dividends paid, but also benefited from the capital contributions resulting from the exercise of stock options.

(€ THOUSAND)	2012	2011
Cash flows generated by operations:	**145,368**	**119,947**
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	-521,612	242,397
Cash flows generated by (+) used for (-) loans to banks	-330,938	-40,147
Cash flows generated by (+) used for (-) loans to customers	-347,393	-138,228
Cash flows generated by (+) used for (-) amounts due to banks	1,152,447	616,042
Cash flows generated by (+) used for (-) amounts due to customers	1,438,679	125,068
Cash flows generated by (+) used for (-) other operating assets and liabilities	-7,226	3,585
Liquidity generated by/used for operating activities	**1,529,325**	**928,664**
Liquidity generated by/used for investing activities	**-1,542,340**	**-798,040**
Liquidity generated by/used for financing activities	**-50,558**	**-64,618**
Net cash liquidity generated/used	**-63,573**	**66,006**
Cash and deposits	**10,386**	**73,959**

7. 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).

7.1 Asset management and insurance products

Group asset management products

In the asset management sector, in 2012 the Banking Group worked in the wealth management field through the asset management services of Banca Generali (former BG SGR), Generali Fund Management and BG Fiduciaria.

(€ MILLION)	BG GROUP 31.12.2012	BG GROUP 31.12.2011	CHANGES VS 31.12.2011 AMOUNT	%
Funds and SICAVs	11,122	11,866	-744	-6.3%
attributable to the banking Group's GPF	742	704	38	5.4%
GPF/GPM	3,330	3,016	314	10.4%
Total assets managed by the Banking Group, net of discretionary accounts, included in the GPF of the Banking Group	**13,710**	**14,178**	**-468**	**-3.3%**

The total assets invested in funds and SICAVs managed by the Banking Group amounted to 11,122 million euros, down compared to 2011 primarily owing to the disposal of the mutual fund unit of BG SGR, subsequently merged into Banca Generali, and the ensuing cessation of the role of manager of funds established by third parties. The activities concerned accounted for 1,299 million euros at the end of 2011. Net of these, assets under management increased by over half a billion euros (approximately +5% compared to assets at the end of 2011).

Accordingly, the Group's investments in collective products are currently represented exclusively by Luxembourg SICAVs and are attributable to Generali Fund Management, a subsidiary of Banca Generali. The above company also acts as a management company (even when managed has been entrusted to third companies) for numerous SICAVs distributed by other Assicurazioni Generali Group companies. Discretionary accounts increased by over 10% to 3.3 billion euros.

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 UCITs segment.

In 2012 third-party assets increased by over one billion euros. To a minor extent, this was due to the disposal of the mutual funds of the former BG SGR, which concurrently became third-party funds, where placed by Banca Generali, equal to approximately 200 million euros. For the most part, this was due to a significant increase in the use of "open architecture," which affords customers access to a very wide range of investment products, including at an international level, in support of the advisory approach that characterises Banca Generali's commercial offerings.

It should also be noted that over the years, in accordance with an arrangement previously applied in 2009, investments directed towards the Luxembourg umbrella fund-of-funds BG Selection also increased. The SICAV is promoted directly by the 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 marketing was launched for 29 of 41 total sub-funds, management of which is entrusted directly to several leading international investment companies, thereby significantly increasing the management diversification of the asset management portfolios held by the

bank's customers. In fact, approximately 77% of BG Selection (approximately 3.7 billion euros) resorts to third-party management and support through management mandates and the use of advisory services.

Accordingly, in the funds and SICAV sector, the diversification achieved through third-party products, whether directly or indirectly through the fund-of-funds BG Selection, represents about 90% of retail customers' total investments.

(€ MILLION)	BG GROUP 31.12.2012	BG GROUP 31.12.2011	CHANGES VS 31.12.2011 AMOUNT	%
Funds and SICAVs	2,506	1,424	1,081	75.9%
GPF/GPM	27	27	-	-
Total third-party asset management products	**2,533**	**1,452**	**1,081**	**74.5%**

Third-party insurance products

Almost all assets invested in insurance and retirement products consist of traditional and unit-linked Genertellife policies. Such assets stood at 8,488 million euros at the end of 2012, up 16% compared to December 2011. This result was mainly due to the considerable new business written during the year, less redemptions and expiring contracts.

(€ MILLION)	BG GROUP 31.12.2012	BG GROUP 31.12.2011	CHANGES VS 31.12.2011 AMOUNT	%
Insurance products (unit-linked, policies, etc.)	8,488	7,319	1,170	16.0%
Total third-party insurance products	**8,488**	**7,319**	**1,170**	**16.0%**

7.2 Assets under administration and custody

Indirect inflows of assets under administration and custody consist of securities deposited by affluent and corporate customers for custody and administration in portfolios opened with the Parent Company, Banca Generali. At 31 December 2012, these amounted to 6,028 million euros at market value, compared to 5,916 million euros at the end of 2011 (+1.9%).

Given net outflows of nearly half a billion euros, the modest increase in this segment was due entirely to the revaluation of the securities held in customers' portfolios.

(€ MILLION)	BG GROUP 31.12.2012	BG GROUP 31.12.2011	CHANGES VS 31.12.2011 AMOUNT	%
Indirect inflows of assets under administration and custody of the banking group	**6,028**	**5,916**	**112**	**1.9%**
of which securities portfolios of the Generali group's clients	350	482	-132	-27.3%
of which other customers' securities portfolios	5,678	5,434	243	4.5%

8. Results by line of business

The Banking Group identifies the following three main business areas:
Affluent Channel, Private Channel, Corporate Channel.

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 Banca Generali' Financial Advisors and their respective clients;
- 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 "Banca Generali Private Banking Division" and by their respective clients;
- the **Corporate Channel**, which refers to the total earnings generated for the Group by the financing 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, as well as variable revenues specifically related to the ability of the financial product management activities to outperform markets.

The management of foreign mutual funds promoted by the Assicurazioni Generali Group, falling within the business scope of the merged company GIL - Generali Investment Luxembourg, does not, however, constitute a business unit included in management's operating assessments since it relates exclusively to the portion of the group's operating result attributable to minority interests.

Based on the periodical reports analysed by the Management, the Group assesses the performance of its operating segments on the basis of the performance of the net banking income.
The financial aggregates for each segment therefore consist of net interest, net commissions and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the group ("external revenues"), and those deriving from transactions with other segments ("internal revenues"), the latter being identifiable solely with reference to the interest margin.

The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations.
In the interest of providing more comparable 2012 and 2011 data, the latter have been reclassified based on IFRS 5 with regard to discontinued operations (transfer of the business unit BG SGR).

PROFIT AND LOSS ACCOUNT					2012					2011
(€ THOUSAND)	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GIL	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GIL	TOTAL
Net interest income	**8,262**	**7,586**	**95,701**	**3**	**111,552**	**8,734**	**5,925**	**34,374**	**26**	**49,059**
Commission income	171,645	111,494	72,437	29,057	384,633	173,158	107,883	41,530	28,151	350,722
Commission expense	-91,143	-43,205	-14,029	-22,191	-170,568	-86,441	-38,969	-15,941	-21,410	-162,761
Net commissions	**80,502**	**68,289**	**58,408**	**6,866**	**214,065**	**86,718**	**68,914**	**25,589**	**6,741**	**187,962**
Profit (loss) of financial operations	-	-	11,615	-	11,615	-	849	-86,410	-10	-85,571
Dividends	-	-	739	-	739	-	-	92,259	-	92,259
Net banking income	**88,764**	**75,875**	**166,462**	**6,868**	**337,971**	**95,452**	**75,688**	**65,812**	**6,758**	**243,709**
(€ MILLION)										
Assets Under Management	15,431	10,733	2,005	5,900	34,069	13,679	9,417	2,693	5,559	31,348
Net inflows	1,131	471	n.a.	n.a.	1,602	837	423	n.a.	n.a.	1,260
Financial advisors/RMs	1,137	316	n.a.	n.a.	1,453	1,154	317	n.a.	n.a.	1,471

Note: In addition to the changes required by the amendment to IFRS 5, considering that in 2012 more detailed information became available, enabling a more accurate allocation between channels, some 2011 data have been marginally reclassified in order to render them consistent with the new allocations.

Affluent Channel

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE
Net interest	8,262	8,734	-5.41%
Net commissions	80,502	86,718	-7.17%
Net banking income	**88,764**	**95,452**	**-7.01%**
AUM (€ million)	15,431	13,679	12.81%
Net inflows (€ million)	1,131	837	35.12%
Financial Advisors	1,137	1,154	-1.47%
AUM/FA (€ million)	13.57	11.85	14.49%
Inflows/FA (€ million)	0.99	0.73	37.14%

At 31 December 2012, the assets under management attributable to this channel amounted to 15.4 billion euros, up compared with the previous year by approximately 1.8 billion euros (+13%), owing both to the positive performance of the market and the increase in net inflows (1,131 million euros), concentrated in asset management products, against outflows from administration and custody products.
In 2012, the net revenues generated by this channel reached 88.8 million euros, down by 7.0% compared to the 95.5 million euros in 2011, owing to:

- a slight reduction in net interest due to a higher cost of funding associated with promotional activities, especially in the first part of the year;
- a reduction in net commissions driven, on the one hand, by lower commission income due to a decline in bond placements (only partly offset by the increase in the placement of asset management products) and, on the other, higher one-off recruitment and sales incentives costs associated with the excellent sales results achieved.

The channel's contribution to total consolidated net revenues amounted to 27%.
Net revenues amounted to 0.55% of average AUM.

Private Channel

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE
Net interest	7,586	5,925	28.03%
Net commissions	68,289	68,914	-0.91%
Result from financial operations and dividends	-	849	-100.00%
Net banking income	**75,875**	**75,688**	**0.25%**
AUM (€ million)	10,733	9,417	13.98%
Net inflows (€ million)	471	423	11.31%
Financial Advisors	316	317	-0.32%
AUM/FA (€ million)	33.97	29.71	14.34%
Inflows/FA (€ million)	1.49	1.33	11.66%

At 31 December 2012, the assets under management pertaining to this channel amounted to 10.7 billion euros, up significantly compared to 2011 (+1.3 billion euros or +14%), with net inflows of 0.5 billion euros, also up compared to 2011 (+11.0%), characterised by the transformation of administration and custody products into asset management solutions.
In 2012, the net revenues produced by this channel reached 75.9 million euros, in line with 2011, owing to a significant increase in net interest (+1.7 million euros) driven by development of lending attributable to the channel, which offset the higher cost of inflows associated with the promotional activities carried out in the first part of the year.
Net commissions thus remained unchanged compared with the previous year.
The contribution to total consolidated net revenues amounted to 23%.
The ratio of net revenues to average AUM amounted to 0.67%, up compared to 2011.

Corporate Channel

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE
Net interest	95,701	34,374	178.41%
Net commissions	58,408	25,589	128.25%
Result from banking activities and dividends	12,355	5,849	111.23%
Net banking income	**166,463**	**65,812**	**152.94%**
AUM (€ million)	2,005	2,693	-25.56%
Net inflows (€ million)	n.a.	n.a.	n.a.
Financial Advisors	n.a.	n.a.	n.a.

At 31 December 2012, the assets under management relating to this channel amounted to 2.0 billion euros, consisting of 1.6 billion euros in assets under administration and custody (direct and indirect) from Generali Group companies, whereas the remainder refers to Italian and international assets under management not attributable to the Banca Generali distribution network.
Assets under management decreased compared with the previous year (-26%), due above all to the effect of the transfer of the assets under management associated with the mutual funds of the BG SGR business unit and related direct customers, as well as the Alleanza Funds under management by BG SGR.
At the level of profit and loss, this channel also includes components not directly attributable to distribution network activity, such as the performance commissions collected by the Group in its asset management operations.

In 2012, the net revenues generated by the Corporate channel reached 166.5 million euros (+100.7 million euros compared with 2011), owing to the following:

- a significant increase in net interest tied to the leverage achieved with the ECB through LTROs and the better rates obtained by the securities portfolio on the government segment (+61.3 million euros);
- a sharp rise in performance commissions (+40.4 million euros);
- a larger contribution from the income of financial operations (6.5 million euros).

These increases were accompanied by a decrease in trading commissions on the brokerage activity carried out primarily on behalf of certain Assicurazioni Generali Group companies and motivated by a decline in activity due to financial market turbulence.
The contribution to total consolidated net revenues amounted to 50%.

9. Corporate social responsibility

9.1 Distribution of global added value

The following is a summary of the 2012 results in the various areas of the Banking Group's social responsibility. In particular, the profit and loss figures for the year have been restated according to the GAV (Global Added Value) method. GAV represents the wealth that the Group has generated and distributed to the various classes of stakeholders in its daily operations (for example, first and foremost, financial advisors networks and human resources). GAV is equal to the difference between total revenues and total costs of goods and services (so-called "consumption").

A significant role is played by shareholders, who expect a return from the financial means they have committed to the business, and by the State, i.e., the central and local administrative bodies as a whole, to which a significant part of the wealth that is produced is conferred in the form of direct and indirect taxes.

Great attention has also been paid to the needs of the community and the environment through charitable initiatives, as well as social and cultural works.
Lastly, there is the Group as a "business system" that must be able to rely on adequate resources to allocate to production investments and everyday operations. This is essential to guarantee the Group's economic growth and stability and, consequently, ensure the creation of new wealth for all stakeholders.
From a methodological standpoint, value added is obtained by reclassifying items of the profit and loss account of the Consolidated Financial Statements with the aim of highlighting the process involved in the formation of value added, in its various formulations, as well as its distribution.
The statements for the determination and distribution of value added were prepared based on the information posted in the Consolidated Financial Statements for 2011-2012 and using the ABI guidelines as a reference.

The distribution of value added

In 2012 the Banca Generali Group reported net revenues of 573.5 million euros, in keeping with 2011, whereas consumption increased by 27.2 million compared to the previous year due to the significant increase in interest paid.
Gross GAV was 410 million euros and may be broken down as follows:

- Human Resources (employees and other workers): approximately 16.38% of gross GAV generated, for a total of 67.2 million euros (20.87% in 2011);
- Financial Advisors: 36.5% of gross GAV generated, for a total of 149.7 million euros (45.53% in 2011);
- State: approximately 13.5% of gross GAV (7.33% in 2011), or 55.4 million euros;
- 7.82% of GAV (5.19% in 2011), or 32.1 million euros, withheld by the Business System in the form of undistributed profits, depreciation and amortisation. The amount is to be regarded as an investment that the other categories of stakeholders make each year in order to keep the company in efficient condition and permit its development;
- Shareholders: 25.73% of gross GAV, compared with 21.06% in 2011, while maintaining an adequate level of capitalisation of the bank. The sum of approximately 3.9 million euros constitutes the attribution of profit to the Group's minority shareholders.

2012 TOTAL ADDED VALUE

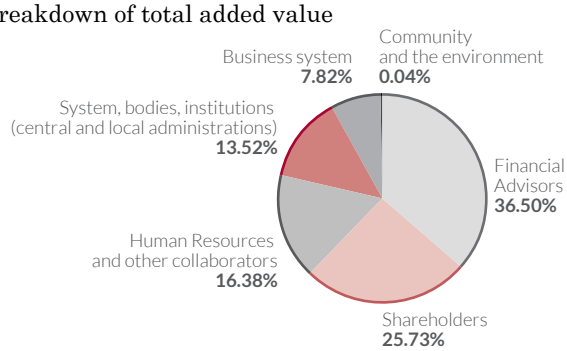
€ MILLION

410

Breakdown and distribution of gross global added value

ITEMS (€ THOUSAND)	2012	2011	CHANGE
A. Total net revenues	573,518	445,307	128,211
B. Total consumption	-163,952	-136,752	-27,200
C. Net result from insurance operations	-	-	-
D. Gross core added value	409,566	308,555	101,011
E. Total gross global added value	**410,013**	**310,389**	**99,624**
Divided among:			
1. Shareholders	**105,502**	**65,370**	**40,132**
Private shareholders	101,635	61,415	40,220
Minority interests (+/-) for the year	3,867	3,955	-88
2. Human Resources	**216,829**	**206,090**	**10,739**
Employee expense; expense for indefinite- and definite-time contracts	65,727	62,033	3,694
Expense for Financial Advisors	149,668	141,310	8,358
Expense for other collaborators	1,434	2,747	-1,313
3. System, entities, institutions (central and peripheral administrations)	**55,438**	**22,750**	**32,688**
Indirect and income taxation	18,162	9,396	8,766
Income taxes for the period	37,276	13,354	23,922
4. Community and the environment	**174**	**84**	**90**
Charitable gifts	174	84	90
5. Banca Generali Group	**32,070**	**16,095**	**15,975**
Change in reserves	27,577	12,004	15,573
Amortisation and depreciation	4,493	4,091	402
Total Gross Global Added Value	**410,013**	**310,389**	**99,624**

Breakdown of total added value



Statement of determination of the global added value

ITEMS (€ THOUSAND)		2012	2011
10.	Interest income and similar revenues	157,392	79,231
40.	Commission income	384,633	350,722
70.	Dividends and similar income	739	92,259
80.	Net income (loss) from trading activities	8,485	-87,593
90.	Net profit from hedging	-937	-
100.	Gain (loss) from sales or repurchase of:	4,067	2,022
	a. receivables	-4,311	893
	b. afs financial assets	7,549	1,330
	c. htm financial assets	829	-201
220.	Other operating expense/income	19,139	8,666
	A. Total net revenues	**573,518**	**445,307**
20.	Interest expense and similar charges	-45,840	-30,172
50.	Commission expense (1)	-20,900	-21,450
	Other general and administrative expense (2)	-74,315	-69,083
130.	Net adjustments/reversals due to impairment of:	-4,284	-5,979
	a. receivables	-3,572	-2,163
	b. AFS financial assets	-1,016	-3,980
	c. financial assets held to maturity	304	164
190.	Net provisions for liabilities and contingencies	-18,613	-10,068
	B. Total consumption	**-163,952**	**-136,752**
	C. Net result from insurance operations	**-**	**-**
	D. Gross core added value	**409,566**	**308,555**
270.	Gains (losses) from disposal of investments	-4	-1
310.	Income of disposal groups, net of taxes	451	1,835
	E. Total gross global added value	**410,013**	**310,389**
	Amortisation and depreciation	-4,493	-4,091
	F. Net global added value	**405,520**	**306,298**
180.a	Staff expenses (3)	-216,829	-206,090
180.b	Other general and administrative expense: indirect taxation (4)	-18,162	-9,396
180.b	Other general and administrative expense: charitable gifts (4)	-174	-84
	G. Pre-tax result	**170,355**	**90,728**
290.	Income taxes for the year on operating activities	-37,276	-13,354
330.	Minority interests (+/-) for the year	-3,867	-3,955
	H. Profit (loss) of the parent company for the year	**129,212**	**73,419**

NOTES

(1) This figure differs from that included in the profit and loss account in the financial statements, as the compensation for the Financial Advisor network have been reclassified to "Staff expenses".

(2) This figure differs from that included in the profit and loss account in the financial statements, due to the exclusion of indirect and direct taxes and charitable gifts (which have been stated in the related specific item).

(3) This figure differs from that included in the profit and loss account in the financial statements, as it includes remuneration of the Financial Advisor network.

(4) This figure is stated as a specific item in the statement of determination of added value.

9.2 Some social and environmental aspects

9.2.1 Employee policies

In employee relations, the social responsibility of the Banking Group is mainly reflected in its selection, remuneration, management and career development policies which ban all forms of discrimination. Diversity is seen as an opportunity for enrichment. In close connection with the orientations and methods of the Generali Group, the companies of the Banking Group have adopted policies that make human resources the focus of corporate activities. In general, the Banking Group complies with the provisions of constitutional laws, ordinary laws and regulations, as well as the collective and contractual provisions (at national and corporate level), and the regulations governing the employment relationship. All employees are provided with regular employment contracts and all forms of child, forced or compulsory labor is banned.
The Group strives to valorise people, recognising the contribution that each and all can give to the organisation. The Code of Ethics of the Generali Group confirms its attention and commitment towards collaborators, considered the strategic capital on which the Group bases its success, respect for human dignity, freedom and equality, and equal opportunity in the workplace and on career paths, without any kind of discrimination due to nationality, gender, race or ethnic origin, religion, political convictions, age, sexual orientation, disabilities or health conditions. Banca Generali's workforce consists almost entirely (96%) of Italian personnel. In any event, employees of all nationalities are offered equal opportunities for professional and career growth, owing in part to policies that foster mobility within the Group. At Banca Generali Group companies, 98% of executives are local. With regard to equal opportunities for the differently abled, national regulations safeguarding this category are respected and implemented.

From a geographical standpoint, both Italy and Luxembourg showed an increase, while the geographical distribution in Italy is similar to the previous year.

In order to allow work commitments and personal and family needs to be reconciled, company activities other than those involving direct, daily contact with customers are organised in such a way as to allow employees to start work at flexible hours. Moreover, in the same vein, in September 2010, the Company Day Nurseries - called "Lion Cubs" - were set up for children between 3 months and 3 years of age. The first facilities were opened at the offices in Mogliano Veneto and Trieste, and in 2011 in Rome.
In Banca Generali Group the physical integrity of our employees is a key value. To protect it, we ensure that working conditions are respectful of people's dignity and provide a safe and healthy workplace which complies with applicable health and safety regulations. The Group Risk Prevention division of Assicurazioni Generali is responsible for identifying and assessing all the risks faced by Generali Group offices. This function is responsible for proposing preventive and protective measures for the improvement of workers' health and safety, as required by Legislative Decree No. 81/2008. In this capacity, the Group Risk Prevention function is responsible for ensuring compliance with the principle expressly stated in the Code of Ethics. Four Banca Generali employees were appointed as RLS (workers' representatives for safety matters).

Geographical distribution of employees

	2012	2011	CHANGE
Abruzzo	2	2	-
Calabria	2	2	-
Campania	13	13	-
Emilia-Romagna	13	11	18%
Friuli-Venezia Giulia	313	313	-
Latium	24	23	4%
Liguria	9	8	13%
Lombardy	335	325	3%
Piedmont	16	16	-
Apulia	4	3	33%
Sicily	1	1	-
Tuscany	5	5	-
Umbria	1	1	-
Veneto	15	15	-
Italy	**753**	**738**	**2%**
Luxembourg	**32**	**29**	**10%**

2012 KWH FROM RENEWABLE SOURCES

100%

The Banca Generali Group considers learning, training and the exchange of knowledge as fundamental to the achievement of its strategic objectives focused on creating value for all stakeholders and, more specifically, stronger governance, more efficient operations through Group synergies and focus on customer service quality. Through continuous professional training we ensure excellent quality in serving our customers, in line with the high standards of service adopted by the bank. Accordingly, the Banca Generali Group plans and develops - independently and through consulting with the Generali Group Innovation Academy (GGIA) and external training companies - training programmes specifically studied to support the particular nature of the credit sector and financial advising with projects aimed both at employees and the employee sales network (Relationship Managers).
In 2012, the hours of training per employee in the Italian companies of Banca Generali Group declined by 7%, which in absolute terms means a little less than two hours, for a total of 25.6 hours of training per person. This slight decrease was partly due to the lower impact of e-learning courses, as in 2012 less training was required than in previous years, in relation to significant regulatory updates.

On the contrary, training aimed at strengthening and supporting technical and managerial roles continued to be provided on a regular basis.

In 2012, we continued offering training in the communication area, focusing on written communication and effective management of meetings. A technical course on banking transactions was also provided, designed and delivered in collaboration with a renowned Italian university.

In Banca Generali Group surveys are periodically conducted to assess the general working climate and other forms of dialogue with employees, as well as activities that involve the bank's employees and which are aimed at building a corporate culture and identity. The Group uses its own dedicated internal communications channels such as the HR portal, the Bollettino.com and the newsletters which keep Group employees to date on the events, plans and organisational developments within the Banca Generali Group and the other companies in the Insurance Group. In addition to these electronic channels, all employees may receive Il Bollettino, the Generali Group's house organ, by request.

9.2.2 Policies in support of families and young people

Over time, Banca Generali has developed solutions targeted to families aimed at protecting savings and preserving family welfare.

With specific regard to savings products dedicated to children and projects for their future, a number of products such as the "**Polizza BG 18 anni**" and the BG 10+ deposit account were developed.
The "Polizza BG 18 anni" is a savings plan through which families may build up a capital for their children's future needs. At term, the Scholarship option allows the capital to be disbursed in instalments in order to finance university studies or to be redeemed to be put towards purchasing a first car or home or launching a career. In 2012, additional options were added to the product, enhancing its flexibility: 5% Loyalty Bonus paid out when the contract expires, additional payments accepted from persons other than the policyholder, such as grandparents, aunts and uncles, additional payments supplemented by the Company in case of unexpected and adverse event affecting the policyholder. The **BG 10+ deposit account**, which includes a free prepaid card and no management fee, is an account on which young people may put their savings, under the supervision of an adult who in practice manages the account. This product is part of a project aimed at increasing awareness on children's financial education, which Banca Generali has been developing for several years. Finally, also the initiative "**Un Campione per Amico**", which is touring the Italian major cities with the help of four sports champions, aims to involve young people in financial education through sports and play.

With regard to our commercial policies targeted to families, several products were developed, designed to meet the families' need for welfare and savings protection.

In particular, with respect to protecting families' welfare, we developed and are currently offering insurance products such as BG Tutela, **term life insurance**, which, **in the event of death** of the insured and against a minimum annual premium of 50 euros, ensures the payment of a capital to the beneficiaries, as well as the **insurance Casa** by Genertel which provides insurance coverage for the home and family activities in case of injury caused to third parties, damage to the building and its contents.

As part of our banking services dedicated to improving families' welfare, in the year we continued offering current accounts with ad hoc conditions intended for family associations whose members include people with disabilities (e.g., the non-profit organization La Goccia, ANNFASS, L'anatroccolo) or associations supporting scientific research on rare diseases (e.g. AISM - Italian Multiple Sclerosis Association) as well as offering mortgages and loans of major third party financial institutions to promote and protect the residential real estate

Per-capita electrical energy consumption

2012		2011		
KWH	SHARE OF RENEWABLE ENERGY (%)	KWH	SHARE OF RENEWABLE ENERGY (%)	CHANGE
2,862.32	100	2,964.55	35	-3.45%

Per-capita gas consumption

2012	2011	
M3	M3	CHANGE
335.69	351.84	-4.59%

investments of our customers. In the first half of 2012, the Bank also offered a promotion on fixed-rate mortgage loans for home purchases.
In addition, in 2012, a new credit card with MasterCard Pay Pass technology was developed for safe and quick purchases under 25 euro. In order to meet families' increasing mobility and the need for constant connectivity, in 2012 two Apps were launched for iOS and Android systems through which people can access their current account and perform transactions from their Smartphones.

With regard to commercial initiatives aimed at protecting families' savings, products with **capital protection at maturity** continued to be offered through both BG Evolution unit-linked policy and BG Target asset management. The offer includes multi-manager asset allocation and different maturities according to clients investment objectives (from 5 to 23 years) and a range of products which, by investing in Generali Insurance Group segregated accounts, provide capital **protection** including in the event of early divestment, such as BG "Più Italia".

9.2.3 Environmental policies

Safeguarding the environment as a primary good is one of the values pursued by the Generali Group, which is committed to directing its decisions in such a way as to ensure compatibility between economic initiative and environmental concerns.

The Banca Generali Group, which is part of the Generali Group, is well aware that the conduct of its business in settings that vary enormously on a social, environmental and cultural level entails a commitment to pursue a common goal of sustainable economic development with regard to the direct repercussions of its operations as well as its areas of influence.

In that regard, on 29 September 2010 Banca Generali's Board of Directors adopted the Generali Group's Code of Ethics, which defines safeguarding the environment as a priority, among the various issues covered.

The Banca Generali Group is committed to a project aimed at implementing an Environmental Management System (EMS) compliant with the requirements of the ISO 14001 standard and the guidelines indicated by the Generali Group.

As part of the project to implement the System, the Generali Group has defined its Environmental Policy, which reiterates Generali's commitment to safeguarding the environment as stated in the Code of Ethics. Specifically, the document defined the objectives and undertakings that guide the Group's choices and actions in order to make a positive contribution to sustainable development. The objectives that have been identified refer not only to the direct environmental impacts attributable to the Group's insurance and financial operations, but also indirect impacts connected with the procurement, planning and distribution of insurance and financial products, as well as corporate investment activities.
In order to identify the business footprint, an environmental analysis was conducted on the main offices of Milan, Via Ugo Bassi 6 and Trieste, Via Cavour 5/a. These offices are the workplace of 545 employees and account for 69% of Banca Generali Group overall workforce.

Per-capita electrical energy consumption

The Group's objective of limiting the environmental impact of energy consumption is pursued through both a reduction in per-capita consumption, and an increased use of energy from renewable sources, which in 2012 reached 100% of total consumption.

In 2012, Banca Generali Group's offices included in the EMS consumed a total of 1,559.96 GWh of electricity (-2.37% compared to 2011), mainly used for lighting, equipment, air conditioning and heating.

The reduction in consumption is mainly due to a rescheduling of plants' operating hours, carried out during the year, while preserving indoor climate conditions for the employees.

Per-capita gas consumption

Turning to thermal power consumption, in 2012, a total of 182,951 cubic metres of natural gas was consumed at the offices monitored by the Environmental Management System, with a 3.53% decrease in consumption compared to 2011.

At the site of Trieste, natural gas is used both for heating and for cooling in summer (so-called chilled beams system).

The reduction in consumption is mainly due to a rescheduling of plants' operating hours, carried out during the year, while preserving indoor climate conditions for the employees.

Total paper consumption

2012	2011	
TONS	TONS	CHANGE
43.159	36.907	16.94%

Per-capita water consumption

2012	2011	
M3	M3	CHANGE
17.09	19.54	-12.54%

Total paper consumption

Paper consumption increased from the previous year. However, in the last two months of the year, the Banking Group introduced a new printing system (Managed Print Services) with the aim of reducing paper and energy consumption. In practice, the company moved from a "distributed" system for printers, fax machines, copiers and scanners, to a "multifunctional areas" system, whose benefits in terms of consumption will likely become effective in 2013.

The Group undertook, where possible, to use "green" recycled paper. 2012 data are evidence of this commitment. The share of eco-friendly paper out of total consumption went from 62.2% in 2011 to the current 90.40%.

In 2012, 43.16 tonnes of paper were consumed, including both blank and pre-printed paper, i.e. paper purchased from suppliers of Group printed documents and publications (contracts, advertising material, annual reports, etc.).

Per-capita water consumption

In 2012, total water consumption amounted to 9,313.6 cubic metres, down approximately by 1,219.7 cubic metres (-11.58%).

Waste

In 2012, we produced 42.96 tonnes of waste, of which 25.49 (59%) was collected separately and 17.47 (41%) to be disposed of through incineration or landfill disposal. Differentiated waste disposal refers to paper and cardboard, plastic and aluminium, electronics and toner. The bulk of this waste consists of paper and cardboard (84% of separated waste).

Spent toner cartridges and hazardous waste (neon tubes, batteries, etc.) are collected and disposed of separately as appropriate, in accordance with applicable legislation, by specialised firms, while keeping the compulsory registers and documentation.

Greenhouse-gas emissions

In the area of greenhouse-gas (GHG) emissions caused by direct and indirect consumption of energy deriving from fossil fuels, estimates have been prepared for emissions deriving from the consumption of fuel for heating (natural gas), the electrical power purchased and company mobility, where company mobility is understood as the kilometres travelled by employees on business trips by car, train and airplane.

In 2012, total GHG emissions amounted to 1,314.5 tonnes of carbon-dioxide equivalents (CO_{2e}), calculated by using appropriate coefficients to transform quantities of nitrogen oxide (N_2O) and methane (CH_4). Electrical power consumption accounted for 46% of such emissions, while 26% was due to thermal power and 28% to company mobility.

Compared to the previous year, emissions of carbon-dioxide equivalents (CO_{2e}) increased by +0.67%, totalling 8.8 tonnes. This increase is mainly due to the rise in airplane travels, for nearly 270,000 kilometres.

On the contrary, the other types of consumption contributing to global GHG emissions recorded a significant reduction: electricity related emissions decreased 2.4% from the previous year and those relating to heating fuels (gas), by 3.5%. The same trend can be observed for the other two items of business mobility: compared to 2011, emissions from the use of cars and those related to train travels both decreased (-0.55% and -4.18%, respectively).

The following is an account of GHG emissions, grouped into three categories (Scopes) according to the Greenhouse Gas Protocol approach.

Scope 1 - Direct emissions produced by heating systems and the fleet of company cars have been estimated at 438.4 tonnes of CO_{2e}. In particular, those resulting from natural gas consumption were estimated at 345.7 tonnes of CO_{2e}, while emissions directly produced by the company's fleet were estimated at 92.7 tonnes of CO_{2e}.

Scope 2 - Indirect emissions caused by power consumption associated with the use of electrical power generated using fossil fuels have been estimated at 604.4 tonnes of CO_2 and derive essentially from the purchase of 1,559.9 kWh of electrical power.

Scope 3 - Indirect emissions other than power consumption associated with employees' business trips have been estimated to a total of 271.8 tonnes of CO_{2e}, of which 49.2 tonnes of CO_{2e} were associated with travel by car, 183.7 tonnes of CO2e with travel by airplane and 38.8 tonnes of CO_{2e} with travel by train.

10. Comments on the Parent Company's operations

Considering the Banca Generali Group's operating structure, the report on consolidated figures better meets the needs of valid representation of earnings and financial position performance than an analysis of the Bank's aggregates alone.
Accordingly, these comments complete the consolidated information to which primary reference should be made.

In addition, in the following exposition, Banca Generali's profit and loss and balance sheet situation at 31 December 2011 has been restated in order to best assess the effects of the merger of BG SGR, which took effect for accounting and tax purposes from 1 January 2012.
In the context of that restated accounting situation, the separate presentation of assets and liabilities and profit or loss net of the tax effect of the collective asset management business unit, the sale of which was finalised in 2012, has also been drawn from the 2011 financial statements of BG SGR, in accordance with IFRS 5.

10.1 Profit and loss results

Banca Generali's net profit for 2012 reached 118.1 million euros, sharply increasing compared to 67.7 million euros for 2011, thanks to the significant growth of net operating revenues and the greater contribution of dividends from subsidiaries.

(€ THOUSAND)	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %	2011
Interest income	157,393	78,969	78,424	99.3%	78,963
Interest expense	-45,915	-30,277	-15,638	51.6%	-30,932
Net interest	**111,478**	**48,692**	**62,786**	**128.9%**	**48,031**
Commission income	226,589	227,086	-497	-0.2%	218,585
Commission expense	-132,944	-125,495	-7,449	5.9%	-125,190
Net commissions	**93,645**	**101,591**	**-7,946**	**-7.8%**	**93,395**
Dividends	739	92,259	-91,520	-99.2%	92,259
Net result from financial operations	11,615	-85,561	97,176	113.6%	-85,561
Net operating income	**217,477**	**156,981**	**60,496**	**38.5%**	**148,124**
Staff expenses	-60,769	-59,545	-1,224	2.1%	-53,764
Other general and administrative expense	-89,465	-75,911	-13,554	17.9%	-72,728
Net adjustments of property, equipment and intangible assets	-4,380	-3,973	-407	10.2%	-3,484
Other operating expense/income	18,470	8,511	9,959	117.0%	8,967
Net operating expense	**-136,144**	**-130,918**	**-5,226**	**4.0%**	**-121,009**
Operating profit	**81,333**	**26,063**	**55,270**	**212.1%**	**27,115**
Net adjustments for non-performing loans	-3,581	-1,996	-1,585	79.4%	-1,961
Net adjustments of other assets	-712	-3,816	3,104	-81.3%	-3,816
Net provisions	-18,696	-10,201	-8,495	83.3%	-10,267
Dividends and income from equity investments	86,220	61,464	24,756	40.3%	64,459
Gains (losses) from the disposal of equity investments	-4	-1	-3	300.0%	-1
Operating profit before taxation	**144,560**	**71,513**	**73,047**	**102.1%**	**75,529**
Income taxes	-26,868	-5,671	-21,197	373.8%	-6,906
Profit (loss) from non-current assets, net of tax	451	1,835	-1,384	-75.4%	-
Net profit	**118,143**	**67,677**	**50,466**	**74.6%**	**68,623**

Net operating income, reclassified to exclude dividends on equity investments, increased by 60.5 million euros (+38.5%) compared to 2011, owing to the significant contribution of net interest (+128.9%) and the good result of financial operations, including dividends not associated with equity investments (+84.4%), offset solely by the decline in net commissions (-7.8%).

Net interest amounted to 111.5 million euros (+62.8 million euros compared to 2011), owing to the liquidity deriving from the refinancing operations (LTROs) undertaken by the ECB in December 2011 and February 2012, as well as to the considerable increase in the average return on investments.

Net commissions amounted to 93.6 million euros, decreasing by 7.9 million euros compared to the restated figures for 2011, including the operations of BG SGR.

This performance was due to the essential stability of commission income, although with results differentiated by segment, while fees paid to the distribution network increased by 6.6%, primarily owing to the incentives provided in connection with excellent fund-raising activity.

In the distribution of third-party financial products and services, the former BG SGR portfolio management segment showed strong results (+4.6 million euros or +23.1%) and the uptrend in revenue on the distribution of the insurance products of Genertellife (+7.0 million euros or +11.3%) continued.
These segments offset the decline in income on the distribution of securities and UCITs (-8.4 million euros or -7.6%), driven in particular by the reduction in income on the distribution of structured bonds (-6.2 million euros) and trading and order receipt (-3.9 million euros or 17.4%).

(€ THOUSAND)	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %
Asset management	24,608	19,992	4,616	23.1%
Placement of securities and UCITs	101,480	109,831	-8,351	-7.6%
Distribution of third-party fin. products	72,602	66,235	6,367	9.6%
Securities and currencies trading commissions	13,143	15,162	-2,019	-13.3%
Order collection, custody, and securities administration	5,773	7,728	-1,955	-25.3%
Collection and payment services	2,090	1,900	190	10.0%
Other services	6,893	6,238	655	10.5%
Total commission income	**226,589**	**227,086**	**-497**	**-0.2%**
Commissions for external offer	127,312	119,449	7,863	6.6%
Collection and payment services	1,086	889	197	22.2%
Dealing in securities and custody	3,177	3,926	-749	-19.1%
Asset management	-	10	-10	-100.0%
Other commissions	1,369	1,221	148	12.1%
Total commission expense	**132,944**	**125,495**	**7,449**	**5.9%**
Net commissions	**93,645**	**101,591**	**-7,946**	**-7.8%**

The **net result of banking activities** consists of the result of trading and fair-value valuation of financial assets and liabilities held for trading, profits and losses from the trading of financial assets allocated to portfolios measured at amortised cost (AFS, HTM and Loans), dividends on equity securities allocated to the trading and AFS portfolios and any net profit or loss from hedging. At the end of 2012, the aggregate presented a positive contribution of 12.4 million euros, up compared to 6.7 million euros reported at the end of the previous year (+5.7 million euros).

(€ THOUSAND)	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %	2011
Dividends from trading	163	91,609	-91,446	-99.8%	91,609
Trading of financial assets and equity derivatives	273	-86,925	87,198	-100.3%	-86,925
Trading of financial assets and derivatives on debt securities and interest rates	4,829	-142	4,971	-3500.7%	-142
Trading of UCIT units	1,204	-1,456	2,660	-182.7%	-1,456
Securities transactions	**6,469**	**3,086**	**3,383**	**109.6%**	**3,086**
Currency and currency derivative transactions	**2,179**	**940**	**1,239**	**131.8%**	**940**
Net profit from trading operations	**8,648**	**4,026**	**4,622**	**114.8%**	**4,026**
Dividends from AFS assets	576	650	-74	-11.4%	650
Gains and losses on equity securities	-52	20	-72	-360.0%	20
Gains and losses on AFS and HTM debt securities and loans	4,119	2,002	2,117	105.7%	2,002
Net profit from hedging	-937	-	-937	n.a.	-
Profit (loss) of financial operations	**12,354**	**6,698**	**5,656**	**84.4%**	**6,698**

Net operating expense amounted to 136.1 million euros, up by 5.3 million euros (+4.0%) compared to the restated situation for the previous year.

(€ THOUSAND)	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %	2011
Staff expenses	-60,769	-59,545	-1,224	2.1%	-53,764
Other general and administrative expense	-89,465	-75,911	-13,554	17.9%	-72,728
Net adjustments of property, equipment and intangible assets	-4,380	-3,973	-407	10.2%	-3,484
Other income and charges	18,470	8,511	9,959	117.0%	8,967
Operating expense	**-136,144**	**-130,918**	**-5,226**	**4.0%**	**-121,009**

Employees totalled 740 (+15 resources compared to 2011).

	31.12.2012	31.12.2011 RESTATED	CHANGE NO.	CHANGE %	31.12.2011
Managers	43	47	-4	-8.5%	38
3rd and 4th level executives	113	108	5	4.6%	100
1st and 2nd level executives	72	64	8	12.5%	58
Other employees	512	506	6	1.2%	490
Total	**740**	**725**	**15**	**2.1%**	**686**

Staff expenses, including full-time employees, interim staff and directors, increased by 1.2 million euros (+2.1%), primarily as a result of remuneration factors, including the impact of short- and long-term incentives, whereas the change of management during the year resulted in a considerable decrease in expenses attributable to directors.

(€ THOUSAND)	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %	2011
1) Employees	**59,971**	**57,276**	**2,695**	**4.7%**	**51,656**
Wages and salaries and social security charges	43,188	42,495	693	1.6%	38,748
Contributions to outside supplemental pension funds and provision for termination indemnity	4,769	4,168	601	14.4%	3,691
Costs related to payment agreements based on own financial instruments	57	162	-105	-64.8%	162
Production bonuses and short-term incentives	7,510	6,108	1,402	23.0%	6,108
Other long-term incentives	2,208	2,297	-89	-3.9%	1,031
Other employee benefits	2,239	2,046	193	9.4%	1,916
2) Seconded staff from and to other companies and other employees	**-432**	**-553**	**121**	**-21.88%**	**-680**
3) Directors and Auditors	**1,230**	**2,822**	**-1,592**	**-56.41%**	**2,788**
of which short- and long-term incentives	24	1,083	-1,059	-97.8%	1,083
Total	**60,769**	**59,545**	**1,224**	**2.1%**	**53,764**

Other general and administrative expense amounted to 89.5 million euros, an increase of 13.5 million euros compared to the previous year (+17.9%). Approximately 8.1 million euros of this amount is attributable to the increase in stamp duty charges as a result of the new provisions governing stamp duty on financial instruments introduced by the Save Italy Decree (Law Decree No. 201/2011), which however was offset by the symmetrical increase in taxes recovered from customers, recognised among the other income and expense aggregate.

Accordingly, net of that component, the aggregate would present an increase of approximately 5.4 million euros, or 8%, attributable to greater insurance expenses and outsourced administrative and IT services.

(€ THOUSAND)	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %	2011
Administration	**11,876**	**10,522**	**1,354**	**12.9%**	**10,908**
Advertising	3,743	3,539	204	5.8%	3,537
Consultancy and professional advice expense	2,825	2,713	112	4.1%	3,224
Auditing	307	369	-62	-16.8%	288
Insurance	3,963	2,831	1,132	40.0%	2,791
Other general costs (insurance, T&E)	1,038	1,070	-32	-3.0%	1,068
Operations	**30,755**	**28,883**	**1,872**	**6.5%**	**27,549**
Rent and usage of premises	14,908	14,303	605	4.2%	13,965
Outsourced services (administrative, back office)	4,981	3,804	1,177	30.9%	3,332
Post and telephone	2,889	2,014	875	43.4%	1,895
Print material and contracts	847	883	-36	-4.1%	822
Other indirect staff expenses	2,809	2,659	150	5.6%	2,561
Other operating expenses	4,321	5,220	-899	-17.2%	4,974
Information system and equipment	**29,470**	**27,353**	**2,117**	**7.7%**	**25,357**
Outsourced IT services	21,845	18,554	3,291	17.7%	17,386
Fees for financial databases and other IT services	4,673	4,111	562	13.7%	3,326
Software maintenance and servicing	2,050	3,733	-1,683	-45.1%	3,710
Other expenses (equipment rental, maintenance, etc.)	902	955	-53	-5.5%	935
Taxes and duties	**17,364**	**9,153**	**8,211**	**89.7%**	**8,914**
Total other general and administrative expense	**89,465**	**75,911**	**13,554**	**17.9%**	**72,728**

By contrast, net of the component related to recovery of stamp duty (+8.4 million euros), **other net operating income** increased by 1.6 million euros compared to the previous year, chiefly owing to indemnities and other recoveries from financial advisors and adjustments of prior-year revenues and costs, offset by the rise in indemnities not covered by specific provisions tied to legal disputes.

(€ THOUSAND)	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %	2011
Fees for outsourced services	431	370	61	16.5%	973
Recovery of expenses from customers	548	468	80	17.1%	468
Recovery of taxation from customers	16,533	8,100	8,433	104.1%	8,023
Indemnities and recovery of costs from advisors	1,859	912	947	103.8%	912
Indemnities and compensation	356	133	223	167.7%	102
Other income	2,737	1,860	877	47.2%	1,679
Total	**22,464**	**11,843**	**10,621**	**89.7%**	**12,157**
Adjustments of leasehold improvements	506	749	-243	-32.4%	749
Charges from accounting adjustments with customers	315	290	25	8.6%	290
Costs associated with tax disputes, fees and penalties	23	23	-	-	23
Costs associated with indemnities and disputes	2,082	1,095	987	90.1%	1,094
Other charges	1,068	1,175	-107	-9.1%	1,034
Total	**3,994**	**3,332**	**662**	**19.9%**	**3,190**
Other net operating income	**18,470**	**8,511**	**9,959**	**117.0%**	**8,967**

Operating income, net of dividends on equity investments amounted to 81.3 million euros, with an increase of 55.3 million euros compared to the previous year (+212.1%).

Dividends paid by Banking Group companies, restated among gains of equity investments, totalled 86.2 million euros (+61.5 million euros compared to 2011), due in part to the effect of the increase in the advance dividend payment by the Luxembourg subsidiary GFM, from 44.3 million euros to 69.8 million euros.

(€ THOUSAND)	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %	2011
BG SGR	-	-	-	-	2,995
GFM	86,220	61,464	24,756	40.3%	61,464
BG Fiduciaria	-	-	-	-	-
Dividends from equity investments	**86,220**	**61,464**	**24,756**	**40.28%**	**64,459**

Operating profit before taxation amounted to 144.6 million euros (+73.0 million euros compared to 2011), after subtracting adjustments for the impairment of loans of 1.7 million euros, adjustments for the impairment of financial assets of 2.5 million euros and, lastly, net provisions of 18.7 million euros.

Taxes for the year on a current and deferred basis have been estimated at 26.9 million euros.

The total tax rate thus amounted to 22.7%, up sharply compared to the previous year due to the reduction in the share of profits attributable to dividends excluded from taxable income for the purposes of IRES (corporate income tax), the symmetrical increase in the IRAP (regional production tax) charge due to the increase in the value of production, driven by the rise in net interest, and the discontinuation of the positive-one-off effect recorded in the previous year in relation to the tax redemption transactions undertaken.

Following the publication of the Order of the Director of the Italian Revenue Service of 17 December 2012 governing the methods of submission of the refund application for the share of IRAP (regional production tax) deductible for the purposes of IRES (corporate income tax), introduced by Law Decree No. 201/11, the Bank also recognised the associated tax benefit of approximately 1.3 million euros.

INCOME COMPONENTS/VALUES	2012	2011 RESTATED	CHANGE AMOUNT	CHANGE %	2011
Current taxation	-26,249	-8,759	-17,490	199.7%	-9,156
Current taxes for prior years	1,504	1,348	156	11.6%	1,175
Deferred tax receivables and payables	-2,123	9	-2,132	n.s.	383
Net effect of redemption	**-**	**1,731**	**-1,731**	**-100.0%**	**692**
Substitute tax for redemption	-	-1,278	1,278	-100.0%	-686
Relevant deferred tax receivables and payables	-	3,009	-3,009	-100.0%	1,378
Taxes for the year	**-26,868**	**-5,671**	**-21,197**	**373.8%**	**-6,906**

10.2 Balance sheet figures

ASSETS (€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011 OFFICIAL
Financial assets held for trading	222,153	34,925	187,228	n.s.	34,925
AFS financial assets	1,733,947	1,319,054	414,893	31.5%	1,318,944
HTM financial assets	3,000,329	1,415,700	1,584,629	111.9%	1,415,700
Loans to banks (*)	826,606	545,172	281,434	51.6%	543,541
Loans to customers	1,282,790	951,411	331,379	34.8%	948,834
Equity investments	14,025	14,025	-	-	39,417
Property, equipment and intangible assets	47,396	47,625	-229	-0.5%	40,121
Tax receivables	40,687	76,736	-36,049	-47.0%	69,348
Other assets	105,897	88,950	16,947	19.1%	87,788
Financial assets held for sale	-	675	-675	-100.0%	-
Total assets	**7,273,830**	**4,494,273**	**2,779,557**	**61.8%**	**4,498,618**

(*) Demand deposits to ECB are included.

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011 OFFICIAL
Due to banks	2,229,858	1,070,858	1,159,000	108.2%	1,070,858
Due to customers	4,539,983	3,056,894	1,483,089	48.5%	3,070,157
Financial liabilities held for trading and hedging	1,448	1,737	-289	-16.6%	1,737
Tax payables	10,205	2,413	7,792	322.9%	1,931
Other liabilities	91,424	83,294	8,130	9.8%	81,328
Financial liabilities held for sale	-	316	-316	-100.0%	-
Special purpose provisions	67,050	63,537	3,513	5.5%	61,237
Valuation reserves	-10,587	-56,341	45,754	-81.2%	-56,341
Reserves	96,818	89,229	7,589	8.5%	84,429
Additional paid-in capital	16,591	3,231	13,360	413.5%	3,231
Share capital	112,938	111,676	1,262	1.1%	111,676
Treasury shares (-)	-41	-248	207	-83.5%	-248
Net profit for the period	118,143	67,677	50,466	74.6%	68,623
Total net equity and liabilities	**7,273,830**	**4,494,273**	**2,779,557**	**61.8%**	**4,498,618**

Direct inflows from customers amounted to 4,540 million euros and increased by 1,483.1 million euros (+48.5%) compared to the balanced sheet situation at 31 December 2011, primarily owing to the increase in term deposits by the Parent Company at year-end (1,255 million euros) for temporary treasury needs.

Captive inflows from the Parent Company, Assicurazioni Generali, and the Italian and international subsidiaries belonging to that group, reached 2,015 million euros at year-end (approximately 44% of total inflows), marking an increase of 1,158 million euros compared to the previous year.

In any case, inflows from customers not belonging to the insurance group showed a significant increase of 325 million euros (+14.8%) thanks to the strong performance of inflows in the form of deposit accounts and high-yield repurchase agreements, as well as traditional current account inflows.

(€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011
Current accounts	2,686,437	2,515,292	171,145	6.8%	2,528,676
Repurchase agreements	153,397	101,764	51,633	50.7%	101,764
Term deposits	1,610,868	344,262	1,266,606	367.9%	344,262
Subordinated loan	24,196	32,385	-8,189	-25.3%	32,385
Other debts	65,085	63,191	1,894	3.0%	63,070
Total due to customers (Item 20)	**4,539,983**	**3,056,894**	**1,483,089**	**48.5%**	**3,070,157**
Securities issued	-	-	-	-	-
Total inflows from customers	**4,539,983**	**3,056,894**	**1,483,089**	**48.5%**	**3,070,157**

Core loans totalled 7.1 billion euros, increasing by 2,799.6 million euros (+65.6%) compared to the balance sheet situation at 31 December 2011, in line with the expansion of the overall inflows from banks and customers (+64%).

In further detail, investments in securities allocated to the various IAS portfolios amounted to 5,190.6 million euros, up by 2,182.3 million euros compared to the previous year (+72.5%), while loans to customers increased considerably by 331.4 million euros (+34.8%) due to the expansion of mortgage operations with customers and current account credit facilities.

(€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011
Financial assets held for trading	**222,153**	**34,925**	**187,228**	**n.s.**	**34,925**
AFS financial assets	**1,733,947**	**1,319,054**	**414,893**	**31.5%**	**1,318,944**
HTM financial assets	**3,000,329**	**1,415,700**	**1,584,629**	**111.9%**	**1,415,700**
Loans to banks	**826,606**	**545,172**	**281,434**	**51.6%**	**543,541**
Financing	662,302	370,239	292,063	78.9%	368,608
Operating loans	114	428	-314	-73.4%	428
Debt securities	164,190	174,505	-10,315	-5.9%	174,505
Loans to customers	**1,282,790**	**951,411**	**331,379**	**34.8%**	**948,834**
Financing	1,135,686	801,490	334,196	41.7%	801,490
Life insurance participating policy	21,373	20,584	789	3.8%	20,584
Operating loans and other loans	55,783	65,271	-9,488	-14.5%	62,694
Debt securities	69,948	64,066	5,882	9.2%	64,066
Total core loans	**7,065,825**	**4,266,262**	**2,799,563**	**65.6%**	**4,261,944**

In the loans to customers portfolio, net doubtful loans totalled 27.3 million euros (2.4% of net exposure), and consisted largely of non-performing positions inherited from Banca del Gottardo Italia and covered in its entirety by a guarantee of reimbursement provided by BSI SA in connection with the sale of the company.

(€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011
Financing	**1,135,686**	**801,490**	**334,196**	**41.7%**	**801,490**
Current accounts	629,504	517,220	112,284	21.7%	517,220
Personal loans	418,953	245,872	173,081	70.4%	245,872
Other loans:	47,226	38,398	8,828	23.0%	38,398
Short-term term deposits on the new MIC	40,003	-	40,003	n.a.	-
Life insurance participating policy	**21,373**	**20,584**	**789**	**3.8%**	**20,584**
Debt securities	**69,948**	**64,066**	**5,882**	**9.2%**	**64,066**
Other	**55,783**	**65,271**	**-9,488**	**-14.5%**	**62,694**
Operating loans to product companies	30,626	32,253	-1,627	-5.0%	29,676
Sums advanced to Financial Advisors	22,078	26,733	-4,655	-17.4%	26,733
Interest-bearing daily margin, Borsa Italiana	2,167	4,061	-1,894	-46.6%	4,061
Changes to be debited and other loans	912	2,224	-1,312	-59.0%	2,224
Total loans to customers	**1,282,790**	**951,411**	**331,379**	**34.8%**	**948,834**

At the end of 2012, **total interbank position** showed a debit balance of 1,403.3 million euros (+877,6 million euros compared to 31 December 2011).

(€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011
1. Repayable on demand	**95,174**	**300,555**	**-205,381**	**-68.3%**	**298,924**
Demand deposit with ECB	-	60,000	-60,000	-100.0%	60,000
Demand deposits	65,000	169,431	-104,431	-61.6%	169,431
Transfer accounts	30,174	71,124	-40,950	-57.6%	69,493
2. Time deposits	**567,128**	**69,684**	**497,444**	**n.s.**	**69,684**
Deposits with central banks	19,519	10,341	9,178	88.8%	10,341
Term deposits	147,693	59,343	88,350	148.9%	59,343
Repurchase agreements	398,136	-	398,136	-	-
Collateral margins	1,780	-	1,780	-	-
Total due to banks	**662,302**	**370,239**	**292,063**	**78.9%**	**368,608**
1. Due to central banks	**1,309,841**	**500,696**	**809,145**	**161.6%**	**500,696**
2. Due to banks	**920,017**	**570,162**	**349,855**	**61.4%**	**570,162**
Transfer accounts	80,217	1,259	78,958	n.s.	1,259
Term deposits	8,892	10,082	-1,190	-11.8%	10,082
Financing	810,719	538,625	272,094	50.5%	538,625
Repurchase agreements	801,383	538,625	262,758	48.8%	538,625
Collateral margins	9,336	-	9,336	n.a.	-
Other debts	20,189	20,196	-7	-	20,196
Total due to banks	**2,229,858**	**1,070,858**	**1,159,000**	**108.2%**	**1,070,858**
Net interbank position	**-1,567,556**	**-700,619**	**-866,937**	**123.7%**	**-702,250**
3. Debt securities	**164,190**	**174,505**	**-10,315**	**-5.9%**	**174,505**
4. Other operating receivables	**114**	**428**	**-314**	**-73.4%**	**428**
Total interbank position	**-1,403,252**	**-525,686**	**-877,566**	**166.9%**	**-527,317**

Following the merger of BG SGR, the portfolio of **equity investments** amounted to 14.0 million euros, unchanged compared to the previous year.

(€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011
BG Fiduciaria Sim S.p.A.	11,779	11,779	-	-	11,779
BG SGR S.p.A.	-	-	-	-	25,393
Generfid S.p.A.	245	245	-	-	245
Generali Fund Management S.A.	2,000	2,000	-	-	2,000
Total equity investments	**14,024**	**14,024**	**-**	**-**	**39,417**

Funds allocated to cover specific liabilities and contingencies totalled 67.0 million euros, increasing by 3.5 million euros (+5.5%) compared to the balance sheet situation at 31 December 2011.

(€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011
Provision for termination indemnity	**3,911**	**3,610**	**301**	**8.3%**	**3,042**
Other provisions for liabilities and contingencies	**63,139**	**59,927**	**3,212**	**5.4%**	**58,195**
Provision for staff expenses	12,505	10,593	1,912	18.0%	8,961
Provisions for legal disputes	11,254	11,279	-25	-0.2%	11,179
Provisions for FA contract indemnities	11,255	9,156	2,099	22.9%	9,156
Provision for risks related to network development incentives	27,147	28,899	-1,752	-6.1%	28,899
Other provisions for liabilities and contingencies	978	-	978	-	-
Total provisions	**67,050**	**63,537**	**3,513**	**5.5%**	**61,237**

10.3 Net equity and capital for regulatory purposes

At 31 December 2012, Banca Generali's net equity, including net profit for the year, amounted to 333.9 million euros (+118.6 million euros compared to 31 December 2011).

(€ THOUSAND)	31.12.2012	31.12.2011 RESTATED	CHANGE AMOUNT	CHANGE %	31.12.2011
1. Share capital	112,938	111,676	1,262	1.1%	111,676
2. Additional paid-in capital	16,591	3,231	13,360	413.5%	3,231
3. Reserves	96,818	89,229	7,589	8.5%	84,430
4. (Treasury shares)	-41	-248	207	-83.5%	-248
5. Valuation reserves	-10,587	-56,341	45,754	-81.2%	-56,341
6. Equity instruments	-	-	-	n.a.	-
7. Net profit (loss) for the period	118,143	67,677	50,466	74.6%	68,623
Total net equity	**333,862**	**215,224**	**118,638**	**55.1%**	**211,371**

The change may be ascribed to the combined effect of numerous factors illustrated in the following table:

Net equity at year-start	**211,371**
Dividend paid	-61,415
Merger of BG SGR	3,853
Transfer of the focus funds business unit	3,710
Previous stock option plans: issue of new shares	11,733
New Stock Option Plans	712
Other changes	1
Change in valuation reserves (AFS and financial flows)	45,754
Net profit for the period	118,143
Net equity at year-end	**333,862**
Changes	**122,491**

Capital for regulatory purposes amounted to 223.4 million euros at 31 December 2012, on the basis of projected total dividends to be distributed of 101.6 million euros.

The increase in the aggregate of 24.9 million euros was mainly due to the share of the net profit for the year not allocated to reserve (16.5 million euros), increases in capital caused by old and new stock-option plans (12.4 million euros), the change in relevant AFS reserves (+4.7 million euros) and the effect of extraordinary transactions (7.6 million euros), which totally offset the redemption of the second tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros) and the deduction of goodwill of former BG SGR.

The capital committed to the minimum capital requirements for risks required by the Supervisory Authority amounted to 123.3 million euros, up compared to the previous year due to the effect of the greater absorption required by credit risks (+20.7 million euros), related to the increase in risk assets and positions associated with Italy risk and operating requirements (+6.0 million euros), gross of the flat-rate reduction of 25%.
Total capital ratio amounted to 14.49 %, compared to a minimum requirement of 8%, net of the flat-rate reduction of 25% required by the new regulations (Basel 2) for banks belonging to banking groups.

In 2010, Banca Generali informed the Bank of Italy of its decision to exercise the option to neutralise the capital gains and losses deriving from fair-value measurement of financial assets available for sale belonging to the Euro Area government bond segment with regard to capital for regulatory purposes, as allowed under Bank of Italy Order of 18 May 2010.

			CHANGE	
(€ THOUSAND)	31.12.2012	31.12.2011	AMOUNT	%
Tier 1 capital	199,244	166,908	32,336	19.37%
Tier 2 capital	24,130	31,591	-7,461	-23.62%
Tier 3 capital	-	-	-	-
Total capital for regulatory purposes	**223,374**	**198,499**	**24,875**	**12.53%**
B.1 Credit risk	119,965	99,266	20,699	20.85%
B.2 Market risk	6,446	7,861	-1,415	-18.00%
B.3 Operating risk	37,990	31,996	5,994	18.73%
B.4 Other capital requirements	-	-	-	n.a.
Lump-sum deduction	-41,100	-34,781	-6,319	18.17%
B.4 Total capital requirements	**123,301**	**104,342**	**18,959**	**18.17%**
Excess over prudential requirements	100,073	94,157	5,916	6.28%
Risk-weighted assets	1,541,263	1,304,275	236,988	18.17%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.93%	12.80%	0.13%	1.02%
Regulatory capital/Risk-weighted assets (Total capital ratio)	**14.49%**	**15.22%**	**-0.73%**	**-4.8%**

10.4 Cash flows

At the end of 2012, operating activities had generated a total of 1,442 million euros in cash, primarily owing to the simultaneous increases in:

- amounts due to banks (+1,152 million euros), due to the Bank's participation, to the extent of 1,100 million euros, in the LTROs undertaken by the ECB at the end of February 2012;
- amounts due to customers (+1,473 million euros), primarily due to the increase in term deposits by the Parent Company, Assicurazioni Generali S.p.A. (1,255 million euros).

Operating activities, net of dividends from equity investments, also generated liquidity in the amount of 23.0 million euros.

The resulting cash flows drove an increase in the financial portfolios held-for-trading and available-for-sale (+522 million euros), loans to customers (+335 million euros) and the exposure on the interbank market through repurchase agreements (+342 million euros), with a positive imbalance that allowed the financing of significant net investments in government securities allocated to the residual portfolio of assets held to maturity (1,544 million euros).

In the context of investing activities, the dividends collected on the Group's equity investments (86.2 million euros) allowed the full funding of all funding activities, which used 61.4 million euros in resources in connection with the dividends paid, but also benefited from the capital contributions resulting from the exercise of stock options.

(€ THOUSAND)	2012	2011
Cash flows generated by operations	**22,983**	**6,742**
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	-521,613	240,343
Cash flows generated by (+) used for (-) loans to banks	-342,260	-36,442
Cash flows generated by (+) used for (-) loans to customers	-335,414	-129,739
Cash flows generated by (+) used for (-) amounts due to banks	1,152,460	616,271
Cash flows generated by (+) used for (-) amounts due to customers	1,472,949	149,384
Cash flows generated by (+) used for (-) other operating assets and liabilities	-6,893	11,217
Liquidity generated by/used for operating activities	**1,442,210**	**857,777**
Liquidity generated by/used for investing activities	**-1,456,103**	**-733,555**
Liquidity generated by/used for financing activities	**-49,682**	**-58,217**
Net cash liquidity generated/used	**-63,574**	**66,005**
Cash and deposits	**10,382**	**73,955**

10.5 Purchase of treasury shares and Parent Company shares

Treasury shares

At 31 December 2012, the Parent Company Banca Generali held 10,071 treasury shares, for a total book value of 41 thousand euros, in connection with the stock-granting plan for the Financial Advisors, of the former Prime Consult network, originally launched in 2001.

In connection with this item, a reserve for the purchase of treasury shares was created in accordance with Article 2357-*ter* of the Italian Civil Code.
In 2012, 20,000 treasury shares allocated for the stock option plan of the merged company Banca BSI Italia were assigned to the recipient.

Parent Company shares

At 31 December 2012, Banca Generali held the following shares in the Parent Company, Assicurazioni Generali:

- 45,955 shares classified among AFS financial assets, originally acquired in the service of two stock-option plans for the Chief Executive Officer for 2004 and 2005. The carrying amount, equal to the fair value of the shares, is 633 thousand euros, whereas the acquisition cost was 1,230 thousand euros;
- 15,899 shares classified as held for trading, purchased by the merged Banca BSI Italia under the authorisation granted at the time by the Shareholders' Meeting of the merged company Banca BSI Italia, in the capacity of fund charged with the repurchase of non-negotiable fractions of Assicurazioni Generali shares deriving from bonus share issues. The shares are carried at fair value in the amount of 219 thousand euros, gross of reversals for 36 thousand euros recognised during the year.

Pursuant to Article 2359-*bis* of the Italian Civil Code, a restricted provision was allocated in the amount of 852 thousand euros in relation to the ownership of Parent Company shares.

10.6 Other information

Privacy obligations

Despite the repeal of Article 34, paragraph 1, of Legislative Decree No. 196/2003, in March 2012 the Company prepared its Data Security Plan. In fact, it was considered that this document represents a security measure providing protection against the risks of the destruction or loss of data, unauthorised access or improper processing, pursuant to Article 31 of Legislative Decree No. 196/2003.

The Company continued to fully comply with all obligations imposed on organisations that process personal information by the aforementioned Decree.

11. Performance of subsidiary companies

11.1 Performance of Generali Fund Management SA

Generali Fund Management SA is a Luxembourg company specialised in the administration and management of SICAVs. The banking group holds a 51% interest (class-A shares), whereas the residual 49% interest is held by Generali Investments Europe SGR, a member of the Generali Group (class-B shares). The two share classes are accorded differing treatment in regards to the allocation of profits inasmuch as the Articles of Association state that the share of the net profit or loss for the year attributable to the assets contributed by each of the two shareholders is to be recognised in each share class.
Generali Fund Management SA ended 2012 with a net profit of 100.1 million euros, sharply increasing compared to 69.6 million euros recognised at the end of 2011, net equity of approximately 59.3 million euros and total assets of 111.0 million euros.

In the second half of 2012, the company paid an advance dividend to the Parent Company Banca Generali in the total amount of 69.8 million euros (44.3 million euros in 2011).

Against net banking income of 116.2 million euros, with a sharp increase from the 82.0 million euros reported in 2011, the company registered operating expenses, net of provisions, of 6.3 million euros, of which 4.5 million euros consisted of staff expenses, in line with the previous year.
Assets under management amounted to 11,122 million euros at 31 December 2012 (10,567 million euros at 31 December 2011). The amount includes the assets under management in connection to the activities of the merged company Generali Investments Luxemburg SA, which was equal to 5,900 million euros at 31 December 2012.

11.2 Performance of BG Fiduciaria SIM

BG Fiduciaria, specialised in individual portfolio management in the form of securities and funds, primarily through trusts, ended 2012 with a net profit of 1.0 million euros, down slightly from 1.3 million euros in 2011, net equity of 11.2 million euros and total assets of 14.6 million euros.
Net banking income amounted to 3.9 million euros (4.4 million euros in 2011), whereas operating expense was 2.3 million euros, net of provisions, including 1.4 million euros for staff expenses, in line with the previous year.
Assets under management amounted to 887 million euros, slightly up compared to 877 million euros in 2011.

11.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, closed financial year 2012 with 42 thousand euros in net profit, while net equity amounted to about 571 thousand euros.
Net banking income amounted to 769 thousand euros, whereas general and administrative expense was 706 thousand euros. Assets under management amounted to 724 million euros (566 million euros at the end of 2011).

12. Related party transactions

12.1 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 No. 263/2006) by issuing new **Provisions on risk activities 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 controlled and potential adverse impact on depositors and shareholders.

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

On 18 December 2012, the internal policies regarding controls on risk activities and conflicts of interest in respect of Connected Parties were approved in view of the practical implementation of the new procedure.

The new Related Party and Connected Party Transaction Procedure, in force as from 31 December 2012, is intended to implement CONSOB and Bank of Italy regulations, by adopting, at group level, rules on transactions with Related Parties and Connected Parties governing the related investigation activities and approval, reporting and disclosure powers.

The main changes introduced by the provisions of the Bank of Italy 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;
- introduction of prudential limits in respect of the Regulatory Capital 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 Highly Significant threshold, even if carried out on an arm's length basis 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 capital for regulatory purposes of less than 500 million euros and the lower of 1,000,000 euros and 0.05% of capital for regulatory purposes, in the other cases. In respect of these transactions, the exemption only applies to the 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.

Furthermore, with reference to the approval procedures on Connected Party Transactions provided for by the Bank of Italy provisions, they appear to be similar to those set forth by CONSOB Regulation, and therefore, the assessment/approval procedures for Highly Significant and Moderately Significant transactions have been aligned to the Bank of Italy Regulation to ensure simplification and process uniformity.
This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant RP Transactions to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Italian Civil Code, as well as any and all transactions falling within the scope of Article 136 of TUB.

To ensure full and proper disclosure of any and all Related Party and Connected Party Transactions effected by the Company, the Procedure also require:

1. the Company's Board of Directors to include an account of all related party transactions concluded during any financial year, including through Subsidiaries, in the Directors' Report mentioned in Article 2428 of the Italian Civil Code;
2. the Chief Executive Officer shall report to the Board of Directors as well as the Board of Auditors in respect of the conclusion of any and all Moderately Significant Related Party and Connected Party Transactions, at least on a quarterly basis;
3. the Chairman of the Board of Directors shall ensure that adequate information on all Moderately Significant Transactions pertaining to the Board of Directors and all Highly Significant Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Italian Civil Code, but also to the Board of Statutory Auditors;
4. the Board of Statutory Auditors shall monitor compliance with the provisions of the above-mentioned Procedure and shall submit a report in such regard to the Shareholders' Meeting, as mentioned in section 2429, paragraph 2, of the Italian Civil Code.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that in certain cases, the said transactions may be subject to prior approval by the parent corporation.

12.2 Disclosure on related party transactions

Unusual, atypical or extraordinary transactions

During 2012, the Company did not undertake related-party transactions that may be considered atypical or unusual or that might affect the protection of the Company's assets or the completeness and accuracy of information concerning the issuer, except as reported below:

- on 1 April 2012, the transfer of the collective asset management business unit by the merged company BG SGR to the related party Generali Investments Europe SGR was finalised; and
- on 1 September 2012, the merger of the subsidiary BG SGR into Banca Generali became effective; this transaction was made with retroactive accounting and fiscal effects as of 1 January 2012.

Highly significant transactions

In 2012, the Group did not carry out any transactions qualifying as "highly significant", unusual, entered into at non-market or 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

In 2012, no transactions were approved qualifying as "moderately significant" transactions, which are subject to the prior binding opinion of the Internal Control Committee.

With reference to ordinary transactions carried out on an arm's length basis and qualifying as "Highly Significant" transactions, subject to disclosure to the Supervisory Body, it should be noted that on 24 April 2012 the increase of the share of the pooled loan granted to the related party Citylife Srl - a company of the Generali Group -, from 10 million to 20 million euros, was approved.

Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in 2012 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, which might have a material effect on the financial situation and the results of the company and the banking group compared to 2011.

The developments of ordinary transactions with related parties are presented in the specific section of the Explanatory Notes - Part H of the separate and consolidated financial statements for the year ended 31 December 2012, along with other information on related party transactions.

13. Banca Generali stock performance

Banca Generali shares have been listed on Borsa Italiana since 15 November 2006. Specifically, the stock is included in the FTSE Italia All-Share and FTSE Italia Mid Cap indices.

For Banca Generali shareholders, 2012 was a highly gratifying year: the share price nearly doubled, rising from 7.245 euros at the beginning of January to 12.91 euros at the end of December, an increase of 79.3%. At the end of December, the share price reached 13.02 euros, the highest level ever reached since the stock became listed.

Market prices of Banca Generali shares - Summary

	2008	2009	2010	2011	2012
Maximum	6.780	8.738	9.650	11.560	13.000
Minimum	2.777	2.070	6.800	6.265	6.540
Average	4.652	7.400	8.359	8.798	9.640
Year-end	**2.777**	**8.456**	**9.060**	**7.200**	**12.910**
Capitalisation (€ m)	**312**	**941**	**1,009**	**804**	**1,456**

The share price was volatile early in the year, in line with financial market trends: it initially benefited from the euphoria surrounding the LTROs and then suffered from the tensions relating to the euro crisis and deterioration of the macroeconomic scenario. The stock appreciated constantly from the end of May through to the end of the year.

Banca Generali's performance was positive also in relative terms: it outperformed both the Italian stock market (FTSE MIB +7.8% and FTSE Mid-Cap -0.4%), and the sector indices of reference, namely those for the Italian banking industry (FTSE Italia All Share Banks -0.02%) and European banking industry (DJ EuroStoxx 600 +12%).

Performance of the main stock indices

(% CHANGE, Y/Y)	2008	2009	2010	2011	2012
Banca Generali	**-59.7%**	**206.9%**	**6.7%**	**-20.6%**	**79.3%**
FTSE MIB	-49.5%	19.5%	-13.2%	-25.2%	7.8%
FTSE Italia Mid Cap	-48.6%	23.6%	-2.9%	-26.6%	-0.4%
FTSE Italia Banks (All Shr)	n,d,	27.1%	-31.1%	-45.1%	-0.02%
DJ EuroStoxx 600	-45.6%	28.0%	8.6%	-11.3%	14.4%
DJ EuroStoxx 600 Banks	-64.4%	46.9%	-11.6%	-32.5%	12.0%
MSCI World	-39.1%	23.0%	17.2%	-4.5%	11.4%
S&P 500 (USA)	-35.7%	20.2%	20.9%	3.1%	11.4%
DAX 50 (Germany)	-40.4%	23.9%	16.1%	-14.7%	29.1%
CAC 40 (France)	-42.5%	22.3%	-3.3%	-17.0%	15.2%
CSI 300 (China)	-61.6%	91.5%	-2.8%	-19.1%	6.7%
IBOV (Brazil)	-53.4%	141.8%	14.5%	-25.3%	-4.1%

In 2012, trading volumes amounted to 4.38 million on a monthly basis (210,334 on a daily basis), with a peak of 6.03 million in May and a low of 2.06 million in August.

13.1 The Investor Relations office

The Bank has always been committed to pursuing constant, transparent dialogue with the financial community (financial analysts and institutional investors) concerning company strategies, operating performance and financial results. In addition, the Bank held regular conference calls, roadshows in the major financial markets and in-house meetings with analysts and investors to comment upon its results.

In further detail, in 2012 the Bank's senior management remained in constant contact with investors: in fact, approximately 200 meetings were organised with institutional investors and buy-side analysts from over 80 leading investment firms.

These gatherings were in addition to meetings with sell-side analysts from top Italian and international brokerage houses. It should be noted that at present all recommendations are positive, with a percentage of positive (buy/outperform) recommendations equal to 67% of total coverage and the remaining 33% with neutral recommendations (hold/neutral). There were no negative (sell/underperform) recommendations.

2012 BUY/OUTPERFORM RECOMMENDATIONS

14. Products and marketing

The year 2012 was characterised by opposing forces. These were, on the one hand, the renewed flare-up of sovereign debt tensions, which peaked in May, when the results of the elections in Greece heightened concerns of the country's departure from the Euro Area and critical weaknesses in the Spanish banking system came to light and, on the other, the general market recovery in the fourth quarter of 2012 resulting from the unconditional commitment by ECB President Draghi aimed at preserving the euro in July, as well as from the approval of a conditional sovereign security purchasing programme with unlimited amounts (OMT, August 2012).

Within this macroeconomic scenario, marketing activity focused both on constantly improving customer service levels by launching new services devoted to mobility and on achieving the greatest possible diversification of the investment solutions offered, from liquidity management to medium-/long-term investments with the protection of capital at maturity (protected-capital portfolio management and structured bonds) or the consolidation of the capital of life policies within the multi-manager framework that has always set Banca Generali's offerings apart.

Development and promotion of the Luxembourg product range of Generali Fund Management (GFM)

BG Selection Sicav

In 2012, Banca Generali continued to invest considerable resources in updating and developing BG Selection Sicav, the fund-of-funds platform of Generali Fund Management (GFM) that for more than four years has remained Banca Generali's top product and led the Italian asset management market in terms of innovation.

In detail, work to update the line consisted of the following initiatives:

- the launch of three new sub-funds under third-party management: a European equity sub-fund (Oddo Expertise Europe), an international equity sub-fund (Alliance Bernstein Equity 3D), and an emerging markets sub-fund (Aberdeen Emerging Markets Bond and Currency Opportunity);
- a change of the management of the flexible sub-fund of BG Selection Sicav, from the current manager BNY Mellon Asset Management International to DWS Investment, set to become operational in January 2013;
- the merger of the flexible sub-funds BG Selection 3S and Anti Inflation into the international equity sub-fund T-Cube;
- the change in the management policy of the BG Selection Sicav - Global Diversified sub-fund towards a short strategy aiming at achieving a positive return during market downturns and a concurrent redomination of the sub-fund into BG Selection Sicav - Short strategies;
- the management mandate for the regional equity sub-funds of Italy, Europe, North America, Pacific Equities, previously managed by GFM multi-manager team was assigned to major Italian and international Asset Managers: Anima, Invesco, Morgan Stanley and Vontobel.

At 31 December 2012, BG Selection Sicav had 41 sub-funds, of which 12 managed by Generali Fund Management and 29 managed under mandate entrusted to leading international investment houses.

BG Sicav

In 2012, the BG Sicav line also underwent significant strategic repositioning, which translated into both restyling of the current line and research and development activity.

More specifically the following actions were taken:

- merging of the Italian Equities and Small Cap Euro Equities sub-funds into BG Sicav - European Equities sub-fund; the merger of the Multistrategy 30 and Flexible Italian Equities respectively into BG Sicav - Flexible Global Equities and Flexible European Equities and the merger of the short-term bond sub-fund Euro Money in BG Sicav - Euro Bond;
- changing the management policy of the BG Sicav - Flexible European Equities sub-fund strategy towards a Short strategy, aimed at achieving greater diversification of performance sources. To better represent the new management policy, the sub-fund was renamed as BG Sicav - Short Equities;
- granting the management mandate of the BG Sicav - Japanese Equities sub-fund to Pictet Funds, a leading international asset manager, with extensive experience in research and stock selection, as well as knowledge of the Japanese market, where the fund is invested.

The multi-manager platform was further developed with the placement of the Franklin Templeton Investment Funds Sicav (60

sub-funds) and 100 new Sicav sub-funds already under placement, for a total of 1,200 products available to Banca Generali customers and distribution networks.

Asset Management

For all of Banca Generali's portfolio management schemes, 2012 was a year of great success in the asset management segment. The Bank's firm conviction regarding the possibility of a recovery by Italian government securities was rewarded by highly noteworthy performances across all management lines.

Overall, Banca Generali offers a comprehensive portfolio consisting of 37 management lines (14 fund-based schemes, 15 asset-management schemes and eight protected-capital asset management schemes) that cover all investment strategies, with a strong emphasis on personalisation, a requirement typical of high-net-worth customers, the preferred target for this product.

Insurance products

As in recent years, also in 2012 Banca Generali offered insurance products designed to provide tangible and practical answers to the need for capital safety and security, in a year characterised by high volatility in government bonds' returns and the BTP-Bund spread.

The insurance products offered by the Bank therefore focused on life insurance policies that invest in Segregated Accounts. In fact, these products combine performance, annual revaluation and capital protection (Ri.Alto 4.45%, Nuova Concreta 4.69%, Ri.Alto $ 5.21%, Sovrana 5.31%), as well as low volatility due to the fact that assets are valued at historical cost by the Insurance Company.

In this respect, it is worth mentioning two highly successful initiatives that boosted the Bank life insurance inflows in 2012:

- the new "BG Più Italia", a traditional single premium policy, offered in both the coupon and capitalisation versions. The underlying Segregated Account, Sovrana, characterised by significant investments in Italian government bonds, allowed customers to take advantage of the opportunities associated with the performance of this asset class (verified performance in 2012: +5.31%). The product was a commercial success, resulting in inflows of over 700 million euros in 2012;
- BG New Security, a single premium composite policy (Gestione Separata RiAlto and Fondo Interno Azionario BG Dinamico), which the Bank has consistently proposed throughout 2012, by offering customers an extra 0.50% return for the first 12 months of investment. The end result of these initiatives on the Security product is once again highly significant, with new business exceeding 470 million euros in 2012.

BG Advisory: Banca Generali's advanced financial advisory service

Launched in October 2009, BG Advisory is a cutting-edge fee-based advisory service developed by Banca Generali in partnership with Morningstar. Through a guided process, the financial advisor provides customers with an overview of their financial wealth held with Banca Generali and other brokers, with the objective of developing portfolio proposals personalised to suit risk profiles and holding periods.

In the first half of 2012, activity focused chiefly on training the sales network, with more than 100 hours of training provided to a total of approximately 270 participants. The goal was to expand the use of advisory service with BG Advisory by engaging in role-playing involving cases of real customers and situations.

In addition, an online survey was conducted in order to assess the sales network's level of satisfaction with the remote training service known as "Web Conference" for ongoing training in subjects relating to BG Advisory, resulting in the launch late in the year of a new remote training format known as the "webinar," which simplified and improved the quality of service through the combined use of PCs and chatting.

In order to facilitate the use of classroom materials and webinar content, a dedicated section was created on the new BG Advisory training platform, providing access to materials, video tutorials, interviews with best performers and space devoted to interacting and sharing experiences.

In the second half of 2012, specific activities were launched in collaboration with Morningstar with the aim of improving performances and adding new features to the BG Advisory platform. For example, customer portfolio analysis was optimised by automatically adding unit-linked products, and the new Bear Market Simulation feature, which allows more detailed assess-

ment of the risk associated with individual portfolio strategies, was integrated.

Banking products

In 2012, the Bank strove to improve and rationalise its line of banking products and expand the services it offers to its customers, with a particular focus on technological innovation:

Turning to product offerings:

- the entire range of current accounts was reviewed, with the aim to simplify the products range and ensure a comprehensive service in keeping with market demands;
- the Bank launched its "basic account," with operations limited to payments by bank transfer and debit card, in line with the initiatives pursued by the Italian government in the area of limiting the use of cash and promoting electronic payment instruments;
- the promotions relating to the "BG Champion" deposit account and "PCT Premium" product, launched in autumn 2011, were renewed for the entire year, with constant adjustment of the rates applied at six and twelve months in relation to market performance in order to offer customers advantageous short-term investment solutions;
- in September, a promotion was launched for deposits in the products "BG Champion" and "PCT Premium" nearing maturity, offering reinvestment under favourable conditions in the same products in which the customer had initially invested, or, alternatively, in other asset management and insurance products;
- the pricing for newly issued credit cards was revised, with fees able to be reduced to zero on the basis of annual spending, thus providing benefits to customers who use cards issued by Banca Generali to make their payments.

In terms of new developments relating to services and technological innovation:

- effective October, the silver credit cards offered by the Bank are equipped with the new Mastercard Paypass technology, which allows payments to be made with a single gesture and in a fully secure manner, by simply holding the card near enabled POS terminals, without signing receipts or entering a PIN, for amounts less than 25 euros;
- to encourage subscriptions to the "Doc@nline" service (the service that provides for documentation to be sent in electronic format only), the promotion "Choose Doc@nline: Banca Generali rewards you" was launched, through which customers could obtain a free prepaid card, personalised with the campaign logo;
- effective June, the new Welcome Kit for customers who open accounts with the Bank entered distribution. The Kit includes a Service Guide featuring improved presentation, consistent with the goal of constantly increasing the ease of use and immediacy of information.

The procedure for the transfer of securities portfolios from other credit institutions to Banca Generali, guaranteeing a certain and definite timetable for the various steps of the transfer, continued to operate.

Regarding cooperation with our partners, the referral agreement for Intesa Sanpaolo Intesa Group's mortgage loans was renewed and the related range of products available to customers was reviewed.

Finally, three bonds with guaranteed principal at maturity were placed, and the Bank participated as placing agent in Italy's BTP auctions in March, June and October, the Enel public subscription offering, Atlantia public subscription offering and Brunello Cucinelli S.p.A. public sale and subscription offering.

Digital marketing

The new version of the Banca Generali website, launched in October, marks a thorough revamping of the Bank's online presence, as well as the transition from a strictly institutional approach to a channel focused on products and individuals' investment and savings needs.
The key to the project's communication style is the choice to take a clear, simple and captivating approach to illustrating complex financial products, based on intuitive content and solutions that simplify users' understanding of those products.
This innovative format is aimed at promoting products and providing the financial advisors network with a revamped communications channel and customers with a showcase of the Bank's offerings.
The restyling of the informative section was supported by the constant development of the range of banking services available to customers. New services were made available to customers using home banking: improved handling of bank transfers, services aimed at simplifying payments through the website, more complete information regarding financial market news and advanced trading tools such as conditional orders are just some of the improvements to the protected area of the website.

For Banca Generali, 2012 witnessed an important new development in the mobile banking arena, expanding possibilities for access by and interaction with its customers through the new app for Android and Apple smartphones available for download free of charge. This app makes home banking and online trading increasingly easy to use: customers can access their accounts, manage their investments and handle payments and credit top-ups directly from their smartphones using a single application.

Finally, in the area of security, significant investments were made in implementing the Secure Call service, which uses one of the top technologies currently available to protect against computer fraud in the banking sector. The various promotional campaigns will ensure that the service will be free of charge from its launch in April 2012 until June 2013 in order to allow the greatest possible number of customers to try the new service with no obligation.

Trade marketing

In the course of 2012 Banca Generali and its Private Banking division developed a comprehensive programme of institutional initiatives, along with numerous marketing activities locally managed by the Network. In January, we held a roadshow dedicated to the start of activities in the new year and at the same time we held meetings for the launch of the new Monobrand funds of funds of BG Selection Sicav. Moreover, as every year, the Bank participated in the Italian Trading Forum, the trading and investment expo, hosted for the first time in the new Rimini Conference Centre during the month of May.

In terms of official initiatives, Banca Generali further emphasised its social commitment through the project "A Champion for a Friend", an event held in 10 Italian cities with the participation of four acclaimed sports champions, which saw the involvement in several sport activities of about 10.000 children at all levels of competence.
Another sport event organised by the bank, which took advantage of the sponsorship with Alessandro Del Piero, consisted in an exclusive dinner organised for our best customers in the company of the Juventus football player at the Centro Porsche in Padua.

In the culture sector, Banca Generali and its Private Banking division organised an exclusive event at the Diocesan Museum of Milan: a vernissage of the exhibition "Fine del Gioco" by the artist Alberto de Braud. The evening event was well integrated in the exhibition sponsorship project which aims to strengthen the links between our brand and the art world.
The Private Banking division also organised other cultural events for clients and prospects such as a tour dedicated to the discovery of the works of Picasso, exhibited in Milan at Palazzo Reale, and an evening at Palazzo Clerici in Milan with a visit to the Tiepolo Gallery.
In order to strengthen the relationship of trust between the bank and its customers by sharing interests and passions, the Private Banking division organised the customary annual Invitational Golf Tour, an exclusive circuit that involved more than 850 guests in seven stages organised in the most prestigious Italian Clubs.

In the field of social responsibility, Banca Generali renewed its long-term support to AISM - Italian Multiple Sclerosis Association - also organising the sale of spices during the Christmas period.
In addition, the Bank supported the non-profit organisation Francesca Rava Foundation-NPH Onlus, by sending a container with basic necessities to the St. François school in Haiti and contributing to the distribution programmes in the slums. The project developed as a result of the initiative started in 2010 which, thanks to Banca Generali's contribution, led to the construction of the St. François school.

Communications

Banca Generali's communication strategy uses multiple information channels in order to ensure maximum transparency in the relationship with its stakeholders. Initiatives are part of the value process laid down by the Parent Company, Assicurazioni Generali, in pursuit of clarity, professionalism and reliability.

The bank's website contains all information about the company and is constantly updated with the publication of press releases and information on the bank activities. The corporate website will be redesigned in 2013 with new features allowing for an in-depth analysis of the financial statements and interim reports.
Sponsorships involving the Banca Generali brand are distinguished by sensitivity to certain social issues, as in cases of support for research initiatives (AISM and LILT) or the itinerant event A Champion for a Friend, aimed at spreading education about the values of sport among young people. Special attention is also devoted to the cultural aspect of the territory, by promoting various exhibits and artists, and to organising conventions, gatherings and seminars on financial or tax matters aimed at clarifying specialist issues of current relevance.

The celebrities chosen to provide endorsements, namely soccer champion Alessandro Del Piero (associated in 2012 with the deposit account for younger customers, BG Champion) and Italian Champion skier Federica Brignone, round out the image of technical and specialist excellence that sets Banca Generali apart. In 2013, we are planning projects that will combine the image of the skier with products dedicated to young people.

The bank advertising activities were centred on new creative initiatives aimed at enhancing awareness of the brand, with a gradual but steady presence on specialised financial media throughout the year. Soon after the award as "Best Private Bank in Italy" assigned by the magazines PWM and the Banker (Financial Times Group) - in November 2012 - a brief ad hoc campaign was developed in the following days on some national newspapers that creatively combined the prize prestige with the bank's strengths.

The Company's information material was enriched in the past year with a new corporate video which explains the features and performance of the bank and is being broadcast in the branches, and with new brochures outlining the main features of the services provided.

Finally, the Group has shown commitment to and cooperation with the media (press, Internet, TV and radio) in the interest of clear, explicit communication of the strategies and results achieved.

Media Relations

Coverage by financial press and generalist media in 2012 was constant and reactive. The monthly inflow reports involved the major Italian, and in some cases international, news agencies, as well as numerous websites of Italian newspapers and magazines and the related newspapers. Management always responded in a timely manner to requests from the press, seeking to accommodate interest in meetings and interviews to the fullest possible extent. Quarterly results were emphasised on all occasions through interviews with the Chief Executive Officer by the press, commenting on and supporting the informational materials made available, beside the usual conference call with analysts. Growth, dynamism and solidity were recurring themes raised by the press in respect of Banca Generali. The involvement of magazines and websites specialised in investment and asset management was consolidated to best illustrate the technical characteristics of products and the special nature of the network's advice. In this vein was also the support provided by the local press which on several occasions called for the involvement of the bank's professionals in commenting subjects related to financial planning.

15. Human resources

15.1 Employees

Personnel

At 31 December 2012, the Bank's workforce was 785, composed of 46 Managers, 126 3rd and 4th level Executives and 613 employees at other levels; of the last category, 74 were 1st and 2nd level Executives, 42 were working under fixed-term contracts (28 of these as substitutes for employees on maternity leave or leaves of absence) and one was an apprentice.

There was an increase in the workforce of 18 resources compared to 2011. Specifically:

- an increase of 27 people with permanent contracts due to reinforcement of the staff in place, new positions in departments supporting business development and the hiring of staff to replace outgoing employees in previous periods;
- a decrease of 9 resources on temporary contracts, despite an increase of 7 resources hired to replace staff on leave for maternity or other reasons.

	BANCA GENERALI	BG FIDUCIARIA	GENERFID	GFM	TOTAL FY 2012	TOTAL FY 2011
Managers	43	-	-	3	46	51
3rd and 4th level executives	113	5	-	8	126	119
Other	584	4	4	21	613	597
Total	**740**	**9**	**4**	**32**	**785**	767

Actual workforce

The actual workforce was determined by subtracting from the workforce (785) staff members on secondment to companies external to the Banking Group (-9) and adding staff members on secondment within the Banking Group (1) (these are secondments at companies of the Assicurazioni Generali Group).

	31.12.2012	31.12.2011	CHANGES
Banca Generali	729	673	56
BG SGR	-	42	-42
BG Fiduciaria	9	10	-1
Generfid	7	6	1
GFM	32	29	3
Total	**777**	**760**	**17**

While the workforce increased by 18 resources, the actual workforce increased by 17 resources due to a greater number of net secondments (8 in 2012 compared to 7 in 2011).

With respect to BG SGR workforce, consisting of 39 resources at 31 December 2011 (42 resulting from secondment), following the merger, 35 resources were transferred to Banca Generali with effect from 1 September 2012.
Prior to the merger, 2 persons were transferred to other Group companies, 1 person left the company at the expiration of the contract and one person resigned.

2012 HIRINGS

Workforce flows

Workforce at 31.12.2011	**767**
Hirings	98
Terminations	-80
Workforce at 31.12.2012	**785**

Changes also include intragroup movements, movements in definite-term staff and maternity replacements.

Breakdown of workforce

	WOMEN		MEN		TOTAL FY 2012	
Managers	10	2.5%	36	9.4%	46	5.9%
3rd and 4th level executives	29	7.2%	97	25.5%	126	16.0%
Other	365	90.3%	248	65.1%	613	78.1%
Total	**404**	**100.0%**	**381**	**100.0%**	**785**	**100.0%**

Staff members with university degrees accounted for 50.45% of the total.

The Group's average age is 41 years, while the percentage of female staff members is 51.46%.

Labor relations

On 19 January 2012, the new National Collective Labour Agreement for Credit Institutions was signed introducing important innovations in terms of employment protection and wage moderation. In particular, it envisaged the set up of the Fund for Employment in the Banking Sector (which companies may use in order to obtain incentives against long-term employment contracts for young people and other categories of workers), the completion of the regulatory framework on vocational apprenticeship and the ability to extend business hours up to 20 hours.

With regard to union negotiations in the Banking Group companies, we should mention the procedure for the merger of BG SGR S.p.A. into Banca Generali, the tax abatement agreement on "productivity bonuses" and the agreement on the reduction in the time interval legally required between subsequent fixed-term contracts, as provided for by the "Fornero reform".

Development of resources - Creation and support of managerial value

In order to support professionalism and managerial development, the company's actions focused on **internal mobility at all levels**, from the resources that already hold positions of responsibility to the ones in areas of high concentration of specialised banking know-how, such as bank branches and contact centres. For resources already included in a career path, job expansion/diversification were supported by **coaching**. In this same perspective of management development and strengthening of technical skills, after a careful selection process, two persons were identified and offered the opportunity to attend the EMCFB Master programme at Bocconi University.

In order to provide additional support for the **creation of value in the sales area - Private Division**, the Group has created a management and development model that emphasises an effort to achieve results by clearly defining goals, career paths and technical and managerial training support to consolidate the various roles.

During the first half of the year the **annual evaluation of qualitative performance** was carried out. All resources are involved in this process which includes meeting with the line manager in order to discuss and assess any gaps between everyday skills and

those required by the role. All managers who have resources reporting to them, were supported through ad hoc training sessions, in order to prepare for the feed-back interview and the definition of development plans.

For a pool of selected resources, development center and assessment activities were organised that allowed for the development of ad hoc individual development plans. This process also aimed at identifying any high potential talents who may be assigned personalised career paths.

Through the above initiatives - performance appraisal, assessment, talent management, strengthening of the commercial area - specific needs are identified which constitute the basis for designing the training plan in support of and for the development of the bank's professional skills.

All people who join the Bank have first passed an assessment path, as required by the Generali Group policy.

Training

Training focused on strengthening roles from a technical and managerial point of view and on providing the conceptual tools and knowledge necessary to address a market that in recent years has become very volatile.

The language and computer courses were provided by Generali Group Innovation Academy, which also delivered some technical and professional refresher course. In most cases, however, for in-depth specialised training the bank relied on external courses provided by leading consulting firms, expert in the field.

Through the e-learning provided by the Simulware platform managed by GGIA, the mandatory updates continued, particularly with respect to Legislative Decree 231/01, transparency in banking operations anti-money laundering. Specific web-based anti-robbery and cash management courses were provided to the branches staff.

Some selected resources were included in advanced training programmes at leading academic institutions, in master's degree programmes and in specific coaching programmes to develop their management knowledge and skills.

Great attention was paid to the training of Private Relationship Managers in order to support them in their consulting activities to customers of high standing. The 2012 courses focused on technical insight on financial and tax issues and courses on interpersonal skills focused on new customers acquisition and negotiation. In 2012, a complex management training project, intended for managers of the Relationship Manager Teams and started the previous year, was completed.

Classroom courses on safety in the company in compliance with Legislative Decree 81/08 continued to be provided on a regular basis.
Also training on mandatory regulations continued to be provided in compliance with legal requirements and according to the specific attention paid by the bank to the various topics. Specifically, classroom training was provided on Related Party and Connected Party transactions, Money Laundering and enhanced supervision.

All mandatory web-based courses for new hires, under both permanent and temporary contracts, are provided through the e-learning platform managed by Generali Group Innovation Academy. These courses must be taken within two months from the date the e-mail invitation is received.

The Group continued with its office-network pairing activity, in which Financial Advisors visit the offices in Milan and Trieste and employees visit the various operating offices. The sales network's appreciation remained constant.

Among the new courses offered in 2012, the subject on communications within the company, already dealt with in the past few years, was proposed again this year. The initial project was dedicated to written communication and a second one concerned the effective management of meetings.

In order to constantly cover the technical area, in 2012 an in-house course was provided on basic banking transactions, intended for newly hired employees or for personnel in the bank staff departments.

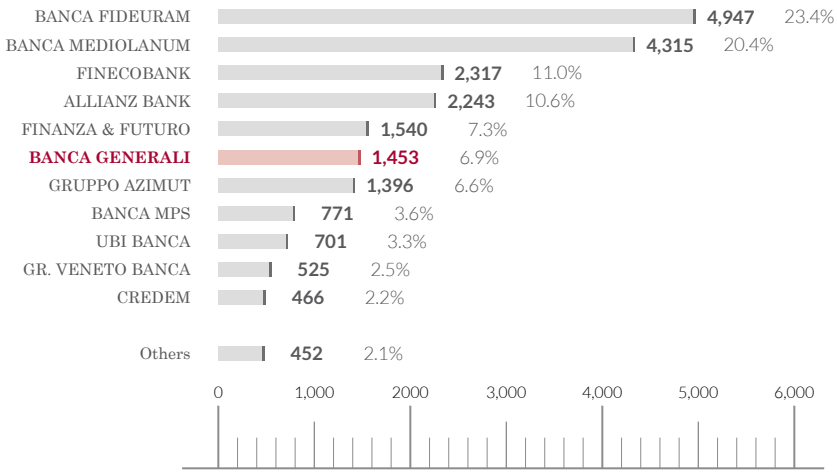
Internal communication

In line with the policies adopted by Assicurazioni Generali Group on environmental matters, Banca Generali also launched a communication campaign called "Even when we work the environment is in our mind".
Through a series of initiatives ranging from recycling to the development of sustainable mobility and the careful management of business travels, up to the reduction in paper consumption, the emphasis was placed on how the issues of environmental sustainability should always be kept in mind at work.

15.2 Financial Advisors

Banca Generali owns one of the largest Financial Advisor-based distribution networks in the Italian market: at 31 December 2012 it had 1,453 Financial Advisors and Relationship Managers, 316 of whom within the Private Banking Division. Compared to 2011, those in the Private Division remained stable, whereas the number of employees in the Affluent Division decreased slightly.

Number of Assoreti Financial Advisors: 21,126 December 2012



Source: **Assoreti**.

The main data referable to the Banca Generali are summarised in the following tables comparing figures for 2011 and 2012:

31 DECEMBER 2012	NO. OF FAS/ BANK./REL.MAN.	ASSETS (€ MILLION)	ASSETS PER ADVISOR (€ MILLION)
BG Affluent Division	1,137	15,431	13.6
BG Private Division	316	10,733	34.0
Total	**1,453**	**26,164**	**18.0**

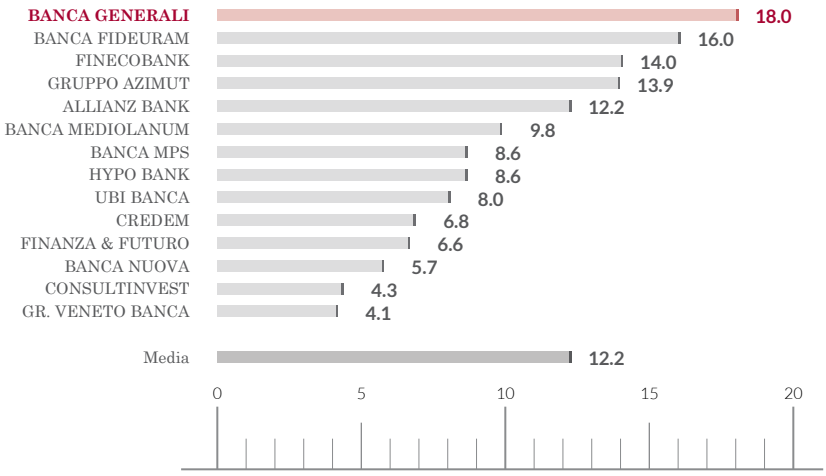
31 DECEMBER 2011	NO. OF FAS/ BANK./REL.MAN.	ASSETS (€ MILLION)	ASSETS PER ADVISOR (€ MILLION)
BG Affluent Division	1,154	13,679	11.9
BG Private Division	317	9,576	30.2
Total	**1,471**	**23,254**	**15.8**

It is important to note that there was a constant increase in average assets per Financial Advisor over the years. This is due both to the exceptionally high level of inflows during the year (Banca Generali's Financial Advisors reported the best per capita net inflows), and the bank's continuing Financial Advisor selection process, which places increasing importance on the professional and qualitative development of out-of-office sales skills with a strong emphasis on consulting. Over the years, this approach has led to a progressive reduction in the profiles of less evolved profiles, focusing instead on recruiting professionals who can expertly interpret Banca Generali's philosophy of quality.

Even during a year of severe uncertainty on the financial markets - indeed, owing precisely to such uncertainty, considering

that the advisory approach taken has proven able to provide customers true added value - the average assets of Banca Generali's Financial Advisors remained at the apex of the industry, at a very high level compared to the general average (18 million euros compared to 12.2 million euros, +48%), with a further sharp increase on 2011 (+14%).

Average assets of Assoreti Financial Advisors (€ million - December 2012)



Source: **Assoreti**.

The qualitative development process also continued in 2012, as witnessed by the increase in the number of Private Bankers and the slight decrease in the number of other Financial Advisors.
In further detail, in 2012 Banca Generali added 53 new, carefully selected professionals with solid experience in the field or banking industry, who were able to draw on the vast array of investment opportunities offered by the bank to meet investors' needs more thoroughly in accordance with their individual risk profiles. As a result, nearly all outgoing professionals were replaced, whether their departure was due to retirement or a change of profession, which are normal occurrences within what is by now an established organisation. In fact, the turnover of Banca Generali's network is very low (approximately 5%), bearing witness to the loyalty inspired in current professionals and the attractiveness of Banca Generali's offerings to the market.

Network's organisational structure

Considering the network as a whole, the organisation can be divided into four types of professional roles:

	2011	2012
1st Level Managers	21	20
2nd Level Managers	52	49
Executive Managers	60	53
FAs/PB/RMs	1,338	1,331
	1,471	**1,453**

In Banca Generali, the number of managers proper (first- and second-level managers, i.e., those who are the referees of professional figures dedicated solely to customer relations) amounts to less than 5% of the network total, compared to the 25-30% of traditional networks, which continue to be characterised by extensive use of classic pyramid structures,

2012 ASSETS PER FINANCIAL ADVISOR

€ MILLION

with a strong drive towards quantitative growth and high turnover.
In accordance with the above remarks concerning the qualitative development of the distribution network, the number of managers decreased slightly (especially with regard to profiles devoted to training measures for less expert Financial Advisors), with a resulting increase in the span of control.

Geographical breakdown by gender and age

The network is broadly distributed throughout Italy, with a greater concentration (2/3 of the workforce) in the regions of the Centre-North than in the Centre-South, in accordance with the distribution of national wealth. The relatively modest female presence, at 14.5% of the total, is partially attributable to the fact that the profession of Financial Advisor has seen an increase in the number of women only in recent years. It is therefore logical for there to be a limited presence of women within a network characterised by a high level of professional maturity. In addition, the lower female presence reflects industry figures, which only improved slightly (16%).
An average length of service of more than 12 years, also considering the "young age" of the Company, bears witness to the network's stability and its modest turnover.

						AVERAGE AGE			AVERAGE LENGTH OF SERVICE *		
REGION	FAS	PB-RM	TOTAL	% ON TOT.	% WOMEN	M	W	TOTAL	M	W	TOTAL
Piedmont	80	48	128	8.8%	20.3%	50.2	46.7	49.5	10.5	9.6	10.3
Valle d'Aosta	-	2	2	0.1%	-	48.3	-	48.3	6.7	-	6.7
Lombardy	194	84	278	19.1%	16.2%	50.6	47.8	50.2	11.9	10.5	11.7
Trentino-Alto Adige	11	-	11	0.8%	9.1%	55.1	35.7	53.3	12.0	0.5	10.9
Veneto	120	24	144	9.9%	5.6%	50.4	48.8	50.3	12.2	11.0	12.1
Friuli-Venezia Giulia	54	6	60	4.1%	11.7%	49.4	52.4	49.8	12.4	7.8	11.8
Liguria	46	50	96	6.6%	16.7%	53.6	52.4	53.4	11.9	11.4	11.8
Emilia-Romagna	146	30	176	12.1%	21.0%	51.8	48.9	51.2	13.6	11.0	13.0
Tuscany	65	24	89	6.1%	10.1%	51.5	50.1	51.3	12.0	11.7	12.0
Umbria	22	-	22	1.5%	9.1%	50.7	45.6	50.2	18.1	8.6	17.3
Marche	44	-	44	3.0%	11.4%	47.5	45.9	47.3	14.2	16.9	14.5
Latium	78	27	105	7.2%	24.8%	50.1	48.3	49.7	13.2	14.9	13.6
Abruzzo	20	-	20	1.4%	5.0%	53.0	59.6	53.3	13.6	11.9	13.6
Molise	-	-	-	-	-	-	-	-	-	-	-
Campania	119	10	129	8.9%	4.7%	47.8	43.0	47.6	12.3	12.2	12.3
Apulia	65	6	71	4.9%	15.5%	49.1	45.2	48.5	12.9	11.0	12.6
Basilicata	1	-	1	0.1%	-	47.3	-	47.3	4.8	-	4.8
Calabria	20	4	24	1.7%	16.7%	45.9	51.3	46.8	12.1	14.9	12.6
Sicily	41	-	41	2.8%	7.3%	46.8	47.7	46.9	12.0	15.6	12.3
Sardinia	11	1	12	0.8%	33.3%	48.1	48.8	48.3	13.9	12.7	13.5
	1,137	**316**	**1,453**	**100.0%**	**14.5%**	**50.3**	**48.3**	**50.0**	**12.4**	**11.4**	**12.3**

* Length of service also contemplates service rendered to companies acquired by the BG Group (e.g., Prime, Altinia Sim, etc.).

Presence in Italy

Banca Generali's Financial Advisor network covers an extensive area in Italy and was supported, at 31 December 2012, by a total of 177 bank branches and FA Offices.

	BRANCHES			OFFICES			
31 DECEMBER 2012	BANCA GENERALI	PRIVATE DIVISION	TOTAL BRANCHES	BANCA GENERALI	PRIVATE DIVISION	TOTAL OFFICES	OVERALL TOTAL
Abruzzo	1	-	1	1	-	1	2
Calabria	1		1	2	1	3	4
Campania	3	1	4	10	2	12	16
Emilia-Romagna	4	1	5	14	3	17	22
Friuli	2		2	3	1	4	6
Latium	2	1	3	3	1	4	7
Liguria	3	1	4	8	4	12	16
Lombardy	4	2	6	14	5	19	25
Marche	-	-	-	3	-	3	3
Piedmont	3	1	4	6	8	14	18
Apulia	2	-	2	6	2	8	10
Sardinia		-	-	1	-	1	1
Sicily	1	-	1	4	-	4	5
Tuscany	2	1	3	10	1	11	14
Trentino-Alto adige	-	-	-	3	-	3	3
Umbria	1	-	1	2	-	2	3
Valle d'Aosta	-	-	-	-	1	1	1
Veneto	5	1	6	13	2	15	21
Overall total	**34**	**9**	**43**	**103**	**31**	**134**	**177**

Distribution network training

In 2012, training for the distribution network focused especially on the development of managerial skills of Banca Generali's Financial Advisors.

The first project, called "Organising marketing events locally" is linked to the subject of "Growth", launched in 2010 with the course "Developing New Customers." The main objective of this project, which was designed together with the company Newton Management Innovation, was to present and share within the Network a structured approach to the planning and organisation of a successful event. The target audience included all the 43 District Network Managers and about 210 locally selected Financial Advisors.

The second initiative only involved the first line managers of Banca Generali Network, who, by working in teams, have shared the "Business Driver" growth path designed in partnership with Logotel. "Business Drivers" was an intensive training programme, spread over nine days, designed to strengthen and consolidate the awareness and responsibility processes inherent in managerial roles.

With regard to "educational excellence", i.e. the courses for Financial Advisors and Private Bankers who distinguished themselves for professional merit, the initiative was taken up again and improved through a new project resulting from the collaboration between Banca Generali and the Ca' Foscari University Laboratory of Experimental Economics (in partnership with Swiss and Global AM IT). The course "Experimental Economics" presented the main issues of behavioural economics and finance to about 200 of the bank's best Financial Advisors. With the invaluable assistance of Prof. Paolo Legrenzi, participants had the opportunity to reflect and gain an in-depth insight on how "human behavior" in economic

and financial matters is much more complex and diverse than what is described in classical economic theories.

The Group also continued its Office - Network programme of excellence, created in 2009 with the aim of ensuring increasingly close integration and deeper mutual understanding between the head offices and network, in order to achieve constant improvement of company processes, and thus of the level of services offered to customers.

In the last quarter of 2012, Banca Generali finally enriched the range of training courses offered by launching a new training portal for pre- and post-classroom purposes: BG Academy, a new area devoted to the Banca Generali entire Network which provides insight on subjects dealt with in classroom and opportunities for interaction and sharing of successful experiences and which adds to and enriches the traditional use of Web applications for e-learning concerning mandatory refresher courses.

16. Organisation and ICT

In 2012, planning and investments relating to organisation and technology focused primarily on the two extraordinary transactions involving the transfer of the Italian fund business units and integration of the asset management subsidiary, as well as on activities aimed at improving operating efficiency and achieving legal compliance.

An account of the main actions taken, broken down into the following thematic areas, is provided below:

- sales network services and customer services;
- internal support processes for company business;
- legal compliance ;
- Banking Group subsidiaries.

16.1 Sales network services and customer services

Sales network services

In the context of the application platform dedicated to the Financial Advisors/Private Bankers sales channel, as regards the operational aspect in particular, an innovative application was released for tablet-style devices. This application allows consultants to enjoy simple, intuitive access to information from the Advisors Front-End, already available on the Web platform, at all times. In addition to providing access to the Advisors Front-End in the Web version, this application permits access to a customised programme for tablet-based browsing that integrates information concerning customer positions, markets, products and notices.
Other developments relating to the application platform used by sales structures involved the release of a new version of the reporting application for management structures integrated with DWH.

In addition, a new analysis/internal reporting tool for customers' positions was adopted for the benefit of the salaried Relationship Manager distribution network.

Customer services

With a view to constantly improving customer-oriented services, a new security profile was created, called "Secur Call", to order bank transactions via online banking, which includes the combined use of the Internet and customers' mobile phone as an identification token. This innovation is especially notable as the customer, upon confirmation of a bank order, is requested the keying in, through the phone, of a "one-time" password dynamically generated by the system and displayed on the website screen.

16.2 Internal support processes for Company business

Finance

Work aimed at ensuring more dynamic access to the markets during the order execution phase was finalised. In addition, the Finance Department's middle-office application was brought into compliance with the OMGEO platform, used for the automatic forwarding of electronic order confirmations to institutional customers.

Business continuity plan

Oversight aimed at ensuring operating continuity included a partial revision of the Business Continuity Plan (BCP) following organisational changes, relating in particular to the merger of BG SGR and the continuation of the implementation process.

Supporting tools for Company functions

Measures taken in order to ensure heightened efficiency and a qualitative improvement in the work done by company functions included equipping the Internal Audit Service with a supporting application used to monitor the quality of customers' portfolios, providing the Compliance Service with an integrated dashboard for monitoring the sales network, supplying the Lending Department with a tool developed by an information technology outsourcer to automate lending practices and as-

sist in the work done by the Administrative Department involving the transfer to BNP Paribas of the custodian bank and foreign securities settlement.

16.3 Legal compliance

The reporting year 2012 was characterised by legal changes which required that procedures be revised and implemented, including, but not limited to, the following significant measures:

- *Related Parties and Connected Parties:* following the formalisation of policies and decision-making procedures regarding connected parties in compliance with the Bank of Italy's regulatory requirements, the Bank adopted an application system to be used for integrated management - given the related nature of the subject matter - of the associated activities relating both to connected entities and related parties, according to the instructions from CONSOB and in reference to Article 136 of the Consolidated Banking Law;
- *European Directive on the offer of UCITs:* CONSOB provisions implementing the European directive on UCITs offered on the market: steps were taken to implement all the activities necessary to provide customers and the sales network with the KIIDs (Key Investor Information Documents), including information on essential characteristics of the UCIT, so that investors can reasonably understand the nature and risks of the investment;
- *Taxation:* in order to comply with the tax rules arising from the August budget law and subsequent "Save Italy" Decree, the appropriate information technology measures were taken.

16.4 Banking Group subsidiaries

Rationalisation of Group activities

Measures aimed at rationalising the Banking Group included, in the first half of the year, the transfer of the Italian fund business unit of the subsidiary BG SGR to Generali Investments Italy SGR, and, in the second half of the year, the steps leading up to the merger of the aforementioned BG SGR into Banca Generali, resulting in the concentration of portfolio management operations.

GFM, BG Fiduciaria SIM and Generfid

Work in 2012 consisted of ordinary developmental maintenance and compliance with industry regulations, with measures also taken in the area of software applications.

17. Auditing

The reporting year was characterised by new regulations and laws with an impact on the performance of internal auditing and work schedules.

In further detail, the following are the main changes that occurred during the year:
- new Governance Code for listed companies;
- consultation on the new Bank of Italy prudential supervisory rules (currently in the process of being issued);
- new Bank of Italy rules governing the review of money laundering prevention obligations entrusted to outsourcers - March 2012;
- Basel Committee on Banking Supervision, The internal audit function in banks, June 2012;
- approval of legislation on privacy and the management of information by employees;
- expansion of the offences envisaged in 231/01 legislation to include bribery among individuals.

In addition, the change in the scenario was accentuated by the negative economic situation, which witnessed an intensification of efforts by supervisory authorities to safeguard banks' assets and reinforce liquidity management controls.

Internal Audit, which shared its goals with the Audit and Risks Committee, therefore promoted an internal improvement programme through:
- an external assessment of the function;
- a more intensive training programme on audit resources;
- reinforcement of supporting tools and methods;
- effective communication streams with the Risk Management, Compliance, Anti-money Laundering and Law 262 functions, the Board of Statutory Auditors, Independent Auditors and Trade Associations (the Italian Internal Auditors Association and the Italian Information Systems Auditors Association).

Audit work during the year represented the completion of the steps outlined in the 2012 Audit Plan and was performed according to the methodologies of reference indicated in the Internal Audit Regulation:
- CoSo Report;
- ERM (Enterprise Risk Management) model;
- the Bank of Italy's supervisory instructions;
- CONSOB-Bank of Italy Joint Regulation of 29 October 2007;
- Internal auditing definition;
- International Standards for the Internal Auditing profession, interpretative guides and position papers, issued by the Italian Association of Internal Auditors;
- new Borsa Italiana's Corporate Governance Code;
- Basel Committee on Banking Supervision June 2012.

The measures taken during the period pertained in particular to safeguard from risks deriving from information technology and security processes, privacy, the processing of instructions from customers, risk management (credit, liquidity, operational, anti-money laundering and fraud risk), management schemes, investment services and administrative and accounting survey services and affected all levels of control with the responsible departments. The improvement paths for existing controls, which were initiated as a result of previous audits follow ups, have been monitored.

The activity was implemented by means of audits carried out at the units involved and developed through:
- design and execution testing (TOD and TOE) of controls;
- use of the CobiT-Pam methodology for the analysis of more complex areas and for risk analysis (information systems and level II functions);
- formulation of recommendations and suggestions;
- remote monitoring and control activity.

Turning to the results of internal auditing, in 2012 audits resulted in the formulation of recommendations and suggestions to improve risk management methods and increase the efficacy of safeguards.

The audit process supported a judgment of adequacy of control and risk management systems, within a company context in which no significant critical issues were detected.

18. 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.
Throughout 2012, the risk in question remained at moderate levels, with a one-day 99% VaR of less than 0.3% of the total portfolio. Monitoring also showed full observance of operating limits and no reports of overruns, except to a limited degree, in a small number of cases, of alert thresholds ("stop loss alert") set for several portfolios, primarily due to the impairment of Italian government securities recorded during the year.

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, AFS 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.
ABS classified in the L&R portfolio are particularly exposed to risk and may become permanently impaired; this exposes the company to the risk of recording losses in the profit and loss account. Securities in this portfolio are monitored at least quarterly to identify any deterioration in their credit quality.
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 risk appetite strategies defined by the Board of Directors.
Monitoring showed observance of credit limits and no overdrafts in all of 2012.
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, which 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 error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.
The Risk Management function identifies and assesses the operational risks inherent in business processes (risk assessment and scoring), measures the impact of operational losses (Loss Data Collection process) and monitors the action plans adopted to mitigate material risks.
Moreover, the Banca Generali Group has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

Exposure to **liquidity risk** derives from funding and lending transactions in the course of the Group's normal business, as well as from the presence of unlisted financial instruments in its proprietary 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 man-

aged through recourse to the money market (interbank deposits and repurchase agreements). The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.
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 indicators contemplated in the risk management framework included the Basel 3 liquidity ratios (Liquidity Coverage Ratio - LCR and Net Stable Funding Ratio - NSFR) intended to ensure ongoing verification of compliance with future regulatory requirements.
In 2012, the monitoring activity performed indicated observance of the limits approved by the Board of Directors and no overruns. Oversight of a possible liquidity crisis, which could affect the Bank individually rather than the entire banking system, was provided through daily monitoring of the indicators envisaged in the Contingency Funding Plan approved by the Board of Directors.
The Banking Group has an adequate level of **capitalisation**, with a tier 1 ratio of 11.83% and a total capital ratio of 12.96%.

The effective management of **compliance risk**, defined as the risk that the Company may incur legal or administrative penalties, significant financial losses or reputational damages as a result of the breach of laws, regulations or voluntary codes of conduct, requires a company culture that promotes integrity, propriety and compliance with the spirit of the law in accordance with the principle of proportionality and the entity's size and specific operational characteristics.
In this context, compliance is a process that permeates the entirety of each Banca Generali Group company's activities and organisation, beginning with the definition of company values and strategies and extending to influencing the definition of policies, internal procedures, operating practices and conduct.
Accordingly, compliance is most effectively pursued in a company context that emphasises the principles of honesty and integrity and applies to each resource by involving company boards, committees, the Compliance function and, more generally, all employees and contract workers.
In this general scenario, in order to achieve adequate, coordinated oversight of activities, the organisational model adopted to manage compliance risk involves centralising the Compliance function with the Parent Company of the group, which also provides the service to subsidiaries at which a compliance contact person has been identified, with the task of playing a supporting role to the Parent Company's Compliance function.

During 2012, the Compliance function focused on those areas of activity and processes that, because they are inherently complex or more extensively affected by changes in the law, require revision or implementation or present compliance risk in need of management action. In accordance with the provisions of (i) the Regulation of the Bank of italy and CONSOB issued pursuant to Article 6, paragraph 2-*bis*, of the Consolidated Finance Act, (ii) the Supervisory Provisions governing the compliance function and (iii) the new Regulations issued by the Bank of Italy on the organisation, procedures and internal controls that banking and financial intermediaries must adopt to prevent and combat money laundering and the financing of terrorism, which led to the creation of the Anti-money laundering Function at Banking Group level within the Compliance Function and the appointment of the Head of such Anti-money laundering Function, who is also responsible for reporting suspicious transactions to the Financial Intelligence Unit (pursuant to Article 41 of Legislative Decree 231/2007) for the Group, the activities carried out by the Compliance Function were:

- assessing the compliance of the Bank's and the network, which is mainly composed of Financial Advisors on an ex-ante and ex-post basis within the scope of the tasks typically assigned to tier-2 control functions;
- advising on implementing processes and/or changing existing processes in order to ensure that they comply with applicable laws and regulations;
- advising on how to arrange for new service conditions/new activities planned as part of the company's growth objectives;
- working with the competent company functions to define training processes aimed at fostering knowledge of and compliance with laws and regulations.

The Compliance function also ensured that company functions had constant access to information on laws and regulations that could affect the company's business in the interest of fostering a culture of compliance and awareness of the law.

19. Outlook

The year 2013 will likely be characterised by a macroeconomic scenario of continuing uncertainty due to the high level of unemployment, lack of growth and the unresolved sovereign debt crisis of the Euro Area.

In consideration of this scenario, in which families will continue to show a gradual decrease in their propensity to save, the competence and reliability of asset managers will be qualities for which there will be increasing need and demand. In this context, the measures taken by the Banking Group will continue to seek to increase its market share by developing its competitive edge, represented by a specific combination of quality products, networks and services, within an Italian market in which just 7% of financial assets held by households are managed through financial advisors.

Consequently, in 2013 the Banking Group's goals are to increase revenues through measures primarily aimed at increasing asset management inflows, developing new customers and consolidating the profitability of assets under management, such as:

- dynamic marketing policies reflecting market developments, along with constant maintenance and implementation of the product line in order to meet customers' financial needs;
- an increase in the placement of and reallocation towards products with greater added value for the customer and an increase in the offering of qualified bank products;
- new investments in the network's technology and know-how capable of providing a true competitive advantage in the sale of financial products;
- the development of possible synergies within the Group, with the gradual centralisation within Banca Generali of the Insurance Group's banking services and trading operations.

On the cost front, in 2013 the Group will continue to pursue the strategy adopted to this point, meaning that it will hold the cost/asset ratio and network pay-out stable and maintain ordinary operating costs at the previous year's levels, with investments in technologies supporting the sales network.

Accordingly, the foregoing revenue growth and market share expansion measures will be accompanied by incisive cost containment and cost-efficiency action in order to be able to face the uncertainties that the current scenario continues to present with the required efficiency.

20. Proposal for the distribution of profits

Shareholders,

We invite you to approve the financial statements as of 31 December 2012, which include the Balance sheet, Profit and loss Account, Notes to the Financial Statements and related attachments, as well as this Report on Operations, both taken as a whole and with regard to the individual entries. We therefore propose allocating net profit for the year as follows:

Net profit for the year	**118,142,822**
To legal reserve	438,888
To retained earnings	15,213,544
	102,490,390
Allocation to the 113,878,211 outstanding ordinary shares of 0.90 euro per share, including the amount to treasury shares as per Article 2357-*ter* of the Italian Civil Code	**102,490,390**

The dividend will be paid net of applicable legal withholdings as of 23 May 2013.

Trieste, 8 March 2013

The Board of Directors

1.2

REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP

PURSUANT TO ARTICLE 123-*BIS* OF LEGISLATIVE DECREE NO. 58/1998

BOARD OF DIRECTORS 8 MARCH 2013

Report on Corporate Governance and Company Ownership

pursuant to Article 123-*bis* of Legislative Decree no. 58/1998

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, ASSOGESTIONI, ASSONIME and CONFINDUSTRIA (Confederation of Italian Industry).

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

Issuer: the issuer of securities to which the Report refers.

Period: the financial period to which the Report refers.

Instructions to the Market Rules: the Instructions to the Rules for the Markets organised and managed by Borsa Italiana S.p.A.

Rules for the Markets: the Rules of the Markets organised and managed by Borsa Italiana S.p.A.

CONSOB Rules on Issuers: the Regulation on issuers issued under CONSOB resolution No. 11971 of 1999 (as subsequently amended and extended).

CONSOB Rules for Markets: the Regulation on markets issued under CONSOB resolution No. 16191 of 2007 (as subsequently amended and extended).

CONSOB Related Party Regulations: the Regulation on Related Party Transactions issued under CONSOB resolution No. 17221 of 12 March 2010 (as subsequently amended and extended).

Report: the Report on Corporate Governance and Company Ownership that the companies have to prepare pursuant to Article 123-*bis* of the TUF.

TUF: the Legislative Decree No. 58 of 24 February 1998 (Consolidation Law on Finance).

TUB: Legislative Decree No. 385 of 1 September 1993 (Consolidation Law on Banking).

Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (8 March 2013).

1. ISSUER PROFILE

1.1 Organisation of the Company

A proper corporate governance system must be based on certain key elements, such as the central role of the Board of Directors and Top Management, the proper management of conflicts of interest, transparency in the disclosure of corporate decisions, and an efficient internal control system.

As a public limited company subject to Italian law, and a bank subject to TUB, Banca Generali has set up a governance system firmly grounded on the said principles.

Against this background, with a view to reinforcing minimum standards of corporate organisation and governance, and ensuring "healthy and prudent management" (Article 56 of TUB), by Order No. 264010 of 4 March 2008, entitled "Supervisory Provisions on the corporate organisation and governance of banks", the Bank of Italy established a regulatory framework under which organisation is to play a central role in strategic corporate policy-making and risk assessment and management within the banking and financial industry.

In adapting its organisational structure to the changed legal framework, Banca Generali pursued the following objectives: (i) a clear definition of functions and responsibilities; (ii) the appropriate balancing of delegated powers; (iii) the balanced composition of corporate organs; (iv) an integrated and effective internal control system; (v) comprehensive risk assessment and management; (vi) a remuneration structure in line with risk-management policies and long-term corporate strategy; (vii) adequate reporting systems and information flows.

Banca Generali's organisational structure is made of the following main corporate boards ad officers:
i) Board of Directors;
ii) Chairman of the Board of Directors;
iii) Chief Executive Officer;
iv) Remuneration and Nomination Committee;
v) the Internal Audit and Risk Committee;
vi) General Shareholders' Meeting;
vii) Board of Statutory Auditors.

Other corporate boards and officers include the General Management, and persons vested with powers of representation pursuant to the provisions of the Articles of Association.

The Company's organisational structure is based on the classical model of corporate governance.

Responsibility for the strategic supervision of the company lies solely with the Board of Directors (the "Board").

The Board of Directors is appointed by the Shareholders' Meeting, for a three-year term. The Board of Directors shall elect, from amongst its members, a Chairman, and if it deems fit, a Vice Chairman and may also appoint one or more Chief Executive Officers, determining the powers and responsibilities thereof. The Board of Directors can also appoint a General Manager, one or more Joint General Managers and one or more Deputy General Managers, who together constitute the General Management.

Responsibility for company management lies with the Chief Executive Officer and General Managers.

Appointed Committees may act solely in a consultative and advisory capacity.

The Remuneration and Nomination Committee is in fact tasked with providing the Board of Directors with advisory opinions and non-binding recommendations on nominations and remuneration, and is accordingly vested with the authority and independence of judgement required to assess the appropriateness of remuneration policies and plans, and related repercussions in terms of risk taking and risk management. More specifically, the Remuneration and Nomination Committee is in charge of: (i) providing the Board of Directors with advisory opinions and non-binding recommendations on the determination of the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, the General Manager and, where appointed, the Deputy General Managers, as well as managers tasked with oversight and control functions, and any and all other executives and managers vested with powers and responsibilities that could impact the Bank's risk profile; (ii) expressing opinions to the Board of Directors regarding its size and composition and expressing recommendations with regard to the professional skills necessary within the Board; and (iii) expressing opinions to the Board of Directors on resolutions concerning the prior identification of its members' qualities and number and the optimal profile of candidate directors in order to comply with the required professionalism and composition of company bodies pursuant to the supervisory law in force from time to time.

The Internal Audit and Risk Committee is tasked with: (i) assisting the Board of Directors in laying down the guidelines of the internal control and risk management system, periodically checking that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks (credit, financial and operating risks) have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with

the responsible company functions; (ii) expressing its opinion regarding transactions with related parties, in accordance with the terms and conditions set forth in the Procedure for Related Party Transactions approved by Banca Generali pursuant to applicable laws and regulations; (iii) assisting the Board of Statutory Auditors in discharging its statutory auditing duties pursuant to the provisions of Legislative Decree No. 39 of 27 January 2010; and (iv) expressing opinions in compliance with the Equity Investment Management Policy.

The General Shareholders' Meeting (the "Shareholders' Meeting") passes resolutions expressing the intentions of the shareholders. Resolutions approved by the Shareholders' Meeting pursuant to statutory provisions and the Articles of Association are binding on all the Company's shareholders, including those abstaining or dissenting.

Responsibility for control lies with the Board of Statutory Auditors, appointed by the Shareholders' Meeting, for a three-year term. The Board of Statutory Auditors is not responsible for statutory auditing of the Company's accounts, a task entrusted to Independent Auditors duly registered with the specific professional rolls set by the Italian market regulator, CONSOB. The Independent Auditors are bound to monitor the proper bookkeeping of the Company's accounts, during the course of the financial year, and to ensure that the Company's books faithfully reflect management trends. The Independent Auditors are also in charge of checking that the figures carried in the annual and consolidated financial statements present a true and fair account of the Company's books and that all accounting documents are compliant with applicable regulations.

The powers and operating procedures of the corporate organs are governed by law, the Articles of Association and the resolutions approved by the relevant organs.

The Articles of Association are available at the Company's registered office and can also be consulted on the Company's website (www.bancagenerali.com) under section "*Corporate Governance*" - "*Corporate Governance System*".

2. INFORMATION ON COMPANY OWNERSHIP (pursuant to article 123-*bis* of TUF) as of 8 March 2013

a) Structure of the share capital (pursuant to Article 123-*bis*, paragraph 1, letter a) of TUF)

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to 113,888,282.00 euros, divided into 113,888,282 ordinary shares of a par value of 1.00 euro each.

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)	RIGHTS AND OBLIGATIONS
Ordinary shares	113,888,282	100	Listed on MTA organised and managed by Borsa Italiana S.p.A.	All the rights contemplated under the Italian Civil Code and Articles of Association.

Banca Generali holds 10,071 treasury shares acquired to execute the Stock Granting Plan reserved for financial advisors of the merged company Prime Consult SIM S.p.A.

The voting rights attaching to the said shares have been suspended pursuant to section 2357-*ter* of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 18 July 2006 approved a capital increase, in one or more tranches, in the maximum nominal amount of 5,565,660.00 euros, exlcuding option rights, pursuant ot Article 2441, paragraphs 5 and 8 of the Italian Civil Code, to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers" and the "Stock Option Plan for Banca Generali S.p.A.'s Employees". On the overall, the share capital increase entails the issue of no more than 5,565,660 ordinary shares with a par value of 1.00 euro each, covering the two plans mentioned above, with no more than 4,452,530 and 1,113,130 of the newly issued shares covering the plans targeted at financial advisors and employees respectively, including in several tranches.

On 21 April 2010, the General Shareholders' Meeting approved a three-year extension to the exercise periods of the aforesaid stock option plans (subject to the terms and conditions notified in the press release published on 9 October 2009 and in the information document published on 2 April 2010, pursuant to article 84-*bis* of the "Rules for Issuers") and also resolved to extend the final deadline for the completion of the aforesaid share capital increase to 30 November 2015.

For further information on the aforesaid share-based incentive plans, see part I of the Notes to the Banca Generali's financial statements for 2011, and the Press Release issued on 17 September 2007, drawn up pursuant to CONSOB resolution No. 15915 of 3 May 2007, regarding the allotment of financial instruments to company managers, employees and collaborators, pursuant to the Plans submitted for approval to the corporate organ in charge of the implementation thereof prior to 1 September 2007, available for consultation on the company's website (www.bancagenerali.com) under the section *Investor Relations - Press releases* and the Information Document pursuant to Article 84-*bis* of the Rules for Issuers published on 2 April 2010 and available for consultation in the corporate website (www.bancagenerali.com) under *Corporate Governance - AGM*.

The Shareholders' Meeting held on 21 April 2010 also approved two new stock option plans reserved for the distribution networks, respectively one for financial advisors and private bankers and one for relationship managers, as well as the share capital increase in one or more tranches of the option right, pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code, in service of the above-mentioned two new stock option plans and the subsequent amendment of Article 5 of the Articles of Association. Overall, the share capital increase envisages the issuance of up to a maximum of 2.5 million ordinary shares of 1.00 euro each, at the service of the two new plans, of which respectively a maximum of 2.3 million euros in service of the plan reserved for financial advisors and private bankers, and a maximum of 0.2 million euros in service of the plan reserved for relationship managers. The maximum term of execution of the above-mentioned capital increase has been set at 30 June 2017.

b) Restrictions on the transfer of securities (pursuant to Article 123-*bis*, paragraph 1, letter b) of TUF)

Apart from the current regulatory provisions on the ownership of shares in banks, there are no other restrictions on the transfer of shares in the Company, other than those indicated below, and pertaining to:

(i) the Stock Granting Plan reserved for specific financial advisors provides that should the recipient intend to sell all or some of the granted shares, the said recipient must first inform Banca Generali thereof, since the latter retains the right to indicate a third-party purchaser at the same terms and conditions and at the market price;

(ii) the Regulations of the Stock Option Plan in favour of employees provides that recipients of the plan be bound to reinvest at least 50% of the gains generated through any disposal of the shares acquired by virtue of exercise of stock options, in ordinary shares in Banca Generali S.p.A., and to hold the said investment in the latter company for at least twelve months following the date on which it was made.

c) Significant equity investments in share capital (pursuant to Article 123-*bis*, paragraph 1, letter c) of TUF)

The Company's shares are administered through the centralised electronic securities management system of Monte Titoli S.p.A. of Milan.

Shareholders holding more than 2% of the Company's voting stock, directly or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices received pursuant to law as at 8 March 2013, are indicated in the table below:

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
Assicurazioni Generali S.p.A.	Assicurazioni Generali S.p.A.	45.101	45.101
	Through the subsidiary INA Assitalia S.p.A.	0.505	0.505
	Through the subsidiary Alleanza Toro S.p.A.	2.727	2.727
	Through the subsidiary Genertellife S.p.A.	4.943	4.943
	Through the subsidiary Generali Vie S.A.	9.755	9.755
	Through the subsidiary Genertel S.p.A.	0.446	0.446
	Direct and indirect total	63.477	63.477

d) Securities bearing special rights (pursuant to Article 123-*bis*, paragraph 1, letter d) of TUF)

No securities bearing special rights of control have been issued.

e) Shares held by employees: mechanism for the exercise of the voting rights (pursuant to Article 123-*bis*, paragraph 1, letter e) of TUF)

There are no specific mechanisms for the exercise of the voting rights attendant to the shares held by employees pursuant to current Stock Option and Stock Granting Plans.

f) Restrictions on voting rights (pursuant to Article 123-*bis*, paragraph 1, letter f) of TUF)

Pursuant to Article 10 of the Company's Articles of Association and Article 23 of the Rules adopted by the Bank of Italy and by CONSOB with the Provision dated 22 February 2008, as subsequently amended with provision of the Bank of Italy and CONSOB on 24 December 2010, Shareholders with voting rights may attend the Meeting provided that:

a) they can provide legal proof of their entitlement to vote;

b) the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received at the Company's registered office by the end of the third trading day prior to the date set for the first call of the General Shareholders' Meeting, in accordance with Article 83-*sexies*, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Moreover, the Company's ownership structure at 8 March 2013, indicates that:

- Banca Generali holds 10,071 treasury shares, which it acquired in order to implement the approved Stock Granting Plan. The voting rights attaching to the said shares have been suspended pursuant to Article 2357-*ter* of the Italian Civil Code.

g) Shareholders' agreements (pursuant to Article 123-*bis*, paragraph 1, letter g) of TUF)

The Company is not aware of the existence of any significant shareholders' agreements within the meaning of Article 122 of TUF.

h) Change of control clauses (pursuant to Article 123-*bis*, paragraph 1, letter h) of TUF) and statutory provisions regarding takeover bids (pursuant to Articles 104, paragraph 1-*ter*, and 104-*bis*, paragraph 1)

The Company has not entered into any significant agreements that enter into force, undergo amendments or are terminated in the event of a change of control of the contracting party.

The Articles of Association provide for no departures whatsoever from the "passivity rule" entrenched in Article 104, paragraphs 1 and 2, of TUF, and make no provision for the application of the neutralisation rules contemplated in Article 104-*bis*, paragraphs 2 and 3, of TUF.

i) Powers to increase the share capital and authorisation for the acquisition of treasury shares (pursuant to Article 123-*bis*, paragraph 1, letter m) of TUF)

The Board of Directors has not been empowered to increase the share capital within the meaning of Article 2443 of the Italian Civil Code.

Pursuant to Articles 2357 *et seq.*of the Italian Civil Code, in order to implement the Stock Granting Plan put in place by merged company Prime Consult SIM for the managers and financial advisors within its distribution network - a plan which the Company took over following the merger - which provides for a bonus issue in three tranches of a maximum of 1,397,532 ordinary shares of Banca Generali with a par value of 1.00 euro per share, the General Shareholders' Meeting held on 23 April 2008 authorised the purchase of 197,532 ordinary shares of Banca Generali (the difference between the number of treasury shares already held for this purpose and the number needed to complete the assignment of shares under the Stock Granting Plan) at 1.00 euro per share, pursuant to Article 2357 *et seq.* of the Italian Civil Code in order to implement the above-mentioned plan and at the following terms and conditions:

a) within the limits of the distributable profits and reserves as per the last approved financial statements, at a unit price per ordinary share ranging between no less than the par value of the share, that is to say, 1,00 euro and no more than 5% (five percent) of the reference price of the stock on the market day preceding the day on which each acquisition is made;
b) within the imperative time period of eighteen months following the related shareholders' resolution;
c) the corresponding non-distributable reserve is established pursuant to Article 2357-*ter* of the Italian Civil Code;
d) acquisitions are made, pursuant to Article 132 of TUF and Article 144-*bis* paragraph 1, letter b, of the Rules for Issuers, with the operating procedures set forth in the organisational and operating rules on the markets themselves, so as to ensure equal treatment for all shareholders. Accordingly, the acquisitions shall be made exclusively, including in several tranches, on regulated markets organised and managed by Borsa Italiana S.p.A., pursuant to operating procedures established by the latter which do not allow for the direct matching of buy orders with pre-placed sell orders.

Again pursuant to Article 2357-*ter* of the Italian Civil Code, the same shareholders' meeting also authorised the Company to assign the said shares, free of charge, to the beneficiaries of the aforesaid Stock Granting Plan, by the deadlines and in accordance with the terms and conditions set forth in the Rules thereof.

At 31 December 2012, as a result of the aformentioned resolution, the Company held 10,071 treasury shares.

l) Direction and coordination (pursuant to Article 2497 *et seq.* of Italian Civil Code)

Banca Generali is part of the Generali Group.

The Company is subject to management and coordination by its Parent Company, Assicurazioni Generali S.p.A., within the meaning and for the intents and purposes of Article 2497 of the Italian Civil Code. Assicurazioni Generali exercises its management and coordination powers by, *inter alia*, making recommendations to the Shareholders' Meeting of Banca Generali in respect of appointments to Banca Generali's Board of Directors; imparting instructions on the composition of the administrative organs of the Company and its subsidiaries; laying down the deadlines and procedures for drawing up the Generali Group's budget and strategic plan in general; issuing guidelines and instructions on the disclosure of operations and accounting information, in order

to ensure the consistence, timeliness and correctness of the information disclosed by or regarding the Generali Group; issuing guidelines in respect of third parties, requiring certain categories of transaction to be subjected to prior authorisation from Assicurazioni Generali's Board of Directors.

It must accordingly be pointed out that:

- the information to be disclosed pursuant to Article 123-*bis* paragraph 1, subparagraph (i) ("*agreements between companies and directors, members of the managing board or the supervisory board, providing for indemnities in the event of resignation or dismissal without just cause, or otherwise, the termination of their employment contracts as a result of a takeover bid*") is contained, where applicable, in the section of the Report focusing on Directors' remuneration (Section 9) as well as in the Remuneration Report to be published pursuant to Article 123-*ter* of the TUF;
- the information to be disclosed pursuant to Article 123-bis paragraph 1, subparagraph (l) ("*rules implemented in departure from the statutory and regulatory framework applicable by default to the appointment and replacement of directors and members of the managing board and the supervisory board, as well as the amendment of the Articles of Association*") is set forth in the section of the Report focusing on the Board of Directors (Section 4.1).

3. COMPLIANCE (pursuant to Article 123-*bis*, paragraph 2, letter a) of TUF)

Banca Generali S.p.A. (the "Company") was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code, having determined that bringing its corporate governance system (and that is to say, the framework of rules, principles and procedures making up a company's management and internal control system) in line with the international best practices of business administration on which the Code is based is a basic pre-requisite for achieving the Company's goals. These goals in fact include not only the creation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in related party and connected party transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all the Company's stakeholders. Fully aware that no corporation can hope to boost its reputation for reliability without implementing effective and efficient operating rules and procedures, the Company, at the Board of Directors on 18 February 2013, has updated its Internal Code of Conduct to align it to the rules of conduct, where not already provided, contained in the Generali Group's Code of Conduct approved by the parent company in December 2012 in replacement of the Ethical Code. The Code of Conduct sets out the minimum standards of conduct to be observed in relations with colleagues, customers, competitors, suppliers and other stakeholders. The Code contains explicit rules and principles relating to Corporate Social Responsibility, the promotion of diversity and inclusion, safety and health in the workplace, the protection of company assets, fair competition and antitrust and the fight against corruption and bribery.

Taking into account the temporary regime of the 2011 Corporate Governance Code, which provides that "the amendments relating to the composition of the Board of Directors or the relevant committees shall apply commencing with the first renewal of the Board of Directors after the end of the financial year beginning in 2011",

(i) at the meeting of 21 February 2012, Banca Generali, in accordance with principle 7.P.4 of the mentioned Code, renamed the Internal Control Committee as Internal Audit and Risk Committee while redefining the functions assigned to it;

(ii) at the meeting of 24 April 2012, pursuant to principles 5.P.1 and 6.P.3 of the above mentioned Code, Banca Generali set up the Remuneration and Nomination Committee while defining the tasks assigned to it.

Further and more in-depth information regarding Banca Generali's progressive compliance, by the applicable deadlines, with the aforesaid principles of the 2011 Corporate Governance Code, is presented in the section of the Report focusing on Board Committees (Section 6) and the Nomination Committee (Section 7).

The 2011 Corporate Governance Code is available to the public on Borsa Italiana website: www.borsaitaliana.it.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement of the Board of Directors (pursuant to Article 123-*bis*, paragraph 1, letter l) of TUF)

Pursuant to Article 15 of the Articles of Association, the Company is managed by a Board of Directors made up of no less than 7 (seven) and no more than 12 (twelve) members, appointed by the Shareholders' Meeting after determination of the number of members. Members of the Board of Directors hold office for a maximum of three financial years. Their term ends on the date of the meeting called to approve the financial statements of the last financial year of said term and they are eligible for reappointment. In the case of appointment during the period of office, the mandate of the newly appointed members will expire with that of members already in office.

Board members must possess the legal requisites also, within the limits established by law, in terms of independence. It should be recalled that the TUB sets precise integrity and professionalism requirements for banks' directors.

Since the Company is an Italian bank, in compliance with Article 26 of Legislative Decree No. 385 of 1 September 1993 and related implementing provisions (Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998), its Board members are selected on the basis of very high standards of professionalism and competency and must have acquired, on the overall, at least three years' experience (i) as a company director, corporate officer or high level executive; (ii) in professional practice in the banking, financial, real estate, insurance sectors or other fields pertinent to the Company's business; (iii) in academia, especially in the fields of law or economics; (iv) as a senior civil servant with public undertakings specialising in the banking, financial, real estate, insurance sectors, or with public administrations, bodies or undertakings that are not directly involved in the aforesaid sectors, provided that the job description pertaining to the position held, entailed the management of economic and financial resources. The persons appointed as Chairman of the Board and Chief Executive Officer, must have acquired at least five years' experience in the above fields and/or positions.

Moreover, pursuant to the provisions of Article 26 of Legislative Decree No. 385 of 1 September 1993 and Article 147-*quinquies* of TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998.

It should finally be noted that six members of Banca Generali's Board of Directors have been found to satisfy applicable independence requirements, in accordance with the principles set forth in the 2011 Corporate Governance Code for listed companies (issued by CONSOB in Notice No. DEM/10078683 of 24 September 2010, and equivalent to the standards contemplated in Article 148, paragraph 3, of Legislative Decree No. 58/1998) and pursuant to Article 37, paragraph 1, subparagraph (d) of the Regulation adopted by CONSOB Resolution No. 16191 of 29 October 2007, as further amended and extended.

Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations are entitled to submit a list. As established by Article 144-*quater* of the Rules for Issuers, this percentage is currently 1.00%. The appointment mechanism based on the so-called voting lists ensures transparency as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.

In order to ensure that the governing bodies includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Remuneration and Nomination Committee, shall (i) define in advance the professional expertise required to achieve this result, (ii) define the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence) in relation to the bank's characteristics and (iii) subject such definition to periodic self-assessment. The results of the above analysis shall be submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates may take account of such indications.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of Legislative Decree No. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list. The lists must contain a number of candidates no higher than the number of members to be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each candidate may appear on only one list, upon penalty of ineligibility.

The lists submitted by shareholders must be filed at the registered office no later than twenty-five days prior to the date set

for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any other forms required by applicable laws and regulations no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call.

If the outgoing Board of Directors submits its own list, the Remuneration and Nomination Committee must express an opinion on the appropriateness of the candidates proposed by the outgoing Board in exercise of its discretion. The list submitted by the outgoing Board of Directors must be lodged with the Company's registered office and published on its website, as well as using other means, no later than the deadlines imposed for such publication under applicable statutory and regulatory provisions. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office. Within the same term, shareholders who submitted the lists, shall also file at the Company's registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations filed by each candidate, in which each candidate accepts his/her nomination and also certifies, under his/her own responsibility, the inexistence of causes of incompatibility and of ineligibility, possession of the requisites of integrity and professionalism which prevailing laws require for the office of director of the Company, as well as those of independence, if applicable, provided for by the law and by the codes of conduct promoted by companies managing regulated markets or by trade categories, to which the Company adheres.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of Legislative Decree No. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list.

Should only one list be submitted, all the members of the Board of Directors shall be appointed from the said list. Should, on the other hand, two or more lists be submitted, the first candidates on the list obtaining the greatest number of votes, equal to eight ninths of the number of members of the Board of Directors determined by the Shareholders' Meeting - with rounding down in the case of split number - will be elected Board members. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

Should it emerge that, at the end of voting, a sufficient number of independent Directors, within the meaning of applicable regulations, has not been elected, the director bearing the highest serial number in the list that obtained the greatest number of votes, and who does not meet the requirements of independence, shall be replaced by the next candidate on the same list, who does meet the said requirements. If necessary, this procedure shall be repeated until all the vacancies of independent directors on the Board have been filled. Should it not be possible to cover all the vacancies on the Board, even after following the procedure mentioned above, the Shareholders' Meeting shall proceed with the appointment of the remaining directors, at the proposal of the shareholders in attendance and by resolution approved by simple majority.

Upon the conclusion of the process of appointing, the Board of Directors (with the advisory support of the Remuneration and Nomination Committee) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

As mentioned above, the Board of Directors, on 24 April 2012 established an internal Remuneration and Nomination Committee which was assigned the task of proposing candidates for appointment as specified in the application criterion 5.C.1 of the Code.

If during the term of office one or more Board members should leave office for whatever reason, they will be replaced according to the procedures established by law. If the leaving director was taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the leaving director and willing to accept office or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office, and taken, in serial order, from the list to which the first unappointed candidate belonged. The term of the replacement director shall expire together with the term of the directors in office at the time of the replacement Director's appointment to the Board.

Should it prove unfeasible to proceed as described above, as a result of a lack of a sufficient number of willing candidates, the Board of Directors shall proceed by co-opting, within the meaning of Article 2386 of the Italian Civil Code, a director selected by the Board itself in accordance with applicable statutory requirements; the Remuneration and Nomination Committee must express an opinion on the appropriateness of the candidate selected for co-option by the Board in exercise of its discretion. The director thus coopted shall remain in office through to the

next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Article 15 of the Articles of Association.
The Board of Directors is required to appoint a Secretary who need not necessarily be a Board member.
Amendments to the Articles of Association are regulated pursuant to applicable regulations.
With respect to criterion 5.C.2 of the Code, which makes reference to a discretionary assessment by the Board, the Board did not deem it appropriate to adopt a succession plan for executive directors at this time.
Finally, we inform that the Shareholders' Meeting to be convened for the approval of the financial statements as of 31 December 2012 will be called upon to pass resolution, inter alia, on the proposed amendment to Articles 15 and 20 of the Articles of Association. The proposed changes are due to the entry into force of Italian Law No. 120 of 12 July 2011, which, in a manner similar to other European legal systems, introduced "gender quotas" for the composition of the boards of directors and boards of statutory auditors of listed companies in Italy as well. In a perspective of substantial equality, the aforementioned Law aims to promote gender balance and better access of the under-represented gender to company bodies membership. The foregoing is also consistent with the recommendations laid down in Article 1 of the Corporate Governance Code.

4.2 Composition of the Board of Directors (pursuant to Article 123-*bis*, paragraph 2, letter d) of TUF)

The Shareholders' Meeting of 24 April 2012 established that the Board of Directors would be made up of ten members and appointed a new Board through the list voting system.
The term of the Board of Directors shall expire on the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2014.
The Shareholders' Meeting passed resolution on the basis of the single list submitted by the majority shareholder Assicurazioni Generali S.p.A., which contained the following names Girelli Giorgio Angelo, Motta Piermario, Perissinotto Giovanni, Anaclerio Mario Francesco, Baessato Paolo, Brugnoli Giovanni, Genovese Fabio, Gervasoni Anna, Miglietta Angelo and Riello Ettore. All candidates were elected by the affirmative vote of 99.642% of the shareholders present and entitled to vote at the Meeting.
Currently 8 of the Directors in office were taken from the only list submitted by the controlling shareholder Assicurazioni Generali S.p.A. at the shareholders' meeting for the renewal of the Board, while 2 were later co-opted by the Board of Directors following the resignations of 2 Directors appointed by the Shareholders' Meeting of 24 April 2012.
The table provided in Attachment 2 lists the members of the Board of Directors as of 31 December 2012, other information about them and Board and Committees meeting attendance.
All Company Directors are fully aware of the duties and responsibilities attaching to their office and actively participate in initiatives designed to help them deepen their knowledge and grasp of Company operations and dynamics, so as to enable them to make fully informed decisions.
In order to ensure that the Board of Directors includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Remuneration and Nomination Committee, shall (i) define in advance the professional expertise required to achieve this result, (ii) define the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence). The results of the above analysis were be submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates could take account of such indications. Moreover, upon the conclusion of the process of appointing company bodies, the Board of Directors (with the advisory support of the Remuneration and Nomination Committee) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.
With regard to the composition of the Board of Directors - given that Banca Generali is subjected to management and coordination by another Italian company whose stock is listed for trading on regulated markets - pursuant to Article 37, paragraph 1, letter d) of the Rules adopted by CONSOB with resolution No. 16191 of 29 October 2007, as amended, the Board of Directors is made up of a majority (6) of independent directors.
Pursuant to Article 36 of Law No. 214/2011, the Board of Directors, within the time limit set by law, have verified, in respect of each director, that there were no grounds of incompatibility for their appointment.
Upon the next appointment of corporate bodies, the Issuer will comply with the gender parity within the Board of Directors and the Board of Statutory Auditors pursuant to law No. 120 of 12 July 2011, applicable as of the first election of corporate boards after 12 August 2012.
Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in financial institutions, banks, insurance companies or large corporations other than Group companies.

Paolo Vagnone. Born in Turin on 4 December 1963, he graduated in Electronic Engineering at Turin Polytechnic and holds a Master in Business Administration from the INSEAD Business School in Fontainebleau. He started his career in McKinsey and then worked in the Allianz Group from 1997 to 2007, where he developed a thorough knowledge of the insurance field. He worked his way up in the Allianz Group, where he served as

Chief Executive Officer and General Manager of RAS. In the past few years he also broadened his professional profile managing investments in Italy of Apax and Fortress Investment Group's Private Equity funds. In these companies he was also appointed CEO and General Manager.

He joined the Generali Group in February 2011 as General Manager and until 2012 he was Country Manager for Italy. He is currently Head of Global Business Lines of Assicurazioni Generali S.p.A. and member of the Board of Directors of the main Group companies; he does not hold positions in other companies outside the Group.

Piermario Motta. Born in Monza on 28 August 1957, Piermario Motta holds a Degree in Banking and Finance. He started his career at Banca Popolare di Milano and then joined Banca Fideuram from 1985 to 2002, initially as a financial advisor and then as Area Manager as of 1993. In 2002 he became General Manager of Sanpaolo Invest and was subsequently appointed Chief Executive Officer, a position he held from 2003 to 2005. In 2005 he joined the Banca Generali Group, serving as General Manager of Banca Generali and in 2006 he was appointed Chief Executive Officer of Banca BSI Italia, after it was acquired by Banca Generali. He held the position until January 2010, when the bank was merged into Banca Generali. On 24 April 2012, he was appointed Chief Executive Officer of Banca Generali S.p.A. He is also a director in other Generali Group companies and does not hold positions in other companies outside the Group.

Raffaele Agrusti. He was born in Casarsa della Delizia (Pordenone) on 2 February 1957. He graduated in Economics and is also chartered accountant and registered with the list of Certified Auditors. Raffaele Agrusti started working at Assicurazioni Generali on 1 May 1983, became an executive of the Company on June 1993, was appointed General Manager on 1 October 2004 and Chief Financial Officer of Assicurazioni Generali S.p.A. on 1 October 2007. He currently serves as Country Manager for Italy and is member of the Board of Directors of Generali Group's main subsidiaries. He also serves as director in other companies, as listed below:

Nuovo Trasporto Viaggiatori S.p.A.	Director

Mario Francesco Anaclerio. Born in Genoa on 2 May 1973, he graduated in Economics and Commerce through the Cattolica University in Milan, is chartered accountant and registered with the list of Certified Auditors. He owns a chartered accountant firm in Milan, specialising in finance, business valuations, fairness opinions, appraisals and extraordinary operations, governance, internal auditing and organisational, management and control models pursuant to Legislative Decree No. 231/2001. He is member of the Board of Statutory Auditors of several companies outside the Generali Group (see details of the main positions set out below) and is currently a Director of Enel Rete Gas S.p.A.

Società Italiana per Azioni per il traforo del Monte Bianco	Standing Auditor
Pasticceria Bindi S.p.A.	Standing Auditor
FILP - Fabbrica Isolanti e Laminati Plastici S.p.A.	Standing Auditor
S.I.P.A. S.p.A.	Chairman of the Board of Statutory Auditors
Nuova Tagliamento S.p.A.	Standing Auditor
Class S.p.A.	Standing Auditor
Engineering 2K S.p.A.	Standing Auditor
FBH S.p.A.	Standing Auditor
Combimar & Agemar S.p.A.	Standing Auditor
SO.GE.A.P. S.p.A.	Standing Auditor
Società Gestione Servizi BP S.c.p.A.	Standing Auditor
Newpass S.p.A.	Standing Auditor

Paolo Baessato. Born in Venice on 24 July 1951, Paolo Baessato graduated in Law through the University of Ferrara in 1976 and then earned an MBA through SDA Luigi Bocconi of Milan in 1980, before going on to specialise in International Finance and Credit through the same school. After working at several overseas branches of Banco Ambrosiano Veneto S.p.A. (in Argentina and Brazil), he was assigned to the Head Office of the said bank, as Head of the Controlled Risks Department. He continued his professional career within the Intesa Group and was appointed Head of the Finance and Administration Department. He is a member of the Boards of Directors of several companies outside the Generali Group, such as:

Setefi S.p.A.	Director
Progressio SGR S.p.A.	Director

Giovanni Brugnoli. Born in Busto Arsizio (Varese) on 24 January 1970, he has always been actively engaged in entrepreneurial associations, in the Employers' Association of the Province of Varese, in which he was Vice President of the Young Entrepreneurs Group from 1999 to 2001 and President from 2001 to 2004, member of the Association's Board of Directors since 1999, member of the Executive Committee since 2001 and Vice President from May 2007 to May 2011. He is currently Chairman of the Board of Directors of Tiba Tricot S.r.l., a leading company in the production of warp-knitted fabrics for sportswear, industrial fabrics and furnishing as well as member of the Board of the company Cofiva S.p.A. - a financial holding belonging to the Gruppo Industriali of Varese.

Fabio Genovese Born in Venice on 11 February 1959, he graduated in Economics at Ca' Foscari University in Venice. He has gained extensive experience in the financial industry, working for major international financial companies since 1988, including JP Morgan, UBS Investment Bank and Nomura International Plc, where he held the position of Managing Director Responsible for Italy and Austria until 2011. He is currently Sole Director of FMG Advisers Ltd., an advisory company based in London.

Anna Gervasoni. Born in Milan on 18 August 1961, she graduated in Economics and Commerce through the Luigi Bocconi University in Milan. She is currently a tenured professor of economics and business management. Having participated in the founding of the Cattaneo University - LIUC, she has been Professor of Economics and Business Administration and "Corporate Finance" since 1999. She has been responsible for the Specialised Master Degree program in private equity since the year 2000: "Master in Merchant Banking: Private Equity, Finance and Business". She is Chairman of the Private Equity Monitor - PEM® and the Venture Capital Monitor - VEM®, two entities that monitor the Italian private equity market. Since 1986 she has been General Manager of AIFI, the Italian Private Equity and Venture Capital Association. She is also a standing member of the Board of Statutory Auditors of Saipem S.p.A. and is a member of the Board of Directors of Same Deutz-Fahr S.p.A. and the Fondo Italiano d'Investimento.

Angelo Miglietta. Born in Casale Monferrato (Alessandria) on 21 October 1961, Angelo Miglietta graduated in Business Management with a major in Corporate Finance at the Luigi Bocconi University in Milan. A tenured professor of economics and business management at the IULM University of Milan, Angelo Miglietta is a Certified Public Accountant and a registered Technical Consultant of the District Court of Milan. He has been Secretary General of the Fondazione Cassa di Risparmio di Torino, is currently member of the Board of Directors of Assicurazioni Generali S.p.A. and also holds key positions in other companies outside the Generali Group, as indicated below.

E.ON Italia S.p.A.	Standing Auditor
E.ON Energia S.p.A.	Standing Auditor
E.ON Produzione S.p.A.	Standing Auditor
Cogemat S.p.A.	Standing Auditor
Effetti S.p.A.	Director

Ettore Riello. Born in Forte dei Marmi (Lucca) on 1 April 1956, Ettore Riello earned his degree in Business Administration at the age of twenty-three at the Ca' Foscari University in Venice. In March 2000, he acquired the entire family Group through an alliance with the American Carlyle investment fund; the Group reorganisation that followed led to the creation of a single company - Riello S.p.A. - for which Ettore Riello has served as President since 2000. Mr Riello currently sits on the Boards of other companies, as specified below.

Riello S.p.A.	Chairman of the Board of Directors and Chief Executive Officer
Riello Group S.p.A.	Chairman of the Board of Directors and Chief Executive Officer
Fontecal S.p.A.	Non-executive Director
Fit Service S.p.A.	Executive Director
Ente Autonomo Fiere di Verona	Chairman of the Board of Directors

Cristina Rustignoli, Head of the Legal Affairs and Compliance Department of the Company, serves as Secretary to the Board of Directors.

The "Rules on the Functioning of the Board of Directors of Banca Generali S.p.A." (the "Board Rules"), which were approved by the Board of Directors at their meeting on 16 February 2007 and amended on 21 February 2012 in accordance with section 1.C.3 of the Rules and Article 15, paragraph 3 of the Articles of Association, establish the maximum number of corporate positions a

Director of the Company may hold, as indicated in the following table:

	LISTED COMPANIES			FINANCIAL OR INSURANCE COMPANIES AND BANKING INSTITUTIONS			LARGE CORPORATIONS		
	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR	TOTAL DIRECTORSHIPS	OF WHICH EXECUTIVE POSITIONS	AUDITOR
Executive Directors	5	0	0	5	0	0	5	0	0
Non-executive Directors	7	2	2	7	2	2	7	2	2

The Board of Directors' Rules also envisage that in determining the total number of companies in which appointees to the Company's Board of Directors hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group, with the exception of corporations listed on regulated markets (including abroad), financial institutions, banks, insurance companies and large corporations. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company's Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) and financial institutions, banks, insurance companies and large corporations (Article 5.4 of the Rules).

The table in Attachment 2 also specifies the number of corporate positions each Director holds in the aforementioned companies on the basis of the criteria indicated in the Board of Director's Rules.

In accordance with paragraph 2.C.2. of the Code which provides that the Chairman of the Board of Directors shall use his/her best efforts for causing the directors and the statutory auditors, after the election and during their mandate, to participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the issuer runs its activity, of the corporate dynamics and the relevant evolutions, as well as the relevant regulatory framework, on 29 January 2013, all the Directors and Statutory Auditors participated in a Induction program which analysed Banca Generali's banking activities and the development of impacts related thereto. The meeting was specially convened to allow the members of the Bank's governing bodies to take advantage of the insight provided by the Bank's management in order to facilitate an adequate knowledge of the sector in which the Company is engaged and the relevant dynamics.

4.3 Role of the Board of Directors (pursuant to Article 123-*bis*, paragraph 2, letter d)

The Board of Directors, made of 10 members, plays a central role in the Company's corporate governance system.
The Board of Directors, charged with strategic supervision, is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to resolve on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting. The Board is also the only corporate organ empowered to pass resolutions also on the setting up or closure of secondary offices, and for appointing the Board members vested with powers of corporate representation and signature, as well as on mergers, in the cases permitted under law, on the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.
In accordance with paragraph 1.C.1., letters (a), (b) and (f) of the Code, Article 18 of the Articles of Association invests the Board with broad decision-making powers susceptible of significantly impacting the life of the Company and the Group, including, in particular, the power to define the general operating guidelines and approve the Company's strategic, industrial and financial plans, as well as transactions that could have a significant impact on the Company's equity or economic or financial position; the power to define the Company's general organisational layout, approve and amend internal rules and regulations, as well as set up advisory or coordinating committees or commissions.
In particular, pursuant to the Articles of Association, save in the emergency situations contemplated in Article 18, paragraph 9 of the same, the Board alone is vested with decision-making powers in respect of: a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transactions of considerable economic, equity and financial importance; b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement; c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors; d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors; e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Executive in charge of drawing up the company's accounting documents, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring of actual compliance with administrative and accounting procedures; f) authorising company representatives and representatives of companies belonging to the Banking Group fulfilling managerial, executive and supervisory roles to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases; g) purchasing or

selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company branches; entering into agreements pertaining to joint ventures or strategic alliances; h) approving the organisational structure and any and all amendments to internal rules and policies; carrying out specific checks to ensure that tasks and responsibilities are clearly and coherently defined within the organisational structure; i) carrying out periodic checks to ensure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly; l) carrying out checks to ensure that the system of information flows is adequate, complete and timely; m) drawing up guidelines for the recruitment and internal placement of Company executives; n) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, duration, powers and authority of said committees or commissions at the time they are set up; o) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely; q) approving related party and connected party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing such transactions. The Board of Directors may approve highly significant related party transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning of Article 2364, paragraph 1, subparagraph 5 of the Italian Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related party transactions.

The Board of Directors of the bank, in its capacity as Parent Bank of the Banking Group, is also assigned exclusive competence over resolutions concerning the purchase and sale of shareholdings by subsidiaries belonging to the banking group, as well as the establishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.

Finally, pursuant to the current regulatory framework governing companies providing investment services, the Board of Directors is also tasked with drawing up corporate policies, measures, processes and procedures aimed at containing risks and ensuring financial stability as well as sound and prudent management. The Board of Directors is consequently in charge of: (i) identifying the Company's risk levels, profile, goals and strategies, defining corporate policies as well as policies of the business risk-management system and periodically checking that the same are properly implemented and in line with the development of business operations; (ii) ensuring that the compensation and reward structure does not increase corporate risks and is in line with long-term strategies; (iii) defining and approving the general outline of the Internal Capital Adequacy Assessment Process, and ensuring that the same is adjusted, where necessary, by the deadlines imposed under prudential supervisory provisions for banks.

Moreover, the "Board Rules" provide, *inter alia*, that:

(i) pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness of the organisational, administrative and accounting layout of the Company and its strategic subsidiaries, in light of the information received from the competent corporate organs (Article 8.4 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system. It also defines the guidelines governing the organisational and administrative structures of the bank's subsidiaries;

(ii) pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness and effectiveness of the internal control and risk management system, taking due account of the Company's features and risk exposure. In such regard, the Board shall periodically check that the internal control system is in line with the principle of proportionality and the strategic guidelines, and that the corporate control functions are independent within the organisational structure and are endowed with adequate resources to allow them to function properly (Article 8.4 of the Board Rules); furthermore, the Board of Directors approves the policies and regulations governing the functioning of the control functions, approves reguations on the management of the main risks to which the Group is exposed and the policy on conflicts-of-interest of the banking group that establishes procedures for handling such conflicts;

(iii) the Board is bound to assess general management trends, with special emphasis on potential conflicts of interests and periodically comparing results against expectations, in accordance with the provisions of paragraph 1.C.1., letter e) of the Code (Article 8.3 of the Rules of the Board of Directors). The Board periodically assesses the Company's and the Group's operations, compares the results with budget forecasts and analyses any differences;

(iv) since the Company is also the Parent Company of the Banking Group, the Company's Board is further vested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group. The Board approved Group Rules that establish guidelines for interaction and information flows among Group companies.

Article 18 of the Articles of Association further empowers the Board to delegate its powers, in accordance with paragraph 1.C.1. letter d) of the Code, subject to the obligation binding especially any and all such delegates, to report to the Board of Directors as well as the Board of Statutory Auditors, at least every quarter, in respect of the management trends and business activities of the

Company and its subsidiaries, expected future developments, transactions susceptible of exerting a significant impact on the equity, economic and financial situation of Banca Generali and its subsidiaries, with specific reference to the transactions in which either the Company's Directors or third parties have an interest, or transactions influenced by the party exercising management and coordination powers over the Company, and decisions pertaining to lending policies.

Finally, in accordance with the Corporate Governance Code and surveillance regulations, the Board of Directors' Rules also establishes that the Board of Directors:

- prior to the appointment of each new Board of Directors, or in the event of the co-optation of directors, identify in advance the qualitative and quantitative composition of the Board deemed optimal by determining and justifying the theoretical profile of candidates considered appropriate and submitting it for the shareholders' attention in a timely manner;
- after a new Board of Directors is appointed or directors co-opted, verify the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process;
- in order to ensure the proper management of company information, adopt, on the proposal of the Chief Executive Officer, a procedure for the internal management and external disclosure of documents and information pertaining to the Company, with special regard to insider information.

Functioning of the Board of Directors

Pursuant to Article 17 of the Articles of Association, Board meetings are to be held - in general - on a monthly basis.
As said, on 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code and the supervising instructions issued by the Bank of Italy, the Board approved the Regulations of the Board of Directors, amended at the Board Meeting held on 21 February 2012.

The aforesaid Board Rules provide, inter alia, that:

(i) pursuant to Article 1.C.2 of the Code, without prejudice to the causes for inelegibility and disqualification, as well as limits on simultaneous offices established in laws and regulations, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, also in light of their professional activities, the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities (Article 5.2 of the Board Rules);

(ii) the Chairman of the Board of Directors shall ensure that documentation pertaining to items of business on the agenda is brought to the attention of the directors and statutory auditors in advance of the date of the Board meeting (Article 4.2 of the Board Rules). Specifically, should the said items pertain to routine business, the related documents, if available, must generally be forwarded at least one day prior to the scheduled date of the Board meeting, save in the case where this is not possible for reasons of confidentiality, with specific reference to "price sensitive" information;

(iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a shareholder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result - as a priority objective - in the creation of value for shareholders, in the medium-to-long term (Article 7 of the Board Rules);

(iv) pursuant to paragraph 1.C.1, letter g) of the Code, with at least annual frequency, the Board of Directors shall express an opinion of the functioning of the Board of Directors and its committees, as well as their size and composition, also considering factors such as the professional characteristics, experience, including managerial experience, and nature of its members, as well as their length of service, and the adequacy and effectiveness of the provisions set forth in the Board of Directors' Rules (Article 10 thereof).

In compliance with the said provision, and the provisions of the Order issued by the Governor of the Bank of Italy on 4 March 2008, during the Board meeting held on 8 March 2013, the Board approved the "Self-assessment Report of the Board of Directors of Banca Generali S.p.A." (the "Self-assessment") drawn up taking due account of the outcome of the consultation forwarded by the Chairman of the Board of Directors to all Directors requesting the latter to express their opinions, on a voluntary basis, on a series of matters related to the size, membership and operations of the Board of Directors, as well as the size and operations of the Board Committees, and expressed the following opinion:

"The Board of Directors of Banca Generali S.p.A.,

- having considered, first and foremost, the size of the administrative organ that seems commensurate with the dimensions and operations of the Company, and also in keeping with the Company's role as Parent Company of the Banking Group of the same name, insofar as it allows for adequate monitoring and management of the Group's business operations and trends;
- having considered, secondly, the membership of the same administrative organ, which may be deemed appropriate, in light not only of the inclusion of a sufficient number of directors meeting the requirements for independence, but also thanks to the wide variety of professional competencies featured on the Board of Directors, allowing for an authoritative and knowledgeable approach to the various matters that the Board of Directors is called upon to deal with from time to time, as well as the prevalence of non-executive and

independent Directors who act as a counterweight in respect of executive directors and the bank's top management in general;
- having considered the efficient functioning of the administrative organ which is regulated by specific Rules in addition, obviously, to applicable statutory and regulatory provisions;
- having examined, as a panel body, the answers to the questionnaires that each Board member filled in, individually on a confidential basis;
- bearing in mind the considerations set forth by the Independent and non-executive Directors;

expresses a clean opinion, with nothing to report on:
(i) the size and functioning of the Board of Directors of Banca Generali S.p.A., as well as any and all delegated organs and/or Board committees set up;
(ii) the ability of Board members to properly discharge their assigned tasks and functions, in terms of professionalism, time available, and where applicable, independence;
(iii) the appropriateness and effectiveness of the provisions contained in the Rules of the Board of Directors."

In order to make the self-assessment process more effective, the Board of Directors is considering the possibility to avail of the experience of an independent firm specialising in Corporate Governance. Qualified independent firms are currently being selected for the job of supporting the Board of Directors in a professionally guided analysis of the structure, functioning, efficiency as well as improvement areas of the Board itself.
The Board meetings are held periodically and, in general, once a month in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2012, Banca Generali's Board met 14 times. The meetings lasted about 2 hours and 30 minutes on average. In the year underway a total of 12 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.
The attached table 2 provides information on the attendance of Directors at the Board meetings held in 2012[1]. Absentee Directors provided justification for non-attendance.
In accordance with the Board Rules and to encourage the development of mechanisms for the flow of information amongst and within company bodies aimed at achieving management efficiency and control effectiveness, the information flows towards and within company bodies are regulated by a specific internal company Circular, approved by the Board of Directors. The aforesaid Circular lays down the timetable, procedures and contents of the information to be provided to the company bodies in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the consolidated reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the necessity of providing a timely flow of information to the Board with regard to the exercise of powers delegated. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank's organisational units, other public and non-public documentation and accounting documentation intended for publication. The information reported through the procedures set forth above shall be supplemented (and where necessary for reasons of confidentiality, replaced) by oral explanations provided to the Chairman, the Chief Executive Officer or members of the Bank top management, either at Board meetings or at informal gatherings open to Board members and members of the Board of Statutory Auditors, organised for the specific purpose of allowing the latter to discuss and acquire deeper insight into issues of interest in terms of the Bank's operations. Apart from matters over which the Bank's Board of Directors is vested with exclusive powers of decision and approval pursuant to law and the Articles of Association, reports to the members of the Board of Directors and the Board of Statutory Directors, shall focus primarily on: (i) general business performance and foreseeable developments, with an indication of departures form previous forecasts; (ii) activities undertaken, with specific reference to transactions that could have a particularly significant impact on the company's balance sheet, income statement and/or cash flow, related and connected party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control system and the level of Bank's exposure to all significant types of risk; (iv) the performance of the products placed and the relevant returns: (v) the performance of lending activities; (vi) the performance of the bank's investing activities; (vii) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors. As an additional contribution to the promotion of methods for circulating information among the Corporate Bodies with the aim of achieving management efficiency and control effectiveness, at its first meeting of 2013, the Board adopted a computer application called e-Boards, whose objective is the secure distribution of digital documents to the members of Banca Generali Board of Directors and Committees, through iPad and PC platform. The application general features enable the exchange of documents without e-mails and printing on paper, while ensuring maximum security and confidentiality of the documents on the Board's agenda. In fact, (i) all communications to and from devices are encrypted, (ii) the authentication process involves the use of a numeric code as Personal Identification Number (PIN), (iii) all documents on the devices (iPad and/or PC) are encrypted and

1. *As of 24 April 2012, i.e., from the date of appointment of the Board of Directors currently in office.*

(iv) the documents cannot be retrieved and consulted without the application and the security key (in case the device is lost or stolen).

In addition to the activities dealt with in the various chapters of this Report, in discharging its tasks pursuant to the Articles of Association and the supervisory regulations governing banking in Italy, the Board of Directors, also:

a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
b) on 31 August 2011, approved, pursuant to the Bank of Italy order of 10 March 2011, the establishment of an Anti-money laundering function for the Group, entailing the setting up of a specific Anti Money Laundering Compliance Organisational Unit, directly answerable to the Compliance Service, and invested with anti-money laundering tasks;
c) at its meeting of 25 July 2012, as a result of the merger of BG SGR into Banca Generali, passed a resolution on the establishment of the Asset Management Division which is responsible for coordinating and developing the portfolio management division, by overseeing and directing all the structures involved, coordinating their organisation and operation and overseeing relations with other Bank's departments;
d) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer, as well as carried out quarterly comparisons of results achieved against expectations and forecasts;
e) determined, as proposed by the Remuneration and Nomination Committee and after hearing the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer, General Manager, Directors serving on Board Committees and other professional figures who can influence the risk profile of the Bank, as well as those responsible for control functions.

The meetings of the Board of Directors may be held by telephone or video conference and, where the Chairman sees fit to do so, including upon the request of one or more directors, the executives of the Company and those of companies belonging to the Group controlled by the Company who are in charge of company functions competent with respect to the subject matter concerned may participate in meetings of the Board of Directors in order to provide the appropriate further clarification regarding items of business on the agenda.

With regard to Banca Generali subsidiaries, in order to ensure that effective and efficient management and control systems are in place also at consolidated level, all the companies of the Banking Group are currently closely integrated with the Parent Company.

This integration is especially evident in:

i) the ownership structure: all the subsidiaries are fully owned by Banca Generali S.p.A. (save for Generali Fund Management S.A. in which Banca Generali holds a 51%);
ii) the composition of the governing and control bodies of the subisidiaries, whose members include various officers of the Parent Company with a view to ensuring that the latter's guidelines are effectively and efficiently imparted so as to allow for sound business administration without jeopardising the decisional autonomy of subsidiaries in any way, whilst also providing for a uniform level of care, caution and concern in assessing risk-containment mechanisms and the system of checks and balances. Joint meetings of the Boards of Statutory Auditors of Italian group companies are periodically held so as to keep risks in check;
iii) the organisational, administrative and accounting layout, as well as the control system devised for the subsidiaries, featuring the centralisation of certain key functions within the Parent Company.

As the Parent Company vested with the powers of management and coordination specified in the Italian Civil Code, and developed in greater detail in Articles 59 *et seq.* of Legislative Decree No. 385/1993 and Title I, Chapter of Bank of Italy Circular No. 229 of 21 April 1999, Banca Generali discharges, in respect of the subsidiaries belonging to the Banking Group, the management and coordination functions related to the administration of the Group as a whole, determining and imparting instructions on how best the common business purpose is to be pursued by all the individual operating units comprising the Group, whilst ensuring the autonomy of each of the companies beloning to the Banking Group. Given that, under the sector-specific regulations in question, the Parent Company is to serve as the point of reference for the Bank of Italy with regard to all supervisory issues at Group level, appropriate organisational structures have been set up to ensure the implementation of and monitor ongoing compliance with Bank of Italy instructions and provisions within all Group companies.

4.4 Delegated organs

The Board of Directors has delegated executive powers to the Chief Executive Officer, Piermario Motta. Another Board member was found to qualify as an Executive Director, as a result of his top management position with the Parent Company which also concerns the Bank (namely, Raffaele Agrusti, Country Manager for Generali Group Country Italy which comprises Banca Generali).

Chief Executive Officer

Pursuant to Article 18, paragraph 6, of the Articles of Association, the Board may, within the limits imposed under law and the Articles of Association themselves, delegate the powers not strictly reserved to its competence pursuant to statute, to one or more Chief Executive Officers, establishing the powers and term in office, of the same.

The Board of Directors met on 24 April 2012 and vested the Chief Executive Officer Piermario Motta with the following management powers:

1. to oversee the implementation of Board resolutions by Company General Manager;
2. to prepare the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
3. to determine and orient, within the framework of the guidelines established by the Board, the Company's human resources management policies and to directly oversee the Company's internal audit, compliance, legal affairs, human resources and external communications;
4. at the behest of the relevant company functions, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
5. to set up and maintain an effective Internal Audit and Risk management system;
6. to promote and coordinate the Company's communications strategies, enhancing the Company's public image and managing the press and media relations;
7. to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
8. to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
9. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
10. to forward to the Board, his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and consolidated financial statements drawn up by the Chief Executive Officer as proposed by the General Manager;
11. to represent the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;
12. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;
13. to bring, defend and resist legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file quitclaim and/or settle any and all disputes up to the maximum amount of 150,000.00 euros per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
14. to process and authorise the write-off of bad debts and to totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as to issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, up to the threshold of 50,000.00 euros per transaction, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;
15. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
16. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
17. to set up, transfer or shut down secondary offices, representative offices and branches;
18. within the framework of the budget approved by the Board, to cover the Company's current expenses;
19. within the framework of the approved budget and up to the threshold of 200,000.00 euros for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer real estate and personal property, including personal property subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
20. within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangible assets, the acquisition of intangible assets, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of 200,000.00 euros per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, save in the case of

finance leases and/or loans for use, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;

21. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of 200,000.00 euros per contract and/or commitment;
22. to book as losses, any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than 50,000.00 euros per transaction;
23. to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;
24. to approve loans within the limits imposed under lending rules and regulations, from time to time;
25. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
26. within the framework of the pre-established budget and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
27. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
28. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
29. within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
30. to issue demand drafts;
31. to execute cash withdrawals and advance notices of cash withdrawals on management accounts held with the Bank of Italy, and on the centralised treasury accounts mentioned in the Bank of Italy form 144 dir.;
32. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
33. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
34. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Article 18 of the Articles of Association;
35. to exercise any and all powers conferred on him by the Board on an ad hoc or ongoing basis;
36. to delegate to third parties who need not necessarily be Company employees, the completion of specific tasks or categories of tasks that fall within the scope of the powers conferred on him pursuant to the foregoing points, establishing, in advance, the limits to the powers thus delegated.

The aforesaid powers must be exercised in compliance with the general guidelines established by the Board of Directors and in accordance with strategic corporate policies adopted by the Group.

Pursuant to Article 22 of the Articles of Association the Chief Executive Officer is vested with full powers to represent and sign on behalf of the Company in respect of any and all the powers invested in him.

Furthermore, in compliance with current regulations governing the provision of investment services, in light of his delegated powers and pursuant to the guidelines approved by the Board of Directors, the Chief Executive Officer is in charge of:

- implementing the company policies and company risk management system policies defined by the Board of Directors;
- checking the ongoing appropriateness of the risk management system;
- defining the information flows aimed at ensuring that corporate organs are kept abreast of significant management events;
- clearly defining the tasks and responsibilities of corporate structures and functions;
- ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies and guidelines drawn up by the Board of Directors and meets the requirements imposed under the prudential supervisory rules for banks;
- ensuring that the internal procedures, responsibilities and corporate structures and functions are defined, implemented and updated in order to avoid the unintentional involvement in money laundering and terrorist financing activity; in this area, his or her other duties include defining the reporting procedure for suspicious transactions and other procedures aimed at ensuring the timely discharge of disclosure obligations to the authorities provided for in legislation governing money laundering and financing for terrorism; defining the information flows aimed at ensuring that risk factors are known by all corporate structures involved and by the bodies with control responsibilities; approving training and education programs of employees and external staff.

On at least a quarterly basis, the delegated bodies will report to the Board of Directors and to the Board of Statutory Auditors on management performance and on the activities performed by the Company and by its subsidiaries, on the business outlook, on

the most significant economic, financial and equity transactions implemented by the Company and its subsidiaries, as well as on decisions on the matter of credit disbursement and management, on which a report containing global figures must be provided.

By virtue of the powers assigned to him, Piermario Motta is the Chief Executive Officer. He does not hold director's positions in any other listed issuer.

Chairman of the Board of Directors

The Chairman of the Board of Directors was appointed by the Board on 8 August 2012.
The Bank of Italy Order of 4 March 2008 highlights the importance of the role of the Chairman of the Board of Directors who is in charge of promoting internal debate, ensuring the balance of powers, including with regard to the Chief Executive Officer and the other executive directors, as well as discharging coordination and supervisory functions with a view to ensuring not only the smooth functioning of the Board of Directors and the Shareholders' Meeting, but also facilitate the proper flow of information.
According to the Bank of Italy, in order to effectively discharge this key function, the Chairman must play a non-executive role and must be free from operating responsibilities.
In compliance with the aforesaid requirements of the Bank of Italy, the Regulations of the Board of Directors specifically govern the procedures through which the Chairman is to discharge his coordination and oversight functions aimed at ensuring the smooth functioning of the Board of Directors and the constant flow of information amongst Board members.

Therefore, in addition to the powers vested by law and the Articles of Association, on 8 August 2012 the Board has vested its Chairman, Paolo Vagnone, with powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business operations and compliance with strategic policy guidelines, as explained below:

1. monitoring general business operations and laying down management policies in concert with the Chief Executive Officer;
2. establishing, in concert with the CEO, general guidelines for dealing with corporate affairs;
3. coordinating the smooth functioning of the Board of Directors and the General Shareholders' Meeting, by promoting internal dialogue and ensuring the balance of powers and circulation of information;
4. overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
5. coordinating the Company's communication strategies, managing the company's public image and relations with the press or other media, in accordance with the guidelines provided by the Board of Directors and in line with the company's strategic plan and the Group policies on this matter.

Moreover, under Article 18, paragraph 9 of the Articles of Association, the Chairman of the Board is vested with exceptional emergency decision-making powers pertaining to all matters falling outside the scope of the powers delegated to the Chief Executive Officer and not reserved to the sole and exclusive competence of the Board as a whole, under imperative statutory provisions. The Board will be informed of such decisions at the next Board meeting.

Pursuant to Article 22 of the Articles of Association, powers of representation and signature before the Courts, public authorities and third parties, are vested in the Chairman of the Board of Directors.

Report to the Board

The Chief Executive Officer reports periodically to the Board of Directors with regard to activities carried out. Specifically:

- usually, on a monthly basis:
  - (i) on any and all transactions that could have a particularly significant impact on the balance sheet, income statement or cash flow of the company or any of its subsidiaries;
  - (ii) on decisions pertaining to lending policies and, in general, on credit trend;
  - (iii) on property investments;
  - (iv) on the performance of sales and inflows;
  - (v) on Banca Generali stock performance;
- on a quarterly basis:
  - (i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts.
  - (ii) on activities carried out by the Company and the Group with related parties and connected parties;
  - (iii) on the Internal Control System;
  - (iv) on the type and performance of managed products;
  - (v) on the macroeconomic scenario and the definition of managed portfolios investment policies;
- every four months:
  - (i) on activities associated with evaluating conformity;
- on a half-yearly basis:
  - (i) on the situation of litigations;
  - (ii) on the need to update risk allocations or provisions.

4.5 Other Executive Directors

Another Board member was found to qualify as an Executive Director, as a result of his top management position with the Parent Company which also concerns the Bank, namely, Raffaele Agrusti, Country Manager for Generali Group Country Italy which comprises Banca Generali.

4.6 Independent Directors

Considering that Banca Generali is subject to management and coordination by another Italian company with shares list-

ed in regulated markets, the Board of Directors consists of a majority of independent directors, pursuant to the provisions of Article 37, paragraph 1, letter d), of the Regulation adopted by CONSOB in resolution No. 16191 of 29 October 2007, as amended.
Independent Directors are tasked with independently overseeing corporate management, and contributing towards ensuring that the company is administered in the interest of its shareholders and in accordance with the principles of good corporate governance (Article 12.6 of the Board Rules).
Moreover, Article 12.5 of the Board Rules requires the Board to be made up primarily of non-executive directors.

In accordance with the provisions of paragraph 2.C.1 of the Code, for the intents and purposes of the Board Rules, executive directors are defined to include:

i) the Chief Executive Officers and Chairmen of the Company or a strategic subsidiary thereof, in the case where the same are personally vested with delegated powers or play a specific role in shaping corporate policy and strategy;
ii) Directors who also serve as executives within the Company or within a strategic subsidiary thereof, or even within the Parent Company, in the case where the position also involves Banca Generali.

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2012 was made up of two executive and eight non-executive directors. The said situation still prevails to date.
In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.
Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

In compliance with this requirement, Banca Generali's Independent Directors met separately on 17 December 2012, to discuss the following matters:

1. methods for discharging the tasks entrusted to Non-executive Directors;
2. information flows from Executive Directors;
3. procedures for the self-assessment of the Board of Directors.

Within the Board of Directors, six Non-executive Directors are also Independent Directors (i) both pursuant to the rules set forth in Article 37, paragraph 1, letter d) of the CONSOB Resolution No. 16191 of 29 October 2007, which provides that no person who sits on the Board of Directors of a company or body engaging in management and coordination activities in respect of the Company or on the Board of Directors of any listed entity controlled by such company or body, may be considered an independent director of the Company; (ii) and within the meaning of the Code (paragraph 3.C.1), defined by CONSOB with Notice DEM/10078683 of 24 September 2010, equal to that of Article 148, paragraph 3 of Legislative Decree No. 58/1998, which is also reflected in Article 13 of the Board Rules, pursuant to which a Director may not, as a general rule, be considered independent in the following cases, which are however not imperatively applicable:

a. directly or indirectly, including through subsidiaries, trust companies and third party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;
b. is, or has been in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subjected to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;
c. directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he is a partner), maintains or has maintained significant commercial, financial or professional relationships with: (i) the Company, or one of its subsidiaries or one of its key executives; (ii) a person or party that, including together with others on the basis of a shareholder agreement, controls the company, or - in the case where the said party is a body corporate or legal entity - with the key executives thereof; or is or has been an employee of the aforesaid persons or parties, during the current or previous three financial years;
d. currently receives or has received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof, significant compensation in addition to the "fixed" emoluments due to Non-executive Directors of the Company, including as part of stock option or other plans linked to corporate performance;
e. has been a Director of the Company for more than nine years during the past twelve years;
f. is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;
g. is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company's Independent Auditors;
h. is a close family member of a person in one of the situations described above.

For the intents and purposes of the above, the "key executives" of a corporation or entity shall include: the Chairman of the entity, or the Chairman of its Board of Directors, as well as the entity's legal representatives, executive directors, managers and executives with strategic responsibilities.

The Board Rules (Article 14), pursuant to the Code (paragraph 3.C.6), require the Company's Independent Directors to meet at least once a year, without the presence of other Directors.

In compliance with the said requirement, Banca Generali's Independent Directors met separately on 17 December 2012, to discuss the following matters:

1. appropriateness of the number of Independent Directors;
2. criteria used to ascertain compliance with the independence requirement.

Moreover, in light of Article 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.
The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to independently verify the outcome of the aforesaid checks, as recommended in article 3.C.5 of the Code.
In compliance with the said provisions, at the time of appointment, the Board of Directors checked that each of the directors who had declared themselves independent, in fact, fully met all the statutory requirements of independence. Moreover, on 18 February 2013, following its scheduled annual assessment of satisfaction of the requirements of independence, the Board of Directors, acting as a panel, found that the Directors Mario Francesco Anaclerio, Paolo Baessato, Giovanni Brugnoli, Fabio Genovese, Anna Gervasoni and Ettore Riello, qualified as independent directors within the meaning of Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of Legislative Decree No. 58/1998, as well as in light of the requirements set forth the Application Criteria of Article 3 of the Code, and pursuant to Article 37, paragraph 1, subparagraph (d) of Regulation No. 16191 adopted by CONSOB on 29 October 2007, as further amended and extended. The Board of Directors announced the outcome of its assessments by issuing a press release.
On 18 February 2013, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

4.7 Lead Independent Director

The Company has not appointed a lead independent director within the meaning of Article 2.C.3 of the Corporate Governance Code of Listed Companies. This choice is considered appropriate to the Company as the Chairman of the Board of Directors, Paolo Vagnone, is Head of Global Business Lines of the Company's Parent, Assicurazioni Generali S.p.A.

This is because the Company feels that Mr Vagnone's role within Assicurazioni Generali S.p.A. does not entail potential conflict of interests or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali, Mr Vagnone is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board of Directors, of the resolutions passed by the Shareholders' Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.
Mr Vagnone, therefore, serves as an observer, monitor and supervisor tasked primarily with ensuring that Company Management scrupulously complies with strategic corporate guidelines and policy.

5. HANDLING OF CORPORATE INFORMATION

Members of the Board of Directors and the Board of Statutory Auditors shall handle with the utmost confidentiality any and all documents and information of which they may become aware in the discharge of their duties, and shall strictly comply with Company procedures for the internal handling and outside disclosure of the said documents and information.
Pursuant to the above, and to Articles 114 and 115-*bis* of TUF, and Articles 65-*duodecies et seq.* and 152-bis et seq. of CONSOB Regulation (the "Rules on Issuers"), on 18 July 2006, the Board of Directors, upon request of the Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside information (the "Code on Inside Information"), last amended with Board of Directors' resolution dated 12 September 2012.
A copy of the Code on Inside Information is available on the website www.bancagenerali.com, section "Corporate Governance"- Corporate Governance System - Company Regulations".
The Code on Inside Information is aimed at regulating the obligations of persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries. More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to avoiding asymmetrical information; and (ii) to protecting the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.
The essential elements of the Code on Inside Information are summarised below.
Inside Information means information of a precise nature which has not been made public relating, directly or indirectly, to the Company or its subsidiaries and which, if it were made public, would be likely to have a significant effect on the prices of the financial instruments issued by the Company.
The procedures set forth in the Code on Inside Information must be followed by the members of the Board of Directors and the Board of Statutory Auditors, and the employees of the Company and its subsidiaries as well as any and all insiders, and that is to say, persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries (the "Insiders").
In handling the confidential information of which they may become aware in the course of their duties, company executives and insiders are bound to exercise the utmost confidentiality and implement any and all suitable precautions so as to allow the said information to be circulated within the Company and amongst subsidiaries without any breach of the confidentiality thereof.
The aforesaid persons are barred from issuing interviews to the press and media, or in general, any declarations containing Inside Information not included in documents already disclosed to the public.
Any and all relationships with financial analysts and institutional investors entailing the disclosure of Inside Information must take place solely through the Investor Relations department, following authorisation from the Chief Executive Officer, whose responsibilities include the procedures for managing Inside Information pertaining to the Company and its subsidiaries, relations between the Company and institutional investors as well as press relations, availing for such purpose of the support and assistance of the Public Relations department.
The Board of Directors has assigned the Investor Relator the task of preparing the press release drafts concerning inside information on the Company or its subsidiaries, and to the External Relations Manager the task of liaising with the media. The Company Secretariat Service is responsible for fulfilling market disclosure obligations and issuing the press releases pertaining to inside information approved by the Company CEO, in the manner provided for by the Rules for Issuers, the Market Rules of Borsa Italiana and the Instructions accompanying the Market Rules, as well as the Code on Inside Information, regarding the issuing of press releases disclosing Inside Information, approved by the Company's CEO.
Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali (or in the case of the absence or unavailability thereof, the Chief Executive Director) may meet with market operators in Italy and abroad.
The Company has also set up the Register of Insiders, within the meaning of Article 115-*bis* TUF, establishing procedures for the maintenance of the said Register and appointing the Head of the Banking Group's Legal Affairs and Compliance Department to maintain and update the same.

Internal dealing

In accordance with the provisions of Article 114, paragraph 7 of TUF, as well as Articles 152-*sexies et seq.* of the Rules on Issuers, on 18 July 2006, the Board of Directors approved a code of conduct in respect of internal dealing (the "Code on Internal Dealing") which was last amended by Board resolution of 18 December 2012 to bring it in line with the amendments introduced to the Rules for Issuers regarding internal dealing by Consob resolutions No. 16850 of 1 April 2009 and 18079 of 20 January 2012.
The said Internal Dealing Code defines "Relevant Persons" (which include, in particular, the members of the Board of Directors and the Board of Statutory Auditors of the Issuer, persons

performing managerial responsibilities within the Company as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, CONSOB and the public of any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.
The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or barters of Banca Generali shares or financial instruments linked to shares, effected, including through third party intermediaries, by Relevant Persons and Persons closely associated with Relevant Persons.

The following transactions shall not however be deemed to be Significant Transactions:

(i) transactions that collectively do not exceed 5,000.00 (five thousand/00) euros in a solar year, where such significance threshold is calculated by taking account of all transactions involving the Shares and Financial Instruments linked to the Shares carried out on behalf of each Relevant Person and those carried out by Persons closely associated with Relevant Persons during the 12 months prior to the date of the last transaction undertaken without prejudice to the fact that each subsequent transactions need not be subject to further notice unless they exceed an additional 5,000 euros by year-end;
(ii) transactions effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
(iii) transactions effected between Relevant Persons and Persons closely associated with Relevant Persons;
(iv) transactions effected by the Company and its subsidiaries;
(v) transactions effected by a lending institution or an investment company, provided that they are part of the creation of a trading portfolio of such institution or company as defined by Article 11 of Directive 2006/49/CE, and provided that the same party: (i) keeps its trading and market-making units separate from its treasury and units responsible for managing strategic equity investments from an organisational standpoint; (ii) is able to identify the shares held for the purposes of trading and/or market-making activity, in a manner that may be subject to review by CONSOB, i.e., by holding such shares in a specific separate account; and, where it operates as market maker, (iii) is authorised by its home Member State pursuant to Directive 2004/39/EC to conduct market-making activity; (iv) provides CONSOB the market-making agreements with the market management company and/or the issuer as required by the law and associated implementing provisions in force in the EU Member State in which the market maker conducts its activity; and (v) notifies CONSOB that it intends to conduct or conducts market-making activity on the shares of an issuer of listed shares using form TR-2 contained in Annex 4C; the market-maker shall also notify CONSOB without delay of the cessation of market making activity on those same shares.
(vi) transactions effected by a lending institution or an investment company, provided that they are part of the creation of a trading portfolio of such institution or company.

The Internal Dealing Code also contains rules governing the management, handling and disclosure of information pertaining to the said transactions.
Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or the condensed half-year reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. Such limitations shall not apply to the exercise of any stock options or option rights and, as limited to Shares deriving from stock option plans, the ensuing disposal transactions, provided they are undertaken concurrently with exercise. In addition, the limitations shall not apply in the case of exceptional situations of subjective necessity, for which the interested party provides adequate justification to the Company.
The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said relevant persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.
The Board of Directors has appointed the Head of the Legal Affairs and Compliance Department to implement the provisions of the Code.

6. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS (pursuant to Article 123-*bis*, paragraph 2, letter d) of TUF)

The Code sets forth a recommendation for listed companies to set up certain Committees within their Boards of Directors, to be assigned responsibility for certain specific matters.

The roles of these Committees, set up for the purposes of improving the functioning of the Board, are primarily consultative and recommendatory.

In particular, the Code recommends the setting up of an Internal Audit and Risk Committee, a Remuneration Committee and a Nomination Committee.

In accordance with the above, the Board of Directors set up both the Internal Audit and Risk Committee and the Remuneration and Nomination Committee, requiring the same to be made up entirely of Non-executive directors and independent Directors.

7. REMUNERATION AND NOMINATION COMMITTEE

With reference to principle 5.P.1. of the Governance Code, it should be noted that on 24 April 2012 the Board of Directors set up the Remuneration and Nomination Committee, assigning it the tasks provided for by the Code and detailed in the following paragraph.

The decision to assign the functions of the Remuneration Committee and the Nomination Committee to a single Committee was justified by the contiguity of the matters dealt with and taking into account the overall size of the Bank's Board.

Banca Generali's Board of Directors has set up, within the Board itself, a Remuneration and Nomination Committee tasked with assisting the Board in laying down Company policies in respect of the remuneration of the Company's directors, officers and top management and submitting nomination recommendations for the post of Director.

The current Remuneration Committee was appointed by the Board of Directors on 24 April 2012, and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 8 MARCH 2013)
Paolo Baessato	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.
Fabio Genovese	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.
Ettore Riello	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.

Cristina Rustignoli, the Board Secretary, also serves as Committee secretary.
The three members of the same Committee are all Non-executive and Independent Directors. At the time of appointment, the Board ascertained that Paolo Baessato and Fabio Genovese have adequate knowledge and experience in financial matters and Ettore Riello has adequate knowledge and experience in remuneration policies.

The Committee's responsibilities include advising and making recommendations and proposals to the Board of Directors on matters pertaining to appointments and remuneration. More specifically, the Remuneration and Nomination Committee is entrusted with the following tasks and responsibilities:

1. submitting non-binding opinions and recommendations to the Board of Directors in respect of the remuneration packages of the Chairman of the Board and Chief Executive Officer. The Committee's opinions and recommendations must be based on the independent judgement of its members, who must take into account, inter alia, the following considerations:
   a) level of responsibilities in the corporate organisational structure;
   b) impact on business results;
   c) profit and loss results achieved by the Company;
   d) achievement of specific targets set by the Board of Directors;
2. expressing non-binding opinions and proposals on the general principles for determining the remuneration payable to the General Manager and, if appointed, the Deputy General Managers, upon prior proposal from the CEO, according to an independent assessment based on the following criteria:
   a) level of responsibility and risks associated with the performed functions;
   b) results achieved in relation to the objectives;
   c) activities carried out to meet commitments of an exceptional nature;
3. periodically assessing the adequacy, overall consistency and practical application of the general policy adopted by the company for the remuneration of executive directors, directors holding special offices and key management personnel, relying for the last named task on the information provided by the CEO; monitoring the implementation of decisions adopted by the Board by verifying the actual achievement of results and objectives; formulating general recommendations on the matter to the Board of Directors;
4. providing opinions on the determination of the criteria for the remuneration of professionals in a position to impact the Bank's risk profile, and directly overseeing the proper application of the said criteria;
5. providing the Board of Directors with non-binding opinions and recommendations on the determination of the variable remuneration of company top management, as well as managers tasked with internal audit and risk management functions;
6. expressing a qualitative judgment on the activities undertaken by the General Manager and the Manager in charge of preparing the company's financial reports and, after consulting with the Internal Audit and Risk Committee, by the heads of the internal control and risk management functions;
7. providing opinions on the determination of severance indemnities to be offered in the event of termination in office ahead of the scheduled expiry of the term of appointment, assessing, where necessary, the effects of such termination on the rights accrued and accruing under share-based incentive plans;
8. providing assessments - albeit without overstepping the bounds of their sphere of competence - on the attainment of performance objectives underlying access to incentive plans, and monitoring the evolution and implementation of approved plans, over time;

9. performing preliminary activities in the event the Board of Directors decided to adopt succession plans for Executive Directors;
10. expressing non-binding opinions and proposals for any stock options plans and shares allotment or other share-based incentive systems also suggesting the objectives associated with the provision of such benefits and the criteria for assessing the achievement of those objectives; monitoring the evolution and application in time of any plans approved by the General Shareholders' Meeting on a proposal from the Board;
11. expressing an opinion to the Board of Directors of the Parent Company on proposals relating to the remuneration of Directors holding special offices in strategic subsidiaries, pursuant to Article 2389 of the Italian Civil Code, as well as the general managers and key management personnel of those companies;
12. providing the Board of Directors with reports, recommendations and opinions, duly supported by grounds, as well as, with the timeliness necessary to allow for due preparation of Board meetings called to pass resolutions on matters pertaining to remuneration, a full account of the Committee's activities;
13. ensuring appropriate functional and operational links with the relevant company structures in charge of preparing and monitoring remuneration policies and practices;
14. working with the other Board committees, in particular with the Internal Audit and Risk Committee of the company in order to evaluate the incentives created by the remuneration system;
15. carrying out any and all other tasks and duties entrusted to the Committee by the Board through specific resolutions;
16. reporting to the shareholders on the exercise of its own functions, ensuring in particular its participation at the shareholders' meeting through its Chairman or any other Committee's member;
17. expressing opinions and proposals to the Board of Directors, particularly with regard to cases of co-optation pursuant to Article 2386, paragraph 1 of the Italian Civil Code;
18. formulating opinions to the Board on resolutions concerning the replacement of members of the committees within the Board of Directors, which may become necessary during the Committee's term of office;
19. expressing opinions on the appointment of corporate officers in the Banca Generali Group Companies;
20. expressing opinions to the Board of Directors regarding its size and composition and expressing recommendations with regard to the professional skills necessary within the Board;
21. expressing opinions to the Board of Directors on resolutions concerning the prior identification of its members' qualities and number and the optimal profile of candidate directors in order to comply with the required professionalism and composition of corporate bodies pursuant to the supervisory law in force from time to time;
22. expressing opinions to the Board of Directors on resolutions regarding the subsequent verification that the qualitative-and quantitative composition identified under the previous point is consistent with that resulting from the nomination process; in particular the Committee is requested to provide an opinion on the suitability of candidates who, on the basis of prior analysis, were identified by the Board as suitable for the office;
23. formulating opinions on resolutions regarding the maximum number of management or control offices that can be held by the Directors in companies listed on regulated markets or of large size not being part of the Group, subject to the regulations in force from time to time in respect of holding or exercising positions in companies or groups that compete in the banking, insurance and financial services markets.

The procedures governing the functioning of the Remuneration and Nomination Committee are set forth in the Remuneration and Nomination Committee Rules approved by the Board of Directors on 27 November 2006 and last amended by the Board of Directors on 24 April 2012.
Committee meetings are generally held at least once a year and, in any event, with the timeliness necessary to allow for a full treatment and discussion of any and all matters on which the Committee may be requested or required to report to the Board of Directors.
Apart from Committee members, the Chairman of the Board of Auditors and the other Auditors shall attend Committee meetings. The Chief Executive Officer can be invited to participate in meetings of the Committee, save during the discussion of matters regarding him.
Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.
Directors do not take part in Committee meetings at which recommendations in respect of their own remuneration are drawn up for submission to the Board of Directors.
Remuneration and Nomination Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration.
In 2012 the Remuneration and Nomination Committee met seven times. The meetings lasted about 1 hour and 45 minutes on average. In the year underway a total of four Board meetings are scheduled; since the beginning of the year as at the date of this report, a meeting was held.

The main activities carried out by the Committee during the year 2012 are listed below.

- On 29 March 2012, it examined the following items:
  - i) Remuneration Report: Banking Group's remuneration policies and report on the application of remuneration policies in 2011;
  - ii) verifying the achievement of the 2011 objectives attributed to the Chief Executive Officer, the General Manager, the Deputy General Managers and the control functions, and consequent analysis of the related variable remuneration;

- on 7 May 2012, it examined the following items:
  i) recommendations regarding the overall fixed and variable remuneration of the Chief Executive Officer and General Manager Piermario Motta and definition of the related list of objectives;
  ii) recommendations regarding the overall fixed and variable remuneration of the Deputy General Managers and the heads of control functions, and the definition of related lists of objectives underlying the variable component of the remuneration of the aforesaid company officers;
  iii) reports on the application of the Management by Objectives (MBO) philosophy to executives of the Banca Generali Group in 2012;
  iv) verifying that the qualitative and quantitative composition considered as optimal is consistent with the actual composition resulting from appointments approved by the shareholders' meeting on 24 April 2012;
- on 23 July 2012, it examined the following items:
  i) submitting organisational changes concerning the General Manager;
  ii) engaging a consultant to carry out a survey on the management, after verification of the independence of the chosen professional;
  iii) presentation of the Long Term Incentive Plan 2012/2014;
- on 25 July 2012, it examined the following items:
  i) opinion on resolutions pursuant to Articles 2386 of the Italian Civil Code and Article 15, paragraph 14 of the Articles of Association;
- on 8 August 2012, it examined the following items:
  i) opinion on resolutions pursuant to Articles 2386 of the Italian Civil Code and Article 15, paragraph 14 of the Articles of Association;
  ii) opinion on the appointment of the Chairman of the Board of Directors;
  iii) examination of the motion to confer a mandate for remuneration survey;
- on 11 September 2012, it examined the following items:
  i) opinion on the determination of the remuneration of the Chairman of the Board of Directors;
  ii) presentation of the remuneration survey commissioned to HayGroup and opinion on the definition of the remuneration level for the newly-formed position of Deputy General Manager;
  iii) verifying that the optimal qualitative and quantitative composition of the Board of Directors continues to be satisfied after the recent members co-optation;
- on 15 October 2012, it examined the following items:
  i) presentation of the remuneration survey commissioned to HayGroup

The proceedings of each meeting were duly recorded in minutes.

Four of the seven meetings held in 2012 were attended by all the Committee's members, while at the others one member was absent.

The attached table 2 provides information on the attendance rate of each member at the Committee meetings.

The Remuneration and Nomination Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks, as well as avail of the services of outside consultants. In order for the Committee to carry out its duties, a specific item of 75,000 euros was provided in the budget for the current year.

8. DIRECTORS' REMUNERATION

By Board resolution of 27 November 2006, approved pursuant to Article 6.P.3 of the Code, the Board set up the Remuneration and Nomination Committee tasked with, *inter alia*, making recommendations to the Board in respect of the remuneration packages of Chief Executive Officers and other Board members entrusted with specific tasks (see "Remuneration and Nomination Committee").

With regard to remuneration, the Company is subject to Provision No. 264010 of 4 March 2008 of the Bank of Italy. With such provision, the Supervisory Body also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, under the regulations, in addition to establishing the remuneration due to the members of the corporate organs it appoints, the Ordinary Shareholders' Meeting must also approve the compensation policies applicable to directors, and employees, as well as outside consultants and collaborators other than employees.

With subsequent Provision of 30 March 2011, the Bank of Italy transposed Directive 2010/76/CE (so called CRD 3), issuing the "provisions governing the remuneration and incentive policies of banks and banking groups" (hereinafter also "Supervisory provisions"). The so-called CRD 3 Directive sets forth specific principles and requirements that banks must comply with so as to ensure that: remuneration systems are properly designed and implemented; potential conflicts of interest are effectively managed; the remuneration system takes due account of current and prospective risks, the degree of capitalisation as well as liquidity levels of each intermediary; transparency towards the market is maximised; and oversight by regulatory authorities is reinforced.

The proposed Italian text is aimed at promoting - in the interest of all stakeholders - the implementation of remuneration systems that are in line with long-term corporate objectives and strategies, linked to corporate performance but appropriately corrected to reflect all risks, commensurate with the capital and liquidity levels required to cover ongoing business operations, and in any event, designed to avoid distorted incentives that could lead to regulatory violations and excessive risk-taking by individual banks and within the whole system.

The above-mentioned regulation also envisages that:

(i) in addition to establishing the remuneration of the members of the corporate organs, the Ordinary Shareholders' Meeting shall also approve the remuneration policies applicable to bodies and functions of oversight, management and control, as well as to personnel;

(ii) the Shareholders' Meeting itself shall be provided information on the procedures through which remuneration policies were applied and implemented (so-called "information after the fact").

Moreover, Legislative Decree No. 259 of 30 December 2010 included in the TUF the new Article 123-ter, under which a special Remuneration Report - whose contents are described in detail in Annex 3 of the Rules for Issuers - must be approved by the Board of Directors and submitted to the non-binding resolution of the General Shareholders' Meeting called to approve the Financial Statements.

The above framework is further completed by the recommendations laid down by the Corporate Governance Code for listed companies, adopted by Banca Generali, which incorporates the main aspects of the recommendations issued by the European authorities on the process for determining the remuneration policies and their content.

Therefore, the Shareholders' Meeting of 24 April 2012, also pursuant to Bank of Italy's regulation of 30 March 2011 and Article 6 of the Corporate Governance Code for Listed Companies (the new version was approved in December 2011 by the Corporate Governance Committee), acknowledged the disclosure on the implementation in 2011 of the remuneration policy approved by the General Shareholders' Meeting on 20 April 2011 and approved the new remuneration policy of the Company and the Group. In this regard it should be mentioned that in implementing its remuneration policies, Banca Generali aims at ensuring the greatest possible convergence of the long-term interests of the banking group's shareholders and management, especially by focusing on careful corporate risk management and commitment to long-term strategies. The remuneration package consists of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the strategic importance of the position to which the remuneration refers (this does not normally exceed 10% for the professional areas and middle managers; for top managers responsible for commercial operating units it may reach at most 60%, when the objective results assigned have been achieved in full).

In 2010, a system for the deferral of the disbursement of 40% of the accrued bonus was introduced for the Generali Banking Group's key management personnel and main network managers who earn a bonus in excess of 75,000 euros. In further detail, 60% of the amount owed will be paid immediately after the Board of Directors verifies the earnings and financial results for the year in question, 20% after the results for the following year have been verified and the remaining 20% after an additional year.

In 2010, in order to link the variable pay of management personnel even more closely to long-term performance indicators, and in order to also take account of current and prospective risks, the cost of capital and the cash required to meet the needs of the activities undertaken, accrual of bonuses will be linked not only to the effective results achieved by each manager, but also to an access gate common to the Banking Group's entire staff.

The remuneration patterns of high-level executives and managers are monitored, taking due account of trends re-

corded on reference markets, using the HAY point-factor job evaluation method. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics, also with reference to the markets in which the company operates.
The fixed components of the remuneration serve to remunerate the managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.
The aim of the recurring variable components of remuneration and long-term incentives (such as stock option plans, stock granting schemes and deferred bonus systems), on the other hand, is to balance directly the interests of the shareholders and those of management.
A Management by Objectives mechanism, consistent with the achievement of the operating and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Chief Executive Officer and Executives. The Management by Objectives system is linked to the Balanced Scorecards principle. The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved, with a minimum access threshold.
Information regarding the emoluments received by Board members and the General Manager during the year is contained in Banca Generali's Remuneration Policy, under the section focusing on the application of the said policy in 2012.
Information regarding the cumulative remuneration received during the year by executives with strategic responsibilities - and that is to say, the Deputy General Manager, Stefano Grassi and the Vice Deputy General Manager, Giancarlo Fancel - as well as further details pertaining to the Company's remuneration policy, will, similarly, be provided in Banca Generali's Remuneration Policy, which will be published pursuant to Article 123-ter of TUF. However, it should mentioned that in any case the objectives set for the persons in charge of control functions, including the HR Director and the Manager in charge of the Company's financial reports — in accordance with the above-mentioned Bank of Italy's Regulations — are consistent with the tasks assigned to each of them and are not linked to economic results of the Company or the Group
Pursuant to Article 6.C.4 of the Code, the remuneration due to non-executive directors may not be linked to the Issuer's financial performance. Non-executive directors may not benefit from any stock-based remuneration plan, and are consequently remunerated solely on the basis of fixed compensation established by the General Shareholders' Meeting.
In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 Banca Generali approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market - MTA (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's financial advisors, area managers and business managers.

In order to cover the aforesaid Stock Option Plans, on 18 July 2006, the Company's Extraordinary Shareholders' Meeting approved a capital increase, in one or more tranches, in the maximum nominal amount of 5,565,660.00 euros, through the issue of a maximum number of 5,565,660 ordinary shares of a face value of 1.00 euro each, as follows:

a) an issue in the maximum nominal amount of 4,452,530.00 euros, represented by a maximum number of 4,452,530 ordinary shares of a face value of 1.00 euro each, with specific exclusion of the option rights afforded to shareholders pursuant to Article 2441, paragraph 5, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", reserved to the financial advisors of Banca Generali Group, all of the above in one or more tranches, with the last being effected no later than 30 May 2011;
b) an issue in the maximum nominal amount of 1,113,130.00 euros, represented by a maximum number of 1,113,130 ordinary shares of a face value of 1.00 euro each, with specific exclusion of option rights afforded to shareholders pursuant to Article 2441, paragraph 8, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A. Employees", reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.

In order to compensate optionees for the loss in value of the above-mentioned Stock Option Plans due to the well-known market conditions that occurred in 2007 and 2008, which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows, the Shareholders' Meeting held on 21 April 2010 resolved to approve an extension by three years of the exercise period for both of the above-mentioned Plans.
The price of the aforesaid options shall be determined at a whole number reflecting the arithmetic mean of the listed prices of shares in the Company on the electronic share market from the date of assignment of the stock options to the same day of the previous month.
The exercise of the options is subject to the attainment of overall targets and, in the case of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", even personal targets.

Pursuant to the applicable Rules, the Delegated Organs awarded:

- 2,540,136 option rights in application of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers";
- 829,000 option rights in application of the "Stock Option Plan for Banca Generali S.p.A. Employees".

In total, 3,369,136 stock options were awarded pursuant to the aforesaid Plans.
Moreover, on 21 April 2010, the Shareholders' Meeting approved a broad-ranging retention programme, which comprised two Stock Option Plans targeted at (a) financial advisors and private bankers, as well as (b) employees serving Banca Generali as Relationship Managers.
This initiative has a twofold objective: maintaining the interest of the distribution network and network managers in line with the interest of shareholders, in the medium- and long-term, as well as enhancing the loyalty of the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity in the medium term.
The new Plans will apply to financial year 2010, in addition to the fourth quarter of 2009, as limited to net inflows associated with the so-called "tax shield".
The retention programme called for the granting of a total maximum of 2,500,000 options for the subscription of Banca Generali ordinary shares (of which 2,300,000 reserved for financial advisors and network managers and 200,000 for employed relationship managers).
In this regard, options were to be granted in a single instalment to the optionees identified as included in one of the above-mentioned categories by the relevant Plan Management Committee. The grant was conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period.

Pursuant to the applicable Rules, in 2011 the Delegated Organs awarded:
(i) 2,300,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers;
(ii) 200,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A. Relationship Managers.

In total, 2,500,000 stock options were awarded pursuant to the aforesaid Plans.
The options shall be exercisable within 6 years from 1 July 2011 in the amount of one sixth per year. The recipients will have the right to subscribe to Banca Generali ordinary shares for consideration equal to the arithmetic mean of the market listing prices of the shares in question on the electronic share market (MTA), organised and managed by Borsa Italiana S.p.A. surveyed during the period from the option grant date to the same date of the previous solar month.

In order to give full effect to the Stock Option Plan for the financial advisors and network managers of Banca Generali S.p.A. for 2010 and the Stock Option Plan for the Relationship Managers of Banca Generali S.p.A. for 2010, the Shareholders' Meeting held on 21 April 2010 resolved, pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code, on a divisible increase in the Company's share capital by an amount equal to the maximum number of options that may be granted under the above-mentioned Plans, and thus in a maximum nominal amount of 2,500,000.00 euros, broken down as follows:
a) for a maximum amount of 2,300,000.00 euros, reserving the same for financial advisors and private bankers of the Banca Generali Group, to serve the "Stock option plan for financial advisors and network managers of Banca Generali S.p.A. for 2010";
b) for a maximum nominal amount of 200,000.00 euros, reserving the same to Banca Generali employed relationship managers and their coordinators, to serve the "Stock option plan for Relationship Managers of Banca Generali S.p.A. for 2010".

Moreover, as a result of the merger of Prime Consult SIM S.p.A., as of 31 December 2002, the Company has assumed the merged company's commitments under the stock granting plan approved by the latter on 13 June 2001 in favour of its network managers and financial advisors.

Beneficiaries of the plan include: (i) financial advisors in the exclusive service of Prime Consult as at 1 October 2000; (ii) former Prime Consult network managers; (iii) financial advisors falling within the aforesaid categories in the period between 1 October 2000 and 31 December 2001.

The shares were issued in three tranches, to persons who met or maintained specific individual targets. The Delegated Organ awarded, free of charge, 1,402,474 Banca Generali ordinary shares.

Lastly, with regard to long-term incentives, in approving the Remuneration Policies, the General Shareholders' Meeting of 24 April 2012 and the Board of Directors' meeting held on 25 July 2012 resolved to increase the variable component of the remuneration of some of Banca Generali's managers by admitting the same beneficiaries of the Generali Group's Long Term Incentive Plan ("LTIP") for executives serving the Generali Group in Italy and abroad, approved by the General Shareholders' Meeting of Assicurazioni Generali S.p.A. on 30 April 2011. The said plan is targeted at the Generali Group's key management personnel and talented managers, and is designed to pursue medium-to-long term goals with a view to ensuring consistently high levels of performance over time, as measured against technical and yield-based benchmarks. With reference to Banca Generali's managers and in order to ensure that the aforesaid plan is in line with the recommendations imparted by the Governor of the Bank of Italy in respect of remuneration and incentive systems by virtue of Order No. 321560 of 28 October 2009, on 6 October 2011 the delegated bodies of Assicurazioni Generali issued a specific appendix pursuant to Article 9.2 of the said Plan Rules, with a view to ensuring (i) that the bank's targets take precedence over those of the Generali Group, so that Banca Generali's top management focuses, above all, on the bank's results, thereby respecting the interests of the bank's shareholders and (ii) that the bonuses arising under the Long Term Incentive Plan are subject to access gate conditions entailing the attainment of specific stability goals.

Directors' severance indemnities in the event of resignation, dismissal or severance as a result of a takeover bid (pursuant to Article 123-*bis*, paragraph 1, letter i) of TUF)

The Chief Executive Officer Piermario Motta is entitled to an early severance indemnity capped at three years' of recurrent remuneration, in the event of (i) dismissal without good reason or just cause, or (ii) resignation following changes in the applicable job description or, in any event, the imposition of terms less favourable to the Chief Executive Officer. Such amount will have to be paid in compliance with the "Provisions governing the remuneration and incentive policies of banks and banking groups" issued on 30 March 2011 by the Bank of Italy.

9. INTERNAL AUDIT AND RISK COMMITTEE

The Board of Directors has endowed itself with an Internal Audit and Risk Committee made up of four Board members, all of whom are non-executive and independent, vested with consulting and recommendatory functions regarding internal controls.
Appointees to the Internal Audit and Risk Committee must not only be non-executive directors, but must also meet the further requirement of independence.
The current Internal Audit and Risk Committee was appointed by the Board of Directors on 24 April 2012, and is made up as follows:

NAME AND SURNAME	OFFICE HELD (AS OF 8 MARCH 2013)
Mario Francesco Anaclerio	Chairman Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.
Paolo Baessato	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.
Giovanni Brugnoli	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.
Anna Gervasoni	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007.

The Board of Directors ascertained that Paolo Baessato, Giovanni Brugnoli and Anna Gervasoni have adequate experience in accounting and finance and Mario Francesco Anaclerio and Paolo Baessato have adequate experience in the field of risk management.
Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary.
The functioning of the Internal Audit and Risk Committee is regulated by specific rules (the "Internal Audit and Risk Committee Rules") approved by the Board on 27 November 2006 and last amended during the Board meeting of 12 September 2012.
The Committee is charged with the following tasks and powers: (i) the task of supporting the Board of Directors with adequate investigative activity in its evaluations and decisions concerning the internal control and risk management system and the approval of periodic financial reports; (ii) advisory powers in the area of related party and connected party transactions, in accordance with the terms and conditions established by the related party and connected party transaction procedure approved by Banca Generali (the "Related Party and Connected Party Transaction Procedure") pursuant to current laws and regulations; (iii) advisory and investigative powers in relation to the Board of Statutory Auditors in the area of the statutory auditing of the accounts, pursuant to Italian Legislative Decree No. 39 of 27 January 2010, as set forth in the paragraph 10.6 below; and (iv) consulting and supporting powers to the decision-making body concerning equity investments, in compliance with the "Equity Investment Management Policy" approved by Banca Generali.
With reference to the internal control system, the Committee assists the Board of Directors in laying down the guidelines of the internal control and risk management system, periodically checking that said system is adequate to the bank's characteristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks (credit, financial and operating risks) have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions.

In this context:

- assists the Board in carrying out the tasks incumbent on the latter pursuant to the Corporate Governance Code of Listed Companies, in respect of the Internal Control and Risk Management system;
- expresses opinions concerning the appointment and dismissal of the Internal Auditor and the compensation for this position;
- monitors the independence, adequacy, efficacy and efficiency of the Internal Audit, Compliance and Risk Management functions;
- ensures that the Internal Audit, Compliance and Risk Management functions possess adequate resources to discharge their duties;
- assesses the work programme prepared by the Compliance, Internal Audit and Risk Management officers and examines the periodic reports prepared by said officers for further submission to the Board for its approval;
- assesses, together with the company Manager in charge of preparing the Banca Generali's financial reports and after

having heard the statutory Auditor and the Board of Statutory Auditors, the sound application and consistency of the accounting principles for the purpose of preparing the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- reports to the Board of Directors on its activity and the adequacy of the Internal Control and Risk Management system, during the Board meetings called to approve the annual and half-yearly financial statements;
- may request that the Internal Audit, Compliance or Risk Management functions (according to their various specific competencies) perform checks on specific areas of operation while simultaneously notifying the Chairman of the Board of Statutory Auditors thereof;
- may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
- advises, upon request, the Chief Executive Officer, the Compliance Officer, the Internal Auditor and the Risk Management Officer on issues or questions that must be dealt with before being submitted to the Board of Directors for its information and/or approval;
- performs the other duties entrusted to it by the Board of Directors;
- undertakes whatsoever may be required pursuant to the resolution establishing its powers and responsibilities, and whatsoever may be necessary or useful for implementing the said resolution.

Regarding related party and connected party transactions, in compliance with the provisions set forth in the Regulations on related party transactions approved by CONSOB with resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010, and as required pursuant to the New Prudential Supervisory Provisions Concerning Banks, Circular No. 263/2006, 9th update of 12 December 2011, Title V, Chapter 5, as well as in compliance with the Procedure for Related Party and Connected Party Transactions adopted by the company, the Committee:
- in respect of Moderately Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, expressing, in the manner and form and in accordance with the deadlines established in the Procedure, a non-binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions;
- in respect of Highly Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, (i) playing an active role in the preliminary fact-finding and negotiation phases of each such transaction, including by seeking information from and/or forwaring comments and observations to any and all the persons and parties involved in the said phases; and (ii) expressing, in the manner and form and in accordance with the deadlines established in the Related Party and Connected Party Transaction Procedure, a binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions.

The Committee is placed in charge of providing support to the Board of Auditors, at the latter's request, especially in the form of advice and assistance in conducting the fact-finding inquiries required to discharge the duties entrusted to the Board of Auditors with regard to the statutory auditing of accounts pursuant to Legislative Decree No. 39 of 27 January 2010. More specifically, the Committee shall:
- assess the proposals put forward by auditing firms to obtain the audit engagement, within the framework of the Company's procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly financial statements, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Auditors;
- assess the work schedule of the audit, and examine the results set forth in the report drawn up by the independent auditors together with any suggestions the latter may have put forward, reporting its findings to the Board of Auditors;
- monitor the effectiveness of the processes followed for the statutory auditing of accounts, reporting its findings to the Board of Auditors;
- undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.

As far as equity investments are concerned, in accordance with the procedures set forth in the "Equity Investment Management Policy" approved by Banca Generali, the Committee is charged with advisory powers in the various cases described above, expressing, where requested, opinions regarding (i) the granting of significant loans to companies in which the bank holds a qualified equity investment; (ii) the acquisition of a qualified equity investment in a company which has been granted significant loans; (iii) the acquisition of equity investments in companies considered strategic suppliers; and (iv) the acquisition of equity investments in debtor companies aimed at recovering credits.

Internal Audit and Risk Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration plus an attendance fee payable for each meeting they attend.

Committee meetings are generally held at least four times a year and, in any event, with the timeliness necessary to allow a full treatment and discussion of any and all matters on which the Committee may be requested or required to report of the Board of Directors.

At the invitation of the Committee Chairman, Committee meetings may be attended by statutory Auditors, top managers, the Compliance Officer, Internal Auditor, the Risk Management Officer, the Heads of other corporate functions, the Manager responsible for preparing the Banca Generali's financial reports

and any and all other persons whose presence is deemed useful. In 2012 the Internal Audit and Risk Committee met ten times, for an average of approximately 2 hours each time. In the year underway a total of 7 Board meetings are scheduled; from the beginning of the year to the date of this Report, two have been held.

The main activities carried out by the Committee during the year are listed below.

In its meeting on 26 January 2012, the following aspects were examined:
i) annual report of the Compliance Service and relevant activity plan for 2012;
ii) annual report of the Internal Audit Service and relevant activity plan for 2012;
iii) annual report of the Internal Risk Management Service and relevant activity plan for 2012;
iv) opinion on the internal audit activity plan for 2012;
v) annual report on the internal control system and assessments carried out at the subsidiary companies.

In its meeting on 9 March 2012, the following aspects were examined:
i) check of the adequacy of the accounting policies followed in preparing the annual financial statements;
ii) report within the meaning of Article 2.3.8 of the Internal Audit and Risk Committee Rules.

In its meeting on 20 April 2012, the following aspects were examined:
i) presentation of the ICAAP report;
ii) presentation of Pillar 3 public disclosures.

In its meeting on 7 May 2012, the following aspects were examined:
i) presentation of the Internal Control System of the Banking Group;
ii) periodic report on the activities undertaken by the Compliance Department;
iii) periodic report on the activities undertaken by the Internal Audit Service;
iv) focus on the methodology used by the Internal Audit Service.

In its meeting on 25 May 2012, the following aspects were examined:
i) assessment of the organisational layout and functioning of the internal control system;
ii) focus on the methodology used by the Internal Audit Service;
iii) focus on the methodology used by the Compliance Service;
iv) focus on the methodology used by the Risk Management Service;
v) presentation of the Audit Report: IT Audit consortile CSE.

In its meeting on 20 June 2012, the following aspects were examined:
i) report on the merger of BG SGR into Banca Generali;
ii) opinion on the motion for adoption of the new Related Party and Connected Party Transaction Procedure.

In its meeting on 23 July 2012, the following aspects were examined:
i) check of the adequacy of the accounting policies followed in drawing up the interim financial statements;
ii) periodic report on the activities undertaken by the Internal Audit Service;
iii) report within the meaning of Article 2.3.8 of the Internal Audit and Risk Committee Rules.

In its meeting on 11 September 2012, the following items were examined:
i) presentation of the periodic report on the activities undertaken by the Compliance Department;
ii) submission of proposals for amendments to the Internal Audit and Risk Committee Rules;
iii) insights about the processes used to oversee anti-money laundering and the fight against terrorism.

In its meeting on 23 October 2012, the following aspects were examined:
i) periodic report on the activities undertaken by the Internal Audit Service;
ii) preliminary analysis of any gaps identified in the internal control system;
iii) report on the management of Related Party and Connected Party transactions.

In its meeting on 17 December 2012, the following aspects were examined:
i) report on internal policies governing controls of activities at risk and conflicts of interest involving Connected Parties;
ii) risk and conflicts of interest involving Connected Parties;
iii) disclosure on the proposed renewed participation in a syndicated loan in favour of Investimenti Marittimi S.p.A.;
iv) opinion on the amendment of the distribution agreement in place with Genertellife;
v) adequacy of the new corporate governance code.

The proceedings of each meeting were duly recorded in minutes. Eight of the ten meetings held in 2012 were attended by all the Committee's members, while at the others one member was absent. The attached table 2 provides information on the attendance rate of each member at the Committee meetings.
The Internal Audit and Risk Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks as well as avail of the services of outside consultants. In order for the Committee to carry out its duties, a specific item of 75,000 euros was provided in the budget for the current year.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Bank's Board of Directors adopted an organisational model for the Group's internal control system, under which so-called second and third control functions are centralised within the Parent Company, especially so as to meet the need for managerial as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the governance and control bodies of subsidiaries.
As required pursuant to the Italian Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has adopted an internal control system capable of continuously monitoring typical business risks.
The internal control system is therefore a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with preset targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific sphere of competence.
Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of Article 7 of the Corporate Governance Code and, moreover, specifically designed to ensure healthy and prudential corporate management of the bank and the Group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.
Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors on 24 January 2008 (with effect as of 1 March 2008) with a view to bringing the same in line with regulations introduced through the provisions for the implementation of MiFID in Italy. The Internal Control System was revised and adjusted periodically by the Board of Directors.

Pursuant to the said provisions and applicable supervisory regulations, it is made up of:

(i) *checks involving the business lines:* systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the transactions effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;
(ii) *risk management checks:* checks carried out by the heads of individual operating units and by the Risk Management Department, as part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating departments, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for specific types of risk (credit risk, market risk, operating risk);
(iii) *compliance checks:* checks carried out by the Compliance Department on the conformity of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-imposed rules of conduct;
(iv) *internal auditing:* checks carried out by the Internal Audit Service with a view to ensuring, also through on-site inspections, the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal control.

The Company's Internal Control system is structured to ensure proper disclosure of information and adequate oversight of all the Group's activities, with a view to promoting fairness and transparency, in both form and substance, whilst also ensuring the efficiency, traceability and auditing of transactions, and more in general all management activities; the reliability of accounting and management data; compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially in order to prevent fraud against the Company and the financial markets.

The key principles underlying the Company's Internal Control System include:

- the separation of roles in the performance of the main tasks involved in individual production processes;
- the traceability and constant visibility of choices;
- objective decision-making with regard to individual operating processes.

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of: (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main corporate risks are identified and appropriately managed, that the Company's control structures are endowed with sufficient autonomy and independence within the Company's organisation as well as with adequate resources to ensure the proper functioning thereof.
The Board of Directors, with the support of the Internal Audit and Risk Committee, also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective action in case of shortcomings and/or anomalies in the performance of the checks themselves.
Pursuant to supervisory regulations, internal control functions must be independent from other operating functions, and report directly to the Board of Directors and Board of Statutory Audi-

tors, on a periodic basis, in respect of the outcome of its activities.

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Function, with effect as from 1 October 2003. His remuneration is examined each year by the Board of Directors and is in line with best market practice.
In keeping with Banca Generali's organisational model, the Internal Audit function is vested with a dual role: (i) an *institutional role* arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a *service role* under which the Company's Internal Audit department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.
The auditing method on which internal auditing activities are based, is defined under the Internal Audit Rules (as most recently amended by resolution of the Board of Directors on 29 September 2010) and the supervisory model, also approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (CoSo Report, professional standards).
Pursuant to applicable regulations, on 24 January 2008, the Board of Directors appointed Paolo Rupil to head the Compliance Service as of 1 March 2008.
On 24 June 2008, the Board of Directors approved the Banking Group's Compliance Policy (as last updated by Board resolution of 29 September 2010) and related Compliance Rules (as last amended by Board resolution of 22 February 2011), ordering the timely notification thereof to all subsidiaries, with a view to ensuring that the said Policy and Rules are fully implemented throughout the banking group.
On 27 August 2008, the Board of Directors appointed Antonino Fici to head, with effect as of 1 September 2008, the Risk Management Service.
As already noted, in compliance with the Code's recommendations regarding internal control, on 27 November 2006, the Board set up within itself an Internal Audit and Risk Committee in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Audit and Risk Committee", above).
Moreover, with regard to risks, the Chief Executive Officer may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the banking group's risk management and control system, and identifying and implementing appropriate risk containment measures.

As recommended by the Code, Article 8 of the Board Rules requires the Board to:
(i) define guidelines for the Internal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored, and also determine the degree to which such risks are compatible with management of the Company consistent with the strategic goals identified;
(ii) assess, with at least annual frequency, the adequacy of the Internal Audit and Risk Management System with respect to the Company's characteristics and the risk profile assumed, as well as the effectiveness of the System;
(iii) approve the working plans drafted by the Heads of the Compliance, Internal Audit and Risk Management functions and review the periodic reports drafted by those function.

As part of his/her activities concerning the management and coordination of the Group, the person in charge of internal control also exercises:
a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the range of business activities conducted. This type of control is aimed at monitoring the expansion of the business operations of group companies, and their policies in terms of mergers, de-mergers and acquisitions. Strategic coordination is ensured primarily through presence of a certain number of persons appointed by the Bank's Board of Directors, on the Board of Directors of group companies;
b) operating control aimed at ensuring that the income statements, cash flow and balance sheets of both, individual group companies and the group as a whole, are appropriately balanced. These checks are carried out preferrably through the drawing up of plans, programmes and budgets (for each group company and for the group as a whole) and by analysing the quarterly performance, interim results and annual financial statements of each group company and the group as a whole, duly broken down by specific business sector, and with regard to the entire group. Operations are coordinated by the Planning and Control Department which liaises with the company bodies/functions of each of the subsidiaries;
c) technical-operating control aimed at assessing the profiles of the various risks incurred by the group as a whole as a result of the business operations of individual subsidiaries.

10.1 The Director in charge of the Internal Control and Risk Management System

The Board of Directors has appointed the Chief Executive Officer, the executive director in charge of overseeing the functioning of the internal control system.

The Chief Executive Officer defines operating policies and related risk control procedures, identifying and evaluating, including on the basis of management trends and departures from forecasts, any and all factors giving rise to risks, and assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same as may be necessary or useful, from time to time.

The Chief Executive Officer to whom the Internal Audit function reports on an operating basis, undertakes the following tasks in addition to his/her regulatory duties, and that is to say:

1. identify the main corporate risks, taking due account of the business operations of the Company and its subsidiaries, and submit periodic reports on the same to the Board of Directors and the Internal Audit and Risk Committee;
2. implement the guidelines laid down by the Board of Directors in designing, setting up and managing the internal control system, and constantly monitor the overall adequacy, effectiveness and efficiency of the same, whilst also adapting the said system to changes in operating conditions and in the applicable statutory and regulatory framework;
3. recommend to the Board, after hearing the opinion of the Internal Audit Committee, the appointment, dismissal and remuneration of a person in charge of Internal Audit;
4. request the heads of Internal Audit, Compliance and Risk Management to conduct, within the framework of their respective spheres of competence, checks on specific operating areas and on compliance with internal rules and procedures in the course of the Company's business operations;
5. report in a timely manner to the Internal Audit and Risk Committee and the Board of Directors concerning the problems and critical issues brought to light or of which he/she has otherwise become aware, so that they may undertake the appropriate initiatives.

Functional reporting to the Chief Executive Officer is in line with the regulatory framework governing banks of the size of Banca Generali. In any event, the head of Internal Audit is free to report on his activities directly to the Board of Directors, the Board of Statutory Auditors and the Audit and Risk Committee.

10.2 Internal Auditor

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Function, with effect as from 1 October 2003. In keeping with Banca Generali's organisational model, the Internal Audit function is vested with a dual role: (i) an *institutional* role arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a service role under which the Company's Internal Audit department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.

The Internal Auditor:

1. is tasked with monitoring the constant adequacy, full functionality and effective operation of the internal control system; to this end the Internal Auditor verifies, both on a regular basis and in relation with specific needs, as well as in accordance with international standards, the suitability of the internal audit and risk management system, through an audit plan approved by the Board of Directors and based on a structured process of analysis and main risk prioritisation;
2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
3. is to be afforded direct access to any and all the information that may be useful for the performance of his/her duties;
4. is to be endowed with adequate resources for the performance of his assigned duties;
5. answers to the Internal Control Committee (now Internal Audit and Risk Committee), the Board of Statutory Auditors, the Board of Directors and the Chief Executive Officer, expresses an opinion, in particular on the effectiveness of the Internal Control System in ensuring an acceptable overall risk profile;
6. promptly prepares reports on particularly significant events and submits the same to the above-mentioned bodies;
7. verifies, as part of the Audit Plans, the reliability of systems;
8. has a budget to refer to for completing his/her tasks and activities.

During the year, Internal Audit activities pertained in particular to safeguard from risks deriving from information technology and security processes, privacy, the processing of instructions from customers, risk management (credit, liquidity, operational, anti-money laundering and fraud risk), investment services and administrative and accounting survey services, taking measures at all levels of control with the relevant departments.

Internal Audit also monitored improvement paths for existing controls, which were initiated as a result of previous audits follow ups.

Main features of the Company's risk management and internal control systems related to the financial reporting process (pursuant to Article 123-*bis*, paragraph 2, letter b) of TUF)

The risk management and internal control systems as they relate to the financial reporting process adopted by the bank (the "System") are part of the broader Internal Control and Risk Management System described in the previous section.

The System addresses the issues of internal control and risk management arising in respect of the financial reporting process, from an integrated perspective, with a view to identifying, assessing and containing the so-called financial reporting risks: (i.e., risks of errors leading the annual financial statements, the condensed half-yearly financial statements, the consolidated financial statements and/or other financial disclosures and filings, to reflect a view of the balance sheet, income statement and/or cash flow that cannot be described as true and/or fair) to which the Company and the Group are exposed.

The System is thus intended to guarantee the reliability, accuracy

and timeliness of financial reports. To this end, the bank created a financial reporting risk model consisting of principles and rules that aim to guarantee an adequate administrative and accounting system, in part by ensuring the availability of procedures and instructions.
The Manager in charge for the Company's financial reports works within this framework. The Manager is charged by Italian Law No. 262 of 28 December 2005 ("Law 262") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy.
The Manager in charge for the Company's financial reports is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group to the extent of the powers and means granted to him/her under paragraph 4 of Article 154-*bis* of the TUF.

The financial reporting risk model adopted is based on a process developed by the Company in accordance with the following reference frameworks, which are generally recognised and accepted internationally:

(i) the CoSO (Committee of Sponsoring Organisation of the Treadway Commission). Internal Control - Integrated Framework, released in 1992, defines guidelines for assessing and developing an internal control system. In the CoSO Framework, the model refers to the component of the internal control system concerning the processes of collection, processing and publication of financial information flows (financial reporting);
(ii) CObiT (Control Objective for IT and Related Technology, built by the IT Governance Institute based on the CoSO Framework), provides specific guidelines for IT and can be used together with ITIL (Information Technology Infrastructure Library, a framework already used by the Group) and ISO/IEC 27001 (International Organisation for Standardisation/Information Electrotechnical Commission).

Within the Group, the financial reporting risk model has been extended to companies identified as relevant in the context of the model ("Companies within the Scope of Application"). In particular, the Companies within the scope of analysis area adopt a financial reporting risk model that is consistent with the model used by the Company so as to create a uniform system throughout the Group. The models are then changed as indicated by Banca Generali's manager in charge of the Company's reports.

Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process

The key characteristics of the financial reporting risk model adopted by Banca Generali are summarised below, with particular reference to: (A) phases of the model; (B) departments/employees involved in the model and their respective roles; (C) information flows.

(A) Phases of the financial reporting risk model

The different phases of the financial reporting risk model were defined by the Company based on the reference framework (CoSO Framework). In detail, the model may be divided into the following phases: (i) identification and assessment of financial reporting risks, (ii) identification and assessment of controls for mitigating identified risks.

(i) Identification and assessment of financial reporting risks:

to identify and assess financial reporting risks, the Company identifies the relevant companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative elements. Companies within the scope of analysis are those that, in considering the relationships between the assets, revenues and profit or loss of the individual companies and consolidated balances, exceed specific limits established by best market practice (in 2011, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included in the scope of processes to be analysed. Each process is assigned an analysis priority based on quantitative elements. Lastly, qualitative elements referring to the companies' risk profiles, which are based on both internal and external factors, are added to the scope of analysis. The scope of analysis is revised at least annually or when warranted by changes in the Group's structure.
Each risk is evaluated to determine its level of significance based on its inherent risk (or gross risk), which does not consider the mitigating effect of controls associated with it. The assessment of gross risk is based on a combination of (i) the probability that the event, that could potentially cause an administrative or accounting error, will occur during a specific timeframe, and (ii) the impact that such event could have on accounting and financial data and, consequently, on the presentation of a true and fair view of assets, liabilities, profit or loss and financial position. The probability is determined by the frequency of controls and how they are carried out, while the impact is measured based on the priority of the analysis process, as described above. The result of the assessment process can be either "high", "medium" or "low". Furthermore, as part of the assessment, control objectives are established in accordance with best market practice. Each control objective is associated with a specific financial assertion (existence or occurrence, completeness, valuation or allocation, presentation and disclosure, rights and obligations).

(ii) Identification and assessment of controls for mitigating identified risks;

the financial reporting risk model includes the following types of controls: (a) company-level; (b) process-level; (c) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

(a) time of execution: controls can be either preventative or after-the-fact;
(b) the execution procedure: manual, automatic or semi-automatic;
(c) nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
(d) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design is evaluated and a phase in which the actual application is evaluated according to specific methods for each type of control. If during these phases shortcomings are identified in the management of financial reporting risk, the appropriate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the manager in charge of the Company's financial reports.

(a) Company-level controls

The goal of company-level controls is to ensure the existence of an organised, formal company structure designed to reduce the risk of improper conduct through adequate governance systems, standards of conduct based on ethics and integrity, efficient organisational structures, clarity in the assignment of powers and responsibilities, adequate risk management policies, employee disciplinary systems, efficient codes of conduct and fraud-prevention systems. Adequacy assessments focus on ensuring the existence and dissemination of the appropriate tools (such as policies, codes, rules, service rules, etc.) used to identify rules of conduct applicable to company employees. The next phase involves evaluating the actual application of the aforementioned rules.

(b) Process-level controls

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determining the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

(c) Controls on Information Technology (IT)

IT controls focus on processes associated with managing and handling information stored in the computer systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development and maintenance, data completeness and accuracy, IT risk analysis and information system management. As for the applications used to create the financial statements, in relation to business processes as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the main automatic controls performed by applications as part of major processes.

(B) Departments/employees involved in the model, their roles and information flows

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages its corporate boards and operating and control units in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Audit and Risk Committee, ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the manager in charge of the Company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law No. 262.

The manager in charge of the Company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board. Accordingly, he/she is responsible for evaluating the adequacy and use of administrative and accounting procedures and their ability to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the manager in charge of the Company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him/her. The Unit also serves as a point of reference for the entire Group as regards the management of administrative and accounting risks through guidance and coordination activities.

Banca Generali's Internal Regulations and Procedures Service is responsible for mapping the administrative and accounting processes of the Company and Group and ensuring that the information and documentation pertaining to them is kept up-to-date.

The Internal Audit Service periodically evaluates the efficiency of procedures and controls included in these processes and supports the Law 262 Organisational Unit in its assessment of the risks and related controls within the Group's administrative and accounting processes.

Compliance Service is responsible for checking and assessing the appropriateness and effectiveness of administrative and

accounting processes, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all the banking and investment services offered by the Banking Group, especially so as to minimise the risk of non-conformities.
Process Owners (managers of the Company's and Group's Organisational Units) are appointed by Top Management and are in charge of managing one or more major processes in accordance with Law No. 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found.
Furthermore, if key activities and/or controls that are the responsibility of a department other than the Process Owner's are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion for which he/she is responsible.
The Company also developed through a special circular related all Group companies a documentation system that ensures that all boards, departments and employees with specific tasks within the internal control and risk management system work together to complete their respective duties.
The activities, information and documents included in the financial reporting risk model are managed using computer applications that are shared with other control units.
The manager in charge of the financial reports of the Company reports to the Board of Directors on a regular basis as to the activities carried out in exercising his/her functions.

10.3 Organisational model pursuant to Legislative Decree No. 231/2001

Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.
The above-mentioned Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.
The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation or duty, but a right, that the Company has decided to exercise in order, not only to restructure and formalise, where necessary, a system of preventive checks aimed at preventing conduct entailing administrative liability for the Company pursuant to the above-mentioned Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.
On 19 June 2006, the Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The aforesaid Model must be constantly updated taking due account of changes in the relevant regulatory framework. A copy of the Model is available on the website *www.bancagenerali.com/AboutUs/CorporateStructure/BancaGenerali*.
Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption. The Model is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, and is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.
In accordance with the provisions of the aforesaid Decree, the task of supervising compliance with the Model and updating the same, must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.
The Company has therefore set up a panel to act as a Supervisory Board (reporting to the Board of Directors), defining the tasks and functioning thereof. The Company has opted to appoint to the said Supervisory Board, persons who hold positions within the Company's organisational structure, that, for technical and/or organisational reasons, enable them to make meaningful contributions to performing the tasks and attaining the goals of the Supervisory Board.
Accordingly, the Board of Directors has decided that the Company's Supervisory Board shall consist of a panel made up of a non-executive Director, the Head of the Legal Affairs Department and the Head of the Internal Audit department.

The make-up of the current Supervisory Body, the members of which are specified in the table below, was approved by the Board of Directors on 12 September 2012:

NAME AND SURNAME	OFFICE HELD
Mario Francesco Anaclerio	Chairman and Non-executive Director
Francesco Barraco	Internal Auditor
Cristina Rustignoli	Head of the Legal and Compliance Department

No further assessments have been made regarding whether or not the Board of Statutory Auditors ought to be invested with the role of the Supervisory Board, given that any determination in such respect would have to be compliant with the order that the Bank of Italy has yet to issue in respect of the internal control system of banks (currently in the consultation phase).
In carrying out its tasks, the Supervisory Board is to avail of the support of other corporate departments, especially the Compliance Department.

10.4 Independent Auditors

In light of the regulatory framework following the entry into force of the Italian Legislative Decree No. 303/2006, the Ordinary Shareholders' Meeting held on 24 April 2007 extended the appointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ending 31 December 2014. As a consequence of this extension, the total number of consecutive years subject to auditing is nine, and, therefore, the appointment complies with the provisions of Article 17, of Legislative Decree No. 39 of 27 January 2010.

10.5 Manager in charge of the Company's financial reports

Article 154-*bis* of Legislative Decree No.58 of 24 February 1998, introduced by Law No. 262 of 28 December 2005, requires *inter alia*:

a) the Manager in charge of the company's financial reports to issue a written statement attesting that any and all notices and information the Company discloses on the market in respect of its annual and/or interim financial reports corresponds to the documentary results, books and accounting records;
b) the Manager in charge of the company's financial reports and the delegated Administrative Bodies to issue a joint written statement to be attached to the annual financial statements, the condensed half-yearly financial statements, and, where applicable, the consolidated financial statements, certifying the appropriateness and effective implementation of all relevant accounting and administrative procedures during the accounting period of reference, as well as warranting that all the related accounting documents were prepared in accordance with the international accounting principles generally accepted and applied within the European Union, and, accordingly faithfully reflect the contents of the Company's accounting books and records, with the result that the said accounting documents may be deemed to provide a true and fair view of the balance sheet, income statement and cash flow of the Company and the Group, and moreover, attesting, in respect of the annual financial statements and the consolidated financial statements, that the related Directors' Report includes a reliable analysis not only of business trends and operating results, but also of the situation of the issuer and all the companies included in the reporting entity, together with a description of the main risks and uncertainties to which the Company and Group are exposed, as well as, in respect of the abbreviated half-yearly financial statements, that the related interim Directors' Report comprises a reliable analysis of the information mentioned in paragraph 4 of Article 154-*ter* of TUF;
c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Manager in charge of the company's financial reports and the proper implementation of "administrative and accounting procedures".

Pursuant to Article 23, paragraph 3 of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, shall appoint and dismiss the Manager in charge of drawing up the company's accounting documents, in compliance with Article 154-*bis* of Legislative Decree No. 58 of 24 February 1998, establishing the powers and resources of the same.

Paragraph 4 of the same Article provides that the said Manager shall be selected from amongst the company executives in possession of the following professional qualifications:

- suitable professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
- specific know-how in the field of financial reporting and auditing, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures, acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The said Manager must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.
On 24 January 2007, pursuant to the Articles of Association, and taking into consideration the opinion of the Board of Statutory Auditors, the Board of Directors appointed Giancarlo Fancel to serve, as of 1 February 2007, as Manager in charge of drawing up the company's accounting documents, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, after having ensured that he was fit and proper for such appointment within the meaning of Article 23 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.
Giancarlo Fancel is the Vice Deputy General Manager in charge of coordinating the Planning & Control, Administrative and Organisation Department, Organisation and Regulation, Coordination of IT Management Development, Finance and Risk Management service and Trade Marketing Office, tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

Following the entry into force of Legislative Decree No. 195 of 6 November 2007 which implemented the Transparency Directive

(2004/109/EC) and amended Article 154-*bis* of Legislative Decree No. 58/1998, on 20 February 2008, the Company's Board of Directors revised the powers and responsibilities invested in Giancarlo Fancel as Manager in charge of the company's financial reports, in which capacity he is required:

(i) as Manager in charge of the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, to ensure that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports, are accompanied by a written statement issued by him, and attesting that the said notices and information corresponds to the documentary results, books and accounting records;

(ii) as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree No. 58/1998, to draw up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports as well as any and all other financial notices;

(iii) as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree No. 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator CONSOB and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow of the issuer and all the companies making up the reporting entity;

(iv) to certify that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;

(v) to certify that the Directors' report on operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;

(vi) to certify that the interim Directors' report on operations attached to the condensed half-yearly financial statements includes a reliable analysis of the information mentioned in Article 154-*ter*, paragraph 4, of Legislative Decree No. 58/1998;

(vii) to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in Article 154-*bis* of Legislative Decree No. 58/1998;

(viii) for the purposes of discharging the tasks and/or exercising the powers mentioned in Article 154-*bis* of Legislative Decree No. 58/1998, to avail of the support and collaboration of other corporate functions (including the Internal Audit Department) should intervention by the latter be deemed necessary or even merely useful towards such end.

In order to fully comply with the article in question, in early 2007, the Company launched an initiative known as the FARG - Financial Accounting Risk Governance Project, the management of which was entrusted to a project-specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such purpose. The previous section "Main features of the Company's risk management and internal control systems related to the financial reporting process" provides further information on FARG.

10.6 Coordination amongst parties involved in the internal control and risk management system

Regarding the procedures implemented related to the coordination of amongst the various persons and parties involved in the internal control and risk management system, with a view to avoiding overlappings and ensuring comprehensive risk assessment and containment, it must be pointed out, *inter alia*, that:

i) a Risk Committee has been set up to serve as a panel made up of the heads of Internal Audit, Compliance and Risk Management;

ii) joint meetings are to be held with the Board of Statutory Auditors and the heads of control functions, especially at the time of drawing up the timetable of activities;

iii) a specific circular has been issued with regard to the coordination of the activities undertaken by Internal Audit, Compliance and Risk Management, with a view to ensuring that all related tasks are effectively planned, without, however, infringing on the independence of each of the aforesaid corporate functions;

iv) the various control functions share a network folder specifically created to facilitate coordination;

v) the Boards of Statutory Auditors of the Group companies hold periodic joint meetings;

vi) the Board of Statutory Auditors attends the meetings of the Audit and Risk Committee, and the Chairman of the Board of Statutory Auditors attends the meetings of the Remuneration and Nomination Committee;

vii) the Board of Statutory Auditors periodically attends the meetings of the Supervisory Board;

viii) in the case of certain specific projects, the related analyses are conducted jointly by the various control functions.

Information on other parties involved in the internal control and risk management system, is provided in chapter 10 – Internal Control and Risk Management System.

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In compliance with the provisions set forth in Article 2391-*bis* of the Italian Civil Code and Article 4 of the Regulation on Related Party Transactions (approved pursuant to CONSOB Resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010), Banca Generali's Board of Directors - after hearing the opinion of the Internal Audit and Risk Committee set up within the Board of Directors and made up of independent directors - approved procedures aimed at ensuring the transparency as well as the procedural and substantive correctness of related party transactions (the "Related Party Transaction Procedure" or merely the "Procedure").
Following the adoption by the Bank of Italy, on 12 December 2011, of the Provisions on risk activities and conflicts of interest of banks and banking groups with Connected Parties, on 21 June 2012 the Board of Directors of Banca Generali, in view of the contiguity of the matters, supplemented the above Procedure, also in compliance with the requirements laid down by Article 9 of the Corporate Governance Code for Listed Companies, by including the provisions on Connected Parties within the same Procedure and passing resolution on a new version of the "Related Party and Connected Party Transaction Procedure".
The new Related Party and Connected Party Transaction Procedure, in force as from 31 December 2012, is intended to implement CONSOB and Bank of Italy regulations, by adopting, at group level, rules on transactions with Related Parties and Connected Parties governing the related investigation activities and approval, reporting and disclosure powers.

The main changes introduced by the Bank of Italy provisions, as reflected in the Related Party and Connected Party Transaction Procedure, consist of:

- the expanded scope of the parties involved, i.e. Connected Parties (Related Parties and Associated Entities) and the change in the characteristics of some of the identified parties with respect to the CONSOB Regulation;
- the introduction of prudential limits in respect of the Capital for Regulatory Purposes 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;
- the 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.

Furthermore, any and all Related Party Transactions falling within the scope of Article 136 of TUB, shall be subject to the regulatory framework incorporated within the said law.
This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant Related Party Transactions to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Italian Civil Code, as well as any and all transactions falling within the scope of Article 136 of TUB.

To ensure full and proper disclosure of any and all Related Party and Connected Party Transactions effected by the Company, the Procedure also requires:

(i) the Company's Board of Directors to include an account of all related party and connected party transactions concluded during any financial year, including through Subsidiaries. in the Directors' Report mentioned in Article 2428 of the Italian Civil Code;
(ii) the Chief Executive Officer shall report to the Board of Directors as well as the Board of Auditors in respect of the conclusion of any and all Moderately Significant Related Party and Connected Party Transactions, at least on a quarterly basis;
(iii) the Chairman of the Board of Directors shall ensure that adequate information on all Moderately Significant Related Party Transactions pertaining to the Board of Directors and all Highly Significant Related Party Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Italian Civil Code, but also to the Board of Statutory Auditors;
(iv) the Board of Statutory Auditors shall monitor compliance with the provisions of the above-mentioned Procedure and shall submit a report in such regard to the Shareholders' Meeting pursuant to Article 2429, paragraph 2, of the Italian Civil Code.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that in certain cases, the said transactions may be subject to prior approval by the parent company.
The Procedure for Related Party Transactions can be viewed on the corporate website (www.bancagenerali.com), section "*Corporate Governance - Corporate Governance System - Company Regulations*".

Moreover, the Prudential Supervisory Provisions Concerning Banks, and, in particular, Bank of Italy Circular No. 263/2006, as

amended by the 9th update of 12 December 2011, introduced new industry-wide regulations governing risk-taking and conflicts of interest in respect of Connected Parties (Title V, Chapter 5, of the said Circular).

The provisions in question are aimed at containing the risk that the closeness of certain persons to the bank's decision-making centres could compromise the objectivity and impartiality of decisions pertaining to the approval of loans and other transactions involving the said persons, and potentially give rise to distortions in the resource-allocation process, expose the bank to risks that are not adequately measured or contained, and/or result in harm and losses to depositors and shareholders. In pursuit of this objective, the aforesaid regulatory provisions include within the scope of the term "Related Parties", first and foremost, the company top management, main shareholders and other persons in a position to influence bank management, in light of their seniority or authority, or otherwise, the delegated powers vested in them, whether to be exercised individually or jointly with others. The regulatory provisions specify that conflicts of interest might emerge even in course of business and other dealings with subsidiaries or entities over which the bank exercises considerable influence, or in respect of which the bank is significantly exposed pursuant to loans, and/or as a result of participating interests held in the same.

Under the aforesaid provisions, any related party and any and all persons thereto connected fall within the scope of the definition of the term "Connected Parties", all of which are subject to quantitative restrictions and procedural rules imposed under the said regulatory framework. The quantitative restrictions consist in the imposition of prudential limits on the amount of risk a bank or banking group may assume in respect of the said parties, it being understood that the related ceilings are differentiated on the basis of the type of related party in question, with a view to ensuring proportionality with the closeness of the ties and the repercussions of associated risks in terms of sound and prudent business 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 related parties qualifying as non-financial entities. The regulatory framework is completed by supplementing prudential restrictions with procedural requirements entailing specific decision-making steps designed to ensure the proper allocation of resources and adequately protect third parties against undue harm and losses. Moreover, specific guidelines relating to organisational arrangements and internal controls enable the identification of 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.

Towards this end, each bank is, first and foremost, required to clearly identify the procedures applicable to transactions with connected parties.

Furthermore, again in order to ensure compliance with the aforesaid regulatory framework, all banks (and the parent companies of banking groups) are bound to approve internal policies regulating the checks to be carried out on risk-taking and conflicts of interest in respect of connected parties.

In compliance with the above-mentioned requirement, on 18 December 2012, Banca Generali's Board of Directors, approved specific "Internal Policies Governing Controls of Risk Assets and Conflicts of Interest in Relation to Connected Parties".

The said "Policies", *inter alia*:

(i) require risk-appetite levels to be maintained in line with the strategic profile and organisational features of the bank or banking group, it being understood that the appetite for risk is also defined in terms of the maximum risk exposure towards connected parties, that may be considered acceptable in light of regulatory capital requirements, taking due account of the cumulative risk assumed in respect of the sum total of connected parties;
(ii) without prejudice to Banca Generali's existing rules and regulations with regard to conflicts of interests, sets forth specific provisions governing business dealings with connected parties, and the sectors of operations and types of economic relationships involved, which whilst not necessarily entailing risk-taking, could give rise to conflicts of interest;
(iii) regulate organisational processes designed to identify and individually list all connected parties, duly recording and quantifying any and all transactions effected with the same, at all stages of the relationship;
(iv) require the implementation of checks and monitoring procedures designed to ensure that risks are properly assessed and managed throughout the course of dealings with connected parties, and that internal policies are appropriately designed and effectively enforced..

Obligations of Company officers and executives pursuant to Legislative Decree No. 136 of TUB

With regard to the obligations binding on company officers and executives of banks, it must be borne in mind that pursuant to Article 136 of TUB, as last amended with Legislative Decree No. 179/2012, the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, with the bank. This prohibition may only be overcome with the favourable resolution of the management body, and with the unanimous vote of all the members of the control body, without prejudice to the obligations set forth by the Italian Civil Code regarding the directors' interests and related party transactions.

In order to constantly monitor situations that could give rise to potential conflicts of interest, Banca Generali has adopted the specific measures and precautions listed below: (i) at the time of their appointment, all company officers and executives are

directly and personally made aware of the contents of the regulations in question, through a summary brochure of the obligations arising under the current regulatory framework as well as a "Personal Data Sheet" to be filled in by company officers and executives, specifying the positions they hold and the relationships relevant for the intents and purposes of Article 136 of TUB; (ii) custom-designed purpose-specific software is used to record all the information contained in the personal data sheet, as most recently updated; (iii) regulatory compliance is monitored - with a view to preventing conflicts of interest (by subjecting transactions effected by persons vested with powers of business administration, management or control, using the monies, assets or guarantees of the Bank or group companies, to specific assessment by the Bank's governing and control bodies) - through specific computersed processes that prevent the transactions in questions from being completed unless all related regulatory procedures and formalities are strictly complied with.

Moreover, bearing in mind that on 21 June 2012, in compliance with the requirements imposed under the CONSOB Regulation No. 17221 of 12 March 2010 and the Bank of Italy Provisions of 12 December 2011, Banca Generali S.p.A.'s Board of Directors approved the "Procedure for Transactions with Related Parties and Connected Parties", within the framework of an internal project aimed at designing and implementing, both from an IT and an organisational standpoint, a multi-regulatory process for managing the type of transaction in question, Banca Generali, in close collaboration with the consulting firm Ernst&Young, developed the application software Easy Regulation that enables: (i) the identification and listing of Relevant Persons, whilst also allowing data pertaining to the same, to be managed and processed; (ii) the identification of those of Bank's transactions that fall within the scope of the various regulations; (iii) the registration and monitoring of the said transactions; (iv) the identification of transactions subject to specific procedural requirements, whilst supporting the computerised management and processing of transactions that exceed significance thresholds; (v) the production of personalised reports.

Bearing in mind, moreover, that one of the main novelties introduced through the Bank of Italy Order consists in the requirement for banks and banking groups to computerise the management of Connected Party Transactions, it must be pointed out that the process model selected by Banca Generali and supported by Easy Regulation is designed to ensure the streamlined, integrated and multi-regulatory management of transactions with Related Parties, Connected Parties and Company Executives.

Lastly, in compliance with the provisions set forth in the "Procedure for Transactions with Related Parties and Connected Parties" approved by the Board of Directors on 21 June 2012, the Bank's specific unit, made of one or more members of the Corporate Secretariat, has been entrusted with following main tasks: (i) updating the list of the persons and parties involved, after having identified the latter; (ii) managing decision-making procedures, information flows regarding the transactions, and relations with the Audit and Risk Committee and the Board of Directors; (iii) managing internal and external transparency obligations with supervisory bodies; (iv) drawing up the reports to be filed under the aforesaid CONSOB and Bank of Italy regulations; (v) coordinating activities with relevant corporate functions of the Parent Company and Subsidiaries.

12. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three regular and two alternate Auditors, whose functions, duties and terms of office are defined by the law.

Pursuant to Article 20 of the Articles of Association, regular and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations, may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.

Auditors are appointed on the basis of lists of candidates, in accordance with the procedures set forth below.

Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Currently, the percentage is 1.00%. Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the regular Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office. The lists, signed by the submitting shareholders, shall be filed at the Company's registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any and all forms required by applicable laws and regulations, no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list.

The first two candidates on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected regular Auditors; the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes and submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected alternate Auditors.

In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.

Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof by majority of the votes cast, in accordance with law.

In the event of votes being equal between two or more lists the younger candidates will be elected until all the posts to be assigned have been filled.

The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall shall be elected Chairman of the Board of Statutory Auditors. In the event of submission

of a single list, the first candidate specified therein will take the chairmanship.
In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the same list as the replaced Auditor will succeed him/her. Such alternate will succeed him/her for a period conterminous with the term of the other acting Auditors in office at the time of his/her appointment as an Auditor. Should the outgoing Auditor be the Chairman of the Board of Auditors, his/her replacement on such Board shall also assume the Chairmanship of the Board of Auditors. In the case where it is not possible to proceed as indicated above, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the aforementioned voting list system.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience in:

a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;
b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity.

In such regard, Article 20 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, parabanking, financial and insurance sectors.

13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to article 123-*bis*, paragraph 2, letter d) of TUF)

The Banca Generali's Board of Statutory Auditors currently in office was appointed by the General Shareholders' Meeting on 24 April 2012.
The table provided in Attachment 3 lists the members of the Board of Statutory Auditors as of 31 December 2012, other information about them and Board meeting attendance.
The Shareholders' Meeting of 24 April 2012 unanimously elected the members of the Board of Statutory Auditors from the only list presented by controlling shareholder Assicurazioni Generali S.p.A. The list contained the nominees that were elected, as follows: Acting Auditors (Giuseppe Alessio Vernì, Alessandro Gambi and Angelo Venchiarutti) and Alternate Auditors (Luca Camerini and Anna Bruno).

On the occasion of the appointment of new corporate boards, the Issuer shall ensure full compliance with the provisions regarding gender equality in respect of corporate governing and control bodies, set forth in Law No. 120 of 12 July 2011, which applies to all new governing and control bodies appointed following 12 August 2012.

A summary profile of the members of the Board of Statutory Auditors is provided below.

Giuseppe Alessio Vernì. Born in Trieste on 5 October 1964, he graduated in Economics from the University of Trieste in 1989. He is registered with the rolls of Certified Public Accountants and Commercial Experts of Trieste, as well as the list of Certified Auditors, the rolls of the Technical Consultants to the Civil Court of Trieste. Within the framework of his professional activities, he has acquired experience in the field of accounting, business administration, finance, taxation and tax litigation, and as a valuer of corporations and extraordinary corporate transactions. Since 1993, he acts as an Official Receiver with the Civil Court of Trieste. Member of the Board of Governors of the Order of Certified Accounting Consultants and Expert Accountants of Trieste. He is currently the Chairman of the Boards of Statutory Auditors of Banca Generali and Generfid S.p.A. and is also a Statutory Auditor of Assicurazioni Generali and other listed companies.

Alessandro Gambi. Born in Ferrara on 17 May 1965, he graduated in Economics from the University of the same city in 1989, he is registered with the Roll of Certified Public Accountants and Commercial Experts of Trieste, in the list of Certified Auditors since 2000 and with the rolls of the Technical Consultants and Experts since 1999.
He provides specialist consultancy services in the fields of corporate accounting, taxation and company law, and is often appointed to valuate corporations ahead of extraordinary transactions.
He serves as Standing Auditor with various Generali Group companies.
He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

Angelo Venchiarutti. Born in Rome on 20 September 1956, he graduated in Law from the University of Trieste in 1981. He earned a doctorate in Civil Law in May 1983, was appointed Associate Professor of Comparative Private Law in 1999 and subsequently tenured Professor of Private Law. He currently holds various positions within the University of Trieste where he has conducted a large number of university and other courses. He is also involved in research, and has published a large number of papers on civil law, comparative private law and commercial and insurance law. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company. Within the Banking Group, he also serves as the Chairman of the Board of Auditors of BG Fiduciaria SIM S.p.A.

Luca Camerini. Born in Trieste on 8 October 1963, he graduated in Economics from the University of Trieste in 1988. He is registered with the rolls of Certified Public Accountants of Trieste as well as the list of Certified Auditors. He has had his own practice since 2008. Within the Banking Group, he is a sitting member of the Boards of Auditors of BG Fiduciaria SIM S.p.A. and other Generali Group companies.

Anna Bruno. Born in Trieste on 16 October 1967, Anna Bruno obtained her diploma in Accounting and Business and is registered with the Roll of Certified Accountants and Expert Auditors of Trieste and the Institute of Certified Auditors. She serves as an Acting and Alternate Auditor at various Generali Group companies.

The Board of Statutory Auditors met 21 times in 2012. The average attendance of Auditors at Board of Directors' meetings in 2012 was 100%. A total of 22 meetings are planned for 2013. To date, three meetings have been held since the beginning of the year.
Under the New Bank of Italy Provisions, the company body vested with control functions is required to periodically verify its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. The provisions in question also require the members of the company body vested with control functions to meet a level of professionalism in line with the size and operational complexity of the Bank, and to devote sufficient time and resources to discharging their duties, whilst also establishing that on the occasion of the appointment of company officers and periodically over time, the number of similar positions held must be verified

and evaluated, with special attention to those requiring greater involvement in the current business of the Company. In light of the above, Article 20 of the Articles of Association, establishes, by way of reference to applicable regulations, both, the maximum number of other appointments a member of Banca Generali's Board of Auditors may simultaneously hold, and the requirements of professionalism to be met by the members of the said board.

In addition to meeting the requirements of personal integrity and independence and not labouring under any of the causes of unfitness or disqualification contemplated under special regulations and the Corporate Governance Code for Listed Banks, members of the Board of Auditors must also satisfy the requirements of professionalism set forth below, under penalty of forfeiting their appointments: at least one Standing Auditor and one Alternate Auditor (and in any event, the Chairman) must be registered with the Rolls of Certified Public Accountants, it being understood that sitting and alternate members of the said Board who do not meet this requirement must have acquired specific experience: a) as professional practitioners or full university professors specialising in law, economics, finance or technical-scientific fields closely related to the Company's specific sector of business; b) in managerial positions in public administrations or undertakings operating in sectors closely related to the Company's business operations.

Moreover, pursuant to the Bank of Italy Provisions, no member of the control body may hold any position within any body other than control bodies within other companies belonging to the group or financial conglomerate, and/or within companies in which the Bank holds, directly or indirectly, a strategic stake (that is to say, at least 10% of the share capital or voting rights at the Ordinary Shareholders' Meeting of the investee company, and 5% of the Banking Group's consolidated assets).

Satisfaction of the relevant requirements is verified by the Board of Directors in accordance with applicable supervisory regulations as well as the provisions of the Code.

Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 8 May 2012.

All the members of Banca Generali's Board of Auditors must be enrolled with the Order of Certified Public Accountants and Auditors, save for one member who must, in any event, meet the requirements of professionalism referred to above; all the members of the Board of Auditors must also be independent within the meaning of both Legislative Decree No. 58/1998 and the Self-regulatory Code.

The Board of Auditors last verified the independence of its members on 18 February 2013.

In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate Governance Code in respect of the independence of Directors.

Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. The same reporting obligations shall be binding, *mutatis mutandis*, on any Auditor falling within the scope of the cases contemplated in Article 136 of TUB.

The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

Given that, pursuant to statutory requirements, non-auditing services must be entrusted to an independent auditor, Article 20 of the Articles of Association vests the Board of Auditors with the power/duty to liaise with the other persons and parties with oversight responsibilities; forms of ongoing coordination have been developed to serve this purpose, entailing, *inter alia*, the scheduling of specific meetings especially for periodic exchanges of information and views between the Board of Auditors and the independent auditor. In respect of these issues the Board of Auditors may, if it deems fit, also avail of the advice and support of the Internal Audit and Risk Committee, as contemplated in the relevant Committee Rules.

Moreover, the Parent Company's control body must operate in close collaboration with its counterparts within subsidiaries. In performing its duties, the Board of Statutory Auditors coordinated its efforts with the control units (compliance, internal audit and risk management).

The Chairman of the Board of Directors has ensured that after their appointment, the members of the Board of Statutory Auditors will be able to participate in initiatives aimed at providing them with an adequate understanding of the industry in which the issuer operates, internal company dynamics and their evolution, as well as the regulatory framework of reference.

14. INVESTOR RELATIONS

Banca Generali feels that it has a specific interest - as well as a duty towards the market - to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.
In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market.
The management of daily relations with Shareholders is entrusted to the Company Secretariat Service within the Legal & Compliance Department.
On the other hand, the Investor Relations Department that reports directly to the Chief Executive Officer, is in charge of liasing with institutional investors.

The Company uses its website to allow the public to consult constantly updated information regarding the Company, its products and services.
Apart from a presentation and historical overview of the Company and the Group, the website hosts the most significant documents pertaining to Corporate Governance, all the press releases on the main corporate events as well as financial and accounting data.
The website also presents the Calendar of Events indicating the dates of meetings of Corporate Organs, such as Shareholders' and Board meetings called for the approval of the draft annual financial statements, the consolidated financial statements, the half-yearly condensed report and interim reports, as well as for making decisions in respect of purely financial matters.
In order to ensure the transparency and effectiveness of the information disclosed to the public, the website is constantly updated.

INVESTOR RELATIONS
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15. GENERAL SHAREHOLDERS' MEETINGS (pursuant to article 123-*bis*, paragraph 2, letter c) of TUF)

The procedures governing the conduct of Shareholders' Meetings are regulated by the Articles of Association and the Regulations of the Shareholders' Meeting.
The condition of shareholder implies acceptance of the Memorandum of Association and of the Articles of Association.
The Shareholders' Meeting is the body that expresses the Company's will through its resolutions. Resolutions adopted by Shareholders' Meeting in compliance with the law and the Articles of Association are binding on all shareholders, including those who are absent or dissenting.
The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors. Shareholders are called through published notice, under the terms and conditions required by applicable laws and regulations. The Shareholders' Meeting is called whenever the administrative body deems necessary and advisable or upon request of the Board of Statutory Auditors or of the shareholders, in accordance with the law, or in the other cases in which call of the Shareholders' Meeting is obligatory pursuant to law. The ordinary Shareholders' Meeting must be called at least once a year within 120 days of closure of the financial year. This deadline may be extended to 180 days where certain legal conditions are met.
In the cases provided by law, those shareholders who, alone or in conjunction with others, represent at least the percentage of share capital envisaged by current applicable regulations, are entitled to request call of the Shareholders' Meeting. Those shareholders who, alone or in conjunction with others, represent at least one fortieth of the share capital are entitled to request, in compliance with laws in force, integration of the list of items on the agenda.
The notice of call may specify the date of a second or third call, in the event that the Meeting does not prove to be legally constituted.
The persons or parties entitled to participate in the Shareholders' Meeeting, in accordance with applicable laws, may participate in the Shareholders' Meeting, provided that they prove their entitlement pursuant to the law and that the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received by the Company by the end of the third trading day prior to the date set for the first call of the Meeting, in accordance with Article 83-*sexies*, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.
Shareholders may be represented by others in the Shareholders' Meeting in accordance with the provisions of the law. In compliance with the provisions of Article 134 of TUF, the Company has appointed a representative for the exercise of voting rights.
Legal provisions are observed with regard to the validity of Shareholders' Meetings and their resolutions.
Ordinary and extraordinary Shareholders' Meetings are attributed all the powers to which they are respectively entitled pursuant to current regulations. The Ordinary Shareholders' Meeting shall establish the remuneration due to the organs it appoints. The said Shareholders' Meeting may provide for a lump-sum amount covering the remuneration of all company directors, including those vested with specific tasks, such lump-sum amount being subject to distribution amongst individual directors pursuant to the determinations of the Board of Directors. The Shareholders' Meeting shall also approve the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees. In respect of related party and connected party transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all related party and connected party transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.
Under the Article 18 of the Articles of Association, the Board of Directors is exclusively qualified to deliberate on matters pertaining to the setting up or closing down of secondary offices, indication of which Directors may represent the Company and use the company signature, mergers, in the cases permitted by law, amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.
The last General Shareholders' Meeting of 24 April 2012 was attended by three Directors. During the said meeting, the Board submitted a report on the activities it had undertaken and planned to undertake, and, moreover, took pains to ensure that shareholders were in a position to take well-informed decisions on the matters falling within their purview. The Remuneration and Nomination Committee reported to the shareholders in respect of the activities it had undertaken with regard to remuneration policies.

Regulations of the shareholders' meeting

Pursuant to Article 23 of the Board Rules, the Company encourages Shareholders to attend all Shareholders' Meetings.
The Board shall report to the Shareholders' Meeting in respect of completed and scheduled activities and shall ensure

that all Shareholders are provided adequate information on all pertinent matters so as to enable them to make informed decisions about the items placed on the agenda of Shareholders' Meetings.

In compliance with the recommendations of the Code, the Shareholders' Meeting of 3 October 2006 approved its own Regulations (lastly amended by resolution of the General Shareholders' Meeting on 20 April 2011), setting forth the procedures to be followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices as well as on its website, under the section "*Corporate Governance - AGM - Attending the AGM*".

The said Regulations are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, persons with the right to speak, the Directors, and the Statutory Auditors have the right to speak on each one of the issues placed up for discussion and make proposals on them.

Pursuant to Article 127-*ter* of TUF, shareholders are entitled to submit questions regarding the items placed on the Agenda even before the Shareholders' Meeting. Questions submitted prior to the Shareholders' Meeting shall be answered at the very latest during the course of the Shareholders' Meeting itself, even by treating several questions regarding the same subject-matter as a single query.

Entitled Attendees who intend to take the floor shall submit a written request to the Chairman, after the items on the agenda have been read out and before the discussion on the item subject to the request to speak has been declared closed.

If the Chairman so authorises, requests to take the floor may be made by raising the hand.

In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion.

The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to entitled attendees according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, taking due account of any and all questions raised by shareholders prior to the Shareholders' Meeting and left unanswered until the latter. Persons with the right to speak have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda as well as the number of persons requesting the floor and any and all questions raised by shareholders prior to the meeting and left unaddressed by the Company, shall announce the period of time available for each Entitled Attendee to take floor, such time, as a general rule, being established at no less than five and no more than ten minutes for each speaker. When such period of time has expired, the Chairman may invite the entitled attendee to conclude within another five minutes.

16. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-*bis*, paragraph 2, letter a) of TUF)

Further information of corporate governance practices is provided in the relevant individual paragraphs of this Report.

17. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

The changes brought to the corporate governance structure since the end of the financial year are outlined in the relevant individual paragraphs of this Report.

Milan, 8 March 2013

THE BOARD OF DIRECTORS

Annex 1
Information on Company ownership

Structure of the share capital

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	113,888,282	100	Listed on the electronic share market (MTA) of Borsa Italiana S.p.A.	All the rights contemplated under the Italian Civil Code and Articles of Association
Shares with limited voting right	0	0	-	-
Shares without voting right	0	0	-	-

Other financial instruments (giving right to underwrite newly issued shares)

	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	NO. OF OUTSTANDING INSTRUMENTS	CATEGORY OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE	NO. OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

Significant shareholdings

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
ASSICURAZIONI GENERALI S.p.A.	Assicurazioni Generali S.p.A.	45.101	45.101
	Generali Vie S.A.	9.755	9.755
	Genertellife S.p.A.	4.943	4.943
	Alleanza Toro S.p.A.	2.727	2.727
	INA Assitalia S.p.A.	0.505	0.505
	Genertel S.p.A.	0.446	0.446

Annex 2
Board of Directors' and committees' structure

		BOARD OF DIRECTORS (AS OF 8 MARCH 2013)			
OFFICE HELD	MEMBER	IN OFFICE FROM [1]	IN OFFICE UNTIL	LIST (M/N)	EXEC.
Chairman	Paolo Vagnone	25.07.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2012	(*)	-
Chief Executive Officer	Piermario Motta	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014	M (***)	X
Director	Raffaele Agrusti	08.08.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2012	(****)	X
Director	Mario Francesco Anaclerio	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014	M (***)	-
Director	Paolo Baessato	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014	M (***)	-
Director	Giovanni Brugnoli	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014	M (***)	-
Director	Fabio Genovese	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014	M (***)	-
Director	Anna Gervasoni	24.04.2012	Shareholders' Meeting to approve the fin. statements as of 31.12.2014	M (***)	-
Director	Angelo Miglietta	21.04.2009	Shareholders' Meeting to approve the fin. statements as of 31.12.2014	M (***)	-
Director	Ettore Riello	20.07.2007	Shareholders' Meeting to approve the fin. statements as of 31.12.2014	M (***)	-

(1) The date refers to the first appointment.
(2) In determining the total number of companies in which appointees to the Company's Board of Directors hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group, with the exception of corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company's Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations.
(*) On 25 July 2012 Mr. Vagnone was appointed Director by co-option; on 8 August 2012 he was appointed Chairman of the Board of Directors.
(**) The Chairman, as required by the Bank of Italy's provision, does not have any operating power within the company.
(***) The Majority list was the only list presented.
(****) On 8 August 2012, Mr. Agrusti was appointed Director by co-option.

Directors who left office during the reference year

		BOARD OF DIRECTORS			
OFFICE HELD	MEMBER	IN OFFICE FROM	IN OFFICE UNTIL	LIST (M/N)	EXEC.
Chairman	Giorgio Girelli	29.05.2000	23.07.2012	M (*)	X
Director	Giovanni Perissinotto	31.01.2000	23.07.2012	M (*)	-

(*) The majority list was the only list presented.

Necessary quorum to present lists for the latest appointment: 2%

Number of meetings held during reference year:

Board of Directors 10
Internal Audit and Risk Committee 7
Remuneration and Nomination Committee 6

	BOARD OF DIRECTORS (AS OF 8 MARCH 2013)					INTERNAL AUDIT AND RISK COMMITTEE		REMUNERATION AND OMINATION COMMITTEE	
	NON-EXEC.	INDEP. AS PER CODE	INDEP. PURSUANT TO ART. 37 OF CONSOB REGULATION NO. 16191/2007	(%)	NUMBER OF OTHER OFFICES (2)	MEMBER	(%)	MEMBER	(%)
	X (**)	-	-	100	7	-	-	-	-
	-	-	-	100	2	-	-	-	-
	-	-	-	80	14	-	-	-	-
	X	X	X	100	18	X (Chairman)	100	-	-
	X	X	X	100	2	X	100	X (Chairman)	100
	X	X	X	90	1	X	83.33	-	-
	X	X	X	100	1	-	-	X	100
	X	X	X	90	3	X	100	-	-
	X			90	12	-	-	-	-
	X	X	X	80	3	-	-	X	60

	BOARD OF DIRECTORS					INTERNAL CONTROL COMMITTEE		REMUNERATION COMMITTEE	
	NON-EXEC.	INDEP. AS PER CODE	INDEP. AS PER TUF	(%)	NUMBER OF OTHER OFFICES	MEMBER	(%)	MEMBER	(%)
	-	-	-	75	-	-	-	-	-
	X	-	-	50	2	-	-	-	-

Annex 3
Statutory Auditors' Structure

BOARD OF STATUTORY AUDITORS (AS OF 8 MARCH 2013)

OFFICE HELD	MEMBER	IN OFFICE FROM [1]	IN OFFICE UNTIL
Chairman	Giuseppe Alessio Vernì	01.11.1998	Shareholders' Meeting to approve the fin. statements as of 31.12.2014
Standing Auditor	Angelo Venchiarutti	15.11.2006	Shareholders' Meeting to approve the fin. statements as of 31.12.2014
Standing Auditor	Alessandro Gambi	21.04.2009	Shareholders' Meeting to approve the fin. statements as of 31.12.2014
Alternate Auditor	Luca Camerini	21.04.2009	Shareholders' Meeting to approve the fin. statements as of 31.12.2014
Alternate Auditor	Anna Bruno	23.11.2009	Shareholders' Meeting to approve the fin. statements as of 31.12.2014

(*) The majority list was the only list presented.
(1) The date refers to the first appointment.

Leaving auditors during reference year: 0

Necessary quorum to present lists for the latest appointment: 2%

Number of meetings held during reference year: 21

BOARD OF STATUTORY AUDITORS (AS OF 8 MARCH 2013)

LIST (M/N)	INDEP. AS PER CODE	(%)	NUMBER OF OTHER OFFICES
M (*)	X	100	11
M (*)	X	100	4
M (*)	X	100	8
M (*)	X	-	5
M (*)	X	-	6

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CONSOLIDATED FINANCIAL STATEMENTS

as of 31 December 2012

BOARD OF DIRECTORS 8 MARCH 2013

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Assets

(€ THOUSAND)		31.12.2012	31.12.2011
10.	Cash and deposits	10,386	73,959
20.	Financial assets held for trading	222,548	35,323
30.	Financial assets at fair value	-	-
40.	AFS financial assets	1,733,885	1,318,992
50.	HTM financial assets	3,000,330	1,415,701
60.	Loans to banks	843,368	514,171
70.	Loans to customers	1,308,585	971,648
120.	Property and equipment	4,416	5,332
130.	Intangible assets	47,362	46,771
	of which:		
	- goodwill	38,632	38,632
140.	Tax receivables	41,163	77,046
	a) current	1,720	14,011
	b) prepaid	39,443	63,035
	b1) as per Law 214/2011	*11,629*	*12,843*
150.	Non-current assets held for sale and disposal groups	-	675
160.	Other assets	105,222	89,271
	Total assets	**7,317,265**	**4,548,889**

Net equity and liabilities

(€ THOUSAND)		31.12.2012	31.12.2011
10.	Due to banks	2,229,896	1,070,909
20.	Due to customers	4,491,173	3,042,371
40.	Financial liabilities held for trading	1,448	1,737
80.	Tax payables	36,620	21,019
	a) current	33,365	19,734
	b) deferred	3,255	1,285
90.	Liabilities associated with disposal groups	-	316
100.	Other liabilities	95,013	85,043
110.	Employee termination indemnities	4,190	4,003
120.	Provisions for liabilities and contingencies	63,805	61,070
	b) other provisions	63,805	61,070
140.	Valuation reserves	-10,587	-56,341
170.	Reserves	139,841	126,508
180.	Additional paid-in capital	16,591	3,231
190.	Share capital	112,938	111,676
200.	Treasury shares (-)	-41	-248
210.	Minority interests (+/-)	7,166	4,176
220.	Net profit (loss) for the year (+/-)	129,212	73,419
	Total net equity and liabilities	**7,317,265**	**4,548,889**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Items (€ THOUSAND)		2012	2011
10.	Interest income and similar revenues	157,392	79,231
20.	Interest expense and similar charges	-45,840	-30,172
30.	**Net interest income**	**111,552**	**49,059**
40.	Commission income	384,633	350,722
50.	Commission expense	-170,568	-162,760
60.	**Net commissions**	**214,065**	**187,962**
70.	Dividends and similar income	739	92,259
80.	Net income (loss) from trading activities	8,485	-87,593
90.	Net profit from hedging	-937	-
100.	Gain (loss) from sales or repurchase of:	4,067	2,022
	a) receivables	-4,311	893
	b) AFS financial assets	7,549	1,330
	c) HTM financial assets	829	-201
120.	**Net banking income**	**337,971**	**243,709**
130.	Net adjustments/reversals due to impairment of:	-4,284	-5,979
	a) receivables	-3,572	-2,163
	b) AFS financial assets	-1,016	-3,980
	c) HTM financial assets	304	164
140.	**Net result from banking operations**	**333,687**	**237,730**
180.	General and administrative expense:	-159,812	-143,343
	a) staff expenses	-67,161	-64,780
	b) other general and administrative expense	-92,651	-78,563
190.	Net provisions for liabilities and contingencies	-18,613	-10,068
200.	Net adjustments/reversals of property and equipment	-1,759	-1,715
210.	Net adjustments of intangible assets	-2,734	-2,376
220.	Other operating expense/income	19,139	8,666
230.	**Operating expense**	**-163,779**	**-148,836**
270.	Gains (losses) from disposal of investments	-4	-1
280.	**Profit (loss) from operating activities before income taxes**	**169,904**	**88,893**
290.	Income taxes for the year on operating activities	-37,276	-13,354
300.	**Net profit after income taxes**	**132,628**	**75,539**
310.	Income of disposal groups, net of taxes	451	1,835
320.	**Net profit for the year**	**133,079**	**77,374**
330.	Minority interests (+/-) for the year	-3,867	-3,955
340.	**Net profit (loss) for the year of the Parent Company**	**129,212**	**73,419**

STATEMENT OF COMPREHENSIVE INCOME

Items			
(€ THOUSAND)		2012	2011
10.	**Net profit for the year**	**133,079**	**77,374**
	Other income net of income taxes		
110.	**Total other income net of income taxes**	**45,754**	**-32,629**
120.	**Comprehensive income**	**178,833**	**44,745**
130.	Comprehensive income attributable to Minority Interests	-3,867	-3,955
140.	**Consolidated comprehensive income attributable to the Parent Company**	**174,966**	**40,790**

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 YEAR	NET EQUITY	NET EQUITY, GROUP	NET EQUITY, MINORITIES
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
Net equity at 31.12.2011	**113,597**	**-**	**3,231**	**118,769**	**8,719**	**-56,341**	**-**	**-2,680**	**-248**	**77,374**	**262,421**	**258,245**	**4,176**
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	
Amount at 01.01.2012	113,597	-	3,231	118,769	8,719	-56,341	-	-2,680	-248	77,374	262,421	258,245	4,176
Allocation of net income of the previous year:	-	-	-	12,403	-	-	-	2,680	-	-77,374	-62,291	-61,415	-876
- Reserves	-	-	-	12,403	-	-	-	-	-	-12,403	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	2,680	-	-64,971	-62,291	-61,415	-876
Change in reserves	1	-	-	-	3,710	-	-	-	1	-	3,712	3,713	-1
Transactions on net equity:	1,262	-	13,360	-	-2,383	-	-	-	206	-	12,445	12,445	-
- Issue of new share	1,262	-	13,360	-	-3,095	-	-	-	206	-	11,733	11,733	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	712	-	-	-	-	-	712	712	-
Comprehensive income	-	-	-	-	-	45,754	-	-	-	133,079	178,833	174,966	3,867
Net equity at 31.12.2012	**114,860**	**-**	**16,591**	**131,172**	**10,046**	**-10,587**	**-**	**-**	**-41**	**133,079**	**395,120**	**387,954**	**7,166**
Net equity, Group	**112,938**	**-**	**16,591**	**129,795**	**10,046**	**-10,587**	**-**	**-**	**-41**	**129,212**	**387,954**	**-**	**-**
Minority interest	**1,922**	**-**	**-**	**1,377**	**-**	**-**	**-**	**-**	**-**	**3,867**	**7,166**	**-**	**-**

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	NET EQUITY, GROUP	NET EQUITY, MINORITIES
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
Net equity at 31.12.2010	**113,284**	**-**	**-**	**97,488**	**8,468**	**-23,712**	**-**	**-**	**-660**	**86,351**	**281,219**	**274,598**	**6,621**
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2011	113,284	-	-	97,488	8,468	-23,712	-	-	-660	86,351	281,219	274,598	6,621
Allocation of net income of the previous year:	-	-	-	21,304	-	-	-	-	-	-86,351	-65,047	-61,327	-3,720
- Reserves	-	-	-	21,304	-	-	-	-	-	-21,304	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-65,047	-65,047	-61,327	-3,720
Change in reserves	-	-	-	-23	-	-	-	-	-	-	-23	-23	-
Transactions on net equity:	313	-	3,231	-	251	-	-	-2,680	412	-	1,527	4,207	-2,680
- Issue of new share	313	-	3,231	-	-846	-	-	-	412	-	3,110	3,110	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividends	-	-	-	-	-	-	-	-2,680	-	-	-2,680	-	-2,680
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	1,097	-	-	-	-		1,097	1,097	-
Comprehensive income	-	-	-	-	-	-32,629	-	-	-	77,374	44,745	40,790	3,955
Net equity at 31.12.2011	**113,597**	**-**	**3,231**	**118,769**	**8,719**	**-56,341**	**-**	**-2,680**	**-248**	**77,374**	**262,421**	**258,245**	**4,176**
Net equity, Group	**111,676**	**-**	**3,231**	**117,789**	**8,719**	**-56,341**	**-**	**-**	**-248**	**73,419**	**258,245**	**-**	**-**
Minority interest	**1,921**	**-**	**-**	**980**	**-**	**-**	**-**	**-2,680**	**-**	**3,955**	**4,176**	**-**	**-**

CONSOLIDATED CASH FLOW STATEMENT

Indirect method

(€ THOUSAND)	2012	2011
A. OPERATING ACTIVITIES		
1. Operations	**145,368**	**119,947**
Net profit (loss) for the year	133,079	77,374
Gain/loss on financial assets and liabilities held for trading	-3,274	273
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	4,284	5,979
Net adjustments of property, equipment and intangible assets	4,493	4,091
Net provisions for liabilities and contingencies and other costs/revenues	2,735	7,656
Taxes included in taxes not paid	28,859	12,991
Adjustments of discontinued operations	-	-
Other adjustments	-24,808	11,583
2. Liquidity generated by/used for financial assets (+/-)	**-1,213,847**	**70,119**
Financial assets held for trading	-181,499	82,330
Financial assets measured at fair value	-	-
Financial assets available for sale	-339,235	164,520
Loans to banks: repayable on demand	157,370	-53,411
Loans to banks: other receivables	-488,308	13,264
Loans to customers	-347,393	-138,228
Other assets	-14,782	1,644
3. Net liquidity generated by/used for financial liabilities (+/-)	**2,597,804**	**738,598**
Due to banks: repayable on demand	78,958	-34,614
Due to banks: other payables	1,073,489	650,656
Due to customers	1,438,679	125,257
Securities issued	-	-189
Financial liabilities held for trading	-878	-4,453
Financial liabilities measured at fair value	-	-
Other liabilities	7,556	1,941
Net liquidity generated by/used for operating activities	**1,529,325**	**928,664**

Indirect method

(€ THOUSAND)	2012	2011
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**696,498**	**146,464**
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of held-to-maturity financial assets	690,998	146,464
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	5,500	-
2. Liquidity used for	**-2,238,838**	**-944,504**
Purchase of equity investments	-	-
Purchase of held-to-maturity financial assets	-2,234,666	-941,579
Purchase of property and equipment	-847	-2,289
Purchase of intangible assets	-3,325	-636
Purchase of business units and equity investments in subsidiaries	-	-
Net liquidity generated by/used for investing activities	**-1,542,340**	**-798,040**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	11,733	3,109
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-62,291	-67,727
Net liquidity generated by/used for funding activities	**-50,558**	**-64,618**
NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR	**-63,573**	**66,006**
Reconciliation		
Cash and cash equivalents at year-start	73,959	7,953
Liquidity generated /used in the year	-63,573	66,006
Cash and cash equivalents - effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**10,386**	**73,959**

Notes and comments

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PART A - ACCOUNTING POLICIES

Part A. 1 - General

Section 1 - Declaration of compliance with International Accounting Standards

These consolidated 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.

The consolidated financial statements as of 31 December 2012 was prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups", which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 through a Provision dated 22 December 2005, as amended on 18 November 2009. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Explanatory Notes.

In preparing the financial statements, Banca Generali adopted the IAS/IFRS in force at 31 December 2012 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2012, several amendments to the IASs/IFRSs, and IFRIC documents were adopted and new IFRICs were issued.

The new standards and interpretations will enter into force for the most part in coming years and, therefore, they have not had a significant impact on the Banking Group's 2012 operations.

International Accounting Standards effective as of 2012	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets	305/2011	23.11.2011	01.01.2012

International Accounting Standards endorsed in 2012 and effective after 31 December 2012	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IAS 19 Employee Benefits	475/2012	06.06.2012	01.01.2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets	475/2012	06.06.2012	01.07.2012
IFRS 10 Consolidated Financial Statements	1254/2012	29.12.2012	01.01.2014
IFRS 11 Joint Arrangements	1254/2012	29.12.2012	01.01.2014
IFRS 12 Disclosure of Interests in Other Entities	1254/2012	29.12.2012	01.01.2014
IFRS 13 Fair Value Measurement	1254/2012	29.12.2012	01.01.2014
IAS 27 Separate Financial Statements	1254/2012	29.12.2012	01.01.2014
IAS 28 Investments in Associates and Joint Ventures	1254/2012	29.12.2012	01.01.2014
Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets	1255/2012	29.12.2012	01.01.2013
IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1255/2012	29.12.2012	01.01.2013
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1255/2012	29.12.2012	01.01.2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	1256/2012	29.12.2012	01.01.2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1256/2012	29.12.2012	01.01.2013

In 2012 the Bank of Italy and IAS/IFRS Application Coordination Board also issued certain notices concerning amendments and clarifications pertaining to instructions for the preparation of the financial statements of banks.

DATE	DOCUMENT	SUBJECT	EFFECTIVE DATE
22.03.2012	Technical note	Clarification on disclosure of LTROs, arrears interest on bad loans, residual life on non-demand portion of deposited interest, financial assets and liabilities designated at fair value	
15.05.2012	Document No. 5 by the Coordination Board between the Bank of Italy, CONSOB and ISVAP Concerning the Application of IAS/IFRS	Accounting treatment of certain categories of deferred tax assets (DTAs) pursuant to Law No. 214/2011	31.12.2012
01.06.2012	Notice 481309/12	Reporting treatment of non-performing exposures past-due and/or expired by more than 90 days (Circular No. 263/2005)	30.06.2012
07.08.2012	Notice 677311/12	Instructions regarding the disclosure in the financial statements of banks and financial entities (Circular No. 262/2005) of deferred tax assets pursuant to Law No. 214/2011	31.12.2012
		Clarification concerning the recognition of contingent assets, bad loans, the assignment of impaired loans, securities lending and the recognition of external guarantees and rating classes	31.12.2012
15.01.2013	Notice 46586/13	Amendments to Circular No. 262/2005, "The financial statements of banks: presentation schemes and rules for preparation," following the transposition of the amendment of IFRS 7 concerning the "transfer of financial assets"	31.12.2012
		Clarification concerning expedited evaluation fees, ABS securities (pool factor), amortising swap contracts, repurchase agreements involving securities in foreign currencies and securitisation	31.12.2012
01.02.2013	Notice 115320/13	Recommendations concerning the adoption of the disclosures contained in the document "Enhancing the Risk Disclosure of Banks" issued by the Enhanced Disclosure Task Force under the auspices of the FSB on 29 October 2012	31.12.2012

Section 2 - Preparation criteria

The consolidated annual financial statements consists of the following documents:

- Balance Sheet,
- Profit and Loss Account,
- Statement of Other Comprehensive Income,
- Statement of Changes in Net Equity,
- Cash Flow Statement,
- Notes and Comments.

The accounts are accompanied by a Directors' report on the Group's operations and situation.

The consolidated financial statements have been published in accordance with Article 154-*ter* of Legislative Decree No. 58/1998, enacted by Legislative Decree No. 195/07, which ratified the Transparency Directive, as amended by Legislative Decree No. 27 of 27 January 2010, which enacted Directive 2007/36/CE on the exercise of several rights of the shareholders of listed companies (so-called "Shareholders Rights Directive" or SHRD).

The statute requires that listed issuers whose home country is Italy make an annual financial report including the following items available to the public at their registered offices, on their websites and in the other ways specified by CONSOB in a regulation within 120 days of the end of the year:

- the annual financial statements,
- the consolidated financial statements,
- the Report on Operations, and
- the attestation as per Article 154-bis, paragraph 5.

The audit reports prepared by the independent auditors and the Board of Statutory Auditors' Report pursuant to Article 153 of the Consolidated Finance Law are published in their entirety with the annual financial report.
In addition, no fewer than 21 days must lapse between the date of publication of the annual financial report and the date of the General Shareholders' Meeting.

According to the provisions of Article 3, paragraph 3-*bis*, of Legislative Decree No. 87/1992, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the consolidated report on operations and the separate report on operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

The Banca Generali Group elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the consolidated financial statementes were prepared in euros. The amounts included in the financial statements and the figures in the Notes are expressed in thousands of euro. Unless otherwise indicated, the tables presented in the Report on Operations are in thousands of euro and the comments in millions of euro.

The financial statements are prepared by applying 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 in line with the general assumptions set out in the *Framework for the Preparation and Presentation of Financial Statements* drafted by the IASB. There were no derogations of the application of international accounting standards (IAS/IFRS).

The Directors' Report on Operations and the Notes on the Accounts include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The financial statements and Notes include figures for the period under review, as well as comparative data at 31 December 2011.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-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 Group 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.

Content of the Financial Statements and the Notes

The Financial Statements and the Notes have been prepared in accordance with Bank of Italy's Circular No. 262/2005 and the first update published on 18 November 2009 and subsequent updates.

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. In the consolidated profit and loss account, profit attributable to minority interests is presented with a negative sign, whereas losses attributable to minority interests are presented with a positive sign.

Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Comprehensive Income consists of items that present changes in the value of assets reported during the year through valuation reserves, net of the associated tax effect and distinguishing between any income attributable to the Parent Company and minority interests.

As for the balance sheet and profit and loss account, items with nil amounts in both the reporting year 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 No. 262/2005.

The statement presents changes in consolidated total equity, showing separately the final carrying amounts of the 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 equity 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 commissions; 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.

Section 3 - Scope of consolidation and consolidation methods

1. Scope of consolidation

The companies consolidated by the Group in accordance with IAS 27 include the Parent Company, Banca Generali S.p.A. and the following subsidiaries:

COMPANY NAME	REGISTERED OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
			INVESTOR	% OF OWNERSHIP INTEREST	
A. Companies in consolidated accounts					
A.1 Recognised using the line-by-line method:					
- BG Fiduciaria SIM S.p.A.	Trieste (Italy)	1	Banca Generali	100.00	100.00
- Generali Fund Management S.A.	Luxembourg	1	Banca Generali	51.00	51.00
- Generfid S.p.A.	Milan (Italy)	1	Banca Generali	100.00	100.00

Legend: type of control:
(1) Control pursuant to Section 2359, paragraph 1, No. 1 of the Italian Civil Code (majority voting rights at General Shareholders' Meeting).

The merger of BG SGR S.p.A., a company wholly controlled by the Parent Company Banca Generali, became effective on 1 September 2012. Such transaction is a mere internal reorganisation of the Banking Group and thus has not had any significant impact on the consolidation area.

The consolidated accounts include the separate financial statements of the Parent Company and the subsidiaries at 31 December 2012, reclassified and adjusted where necessary to take account of consolidation requirements.

2. Other information

Consolidation methods

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 was 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 recognised 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, were eliminated. Unreconciled amounts were recognised respectively in other assets/liabilities and other revenues/expenses.

Dividends distributed by subsidiaries were eliminated from the consolidated profit and loss account and a corresponding adjustment was made to income reserves.

Business combinations

Business combinations are regulated by the IFRS 3 Business Combinations.
Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and potential liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of

the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the income statement.
The purchase method is applied as of the acquisition date, i.e. from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the consolidated financial statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the consolidated financial statements, up to the date control is transferred.

Business combinations of entities under common control

Business combinations of entities under common control are not included in the scope of IFRS 3, nor are they covered by other IFRS. They are accounted for in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.
The IASs/IFRSs provide specific guidelines for transactions not covered by IFRS (described in paragraphs 10-12 of IAS 8); according to these guidelines, management is encouraged to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.
In fulfilment of this requirement, we observed that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1 on the accounting treatment of business combinations of entities under common control and OPI No. 2 on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.
In a similar way, if an entity is disposed of, the amount received is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

Section 4 - Events occurred after the balance sheet date

The draft Financial Statements of Banca Generali were approved by the Board of Directors in their meeting held on 8 March 2013, when they also authorised their disclosure.

No events occurred after 31 December 2012 and until publication of the annual report was authorised, that would make it necessary to adjust the results presented in the consolidated financial statements at that date.

Section 5 - Other information

Non-recurring significant events and transactions

During the 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, excluding the following ones (CONSOB Communication No. DEM/6064293 of 28 July 2006):

- on 1 April 2012, the transfer of the collective asset management business unit to the related party Generali Investments Italy SGR (now Generali Investments Europe SGR) was finalised by the subsidiary BG SGR; and
- on 1 September 2012, the merger of the subsidiary BG SGR into Banca Generali became effective; this transaction was made with retroactive accounting and fiscal effects as of 1 January 2012.

A more detailed description of the above-mentioned transactions is given in Part G - Business Combinations in the Explanatory Notes.

National tax consolidation option

In 2004, the Parent Company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Banca Generali has participated in the Parent Company's tax consolidation scheme since 2004. Banca BSI Italia S.p.A. and BG SGR S.p.A., now merged into Banca Generali, had also participated in the tax consolidation scheme.

Under the scheme, the aforementioned companies transfer their taxable profit (or tax loss) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Audit

The consolidated financial statements were audited by Reconta Ernst & Young.

Part A. 2 - Main financial statement aggregates

Accounting policies

This section sets out the accounting policies adopted for the preparation of the financial statements as of 31 December 2012, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

During the year, the accounting policies adopted by the Banking Group underwent no significant amendments and supplementations.

1. Financial assets held for trading

Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading, including those embedded in complex financial instruments.

Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.
Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives that are not closely related to the host contract but meet the definition of a derivative are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

Measurement

After initial recognition financial assets held for trading are measured at fair value.
The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.
A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where such instruments are not traded, the notional value of financial instruments, quotes from brokers or placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors.
Values drawn from recent comparable transactions are also used.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire or when the financial assets, together with substantially all related risks and rewards, are transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

2. AFS financial assets

Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:

- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or as Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.
Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.
Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in net equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.
Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).
If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss (for loans or debt securities) or through net equity (for equity securities).
Under no circumstances may the amount of such reversals exceed the amortised cost that would have been attributable to the instrument had no previous impairment been recognised.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial assets, together with substantially all related risks and rewards, are transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

3. HTM financial assets

Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

Recognition

Initial recognition of these assets takes place on the settlement date.
Upon initial recognition, financial assets classified to this category are measured at their fair value, including any directly attributable costs and income.
If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

When a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.
Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is

measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.
If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial assets, together with substantially all related risks and rewards, are transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

4. Loans

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments, are not listed in an active market and are not initially classified as financial assets *available for sale*.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act (TUB) and Consolidated Finance Act (TUF).

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised at the date of disbursement or, in the case of debt securities, at the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.
This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from available-for-sale assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at *amortised cost*, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the *effective interest-rate method*) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- *Bad loans*: loans to parties in a state of insolvency or substantially equivalent situation;
- *Substandard loans*: loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;
- *Restructured loans*: loans in which a syndicate of banks (or a "single lender") grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- *Expired loans*: loans to parties that, at the end of the period, show payables past due or expired by more than 90 days.

Loans classified as *bad loans*, *substandard loans*, or *restructured loans* are normally subject to an analytical assessment process.

The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate.
Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing.

Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.
Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.

In further detail, a probability of default and loss given default value is attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach.

Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Derecognition

Loans are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

5. Financial assets at fair value

At this time, none of the Bank's financial assets are classified under this category.

6. Hedging transactions

Types of hedging transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance-sheet items attributable to particular risks;
- hedges of a net investment in foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change

in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flow) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:
- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity investments

At 31 December 2012, the Group did not hold equity investments in associate companies within the meaning of IAS 28 or in companies under common control within the meaning of IAS 31.

8. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.

They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.

They are systematically depreciated over their estimated useful life using the straight-line method.
At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

9. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually

or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.
An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and to restrict the access of others to those benefits.
The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the business combination of Banca del Gottardo Italia.
This asset is an intangible asset as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, based on the historic percentage of decline of Assets under Management, before the company was acquired.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, including intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).
Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and future economic rewards are expected from them.
Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.
Software expenses are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a five-year period.
For contractual relations with customers acquired as a result of the above-mentioned business combination of Banca del Gottardo Italia the useful lives are estimated at ten years.
Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test for goodwill is presented in Section 1.2 "Annual Changes in Goodwill" in Part G of these Notes.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

10. Non-current assets held for sale or disposal groups

The asset item "Non-current assets held for sale or disposal groups" and liability item "Liabilities associated with assets held for sale or disposal groups" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, "Profit (Loss) on groups of assets available for sale, net of taxes".

11. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.
Specifically, deferred tax assets and liabilities are calculated based on the temporary differences - without time limits - between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali - as a result of its exercise of the option provided by the Italian tax consolidation scheme - to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "tax assets" and deferred tax liabilities are recorded under "tax liabilities".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Finance Act) introduced the new paragraph 2-*ter* into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.
That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million, 14% up to 10 million and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).
The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced a new system of optional realignment of tax and balance-sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.
However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.
That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Legislative Decree 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.
The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-*ter*).
The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments is to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;
2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the financial statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-*ter*, of the TUIR ;
3) redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011;
4) goodwill redemption arising on the transfer of the asset management business unit of Banca BSI Italia S.p.A., effective 1 January 2010, finalised in 2011, based on the ordinary procedure envisaged by Article 176, paragraph 2-*ter* of TUIR.

With respect to the first two transactions, the reader is referred to the detailed discussion presented in the corresponding Part A of the Explanatory Notes to the 2010 financial statements, whereas with regard to the redemption transaction for goodwill associated with the investment in BG Fiduciaria, and the BG SGR transaction, the reader is referred to Part C of the consolidated Explanatory Notes.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.

IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

The analyses conducted by the OIC - the Italian Accounting Standard Setter - summarised in application document No. 1 of 27 February 2009 entitled "*Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Legislative Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IASs/IFRSs*", which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRSs:

1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over the years to coincide with the non-accounting deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the *second method*, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.
Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be believed to be recoverable on the basis of future taxable income.

12. Provisions for liabilities and contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.
Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.
This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.
The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.
In relation to recent market practices in the area, during the reporting year a thorough contractual revisitation of the scheme was carried out and entered into effect on 1 January 2012.
The system introduces a rule, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.

Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, with that amount reduced by 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.
According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

13. Debt and securities issued

Classification

Due to banks, *Due to customers* and *Securities issued* include the various forms of interbank funding and direct customer inflows as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.
Due to banks and due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or the debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value

of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.
If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial liabilities measured at fair value

There are currently no financial liabilities measured at fair value.

16. Foreign currency transactions

Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

17. Other information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.
Loans income, in the form of the coupons accrued on securities and the difference between the spot and forward prices of securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

In accordance with IFRS 2 (Share-Based Payments) and IFRIC 11, share-based benefit plans for staff and financial consultants are recognised as costs in the profit and loss account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.
The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.
Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Employee termination indemnities

Under IAS 19 - *Employee Benefits*, until 31 December 2006 termination indemnity was considered as a "post-employment benefit" classified as a "defined benefit plan". The benefit was therefore reported in the financial statements based on the actuarial value determined using the "Projected Unit Credit Method".

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must - depending on the employees' choice - be allocated to a supplementary pension fund or maintained within the company and transferred to a special fund managed by Italy's national security institute (INPS).

The entry into force of the aforementioned reform led to a change in the accounting treatment of the termination indemnity, in terms of both the amounts accrued until 31 December 2006, as well as the amounts accrued starting on 1 January 2007.

More specifically:

- termination indemnities accrued by personnel starting on 1 January 2007 are considered a "defined contribution plan", whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. The amounts accrued must, however, be determined based on the contributions owed without applying an actuarial calculation;
- termination indemnities accrued by personnel up to 31 December 2006 are considered a "defined benefit plan", and therefore must be calculated using actuarial methods; however, after 31 December 2006, such methods no longer involve the proportional allocation of the benefit to the period of service worked. This is because the service period in question is considered fully completed as a result of the change in the accounting nature of termination indemnities accruing beginning on 1 January 2007.

As a result of the legislative changes, employees' termination indemnities was recalculated at 31 December 2006 using the new actuarial method. The difference resulting from the actuarial calculation is deducted from the defined benefit plan, and, in accordance with IAS 19, the related gains or losses are charged to the profit and loss account based on the corridor method used by the Group.

For Group companies with fewer than 50 employees, the obligation continues to be calculated using the "projected unit credit method" (also known as the accrued benefit method pro-rated on service or as the benefit/years of service method), which considers each period of service rendered by employees as an additional unit of benefit entitlement and measures each unit separately to calculate the final obligation.

Productivity bonuses for salaried employees

Pursuant to the first update to Circular No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item "Other liabilities".

More specifically, in accordance with IAS 19 *Employee Benefits*, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expense in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have as their balancing entry in equity the item for provisions for liabilities and contingencies:

- the share of the variable remuneration of managers of the Banking Group deferred up to two years and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
- the long-term incentive plans authorised by the Parent Company, Assicurazioni Generali, for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors, analysed in greater detail in the coming paragraph.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:

- incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
- provisions for post-employment medical benefits of Group executives;
- allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore attributed in their entirety to the item for net provisions for liabilities and contingencies.

Long-Term Incentive Plans

During its Shareholders' Meetings of 24 April 2010 and 30 April 2011, Assicurazioni Generali introduced a new type of long-term retention plan addressed to the key managers of the Insurance Group.
Such plans, with the additions required to comply with industry regulations concerning remuneration policies, were also approved and incorporated into the Company's remuneration structure by Banca Generali during the meeting of its Board of Directors held on 13 October 2011.

In brief, the new incentive plans present the following characteristics:

- they are indefinite in duration, structured in six-year rolling cycles;
- each cycle is linked to the targets set in three-year strategic plans; in particular, the 2010 plan is linked to the targets set in the 2010-2012 strategic plan, whereas the 2011 plan is linked with the following 2011-2013 strategic plan;
- each cycle is sub-divided into two three-year components:
  - the first three years: at the end of this period, if and to the extent that certain absolute performance targets have been met, a monetary incentive is to be paid out, with an obligation or option to reinvest a share of such incentive (differing in amount depending on the segment to which the recipients belong) in shares of Assicurazioni Generali;
  - the second three years: at the end of the period, for each share purchased by investing a percentage of the incentive disbursed at the end of the previous three years, the beneficiary obtains a potential right to receive from Assicurazioni Generali, at no cost, a number of shares depending on the positioning of Assicurazioni Generali in the rankings of a group of peers prepared on the basis of their respective total shareholders' returns (relative performances).

Under IASs/IFRSs, both the 2010 and 2011 plans are eligible for accounting treatment on a separate basis, partly as expenses for long-term employee benefits within the scope of IAS 19 Employee Benefits, and partly within the scope of IFRS 2.
The IAS 19 expense portion, calculated according to best estimate procedures on the basis of the achievement of the predetermined objectives set, is charged to profit and loss, among staff expenses, over a three-year vesting period (2010-2012 for the 2010 plan or 2011-2013 for the 2011 plan).
In addition, pursuant to IFRS 2, the value of the stock-granting plan is measured on the basis of the grant date fair value of the bonus shares potentially to be granted.
The impact on the profit and loss account has therefore been determined and allocated annually according to the option vesting period, i.e. over a period of six years from the grant date.
Since the arrangement calls for the shares of the Parent Company to be granted directly by said parent to the employees of a subsidiary, the charge to the profit and loss account will be recognised through a balancing entry to an equity reserve, inasmuch as it is similar to a capital contribution by the parent.

Expenses functionally related to staff

In its bulletin of 13 February 2012, the Bank of Italy provides additional clarification concerning the classification of certain expenses incurred by companies functionally related to services rendered by personnel, integrating the indications set out in the previous bulletin of 16 February 2011.
In further detail, it is clarified that certain types of expenses (including reimbursements of expenses incurred in rendering professional services and medical examinations compulsorily required by employers) are to be classified under 150 b) Other general and administrative expense and not 150 a) Staff expenses.
Such cases may indeed be considered disbursements not representing remuneration for professional services rendered but rather pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.
A similar arrangement may also be adopted for other types of expenses incurred by companies in connection with activity carried out by employees.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue commissions are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading commissions on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management commissions are recognised according to the length of the service. Commissions considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Estimate procedures

The preparation of the consolidated report requires the use of estimates and assumptions that could influence the amounts reported in the consolidated balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.

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

Given their nature, the estimates and assumptions used may vary from year to year, meaning that 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:

- determining the amount of provisions for laibilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Testing financial instruments for impairment

In accordance with IAS 39, the portfolio of securities not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans) is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).
In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involves the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.
During the year, the long-term reduction in value requisite was reduced from 36 to 24 months, based on a benchmark analysis of the policies adopted by the main European groups. Such change did not involve any further economic impact on the impairments recognised in 2012.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information drawn from the market.

For corporate debt securities classified to the AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating Agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- purchase cost, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- the current fair value.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- the book value of the asset; and
- the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the decrease is determined based on losses on the tranche of the security held.
Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&R) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.
In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (Standard & Poor's Cumulative Average Default Rates By Rating, 1981-2009) and using a market loss given default (LGD) between 60% and 70%.
For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.
In any event, Italian government bonds are excluded from such testing of securities in the HTM portfolio.
The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.
In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years, of a sample of securitisation transactions with similar characteristics.
The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.
The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the Bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

Part A. 3 - Information on fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
The arm's length concept requires that counterparties are fully operational and are not forced to wind up or significantly scale back operations or undertake transactions under unfavourable conditions.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

On the basis of the approach to determining fair value, international accounting standard IFRS 7 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**: prices quoted on active markets for identical instruments;
- **Level 2**: prices quoted on non-active markets for the same instrument or on active markets for similar instruments or calculated through the use of valuation techniques, in which all significant inputs are based on estimation parameters observable on the market;
- **Level 3**: valuation techniques where a significant input for measurement at fair value is based on non-observable market data.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, that is to say whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.
Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, listing on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

In 2010, Banca Generali approved its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.
For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

For securities not quoted on active markets, the procedure calls for the analysis of:

1) prices of similar instruments listed on active or inactive markets; and
2) inputs other than quotations observable directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. a single contributor on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value, for example:
   - Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
   - Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
   - Markit European ABS, a consensus platform for measuring ABS-type instruments;
3. a reference to current market values of other essentially identical or similar instruments.

UCITS not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

A.3.1 Transfers between portfolios

Following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standard Board) on 13 October 2008 and included in the European Regulation (EC) No. 1004/2008 of 15 October 2008, in financial year 2008 the Parent Company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at amortised cost, assets held to maturity (HTM) and loans to banks and customers (Loans & Receivables), while equity securities held for trading were transferred to the AFS portfolio.

For further details of the conditions of this transaction, refer to the contents of the corresponding Section A.3 of the Notes to the 2009 Financial Statements and Part A of the 2008 Financial Statements.

A.3.1.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

TYPE OF FINANCIAL INSTRUMENT	FROM	TO	DATE OF TRANSF.	31.12.2012 BOOK VALUE	31.12.2012 FAIR VALUE	INCOME COMPONENTS WITH NO TRANSFER		INCOME COMPONENTS FOR THE YEAR	
(€ THOUSAND)						VALUATION	OTHER	VALUATION	OTHER
Equity securities	TRA	AFS	01.07.08	1,794	1,794	-412	-	-412	-
Debt securities	TRA	HTM	01.07.08	95,355	94,340	6,958	3,415	77	2,385
Debt securities	AFS	HTM	30.09.08	12,465	12,479	217	717	3	333
Total HTM portfolio				107,820	106,819	7,175	4,132	80	2,718
Debt securities	TRA	Loans	01.07.08	60,802	54,798	3,305	989	35	-3,327
Debt securities	AFS	Loans	01.07.08	3,302	3,606	-385	-341	-819	-631
Total loan portfolio (banks and clients)				64,104	58,404	2,920	648	-784	-3,958
Total reclassified financial assets				**173,718**	**167,017**	**9,683**	**4,780**	**-1,116**	**-1,240**

During 2012, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date the portfolios concerned therefore presented a total carrying amount of 173.7 million euros, down sharply from the 363.0 million reported at the end of the previous year (-189.3 million euros). This amount includes the increases for the amortised costs gradually reaching maturity and the impairment losses recognised.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2012 would have entailed negative differences compared to book values, before taxes of 6.7 million euros, compared to 27.0 million euros at the end of 2011.

Had the Bank not opted to reclassify such securities, they would have registered greater capital gains through profit and loss and equity in 2012 of 10.7 million euros, equal to the positive difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to 6.0 million euros due to lower realised losses remeasured based on the fair values of the previous year, net of interest recognised according to the effective interest rate method.

A.3.2 Fair value hierarchy

International accounting standard IFRS 7 - *Financial Instruments: Disclosures*, approved by the IASB in March 2009, requires that entities that apply IASS/IFRSS provide adequate disclosure of the fair value measurements used for each class of financial instrument, with especial reference to:

1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2) any significant transfers between Level 1 and Level 2 during the year;
3) 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 information on the fair value hierarchy requires that financial assets designated at fair value be reclassified according to a level-based hierarchy that reflects the significance of the inputs used in valuations, as explained in further detail in the premise of the section.

A.3.2.1 Accounting portfolios: breakdown by fair-value levels

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE	31.12.2012				TOTAL
	L1	L2	L3	AT COST	
1. Financial assets held for trading	191,621	13,530	17,397	-	222,548
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,691,972	22,555	14,602	4,756	1,733,885
4. Hedging derivatives	-	-		-	-
Total	**1,883,593**	**36,085**	**31,999**	**4,756**	**1,956,433**
1. Financial liabilities held for trading	-	1,448	-	-	1,448
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**1,448**	**-**	**-**	**1,448**

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE	31.12.2011				TOTAL
	L1	L2	L3	AT COST	
1. Financial assets held for trading	2,175	15,852	17,296	-	35,323
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,224,387	70,153	16,268	8,184	1,318,992
4. Hedging derivatives	-	-		-	-
Total	**1,226,562**	**86,005**	**33,564**	**8,184**	**1,354,315**
1. Financial liabilities held for trading	-	1,737	-	-	1,737
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**1,737**	**-**	**-**	**1,737**

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of assets and liabilities held for trading and the portfolio of AFS financial assets comprised 96% of financial assets eligible for allocation to class L1. This category consists largely of Italian government bonds (1,796.0 million euros). It also includes, to a limited extent (6.7 million euros), equities listed on Italian and European regulated markets.

By contrast, financial assets allocated to L2 trading portfolios and AFSs consist of units of money-market UCITS not listed on regulated markets (15.3 million euros) and bank bonds from Italy and the major Euro Area countries. The Level 2 portfolio also includes derivative financial assets and liabilities consisting of interest rate swaps (IRSs) and currency outrights valued according to observable market parameters.

A3.2.2 Accounting portfolios: annual changes in financial assets at fair value (Level L3)

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
1. Amount at year-start	**17,296**	**16,268**	**8,184**
2. Increases	**135**	**5,412**	**1,550**
2.1 Purchases	4	-	1,550
2.2 Gains through:	131	94	-
2.2.1 Profit and loss	131	-	-
- *of which: capital gains*	*131*	-	-
2.2.2 Net equity	-	94	-
2.3 Transfers from other levels	-	4,977	-
2.4 Other increases	-	341	-
- *of which: business combinations*	-	-	-
3. Decreases	**34**	**7,078**	**4,978**
3.1 Sales	-	-	-
3.2 Redemptions	-	7,000	-
3.3 Losses through:	34	78	-
3.3.1 Profit and loss	34	78	-
- *of which: capital losses*	*34*	-	-
3.3.2 Net equity	-	-	-
3.4 Transfers to other levels	-	-	4,977
3.5 Other decreases	-	-	1
4. Amount at year-end	**17,397**	**14,602**	**4,756**

The L3 financial assets in the trading portfolio consist solely of:

- the investment in the Quarzo 1 bond, a securitisation of residential mortgage-backed securities (RMBS) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Assicurazioni Generali Group;
- an interest in a speculative hedge fund issued by Finanziaria Internazionale Group companies;
- a defaulted Landesbanki bond, written off;
- the investment in a multihedge sub-fund of the SICAV BG Selection.

The L3 financial assets in the AFS portfolio include equities of 9.9 million euros, consisting of the equity interest in the private-equity vehicle Athena Private Equity, subject to impairment in previous years, the equity investment in Veneto Banca (5.1 million euros), a non-listed company acquired during the previous year, whereas the remainder (4.7 million euros) is represented by an unlisted debt securities set to mature in 2013.

By contrast, financial assets measured at purchase cost in the absence of reliable estimates of fair value include 4.8 million euros in "minor equity investments" (CSE, GBS Caricese, SWIFT, etc.) and increased in the year due to the underwriting of a new equity interest in CSE.

A.3.3 Information on "day-one profit/loss"

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class. It should be noted that no such cases occur in the financial statements in question.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

Section 1 - Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

ITEMS/VALUES	31.12.2012	31.12.2011
a) Cash	10,386	13,959
b) Demand deposits with Central Banks	-	60,000
Total	**10,386**	**73,959**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: categories

ITEMS/VALUES	31.12.2012			31.12.2011		
	L1	L2	L3	L1	L2	L3
A. Cash						
1. Debt securities	190,125	1,991	15,067	1,108	1,021	15,099
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	190,125	1,991	15,067	1,108	1,021	15,099
2. Equity securities	1,375	-	1	1,062	-	-
3. UCIT units	121	11,142	2,329	5	14,134	2,197
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**191,621**	**13,133**	**17,397**	**2,175**	**15,155**	**17,296**
B. Derivatives						
1. Financial derivatives	-	397	-	-	697	-
2. Credit derivatives	-	-	-	-	-	-
Total B	**-**	**397**	**-**	**-**	**697**	**-**
Total (A + B)	**191,621**	**13,530**	**17,397**	**2 ,175**	**15,852**	**17,296**

Notes
1. The portfolio contains a single non-performing position consisting of a bond issued by the Icelandic bank Landesbanki, currently subject to a winding-up procedure by the national authorities and written down to zero.
2. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.

2.2 Financial assets held for trading: debtors/issuers

ITEMS/VALUES	31.12.2012	31.12.2011
A. Cash		
1. Debt securities	**207,183**	**17,228**
a) Governments and Central Banks	190,073	455
b) Other public institutions	-	-
c) Banks	2,086	1,695
d) Other issuers	15,024	15,078
2. Equity securities	**1,376**	**1,062**
a) Banks	1	2
b) Other issuers:	1,375	1,060
- insurance companies	486	384
- financial companies	119	2
- non-financial companies	770	674
- other entities	-	-
3. UCIT units	**13,592**	**16,336**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**222,151**	**34,626**
B. Derivatives		
a) Banks	217	434
b) Customers	180	263
Total B	**397**	**697**
Total (A + B)	**222,548**	**35,323**

2.3 Available-for-sale financial assets: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCIT UNITS	LOANS	TOTAL
A. Amount at year-start	**17,228**	**1,062**	**16,336**	**-**	**34,626**
B. Increases	**5,158,433**	**514,319**	**1,852,053**	**-**	**7,524,805**
B.1 Purchases	5,148,417	514,001	1,850,836	-	7,513,254
B.2 Positive changes in fair value	428	210	730	-	1,368
B.3 Other changes	9,588	108	487	-	10,183
C. Decreases	**4,968,478**	**514,005**	**1,854,797**	**-**	**7,337,280**
C.1 Sales	3,836,518	513,952	1,854,786	-	6,205,256
C.2 Repayments	1,129,433	-	-	-	1,129,433
C.3 Negative changes in fair value	126	5	8	-	139
C4 Transfer from other portfolios	-	-	-	-	-
C.5 Other changes	2,401	48	3	-	2,452
D. Amount at year-end	**207,183**	**1,376**	**13,592**	**-**	**222,151**

Notes
1. Item "B.3 Other changes - increases" includes final dividend accruals, final premiums/discounts, and gains on disposal.
2. Item "C.5 Other changes - decreases" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.

Section 4 - Available-for-sale financial assets - Item 40

4.1 Available-for-sale financial assets: categories

ITEMS/VALUES	31.12.2012			31.12.2011		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**1,686,666**	**18,429**	**4,707**	**1,219,080**	**69,111**	**11,446**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,686,666	18,429	4,707	1,219,080	69,111	11,446
2. Equity securities	**5,306**	**7**	**14,651**	**5,307**	**-**	**13,006**
2.1 Valued at fair value	5,306	7	9,895	5,307	-	4,822
2.2 Valued at cost	-	-	4,756	-	-	8,184
3. UCIT units	**-**	**4,119**	**-**	**-**	**1,042**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,691,972**	**22,555**	**19,358**	**1,224,387**	**70,153**	**24,452**

Notes
1. The portfolio of equity securities includes 4,756 thousand euros for equity investments valued at the cost of acquisition in absence of reliable estimates of fair value. It includes the residual 15% investment in Simgenia (967 thousand euros) and equity securities which fall into the category of what are known as "minor equity investments" and largely related to service agreements concluded by the Group (CSE,GBS, Caricese, SWIFT, etc.), usually non-negotiable (3,789 thousand euros).
2. AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. As a result of the test, impairment losses for an amount of 1,016 thousand euros were recognised on equity securities, due to the fact that the fair value automatic relevant threshold compared to the book value had been exceeded (significant of prolonged loss).
3. A more detailed description of the Fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.
4. Item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 769,100 thousand euros.

4.2 Available-for-sale financial assets: debtors/issuers

ITEMS/VALUES	31.12.2012	31.12.2011
1. Debt securities	**1,709,802**	**1,299,637**
a) Governments and Central Banks	1,605,949	1,130,509
b) Other public institutions	-	-
c) Banks	103,577	154,123
d) Other issuers	276	15,005
2. Equity securities	**19,964**	**18,313**
a) Banks	5,837	5,919
b) Other issuers:	14,127	12,394
- insurance companies	825	654
- financial companies	6,231	6,364
- non-financial companies	7,064	5,369
- other entities	7	7
3. UCIT units	**4,119**	**1,042**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**1,733,885**	**1,318,992**

4.4 Available-for-sale financial assets: year changes

		DEBT SECURITIES	EQUITY SECURITIES	UCIT UNITS	FINANCING	TOTAL
A.	**Amount at year-start**	**1,299,637**	**18,313**	**1,042**	**-**	**1,318,992**
B.	**Increases**	**1,949,810**	**2,744**	**3,085**	**-**	**1,955,639**
	B.1 Purchases	1,858,164	1,550	3,000	-	1,862,714
	B.2 Positive changes in fair value	51,517	178	85	-	51,780
	B.3 Reversal value:	-	1,016	-	-	1,016
	- P&L	-	x	-	-	-
	- net equity	-	1,016	-	-	1,016
	B.4 Transfer from other portfolios	-	-	-	-	-
	B.5 Other changes	40,129	-	-	-	40,129
C.	**Decreases**	**1,539,645**	**1,093**	**8**	**-**	**1,540,746**
	C.1 Sales	845,891	25	-	-	845,916
	C.2 Repayments	680,431	-	-	-	680,431
	C.3 Negative changes in fair value	176	-	8	-	184
	C.4 Write-downs of non-performing loans:	-	1,016	-	-	1,016
	- P&L	-	1,016	-	-	1,016
	- net equity	-	-	-	-	-
	C.5 Transfer to other portfolios	-	-	-	-	-
	C.6 Other changes	13,147	52	-	-	13,199
D.	**Amount at year-end**	**1,709,802**	**19,964**	**4,119**	**-**	**1,733,885**

Notes
1. Item B.5 "Other changes - increases" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals at the reporting date and realised gains, net of reserves transferred to net equity.
2. Item C.6 "Other changes - decreases" includes interest adjustment arising form measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
3. Item B.3 "Reversal value" in equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the profit and loss account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the profit and loss account.

Section 5 - Held-to-maturity financial assets - Item 50

5.1 Held-to-maturity financial assets: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012				31.12.2011			
	BOOK VALUE	FV			BOOK VALUE	FV		
		L1	L2	L3		L1	L2	L3
1. Debt securities	**3,000,330**	**3,003,242**	**30,897**	**18,958**	**1,415,701**	**1,216,874**	**127,494**	**41,050**
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	3,000,330	3,003,242	30,897	18,958	1,415,701	1,216,874	127,494	41,050
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,000,330**	**3,003,242**	**30,897**	**18,958**	**1,415,701**	**1,216,874**	**127,494**	**41,050**

Notes
1. Held-to-maturity financial assets were subject to analytical impairment testing but no impairment was detected. To take into account the financial market turbolence in the Euro Area, however, a collective reserve was established to cover potential losses for a total amount of 296 thousand euros, with reversals amounting to 304 thousand euros.
2. A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.
3. The item includes transferred assets not written off, which refer to own securities used in repurchase agreements amounting to 2,525,865 thousand euros.

5.2 Held-to-maturity financial assets: debtors/issuers

ITEMS/VALUES	31.12.2012	31.12.2011
1. Debt securities	**3,000,330**	**1,415,701**
a) Governments and Central Banks	2,849,763	1,064,025
b) Other public institutions	-	-
c) Banks	119,826	295,239
d) Other issuers	30,741	56,437
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**3,000,330**	**1,415,701**

5.4 Held-to-maturity financial assets: year changes

		DEBT SECURITIES	LOANS	TOTAL
A.	**Amount at year-start**	**1,415,701**	**-**	**1,415,701**
B.	**Increases**	**2,295,963**	**-**	**2,295,963**
	B.1 Purchases	2,234,667	-	2,234,667
	B.2 Reversal value	304	-	304
	B.3 Transfer from other portfolios	-	-	-
	B.4 Other changes	60,992	-	60,992
C.	**Decreases**	**711,334**	**-**	**711,334**
	C.1 Sales	26,487	-	26,487
	C.2 Repayments	664,512	-	664,512
	C.3 Adjustments	-	-	-
	C.4 Transfer to other portfolios	-	-	-
	C.5 Other changes	20,335	-	20,335
D.	**Amount at year-end**	**3,000,330**	**-**	**3,000,330**

Notes
1. Other increases (B.4) include dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. Other decreases (C.5) include dividend accruals, final adjustments at amortised cost established according to the effective interest rate effective at the end of the previous year and losses on disposal.
3. Item B1 "Reversal value" refers to changes in the collective reserve allocated at the end of the previous year.
4. Item C1 "Sales" includes debt securities nearing maturity or subject to significant downgrades of their credit ratings with respect to the initial measurement, resulting in a significant decrease in applicable capital requirements and the impact on the collective reserve through profit and loss.

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
A. Loans to Central Banks	**19,519**	**10,341**
1. Term deposits	-	-
2. Mandatory reserve	19,519	10,341
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**823,849**	**503,830**
1. Current accounts and free deposits	111,935	269,460
2. Term deposits	147,694	59,343
3. Other:	400,030	522
3.1 Repurchase agreements	398,136	-
3.2 Finance lease	-	-
3.3 Other	1,894	522
4. Debt securities:	164,190	174,505
4.1 Structured securities	-	-
4.2 Other	164,190	174,505
Total (book value)	**843,368**	**514,171**
Total (fair value)	**842,391**	**497,493**

Notes
1. A specific impairment test was conducted on debt portfolio classified among loans to banks but no impairment was detected. Moreover, a 1,892 thousand euros collective reserve, including 1,140 thousand euros of greater impairment losses recognised during the year, was allocated for potential losses on the securities portfolio that was not subject to analytical impairment.
2. The item includes transferred assets not written off, which refer to own securities used in repurchase agreements amounting to 76,538 thousand euros.
3. Item 3.3 "Other (loans)" refers, for 1,780 thousand euros, to collateral margins paid to counterparties in repurchase agreements.

Breakdown of loans to banks - other loans and operating receivables

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Operating loans	114	333
Other operating receivables	1,780	189
Total	**1,894**	**522**

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012			31.12.2011		
	PERFORMING LOANS	NON-PERFORMING LOANS		PERFORMING LOANS	NON-PERFORMING LOANS	
		PURCHASED	OTHER		PURCHASED	OTHER
1. Current accounts	619,763	-	9,690	501,557	-	9,734
2. Repurchase agreements	-	-	-	-	-	-
3. Loans	402,285	-	16,668	218,079	-	20,728
4. Credit cards, personal loans and loans on wages	-	-	-	-	-	-
5. Finance lease	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-
7. Other transactions	167,884	-	974	134,359	-	2,541
8. Debt securities:	91,321	-	-	81,185	-	3,465
8.1 Structured securities	-	-	-	-	-	-
8.2 Other debt securities	91,321	-	-	81,185	-	3,465
Total (book value)	**1,281,253**	**-**	**27,332**	**935,180**	**-**	**36,468**
Total (fair value)	**1,277,887**	**-**	**27,332**	**924,130**	**-**	**34,311**

Notes
1. Item "Debt securities" includes by convention a Gesav capitalisation policy of 21,373 thousand euros, with tradability option.
2. A specific impairment test was conducted on debt portfolio classified among loans to customers but no impairment was detected. Moreover, a 1,484 thousand euros collective reserve, including 691 thousand euros of greater impairment losses recognised during the year, was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.
3. The two positions pertaining to non-performing debt securities recognised at the end of the previous year, for a net amount of 3,465 thousand euros, were disposed of and written off, respectively.
4. Operating receivables include non-performing positions of a net amount of 1,379 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process, or for which the term for reimbursement has otherwise lapsed.

Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Other grants not included in c/a and loans subject to amortisation	47,226	38,398
Short-term term deposits on the new MIC	40,003	7,065
Operating loans	54,507	50,831
Sums advanced to financial advisors	22,078	26,733
Interest-bearing daily margins Italian Stock Exchange	2,167	4,061
Interest-bearing caution deposits	376	342
Amounts to be collected	2,501	9,470
Total	**168,858**	**136,900**

7.2 Loans to customers: debtors/issuers

ITEMS/VALUES	31.12.2012			31.12.2011		
	PERFORMING LOANS	NON-PERFORMING LOANS		PERFORMING LOANS	NON-PERFORMING LOANS	
		PURCHASED	OTHER		PURCHASED	OTHER
1. Debt securities	**91,321**	-	-	**81,185**	-	**3,465**
a) Governments	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-
c) Other issuers:	91,321	-	-	81,185	-	3,465
- non-financial companies	18,927	-	-	-	-	-
- financial companies	46,046	-	-	55,659	-	3,465
- insurance companies	26,348	-	-	25,526	-	-
- other entities	-	-	-	-	-	-
2. Loans	**1,189,932**	-	**27,332**	**853,995**	-	**33,003**
a) Governments	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-
c) Other issuers:	1,189,932	-	27,332	853,995	-	33,003
- non-financial companies	340,505	-	20,661	246,135	-	25,075
- financial companies	144,887	-	104	96,322	-	1,512
- insurance companies	7,535	-	-	326	-	-
- other entities	697,005	-	6,567	511,212	-	6,416
Total	**1,281,253**	-	**27,332**	**935,180**	-	**36,468**

Section 12 - Property and equipment - Item 120

12.1 Breakdown of property and equipment: assets valued at cost

ASSETS/VALUES	31.12.2012	31.12.2011
A. Operating assets		
1.1 Owned assets:	**4,416**	**5,332**
a) land	-	-
b) buildings	-	-
c) furniture	2,556	2,806
d) electronic equipment	918	1,269
e) other	942	1,257
1.2 Acquired under finance lease:	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**4,416**	**5,332**
B. Assets held as investments		
2.1 Owned assets:	**-**	**-**
a) land	-	-
b) buildings	-	-
2.2 Acquired under finance lease:	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
Total (A + B)	**4,416**	**5,332**

12.3 Operating assets: year changes

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross amount at year-start	**-**	**-**	**15,538**	**4,244**	**7,246**	**27,028**
A.1 Total net impairment	-	-	12,732	2,975	5,989	21,696
A.2 Net amount at year-start	**-**	**-**	**2,806**	**1,269**	**1,257**	**5,332**
B. Increases	**-**	**-**	**546**	**213**	**205**	**964**
B.1 Purchases	-	-	546	116	181	843
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal value:						-
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.4 Fair value positive change in:						-
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	-	97	24	121
of which: business combination transactions	-	-	-	-	-	-
C. Decreases	**-**	**-**	**796**	**564**	**520**	**1,880**
C.1 Sales	-	-	1	1	-	2
C.2 Depreciation	-	-	795	541	423	1,759
C.3 Adjustments for impairment in:						-
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.4 Fair value negative change in:						-
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.5 Exchange losses						-
C.6 Transfers to:			-	-	-	-
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	22	97	119
of which: business combination transactions	-	-	-	-	-	-
D. Net amount at year-end	**-**	**-**	**2,556**	**918**	**942**	**4,416**
D.1 Total net impairment	-	-	13,527	3,516	6,412	23,455
D.2 Gross amount at year-end	**-**	**-**	**16,083**	**4,434**	**7,354**	**27,871**
E. Valued at cost	**-**	**-**	**2,556**	**918**	**942**	**4,416**

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: categories

ASSETS/VALUES	31.12.2012			31.12.2011		
	SPECIFIED MATURITY	UNSPECIFIED MATURITY	TOTAL	SPECIFIED MATURITY	UNSPECIFIED MATURITY	TOTAL
A.1 Goodwill	-	38,632	38,632	-	38,632	38,632
A.2 Other intangible assets	8,730	-	8,730	8,139	-	8,139
A.2.1 Assets valued at cost:	8,730	-	8,730	8,139	-	8,139
a) Internally generated intangible assets	-	-	-	-	-	-
b) Other assets	8,730	-	8,730	8,139	-	8,139
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-
Total	**8,730**	**38,632**	**47,362**	**8,139**	**38,632**	**46,771**

13.2 Intangible assets: year changes

	GOODWILL	OTHER INTANGIBLE ASSETS INTERNALLY GENERATED		OTHER INTANGIBLE ASSETS OTHER		TOTAL
		SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY	
A. Amount at year-start	**38,632**			**57,157**	**-**	**95,789**
A.1 Total net impairment	-	-	-	49,018	-	49,018
A.2 Net amount at year-start	**38,632**	**-**	**-**	**8,139**	**-**	**46,771**
B. Increases	**-**	**-**	**-**	**3,382**	**-**	**3,382**
B.1 Purchases	-	-	-	3,382	-	3,382
B.2 Increase of internal intangible assets	-	-	-	-	-	-
B.3 Reversal value	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
of which: business combination transactions	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**2,791**	**-**	**2,791**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	2,734	-	2,734
- Amortisation	-	-	-	2,734	-	2,734
- Write-downs:	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
C.3 Fair value negative changes:	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	57	-	57
of which: business combination transactions	-	-	-	-	-	-
D. Amount at year-end	**38,632**	**-**	**-**	**8,730**	**-**	**47,362**
D.1 Total net adjustments	-	-	-	19,063	-	19,063
E. Gross amount at year-end	**38,632**	**-**	**-**	**27,793**	**-**	**66,425**
F. Valued at cost	**38,632**	**-**	**-**	**8,730**	**-**	**47,362**

Breakdown of consolidated goodwill

(€ THOUSAND)	31.12.2012	31.12.2011
Prime Consult Sim and INA Sim	2,991	2,991
BG Fiduciaria SIM S.p.A.	4,289	4,289
Banca del Gottardo	31,352	31,352
Total	**38,632**	**38,632**

Breakdown of intangible assets - other assets

	31.12.2012	31.12.2011
Charges associated with the implementation of legacy CSE procedures	2,540	2,037
Transactions with customers (former Banca del Gottardo)	4,767	5,720
Other software costs	144	274
Commissions to be amortised	-	56
Other fixed assets and payments on account	1,279	52
Total	**8,730**	**8,139**

The Banking Group's goodwill and intangible assets arising from the acquisition of Banca del Gottardo (customer relationships) were tested to impairment in accordance with IAS 36, without detecting any impairment losses. Tests' execution procedures and results are analysed in greater detail in Part G of the Notes.

Section 14 - Tax assets and liabilities - Item 140 (Assets) and Item 80 (Liabilities)

Breakdown of item 140 (Assets) - tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Current taxation	**1,720**	**14,011**
- Sums due for taxes to be refunded	194	115
- IRES arising on National Tax Consolidation	1,308	13,019
- IRES	218	-
- IRAP	-	877
Deferred tax receivables	**39,443**	**63,035**
With impact on profit and loss account	**33,130**	**36,299**
- IRES	29,384	31,817
- IRAP	3,746	4,482
With impact on net equity	**6,313**	**26,736**
- IRES	5,400	22,866
- IRAP	913	3,870
Total	**41,163**	**77,046**

Notes
1. Current tax assets and liabilities represent the net positive or negative unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
2. In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of accounts receivable from and payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. As a consequence of 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 calculates and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the consolidated entity and requesting the associated prepayments.
3. Sums due for taxes to be refunded mainly refer to the excess IRES (corporate income tax) paid in 2007-2011 due to the introduction under Legislative Decree 201/2011 of the deductibility of that tax from the share of IRAP (regional production tax) paid on the cost of labour. The account receivable has been recognised on the basis of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for submitting refund applications, and also takes the form of an asset vis-à-vis Assicurazioni Generali's tax consolidation programme.

Breakdown of item 80 - tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Current taxation	**33,365**	**19,734**
- IRES arising on National Tax Consolidation	743	-
- IRES	-	32
- IRAP	6,037	437
- Other direct taxes payable	26,413	18,560
- Substitute tax (1)	172	705
Deferred tax liabilities	**3,255**	**1,285**
With impact on profit and loss account	**2,386**	**1,211**
- IRES	2,307	1,139
- IRAP	79	72
With impact on net equity	**869**	**74**
- IRES	701	63
- IRAP	168	11
Total	**36,620**	**21,019**

(1) Substitute tax payables include the remaining instalment of the substitute tax payable in respect of the redemption of the goodwill due by the merged company BG SGR, pursuant to Article 176, paragraph 2-ter of the TUIR to be paid in 2013.

14.1 Breakdown of deferred tax assets

	31.12.2012	PURSUANT TO LAW 214/2011	31.12.2011	PURSUANT TO LAW 214/2011
With impact on profit and loss account	**33,130**	**11,629**	**36,299**	**12,843**
Previous fiscal losses [1]	-	-	1,120	-
Provisions for liabilities and contingencies	19,049	-	18,204	-
Write-down of held-for-trading securities before 2008	11	-	425	-
Write-down of securities in the AFS portfolio	-	-	316	-
Write-downs on debt securities	-	-	71	-
Credit devaluation	820	776	1,168	851
Redeemed goodwill (pursuant to Art. 15, par. 10, of Legislative Decree 185/08)	8,064	8,064	9,072	9,072
Consolidated goodwill of BG Fiduciaria (Art. 15, par. 10-*ter*)	1,410	1,410	1,379	1,379
Redeemed goodwill (Art. 176, par. 2-*ter* of TUIR)	1,379	1,379	1,541	1,541
Other goodwill	2,250	-	2,816	-
Other operating expenses	147	-	187	-
With impact on net equity	**6,313**	**-**	**26,736**	**-**
Measurement at fair value of AFS financial assets	6,313	-	26,736	-
Total	**39,443**	**11,629**	**63,035**	**12,843**

Notes
1. Previous fiscal losses refer to tax losses not used by Assicurazioni Generali's tax consolidation programme and had been used in their entirety at 31 December 2012.
2. The DTAs transformed into tax credits pursuant to Law 214/2011 include assets associated with impairment losses in excess of 0.30%, deductible over 18 years, in connection with the banking book, and the assets associated with goodwill redeemed pursuant to Article 10 of Legislative Decree 185/08 and Article 72 of Italy's Consolidated Income Tax Law.

14.2 Breakdown of deferred tax liabilities

	31.12.2012	31.12.2011
With impact on profit and loss account	**2,386**	**1,211**
Capital gains by instalments from the transfer of the funds business unit	1,126	-
Provisions, adjustments and write-downs Off-balance sheet items excluded	639	311
Provision for post-employment benefits	310	325
Goodwill	311	575
With impact on net equity	**869**	**74**
Measurement at fair value of AFS financial assets	869	74
Total	**3,255**	**1,285**

14.3 Change in deferred tax assets (offsetting entry to the Profit and Loss account)

	31.12.2012	31.12.2011
1. Amount at year-start	**36,299**	**33,170**
2. Increases	**8,117**	**11,594**
2.1 Deferred tax assets for the year:	8,104	10,915
a) relative to prior years	-	361
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	8,104	10,554
2.2 New taxes or increases in tax rates	-	655
2.3 Other increases	13	24
- *of which: adjustment of prepaid taxes for the national tax consolidation*	-	*24*
- *of which: business combinations*	-	-
3. Decreases	**11,286**	**8,465**
3.1 Deferred tax receivables eliminated in the year:	10,033	8,090
a) transfers	9,035	7,132
b) write-downs for non-recoverability	412	777
c) change in accounting criteria	586	181
3.2 Decreases in tax rates	121	-
3.3 Other decreases	1,132	375
- *of which: business combinations*	-	-
- *of which: reclassified to assets for the tax consolidation*	*1,120*	-
4. Amount at year-end	**33,130**	**36,299**

Notes
1. The difference between the change of deferred tax assets in the P&L (2,048 thousand euros) and the overall change in the balance sheet (3,169 thousand euros) is mainly attributable to the adjustment of tax losses contributed for the national tax consolidation.

14.3.1 Change in deferred tax assets pursuant to Law 214/2011

	31.12.2012
1. Amount at year-start	**12,843**
2. Increases	**-**
of which: business combinations	-
3. Decreases	**1,214**
3.1 Transfers	1,214
3.2 Conversion in tax credits:	-
a) arising from losses during the year	-
b) arising from fiscal losses	-
3.3 Other decreases	-
4. Amount at year-end	**11,629**

14.4 Change in deferred taxes (offsetting entry to the Profit and Loss account)

	31.12.2012	31.12.2011
1. Amount at year-start	**1,211**	**1,136**
2. Increases	**1,192**	**78**
2.1 Deferred tax liabilities for the year:	66	67
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	66	67
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	1,126	11
of which: business combinations	*1,126*	-
3. Decreases	**17**	**3**
3.1 Deferred tax payables eliminated during the year:	17	3
a) transfers	17	3
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
of which: business combinations	-	-
4. Amount at year-end	**2,386**	**1,211**

Note
1. The difference between the increase in deferred taxes in profit and loss, equal to 49 thousand euros, and the overall change in the balance sheet, equal to 1,175 thousand euros, relates to the effects of the sale of the collective management business line. This latter transaction resulted in the recognition of deferred tax assets of 1,126 thousand euros with a balancing entry to the equity reserve for transfers.

14.5 Changes in deferred tax assets (offsetting entry to the net equity)

	31.12.2012	31.12.2011
1. Amount at year-start	**26,736**	**10,469**
2. Increases	**102**	**17,698**
2.1 Deferred tax assets for the year:	102	17,440
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	102	17,440
2.2 New taxes or increases in tax rates	-	258
2.3 Other increases	-	-
3. Decreases	**20,525**	**1,431**
3.1 Deferred tax receivables eliminated in the year:	20,525	1,431
a) transfers	20,525	1,407
b) write-downs for non-recoverability	-	24
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**6,313**	**26,736**

14.6 Changes in deferred tax liabilities (offsetting entry to the net equity)

	31.12.2012	31.12.2011
1. Amount at year-start	**74**	**121**
2. Increases	**861**	**2**
2.1 Deferred tax liabilities for the year:	861	-
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	861	-
2.2 New taxes or increases in tax rates	-	2
2.3 Other increases	-	-
3. Decreases	**66**	**49**
3.1 Deferred tax payables eliminated during the year:	66	49
a) transfers	66	49
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**869**	**74**

Section 15 - Non-current assets and groups of assets held for sale, and related liabilities - Item 150 (Assets) and Item 90 (Liabilities)

		31.12.2012	31.12.2011
A.	**Individual assets**		
A.1	Financial assets	-	-
A.2	Investments	-	-
A.3	Property and equipment	-	-
A.4	Intangible assets	-	-
A.5	Other non-current assets	-	-
Total A		**-**	**-**
B.	**Groups of assets (discontinued operating units)**		
B.1	Financial assets held for trading	-	-
B.2	Financial assets measured at fair value	-	-
B.3	AFS financial assets	-	-
B.4	HTM financial assets	-	-
B.5	Loans to banks	-	-
B.6	Loans to customers	-	675
B.7	Equity investments	-	-
B.8	Property and equipment	-	-
B.9	Intangible assets	-	-
B.10	Other assets	-	-
Total B		**-**	**675**
C.	**Liabilities of individual assets held for sale**		
C.1	Debts	-	-
C.2	Securities	-	-
C.3	Other liabilities	-	-
Total C		**-**	**-**
D.	**Liabilities of groups of assets held for sale**		
D.1	Due to banks	-	237
D.2	Due to customers	-	43
D.3	Outstanding securities	-	-
D.4	Financial liabilities held for trading	-	-
D.5	Financial liabilities measured at fair value	-	-
D.6	Provisions	-	19
D.7	Other liabilities	-	17
Total D		**-**	**316**

Section 16 - Other assets - Item 160

16.1 Breakdown of other assets

	31.12.2012	31.12.2011
Fiscal items	**7,218**	**15,380**
Advances paid to fiscal authorities - current account withholdings [1]	1,449	5,178
Advances paid to fiscal authorities - stamp duty	4,893	9,103
Excess payment of substitute tax for tax shield	634	634
Sums due from fiscal authorities for taxes to be refunded - other	168	160
Other sums due from fiscal authorities	74	305
Leasehold improvements	**932**	**1,196**
Sundry advances to suppliers and employees	**4,689**	**9,051**
Operating receivables not related to financial transactions	**108**	**404**
Cheques under processing	**20,861**	**9,653**
C/a cheques drawn on third parties under processing	2,466	1,317
Our c/a cheques under processing c/o service	16,009	8,207
Cheques - other amounts under processing	2,386	129
Other amounts to be debited under processing	**23,515**	**18,152**
Amounts to be settled in the clearing house (debits)	6,027	3,618
Clearing accounts for securities and funds procedure	14,775	9,780
Other amounts to be debited under processing	2,713	4,754
Amounts receivable for legal disputes related to non-credit transactions	**2,874**	**5,226**
Trade receivables from customers and banks that cannot be traced back to specific items	**14,858**	**2,303**
Other amounts	**30,167**	**27,906**
Prepayments for the new supplementary commissions fo FAs	18,941	12,529
Prepayments of exclusive portfolio management commissions	9,029	13,946
Other accrued income and deferred charges	1,740	1,303
Due from Assicurazioni Generali for claims to be settled	228	22
Sundry amounts	229	106
Total	**105,222**	**89,271**

(1) Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account ant the related payable to fiscal authorities.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
1. Due to Central Banks	**1,309,841**	**500,696**
2. Due to banks	**920,055**	**570,213**
2.1 Current accounts and demand deposits	80,217	1,259
2.2 Term deposits	8,892	10,082
2.3 Loans:	801,383	538,625
2.3.1 Repurchase agreements	801,383	538,625
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	29,563	20,247
Total	**2,229,896**	**1,070,909**
Fair value	**2,229,896**	**1,070,909**

Note
1. Other liabilities refer for 20,189 thousand euros to deposits made by BSI S.A. as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits) and, for the remaining amount, to collateral margins received from counterparties in reverse repurchase agreements.

Section 2 - Due to customers - Item 20

2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
1. Current accounts and demand deposits	2,632,354	2,495,597
2. Term deposits	1,610,868	344,262
3. Loans:	177,593	134,149
3.3.1 Repurchase agreements	153,397	101,764
3.3.2 Other	24,196	32,385
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	70,358	68,363
Total	**4,491,173**	**3,042,371**
Fair value	**4,491,173**	**3,042,371**

Notes
1. Item 5 "Other debts" refers for 28,863 thousand euros to the stock of bank drafts issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, to other amounts available to customers and, for the remaining amount, to trade payables to the sales network.
2. Item 3.3.2. "Loans - Other" includes a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A. under the contractual form known as Schuldschein (loan), with a repayment schedule that calls for five annual instalments of which the second has been paid on 1 October 2012 and an interest rate equal to the 12-month EURIBOR plus 225 basis points. The loan is subordinated in the event of a default by the bank.

2.2 Due to customers: subordinated debts

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Due to customers: subordinated debts	**24,196**	**32,385**
Generali Versicherung subordinated loan	24,196	32,385

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: categories

TYPE OF TRANSACTIONS/VALUES	VN	31.12.2012 - FV			FV (*)	VN	31.12.2011 - FV			FV (*)
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds:	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	x	-	-	-	-	x
3.1.2 Other bonds	-	-	-	-	x	-	-	-	-	x
3.2 Other securities:	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2.2 Other	-	-	-	-	x	-	-	-	-	x
Total A	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	
B. Derivatives										
1. Financial	-	-	1,448	-	-	-	-	1,737	-	-
1.1 Trading	x	-	1,448	-	x	x	-	1,737	-	x
1.2 Related to the fair value option	x	-	-	-	x	x	-	-	-	x
1.3 Other	x	-	-	-		x		-	-	-
2. Credit	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**
2.1 Trading	x	-		-	x	x	-	-	-	x
2.2 Related to the fair value option	x	-	-	-	x	x	-	-	-	x
2.3 Other	x	-	-	-	x	x	-	-	-	x
Total B	**x**	**-**	**1,448**	**-**	**-**	**x**	**-**	**1,737**	**-**	**-**
Total (A + B)	**x**	**-**	**1,448**	**-**	**-**	**x**	**-**	**1,737**	**-**	**-**

(*) FV: fair value measured without taking account of issuer's credit merit changes compared to issue date.

Section 8 - Tax payables - Item 80

Breakdown of tax liabilities - Item 80

Section 14 (Assets) provides an analysis.

Section 10 - Other liabilities - Item 100

10.1 Breakdown of other liabilities

	31.12.2012	31.12.2011
Trade payables	**12,762**	**13,753**
Due to suppliers	11,572	12,087
Due for payments on behalf of third parties	1,190	1,666
Due to staff and social security institutions	**13,359**	**11,597**
Due to staff for accrued holidays etc.	3,234	3,255
Due to staff for productivity bonuses to be paid out	5,948	4,358
Contributions to be paid to social security institutions	2,220	2,179
Contributions to advisors to be paid to Enasarco	1,957	1,805
Tax authorities	**20,384**	**7,776**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	3,207	1,577
Withholding taxes to be paid to tax authorities on behalf of customers	14,504	3,415
Notes to be paid into collection services	2,221	2,174
VAT payable	326	491
Tax liabilities - other (stamp and substitute tax on medium/long-term loans)	126	119
Amounts to be debited under processing	**45,677**	**45,441**
Bank transfers, cheques and other sums payable	7,258	2,325
Amounts to be settled in the clearing house (credits)	29,601	21,775
Liabilities from reclassification of portfolio subject to collection (SBF)	1,257	749
Other amounts to be debited under processing	7,561	20,592
Sundry items	**2,831**	**6,476**
Accrued expenses and deferred income that cannot be traced back to specific items	859	160
Sums made available to customers	57	13
Sundry items	1,667	6,036
Amounts to be credited	248	267
Total	**95,013**	**85,043**

Section 11 - Provisions for termination indemnity - Item 110

11.1 Provisions for termination indemnity: year changes

	31.12.2012	31.12.2011
A. Amount at year-start	**4,003**	**4,345**
B. Increases	**1,024**	**293**
B.1 Provisions for the year	1,024	276
B.2 Other increases	-	17
of which: business combination transactions	-	*5*
C. Decreases	**837**	**635**
C.1 Amounts paid	613	616
C.2 Other decreases	224	19
of which: business combination transactions	-	*19*
D. Amount at year-end	**4,190**	**4,003**

Note
The changes relating to business combinations refer to the reclassification, pursuant to IFRS 5, of the allocation for the year and the provision for post-employment benefits in connection with the business unit sold during the year.

11.2 Other information

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

The fund was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

	31.12.2012
Current service cost	23
Interest cost	186
Curtailment effect	-
Actuarial gains & losses (Corridor method)	815
Total provisions for the financial year	**1,024**
Book value	4,190
Actuarial gains & losses not recognised (Corridor method)	410
Actuarial value	**4,600**
Value calculated Re. Article 2120 of the Italian Civil Code	**5,420**

Section 12 - Provisions for liabilities and contingencies - Item 120

12.1 Breakdown of provisions for liabilities and contingencies

ITEMS/COMPONENTS	31.12.2012	31.12.2011
1. Company provisions for pensions	**-**	**-**
2. Other provisions for liabilities and contingencies	**63,805**	**61,070**
2.1 Litigation	11,464	11,489
2.2 Staff	12,961	11,526
2.3 Other	39,380	38,055
Total	**63,805**	**61,070**

Breakdown of other provisions for liabilities and contingencies

	31.12.2012	31.12.2011
Provision for staff expenses	**12,961**	**11,526**
Provision for legal disputes	**11,464**	**11,489**
Provision for risks related to litigations connected with advisors' embezzlements	7,386	5,850
Provision for risks related to legal disputes with advisors	892	1,189
Provision for risks related to legal disputes with staff	709	739
Provision for other legal disputes	2,477	3,711
Provision for termination indemnity of financial advisors	**11,255**	**9,156**
Provision for termination indemnity	9,924	8,082
Provision for portfolio overcommission indemnities	908	1,074
Provision for retirement benefit plans	423	-
Provisions for risks related to network incentives	**27,147**	**28,899**
Provision for network development incentives	22,212	24,974
Provisions for managers with access gate	2,317	1,875
Provision for commissions - travel incentives and tenders	2,500	1,900
Provision for commissions - other	118	31
Provision for loyalty bonuses	-	119
Other provisions for liabilities and contingencies	**978**	**-**
Total	**63,805**	**61,070**

12.2 Provisions for liabilities and contingencies: year changes

ITEMS/COMPONENTS	PROVISIONS FOR PENSIONS	OTHER PROVISIONS	TOTAL
A. Opening balance	**-**	**61,070**	**61,070**
B. Increases	**-**	**26,687**	**26,687**
B.1 Provisions for the year	-	26,687	26,687
B.2 Other increases	-	-	-
C. Decreases	**-**	**23,952**	**23,952**
C.1 Use in the year	-	19,182	19,182
C.2 Other decreases	-	4,770	4,770
D. Closing balance	**-**	**63,805**	**63,805**

Provisions for liabilities and contingencies - details of movements

	31.12.2011	OTHER CHANGES	USES	SURPLUS	PROVISIONS	31.12.2012
Provision for staff expenses	**11,526**	**-**	**-4,529**	**-2,274**	**8,238**	**12,961**
Provision for legal disputes	**11,489**	**-**	**-4,136**	**-655**	**4,766**	**11,464**
Provision for risks related to litigations connected with advisors' embezzlements	5,850	2,015	-2,174	-548	2,243	7,386
Provision for risks related to legal disputes with advisors	1,189	-	-971	-	674	892
Provision for risks related to legal disputes with staff	739	-	-	-30	-	709
Provision for other legal disputes	3,711	-2,015	-991	-77	1,849	2,477
Provision for termination indemnity of financial advisors	**9,156**	**-**	**-503**	**-745**	**3,347**	**11,255**
Provision for termination indemnity	8,082	-	-101	-709	2,652	9,924
Provision for portfolio overcommission indemnities	1,074	-	-402	-36	272	908
Provision for retirement benefit plans	-	-	-	-	423	423
Provisions for risks related to network incentives	**28,899**	**-**	**-10,014**	**-1,096**	**9,358**	**27,147**
Provision for risks related to network development incentives	24,974	140	-7,679	-845	5,622	22,212
Provisions for managers with access gate	1,875	-140	-561	-	1,143	2,317
Provision for commissions - travel incentives and tenders	1,900	-	-1,649	-251	2,500	2,500
Provision for risks related to incentive plans	31	-	-6	-	93	118
Provision for loyalty bonuses	119	-	-119	-	-	-
Other provisions for liabilities and contingencies	**-**	**-**	**-**	**-**	**978**	**978**
Total	**61,070**	**-**	**-19,182**	**-4,770**	**26,687**	**63,805**

12.4 Provisions for liabilities and contingencies - other provisions

Provision for staff expenses

These provisions include the following amounts:

a) 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 the banking group's new remuneration policy;
b) the estimate of the variable compensation provided for in the new long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali (the Long Term Incentive Plan);
c) provisions for post-employment medical benefits of Group executives;
d) other allocations intended to support a company reorganisation plan launched following the merger of BG SGR, informal incentives and other expenses associated with personnel classification, not included within the scope of IAS 19.

In 2012, provisions for staff expenses also included the allocation related to the performance bonus envisaged in the company supplementary contract. In fact, at the date of the financial statements, the new supplementary contract for the three-year period 2012-2014 will not yet be in effect, inasmuch as negotiations with union representatives are still in the initial phases. However, the Bank decided to allocate the amount of the bonus on the basis of the mechanisms agreed for the previous two-year period 2010-2011.

The provisions and surpluses associated with the cases set out in points a) and b), and, for 2012, the provisions the 2012 performance bonus, associated with the supplementary company agreement subject to renewal, have as their balancing entries in profit and loss, respectively, staff expense, item 150 a) of the profit and loss account, and other operating income and expenses, item 190 of the profit and loss account. The balancing entries in profit and loss for the remaining provisions fall appropriately under item 160, net provisions for liabilities and contingencies.

Provisions for legal disputes

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

Provisions for advisors' termination indemnity

These include provisions for termination indemnities paid to the sales network pursuant to Article 1751 of the Italian Civil Code and the portfolio development indemnity called for in the agency agreement. In particular, the portfolio development scheme calls for financial advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.

For both provisions, the expense associated with existing obligations at year-end is assessed according to a statistical-actuarial method, with the aid of independent professionals, for financial advisors in regular service, and through a specific assessment, for financial advisors who have left service.

Provisions for risks related to network incentives

These provisions refer mainly to past Group commitments related to several recruitment plans for middle-term expansion of managed portfolios. Considering that this type of plan has not been activated since 2009, provisions now refer solely to programmes in the final phases.

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in of one or more years (up to 5 or 7 years).

This amount includes also allocations for performance-based incentive programmes, including the "BG Premier Club Trip", and for other commission plans (supplementary allowances, stabilisers, objective-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuing employment in the network or the achievement of sales objectives.

Tax dispute

In January 2013, the Regional Department for Friuli Venezia Giulia of the Italian Revenue Service initiated an audit of tax year 2010. At present, the audit has not resulted in irregularities of a material nature.

At 31 December 2012 Banca Generali was not involved in any tax disputes with the revenue authorities.

Section 15 - Group net equity - Items 140, 160, 170, 180, 190, 200 and 220

15.1 Breakdown of capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (EURO)	BOOK VALUE (EURO THOUSAND)
Share capital				
- Ordinary shares	1.00	112,937,722	112,937,722	112,938
Treasury shares				
- Ordinary shares	1.00	-10,071	-10,071	-41
Total		**112,927,651**	**112,927,651**	**112,897**

15.2 Capital - Number of shares of the Parent Company: year changes

ITEMS/TYPE	ORDINARY	OTHER
A. Existing shares at year-start	**111,676,183**	**-**
- paid up	111,676,183	-
- partially paid	-	-
A.1 Treasury shares (-)	-30,071	-
A.2 Outstanding shares: at year-start	**111,646,112**	**-**
B. Increases	**1,281,539**	**-**
B.1 Newly issued shares:		
- against payment:	1,261,539	-
- business combination transactions	-	-
- bonds conversion	-	-
- exercise of warrant	1,261,539	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	20,000	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**112,927,651**	**-**
D.1 Treasury shares (+)	10,071	-
D.2 Existing shares at the end of the year	**112,937,722**	**-**
- paid up	112,937,722	-
- partially paid	-	-

15.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 112,937,722 ordinary shares of 1 euro each,with regular dividend entitlement, and it was fully paid up.

During the year, the company also allocated 20,000 own shares for the stock option plan reserved for the Chairman approved by the merged company Banca BSI Italia S.p.A. into Banca Generali, for a book value of 207 thousand euros.

During the year, as a result of the exercise of options within the stock option plan reserved for financial advisors, 1,261,539 newly issued shares were issued, for a total of 13,360 thousand euros.

15.4 Income reserves: further information

	31.12.2011	PROFIT DISTRIBUTION OF DIVIDENDS	PURCHASE SHARES	SALES OF TREASURY SHARES	ISSUE OF OWN SHARES	NEW STOCK OPTION PLANS	OTHER	31.12.2012
Legal reserve	22,315	24	-	-	-	-	-	22,339
Restricted reserve for treasury shares	248	-	-	-207	-	-	-	41
Restricted reserve for shares of the parent company	713	-	-	-	-	-	139	852
Unrestricted reserve	1,154	-	-	207	-	-	-139	1,222
Contribution to stock grant AG	157	-		-	-	-	-	157
Share-based payments reserve (IFRS2)	8,638	-	-	-55	-3,039	712	-	6,256
Reserve from income (loss) carried forward - parent company	51,280	7,184	-	-	-	-	-	58,464
Reserve from income (loss) carried forward - consolidated	42,003	4,795	-	-	-	-	2	46,800
Equity reserve from the transfer of the funds business unit	-	-	-	-	-	-	3,710	3,710
Total	**126,508**	**12,003**	**-**	**-55**	**-3,039**	**712**	**3,712**	**139,841**

Section 16 - Minority interests - Item 210

(EURO THOUSAND)	31.12.2012	31.12.2011
1. Share capital	1,922	1,922
2. Additional paid-in capital	-	-
3. Reserves	1,377	979
4. Advance dividend payment	-	-2,680
5. (Treasury shares)	-	-
6. Valuation reserves	-	-
7. Equity instruments	-	-
8. Net profit (loss) for the year of minority interests	3,867	3,955
Total net equity	**7,166**	**4,176**

Minority interests only refers to minority interests in the share capital of Generali Fund Management (GFM) and is made up of class B shares held by the minority shareholder, the merger reserve arising on the merger of Generali Investment Luxembourg (GIL), the undistributed profit, and the portion of net profit attributable to said interests.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - OTHER INFORMATION

1. Guarantees issued and commitments

TRANSACTION	31.12.2012	31.12.2011
1) Financial guarantees issued	**16,909**	**20,139**
a) Banks	5,220	5,220
b) Customers	11,689	14,919
2) Commercial guarantees issued	**11,438**	**14,981**
a) Banks	-	-
b) Customers	11,438	14,981
3) Irrevocable commitment to dispense funds	**10,744**	**93,689**
a) Banks:	502	91,580
i) of certain use	502	91,580
ii) of uncertain use	-	-
b) Customers:	10,242	2,109
i) of certain use	1,813	-
ii) of uncertain use	8,429	2,109
4) Underlying commitments to credit derivatives: hedging sales	**-**	**-**
5) Assets pledged as collateral of third-party bonds	**4,000**	**-**
6) Other commitments	**-**	**-**
of which: securities receivable for put option issued	-	-
Total	**43,091**	**128,809**

Notes
1. Financial guarantees to banks include the commitment to FITD (interbank deposit protection fund) amounting to 5,220 thousand euros.
2. Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
3. Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
4. 10% of assets pledged to secure the obligations of third parties consist of guarantees granted to cover possible losses by operators in default on the collateralised interbank market (NewMIC).

2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	31.12.2012	31.12.2011
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. AFS financial assets	769,100	794,861
4. HTM financial assets	2,525,865	605,172
5. Loans to banks	76,538	157,030
6. Loans to customers	10,091	19,257
7. Property and equipment	-	-
8. Intangible assets	-	-
Total	**3,381,594**	**1,576,320**

Note
1. Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB.

5. Trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2012	31.12.2011
1. Execution of orders on behalf of clients	**25,464,297**	**29,226,667**
a) Purchases:	12,334,097	14,855,900
1. Settled	12,257,730	14,781,136
2. To be settled	76,367	74,764
b) Sales:	13,130,200	14,370,767
1. Settled	13,069,189	14,297,183
2. To be settled	61,011	73,584
2. Discretionary accounts (1)	**13,577,553**	**13,656,672**
a) Individual	3,197,824	2,924,672
b) Collective	10,379,729	10,732,000
3. Custody and administration of securities (excluding asset management)	**29,206,251**	**30,606,055**
a) Third-party securities held in deposit:		
- Related to services provided as depository bank:	-	1,902,364
1. issued by companies included in the consolidation area	-	7
2. other	-	1,902,357
b) Other third-party securities held in deposit:		
- Other:	12,010,178	11,877,973
1. issued by companies included in the consolidation area	15,202	38,968
2. other	11,994,976	11,839,005
c) Third-party securities deposited with third parties	11,973,414	13,641,466
d) Portfolio securities deposited with third parties	5,222,659	3,184,252
4. Other		

Notes
1 The item "Discretionary accounts" refers to the overall amount, at market value, of assets under custody and administration on behalf of third parties, that include individual (GPM/GPF) and collective (Funds, Sicav) asset management. The figure referring to individual management does not include 108,718 thousand euros of liquidity.
2. The figure referring to collective management does not include 742 thousand euros of funds included in Group individual discretionary accounts GPM/GPF.
3. Securities under custody and administration are recognised at nominal value.

PART C - INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Section 1 - Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

	DEBT SECURITIES	LOANS	OTHER	2012	2011
1. Financial assets held for trading	2,963	-	-	2,963	492
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	32,877	-	-	32,877	32,945
4. HTM financial assets	97,628	-	-	97,628	19,422
5. Loans to banks	4,397	1,244	-	5,641	8,589
6. Loans to customers	848	16,640	-	17,488	17,775
7. Hedging derivatives	-	-	777	777	-
8. Other assets	-	-	18	18	8
Total	**138,713**	**17,884**	**795**	**157,392**	**79,231**

Note
1. Loans to costumers - Financing include 788 thousand euros (1,026 thousand euros at 31 December 2011) for the return on the capitalisation policy Gesav.

1.3 Breakdown of interest income and similar charges: further information

	2012	2011
1.3.1 Interest income on financial assets in foreign currencies	168	275
1.3.2 Interest income on finance lease transactions	-	-
1.3.3 Interest income on third-party funds under administration	-	-
Total	**168**	**275**

1.4 Breakdown of interest expense and similar charges

	DEBTS	SECURITIES	OTHER	2012	2011
1. Due to Central Banks	12,128	-	-	12,128	954
2. Due to banks	9,521	-	-	9,521	8,526
3. Due to customers	24,187	-	-	24,187	20,659
4. Securities issued	-	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	4	4	33
8. Hedging derivatives	-	-	-	-	-
Total	**45,836**	**-**	**4**	**45,840**	**30,172**

1.6 Breakdown of interest expense and similar charges: further information

	2012	2011
1.6.1 Interest expense on financial assets in foreign currencies	46	45
1.6.2 Interest expense on finance lease liabilities	5	33
1.6.3 Interest expense on third-party funds under administration	-	-
Total	**51**	**78**

Section 2 - Commissions - Items 40 and 50

2.1 Breakdown of commission income

		2012	2011
a)	Guarantees issued	112	151
b)	Credit derivatives	-	-
c)	Management, brokerage and consultancy services:	376,612	343,783
	1. Trading of financial instruments	13,212	15,240
	2. Currency trading	-	-
	3. Asset management:	250,509	216,279
	3.1 Individual	36,727	33,166
	3.2 Collective	213,782	183,113
	4. Custody and administration of securities	857	2,287
	5. Depositary bank	-	-
	6. Placement of securities	36,756	41,048
	7. Order collection	4,916	5,441
	8. Consultancy activities	355	259
	9. Distribution of third-party services:	70,007	63,229
	9.1 Asset management:	389	358
	9.1.1 individual	19	23
	9.1.2 collective	370	335
	9.2 Insurance products	69,299	62,270
	9.3 Other products	319	601
d)	Collection and payment services	2,090	1,900
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	2,871	2,952
j)	Other services	2,948	1,936
Total		**384,633**	**350,722**

2.2 Breakdown of commission expense

		2012	2011
a)	Guarantees received	105	76
b)	Credit derivatives	-	-
c)	Management and brokerage services:	168,101	160,639
	1. Trading of financial instruments	2,762	3,551
	2. Currency trading	-	-
	3. Asset management:	15,151	15,301
	3.1 Own portfolio	15,151	15,301
	3.2 Third-party portfolio	-	-
	4. Custody and administration of securities	520	477
	5. Placement of financial instruments	-	-
	6. External offer of financial instruments, products, and services	149,668	141,310
d)	Collection and payment services	1,086	889
e)	Other services	1,276	1,156
Total		**170,568**	**162,760**

Section 3 - Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

		2012		2011	
		DIVIDENDS	PROCEEDS FROM UCIT UNITS	DIVIDENDS	PROCEEDS FROM UCIT UNITS
A.	Financial assets held for trading	61	102	91,516	93
B.	AFS financial assets	576	-	650	-
C.	Financial assets measured at fair value	-	-	-	-
D.	Shareholdings	-	x	-	x
Total		**637**	**102**	**92,166**	**93**

Section 4 - Net profit from trading - Item 80

4.1 Breakdown of net profit from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSS	LOSS FROM TRADING	NET RESULT 2012	NET RESULT 2011
1. Financial assets	**1,369**	**7,878**	**139**	**2,432**	**6,676**	**-138,199**
1.1 Debt securities	429	7,277	126	2,381	5,199	438
1.2 Equity securities	210	116	5	48	273	-137,181
1.3 UCIT units	730	485	8	3	1,204	-1,456
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange gains and losses	**-**	**2,179**	**-**	**-**	**2,179**	**925**
4. Derivatives	**44**	**506**	**-**	**920**	**-370**	**49,681**
4.1 Financial derivatives	44	506	-	920	-370	49,681
- On debt securities and interest rates:	44	208	-	622	-370	-580
- interest rate swaps	44	208	-	622	-370	-733
- swap assets	-	-	-	-	-	153
- On equity securities and stock indexes:	-	-	-	-	-	50,256
- options	-	-	-	-	-	73
- futures	-	-		-	-	50,183
- On currency and gold (1)	-	298	-	298	-	5
- Other	-	-	-	-	-	-
Total return swap	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
Total	**1,413**	**10,563**	**139**	**3,352**	**8,485**	**-87,593**

Note
(1) It includes currency options and currency outrights.

Section 5 - Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

	2012	2011
A. Income from:		
A.1 Fair-value hedge derivatives	-	-
A.2 Hedged financial assets (fair value)	-	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	**-**	**-**
B. Charges from:		
B.1 Fair-value hedge derivatives	-	-
B.2 Hedged financial assets (fair value)	-	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	937	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	**937**	**-**
C. Net income from hedging (A - B)	**-937**	**-**

Section 6 - Gain (loss) from transfer/repurchase - Item 100

6.1 Breakdown of gain (loss) from transfer/repurchase

	2012			2011		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Loans to banks	453	-	453	553	19	534
2. Loans to customers	353	5,117	-4,764	390	31	359
3. AFS financial assets	21,973	14,424	7,549	2,692	1,362	1,330
3.1 Debt securities	21,973	14,372	7,601	2,672	1,362	1,310
3.2 Equity securities	-	52	-52	20	-	20
3.3 UCIT units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	1,240	411	829	70	271	-201
Total assets	**24,019**	**19,952**	**4,067**	**3,705**	**1,683**	**2,022**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Previous AFS equity reserves transferred back to the profit and loss account are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	200	-14,169	-13,969
Equity securities	-	-	-
Total	**200**	**-14,169**	**-13,969**

Section 8 - Net adjustments/reversal value for impairment - Item 130

8.1 Breakdown of net adjustments to non-performing loans

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2012	2011
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Loans to banks	**-**	**-**	**1,140**	**-**	**-**	**-**	**-**	**-1,140**	**-281**
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	1,140	-	-	-	-	-1,140	-281
B. Loans to customers	**45**	**1,632**	**783**	**1**	**27**	**-**	**-**	**-2,432**	**-1,882**
Non-performing loans purchased									
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other loans									
- Loans	-	1,192	92	1	27	-	-	-1,265	-135
- Operating loans	45	440	-	-	-	-	-	-476	-1,027
- Debt securities	-	-	691	-	-	-	-	-691	-710
C. Total	**45**	**1,632**	**1,923**	**1**	**27**	**-**	**-**	**-3,572**	**-2,613**

Portfolio adjustments on debt securities classified under "Loans to customers" and "Loans to banks" amounted to 1,831 thousand euros (439 thousand euros at 31 December 2011) and refer to the adjustments of the collective reserves allocated to account for potential impairment on the corporate bond and ABS portfolio.

Specific value adjustments refer for 389 thousand euros to doubtful loans and for the remaining amount to other non-performing positions (substandard loans, objective substandard loans and loans expired by over 90 days). Value adjustments to operating loans refer to writedowns of advanced commissions to former financial advisors and other operating loans.

8.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2012	2011
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	1,016	-	-	-	-	-	-1,016	-3,980
C. UCIT units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
F. Total	**-**	**1,016**	**-**	**-**	**-**	**-**	**-**	**-1,016**	**-3,980**

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2012	2011
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	304	304	164
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to costumers	-	-	-	-	-	-	-	-	-
D. Total	**-**	**-**	**-**	**-**	**-**	**-**	**304**	**304**	**164**

Section 11 - General and administrative expense - Item 180

Breakdown of general and administrative expense

	2012	2011
a) Staff expense	67,161	64,780
b) Other general and administrative expense	92,651	78,563
Total	**159,812**	**143,343**

11.1 Breakdown of staff expense

	2012	2011
1) Employees	**65,727**	**62,033**
a) Wages and salaries	37,806	36,576
b) Social security charges	9,475	9,401
c) Termination indemnity	-	-
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	1,024	276
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	4,018	4,154
- defined contribution	4,018	4,154
- defined benefit		-
h) Costs related to payment agreements based on own equity instruments	57	162
i) Other employee benefits	13,347	11,464
2) Other staff	**-77**	**-102**
3) Directors and Auditors	**1,511**	**2,849**
4) Retired personnel	**-**	**-**
Total	**67,161**	**64,780**

11.2 Average number of employees by category

	31,12,2012	31,12,2011
Employees	**776**	**768**
a) Managers	49	51
b) Total executives	193	185
of which 3rd and 4th level	*123*	*121*
c) Employees at other levels	534	532
Other employees	**5**	**-2**
Total	**781**	**766**

Breakdown of headcount

	31,12,2012	31,12,2011
Employees	**785**	**765**
a) Managers	46	51
b) Total executives	200	185
of which 3rd and 4th level	*126*	*119*
c) Employees at other levels	539	529
Other employees	**7**	**2**
Total	**792**	**767**

11.4 Other employee benefits

	2012	2011
Productivity bonuses to be paid (CIA and Managers bonus)	8,686	7,849
Other long-term incentives	2,208	1,431
Charges for staff supplementary pensions	1,481	1,384
Amounts replacing cafeteria indemnities	792	643
Transfer incentives and other indemnities	-	2
Expenses for missions - expense reimbursement and indemnities, and charges payable by the group	-	-
Training expenses	-	-
Allowances and charitable gifts	101	110
Other expenses	79	45
Total	**13,347**	**11,464**

11.5 Breakdown of other general and administrative expenses

	2012	2011
Administration	**12,565**	**11,125**
Advertising	3,778	3,588
Consultancy and professional advice expenses	3,137	2,883
Financial consultancy expenses	-	164
Corporate boards and auditing firms	501	504
Insurance	3,966	2,839
Entertainment expenses	350	436
Membership contributions	659	627
Charity	174	84
Operations	**30,998**	**29,270**
Rent and usage of premises and management of property	15,318	14,707
Outsourced services (administration, call center)	4,588	3,502
Post and telephone	2,948	2,064
Print material	854	897
Other expenses for sales network management	2,426	2,239
Other expenses and purchases	1,920	2,880
Indirect personnel expenses	2,944	2,981
Information system and equipment	**30,926**	**28,772**
Expenses related to outsourced IT services	22,300	19,080
Fees for IT services and databases	5,367	4,740
Software maintenance and servicing	2,325	3,960
Fees for equipment hired and software used	200	232
Other maintenance	734	760
Indirect taxation	**18,162**	**9,396**
Total	**92,651**	**78,563**

Section 12 - Net provisions for liabilities and contingencies - Item 190

12.1 Breakdown of net provisions for liabilities and contingencies

	2012			2011		
	PROVISIONS	REVERSALS	NET	PROVISIONS	REVERSALS	NET
Provision for risks related to staff expenses	**3,156**	**-496**	**2,660**	**2,608**	**-3,263**	**-655**
Provisions for staff expenses: long-term incentives	-	-	-	-	-1,469	-1,469
Provision for staff expenses: other	3,156	-496	2,660	2,608	-1,794	814
Litigation	**4,766**	**-655**	**4,111**	**3,929**	**-420**	**3,509**
Provision for risks related to legal disputes with subscribers	2,243	-548	1,695	1,819	-105	1,714
Provision for risks related to legal disputes with advisors	674	-	674	397	-10	387
Provision for risks related to legal disputes with staff	-	-30	-30	-	-	-
Provision for risks related to legal disputes with other parties	1,849	-77	1,772	1,713	-305	1,408
Provisions for termination indemnity for advisors	**3,347**	**-745**	**2,602**	**1,324**	**-3,163**	**-1,839**
Provision for termination indemnity for financial advisors	2,652	-709	1,943	875	-86	789
Provision for overcommission risks for financial advisors	272	-36	236	449	-3,077	-2,628
Provision for retirement benefit plans	423	-	423	-	-	-
Provisions for risks related to network incentives	**9,358**	**-1,096**	**8,262**	**9,666**	**-522**	**9,144**
Provision for risks related to network development incentives	5,622	-845	4,777	6,961	-522	6,439
Provisions for managers with access gate	1,143	-	1,143	792	-	792
Provision for commissions - travel incentives and tenders	2,500	-251	2,249	1,900	-	1,900
Provision for commissions - incentive plans	93	-	93	13	-	13
Provision for loyalty bonuses for financial advisors	-	-	-	-	-	-
Other provisions for liabilities and contingencies	**978**	**-**	**978**	**-**	**-91**	**-91**
Total	**21,605**	**-2,992**	**18,613**	**17,527**	**-7,459**	**10,068**

Note
(1) Allocations to provisions for staff expenses do not include the items considered in IAS 19, reclassified as "Staff expenses - other benefits".

Section 13 - Net adjustments/reversal value of property and equipment - Item 200

13.1 Breakdown of net adjustments of property and equipment

	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT
A. Property and equipment				
A.1 Owned:	1,759	-	-	1,759
- operating	1,759	-	-	1,759
- investment	-	-	-	-
A.2 Leased:	-	-	-	-
- operating	-	-	-	-
- investment	-	-	-	-
Total	**1,759**	**-**	**-**	**1,759**

Section 14 - Net adjustments/reversals value of intangible assets - Item 210

14.1 Breakdown of net adjustments of intangible assets

	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT
A. Intangible assets				
A.1 Owned:	2,734	-	-	2,734
- generated in-house	-	-	-	-
- other	2,734	-	-	2,734
A.2 Leased	-	-	-	-
Total	**2,734**	**-**	**-**	**2,734**

Section 15 - Other operating income and expenses - Item 220

15.1 Breakdown of other operating expenses

	2012	2011
Adjustments of leasehold improvements	506	679
Write-downs on other assets	208	-
Elimination of improvements to discontinued outlets	-	70
Indemnities and compensation for litigation and claims	2,081	1,148
Charges from accounting adjustments with customers	315	290
Charges for card compensation and guarantees	66	152
Costs associated with tax penalties and disputes	31	26
Other contingent liabilities and non-existent assets	847	999
Other operating expenses	16	37
Consolidation adjustments	4	-
Total	**4,074**	**3,401**

15.2 Breakdown of other operating income

	2012	2011
Fees for outsourcing services	288	251
Recovery of taxes from customers	17,101	8,110
Recovery of expenses from customers	554	468
Recovery of portfolio valorisation overcommission	810	93
Indemnities for advisors' notices	275	8
Other recoveries of repayments and costs from advisors	774	811
Contingent assets - staff expense	2,294	972
Other contingent assets and non-existent liabilities	685	1,036
Insurance compensation and indemnities	356	133
Other income	76	145
Consolidation adjustments	-	40
Total	**23,213**	**12,067**
Total other net income	**19,139**	**8,666**

Section 19 - Gains (losses) from disposal of investments - Item 270

19.1 Breakdown of gains (losses) from disposal of investments

		2012	2011
A.	Buildings	-	-
	- Gains from disposal	-	-
	- Losses from disposal	-	-
B.	Other assets	-4	-1
	- Gains from disposal	-	-
	- Losses from disposal	4	1
Net result		**-4**	**-1**

Section 20 - Income tax for the year for current operations - Item 290

20.1 Breakdown of income tax for the year for current operations

		2012	2011
1.	Current taxation (-)	-36,756	-17,735
2.	Change in prior years current taxes	1,577	1,347
3.	Reduction of current taxes for the year (+)	-	-
4.	Changes of prepaid taxation (+/-)	-2,048	3,111
5.	Changes of deferred taxation (+/-)	-49	-77
6.	**Taxes for the year (-) (-1+/-2+3+/-4+/-5)**	**-37,276**	**-13,354**

Following the publication the Order of the Director of Italian Revenue Service of 17 December 2012 governing the methods of submission of the refund application for the share of IRAP (regional production tax) deductible for the purposes of IRES (corporate income tax), introduced by the Legislative Decree No. 201/2011, the Group also recognised the associated tax benefit of approximately 1.4 million euros.

20.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes for the year, including both current and deferred taxes, as set out in item 290 of the Profit and Loss Account and the theoretical corporate income tax IRES determined 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.

	2012	2011
Current taxation	**-36,756**	**-17,735**
IRES and equivalent foreign direct taxes	-28,460	-14,179
IRAP	-8,278	-2,276
Substitute tax for redemption	-	-1,278
Other	-18	-2
Prepaid and deferred taxation	**-2,097**	**3,034**
IRES	-1,354	2,065
IRAP	-743	969
Taxes of prior years	**1,577**	**1,347**
IRES	1,576	381
IRAP	1	966
Income taxes	**-37,276**	**-13,354**
Theoretical taxation	**-**	**-**
Current profit (loss) before taxation	**169,904**	**88,893**
Theoretical taxation	**-46,724**	**-24,446**
Tax income (+) expense (-):		
Non-taxable income (*)	150	170
Double taxation on 5% of Group's dividends	-1,186	-797
Rate change of companies under foreign law	20,337	14,178
Interest expenses (4%)	-505	-315
Impairment of AFS equity securities PEX	-279	-1,095
Other non-deductible costs	-919	-1,134
IRAP (net of redemption effect)	-9,020	-815
Net effect of redemption transactions	-	1,731
Unrelated deferred tax assets and liabilities	-705	-1,227
Taxes of prior years	1,576	381
Other taxes	-18	-2
Other consolidation adjustments	17	17
Actual tax expense	**-37,276**	**-13,354**
Total actual tax rate	**21.9%**	**15.0%**
Actual tax rate (IRES only)	**16.6%**	**14.6%**
Actual tax rate (IRAP only)	**5.3%**	**0.4%**

(*) Chiefly dividends on AFS equity investments with 95% exemption.

Section 21 - Income (loss) of disposal groups, net of taxes - Item 310

21.1 Breakdown of income (loss) of disposal groups, net of taxes

	2012	2011
1. Income	1,659	6,673
2. Charges	-980	-3,927
3. Measurement of groups of assets available for sale and associated liabilities	-	-
4. Gains (losses) on disposal	-	-
5. Taxes and duties	-228	-911
Net profit (Loss)	**451**	**1,835**

This result refers to the business unit of the subsidiary BG SGR, consisting of Italian managed mutual funds (BG Focus Funds), whose sale to Generali Investment Europe SGR was completed on 1 April 2012.

Commission income includes the commissions paid by funds unitholders and the amount performance commissions charged to the seller. The item also includes management commissions for the mandate received by Alleanza funds, terminated upon the sale of the business unit.

Charges refers to:

- 661 thousand euros for commissions remitted to the placement agents of the transferred funds;
- 350 thousand euros for operating costs related to personnel, administrative expenses and amortisations;
- -31 thousand euros for other net operating income.

The sale of the business unit generated a capital gain, net of directly attributable additional charges and taxes for the year, of 3,710 thousand euros. Since the business combination transaction occurred between entities under common control, such capital gain was recognized in equity as equity contribution by the transferee belonging to the same group.

Section 22

22.1 Breakdown of Item 330 - Minority interests (+/-) for the year

	2012	2011
Generali Fund Management S.A. (GFM)	3,867	3,955
Profit attributable to minority interests	**3,867**	**3,955**

The net profit attributable to minority interests consists of the portion of the net profit for the year of the subsidiary GFM to which the minority-interest shareholder is entitled pursuant to the Articles of Association. In accordance with amendments to its Articles of Association approved by the company, the class-B shares held by the minority-interest shareholder are entitled to the entire net profit for the year of the business pertaining to class-B shares, namely the business previously conducted by the merged company GIL - Generali Investment Luxembourg.

Section 24

24.1 Average number of ordinary shares after dilution

	2012	2011
Net profit for the year (€ thousand euros)	129,212	73,419
Net profit attributable to ordinary shares (€ thousand)	129,212	73,419
Average number of outstanding shares (thousands)	111,973	111,729
EPS - Earnings per Share (euros)	**1.154**	**0.657**
Average number of outstanding shares diluted capital (thousands)	115,065	114,839
EPS - Diluted Earnings per Share (euros)	**1.123**	**0.639**

PART D - COMPREHENSIVE INCOME

Analytical statement of comprehensive consolidated income

	ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10.	**Net profit (loss) for the year**	**x**	**x**	**133,079**
	Other income			
20.	AFS financial assets:	66,972	-21,218	45,754
	a) Fair value changes	51,595	-16,545	35,050
	b) Transfer to profit and loss account	15,377	-4,664	10,713
	- adjustments due to impairment	1,016	-47	969
	- gains (losses) on disposal	14,361	-4,617	9,744
	c) Other changes	-	-9	-9
30.	Property and equipment	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges of foreign investments:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	c) Other changes	-	-	-
60.	Cash-flow hedges:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	c) Other changes	-	-	-
70.	Exchange differences:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	c) Other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	c) Other changes	-	-	-
90.	Actuarial gains (losses) from defined benefit plans	-	-	-
100.	Share of valuation reserves of investments valued at equity:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	- adjustments due to impairment	-	-	-
	- gains (losses) on disposal	-	-	-
	c) Other changes	-	-	-
110.	**Total other income**	**66,972**	**-21,218**	**45,754**
120.	**Comprehensive income (Item 10 + 110)**	**66,972**	**-21,218**	**178,833**
130.	Consolidated comprehensive income attributable to minority interests	-	-	-3,867
140.	**Consolidated comprehensive income attributable to the Parent Company**	**-**	**-**	**174,966**

PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

Section 1 - Credit risk

Qualitative information

1. General aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.
In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.
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, AFS and loans to customers (both corporate and retail).
Exposure to the credit risk also derives from the presence of ABS classified in the L&R portfolio, which may become permanently impaired; this exposes the company to the risk of carrying losses through profit or loss. Securities in this portfolio are monitored at least quarterly to identify any deterioration in their credit quality.

Loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to whom loans almost totally backed by collateral on financial instrument were issued during 2012. At any rate, the ratio of loans to customers to total loans remains relatively small.
As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at individuals.

The Group has formally defined a credit risk management policy that specifies the bodies and functions involved in the management of this type of risk and set forth the guidelines for the identification, measurement, monitoring and reporting of credit risk.
The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.
The Group has defined an extensive system of powers and limits associated with loan authorisation.
In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In terms of the monitoring of loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.
The Lending Department monitors the performance of loans and reports on anomalous positions.
In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.
The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.

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 profile defined by the Board of Directors.
Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

2. Credit risk management policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Regulations.
In addition to issuing loans, the Lending Department is also charged with managing and monitoring credit, with a special focus on the performance of doubtful loans.

With reference to adoption of IASs/IFRSs, Banca Generali applied what has been developed in the Basel II framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are associated with issuers with high levels of creditworthiness.

Credit risk mitigation techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.
Collateral can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collateral is in the form of securities, a discount is usually applied when the loan is issued and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI SA for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008, which concerns a residual class of loans for an amount of approximately 26 million euros.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity has been maintained for those positions managed with the aim of recovery and those positions that have shown a default event for which payment of the indemnity was requested from the guarantor, BSI SA.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority.

At present there are:
- bad loans;
- substandard loans;
- expired loans or outstanding over 90 days.

After value adjustments, overall impaired loans accounted for a negligible percentage of total loans to customers.

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.

Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

Doubtful receivables of a significant amount refer to Banca del Gottardo Italia's clients and are guaranteed by the framework indemnity issued by the seller BSI SA. Such positions are not effectively a credit risk for the Bank, therefore no adjustments were made.

Quantitative information

A. Credit quality

A.1 Exposure to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS.

A.1.1 Breakdown of financial assets by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS	OTHER ASSETS	TOTAL
1. Financial assets held for trading	40	-	-	-	207,540	207,580
2. AFS financial assets	-	-	-	-	1,709,802	1,709,802
3. HTM financial assets	-	-	-	-	3,000,330	3,000,330
4. Loans to banks	-	-	-	-	843,368	843,368
5. Loans to customers	23,399	2,087	960	886	1,281,253	1,308,585
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total at 31.12.2012	**23,439**	**2,087**	**960**	**886**	**7,042,293**	**7,069,665**
Total at 31.12.2011	**21,783**	**7,940**	**2,948**	**3,837**	**4,183,249**	**4,219,757**

A.1.2 Breakdown of loans by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	NON-PERFORMING ASSETS			PERFORMING LOANS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. Financial assets held for trading	1,983	1,943	40	x	x	207,540	207,580
2. AFS financial assets	-	-	-	1,709,802	-	1,709,802	1,709,802
3. HTM financial assets	-	-	-	3,000,626	296	3,000,330	3,000,330
4. Loans to banks	-	-	-	845,259	1,891	843,368	843,368
5. Loans to customers	41,092	13,760	27,332	1,284,235	2,982	1,281,253	1,308,585
6. Financial assets at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	-	-
Total at 31.12.2012	**43,075**	**15,703**	**27,372**	**6,839,922**	**5,169**	**7,042,292**	**7,069,664**
Total at 31.12.2011	**58,612**	**22,104**	**36,508**	**4,168,999**	**3,635**	**4,183,249**	**4,219,757**

A.1.2.1 Breakdown of performing loans by portfolio

PORTFOLIOS/MATURITY EXPIRED	OTHER EXPOSURES					TOTAL (NET EXPOSURE)
	EXPIRED FOR UP TO 3 MONTHS	EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS	EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR	EXPIRED FOR OVER 1 YEAR	NOT EXPIRED	
1. Financial assets held for trading	-	-	-	-	207,540	207,540
2. AFS financial assets	-	-	-	-	1,709,802	1,709,802
3. HTM financial assets	-	-	-	-	3,000,330	3,000,330
4. Loans to banks	-	-	-	-	843,368	843,368
5. Loans to customers	20,104	266	1,395	4,823	1,254,665	1,281,253
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total at 31.12.2012	**20,104**	**266**	**1,395**	**4,823**	**7,015,705**	**7,042,293**

Banca Generali's loan portfolio does not include exposures renegotiated under collective agreements such as the Italian Banking Association-Ministry for the Economy and Finances agreement (ABI-MEF agreement). Other past-due performing exposures refer not only to positions past due or expired by more than 90 days, for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted.

A.1.3 Cash and off-balance sheet loans with banks: gross and net amounts

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Cash exposure				
a) Bad loans	1,983	1,943	-	40
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
e) Other assets	1,070,974	x	2,157	1,068,817
Total A	**1,072,957**	**1,943**	**2,157**	**1,068,857**
B. Off-balance sheet exposure				
a) Non-performing loans	-	-	-	-
b) Other	5,437	x	-	5,437
Total B	**5,437**	**-**	**-**	**5,437**

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.4 Cash exposure with banks: changes in gross non-performing loans

TYPES OF EXPOSURE/VALUES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Gross exposure at year-start	**1,983**	**-**	**-**	**-**
of which: transferred positions not written off	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 Inflows from performing loans	-	-	-	-
B.2 Transfer from other categories	-	-	-	-
- non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	-	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories	-	-	-	-
- non-performing loans	-	-	-	-
C.6 Other decreases	-	-	-	-
E. Gross exposure at year-end	**1,983**	**-**	**-**	**-**
- *of which: transferred positions not written off*	-	-	-	-

A.1.5 Cash exposure with banks: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Total adjustments at year-start	**1,943**	**-**	**-**	**-**
- *of which: positions transferred but not written off*	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 Adjustments	-	-	-	-
B.2 Transfers from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 Reversal of adjustments	-	-	-	-
C.2 Reversal of collections	-	-	-	-
C.3 Write-offs	-	-	-	-
C.4 Transfer to other categories of non-performing loans	-	-	-	-
C.5 Other decreases	-	-	-	-
D. Total adjustments at year-end	**1,943**	**-**	**-**	**-**
- *of which: positions transferred but not written off*				

A.1.6 Cash and off-balance sheet exposure with customers: gross and net amounts

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Cash exposure				
a) Bad loans	36,340	12,941	-	23,399
b) Substandard loans	2,815	728	-	2,087
c) Restructured loans	960	-	-	960
d) Expired loans	977	91	-	886
b) Other assets	5,976,091	-	3,012	5,973,079
Total A	**6,017,183**	**13,760**	**3,012**	**6,000,411**
B. Off-balance sheet exposure				
a) Non-performing loans	486	-	-	486
b) Other	31,249	-	-	31,249
Total B	**31,735**	**-**	**-**	**31,735**

Cash exposures to customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.
Non-performing exposures in the substandard category also include debt securities subject to impairment on an individual basis and operating receivables not arising from credit transactions, chiefly associated with dispute and pre-dispute positions involving terminated and other former financial advisors.

A.1.7 Cash exposure with customers: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Gross exposure at year-start	**37,231**	**12,613**	**2,948**	**3,837**
- of which: positions transferred but not written off	-	-	-	-
B. Increases	**3,273**	**991**	**51**	**1,255**
B.1 Inflows from performing loans	-	695	-	1,233
B.2 Transfers from other categories of non-performing loans	2,250	103	-	1
B.3 Other increases	1,023	193	51	21
- *of which business combinations*	-	-	-	-
C. Decreases	**4,164**	**10,789**	**2,039**	**4,115**
C.1 Outflows to performing loans	-	3	-	3,391
C.2 Write-offs	3,120	-	-	-
C.3 Repayments	1,044	10,413	156	419
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	165	1,883	305
C.6 Other decreases	-	208	-	-
D. Gross exposure at year-end	**36,340**	**2,815**	**960**	**977**

A.1.8 Cash exposure with customers: change in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Total adjustments at year-start	**15,488**	**4,673**	**-**	**-**
- of which: positions transferred but not written off	-	-	-	-
B. Increases	**1,088**	**712**	**-**	**138**
B.1 Adjustments	1,088	588	-	52
B.2 Transfers from other categories of non-performing loans	-	47	-	-
B.3 Other increases	-	77	-	86
- *of which business combinations*	-	-		-
C. Decreases	**3,635**	**4,657**	**-**	**47**
C.1 Reversal of adjustments	169	-	-	-
C.2 Reversal of collections	346	4,496	-	-
C.3 Write-offs	3,120		-	-
C.4 Transfer to other categories of non-performing loans	-	-	-	47
C.5 Other decreases	-	161	-	-
D. Total adjustments at year-end	**12,941**	**728**	**-**	**91**
- of which: positions transferred but not written off	-	-	-	-

A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.

The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Breakdown of cash and off-balance sheet exposures by external rating classes

EXPOSURES		EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
		AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
	Financial assets held for trading	-	189,740	656	-	3	-	16,784	207,183
	AFS financial assets	-	8,017	1,644,813	55,461	-	-	1,511	1,709,802
	HTM financial assets	19,697	700,649	2,258,935	21,049	-	-	-	3,000,330
	Loans to customers	7,530	26,262	34,937	-	946	273	1,238,637	1,308,585
	Loans to banks	9,991	45,363	69,140	39,696		-	679,178	843,368
A.	**Cash exposure**	**37,218**	**970,031**	**4,008,481**	**116,206**	**949**	**273**	**1,936,110**	**7,069,268**
	Financial derivatives	-	-	-	-	-	-	397	397
	Credit derivatives	-	-	-	-	-	-	-	-
B.	**Derivatives**	**-**	**-**	**-**	**-**	**-**	**-**	**397**	**397**
C.	**Guarantees issued**	**-**	**-**	**-**	**-**	**-**	**-**	**28,347**	**28,347**
D.	**Commitment to dispense funds**	**-**	**-**	**-**	**-**	**-**	**-**	**8,429**	**8,429**
Total		**37,218**	**970,031**	**4,008,481**	**116,206**	**949**	**273**	**1,973,283**	**7,106,441**

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.2 Guaranteed exposure with customers

	LOAN AMOUNT	COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2) - GUARANTEES					TOTAL (1) + (2)
		BUILDINGS	SECURITIES	OTHER ASSETS	TOTAL	GOVERNMENTS	OTHER PUBLIC INSTITUTIONS	BANKS	OTHER ENTITIES	TOTAL	
1. Guaranteed cash exposure	**1,061,293**	**343,762**	**630,721**	**698,131**	**1,672,614**	**-**	**-**	**640**	**69,057**	**69,697**	**1,742,311**
1.1 totally guaranteed	993,546	342,921	599,416	685,954	1,628,291	-	-	640	64,285	64,925	1,693,216
- *of which: non performing*	*11,474*	*27,581*	*849*	*347*	*28,777*	-	-	-	*376*	*376*	*29,153*
1.2 partially guaranteed	67,747	841	31,305	12,177	44,323	-	-	-	4,772	4,772	49,095
- *of which: non performing*	*7,102*	-	*4,000*	-	*4,000*	-	-	-	-	-	*4,000*
2. Guaranteed off-balance sheet exposures	**26,051**	**763**	**21,594**	**13,490**	**35,847**	**-**	**-**	**-**	**766**	**766**	**36,613**
2.1 totally guaranteed	17,201	763	19,311	13,450	33,524	-	-		725	725	34,249
- *of which: non performing*	*324*	-	*24*	*401*	*425*				*76*	*76*	*501*
2.2 partially guaranteed	8,850	-	2,283	40	2,323	-	-	-	41	41	2,364
- *of which: non performing*	-	-	-	-	-	-	-	-	-	-	-

B. Breakdown and concentration of loans

B.1 Sector breakdown of cash and off-balance sheet credit exposure to customers

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
A. Cash exposure		**-**	**-**
1. Government and Central Banks	**4,645,785**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	4,645,785	-	-
2. Other public institutions	**-**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	-	-	-
3. Financial companies	**232,825**	**108**	**1,299**
a. Bad loans	3	28	-
b. Substandard loans	76	77	-
c. Restructured loans	-	-	-
d. Expired loans	25	3	-
e. Other loans	232,721	-	1,299
4. Insurance companies	**33,883**	**-**	**3**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	33,883	-	3
5. Non-financial companies	**384,345**	**11,308**	**1,710**
a. Bad loans	17,973	11,261	-
b. Substandard loans	1,544	36	-
c. Restructured loans	960	-	-
d. Expired loans	184	11	-
e. Other loans	363,684	-	1,710
6. Other entities	**703,573**	**2,344**	**-**
a. Bad loans	5,423	1,652	-
b. Substandard loans	467	615	-
c. Restructured loans	-	-	-
d. Expired loans	677	77	-
e. Other loans	697,006	-	-
Total A - cash exposure	**6,000,411**	**13,760**	**3,012**

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
B. Off-balance sheet exposure		**-**	**-**
1. Government and Central Banks	**-**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
2. Other public institutions	**-**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
3. Financial companies	**429**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	429	-	-
4. Insurance companies	**-**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
5. Non-financial companies	**19,087**	**-**	**-**
a. Bad loans	68	-	-
b. Substandard loans	228	-	-
c. Other non-performing loans	-	-	-
d. Other loans	18,791	-	-
6. Other entities	**12,219**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	88	-	-
c. Other non-performing loans	102	-	-
d. Other loans	12,029	-	-
Total B - off-balance sheet exposure	**31,735**	**-**	**-**

Summary

	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
Governments and Central Banks	4,645,785	-	-
Public institutions	-	-	-
Financial companies	233,254	108	1,299
Insurance companies	33,883	-	3
Non-financial companies	403,432	11,308	1,710
Other entities	715,792	2,344	-
Overall total (A + B) at 31.12.2012	**6,032,146**	**13,760**	**3,012**

B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposure										
A.1 Bad loans	23,399	12,417	-	524	-	-	-	-	-	-
A.2 Substandard loans	2,086	726	1	2	-	-	-	-	-	-
A.3 Restructured loans	960	-	-	-	-	-	-	-	-	-
A.4 Expired loans	886	91	-	-	-	-	-	-	-	-
A.5 Other exposure	5,855,463	2,863	97,187	132	20,429	17	-	-	-	-
Total A	**5,882,794**	**16,097**	**97,188**	**658**	**20,429**	**17**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	315	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	102	-	-	-	-	-	-	-	-	-
B.4 Other exposure	31,215	-	35	-	-	-	-	-	-	-
Total B	**31,700**	**-**	**35**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2012	**5,914,494**	**16,097**	**97,223**	**658**	**20,429**	**17**	**-**	**-**	**-**	**-**
Total at 31.12.2011	**3,116,535**	**20,192**	**149,300**	**2,366**	**20,271**	**33**	**-**	**-**	**-**	**-**

B.3 Geographical breakdown of cash and off-balance-sheet credit exposure to banks

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposure										
A.1 Bad loans	-	-	40	1,943	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	970,171	2,046	98,529	111	117	-	-	-	-	-
Total A	**970,171**	**2,046**	**98,569**	**2,054**	**117**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	5,220	-	217	-	-	-	-	-	-	-
Total B	**5,220**	**-**	**217**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2012	**975,391**	**2,046**	**98,786**	**2,054**	**117**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2011	**629,920**	**953**	**337,181**	**2,195**	**3,780**	**-**	**-**	**-**	**-**	**-**

B.4 Big risks (as per surveillance regulations)

The sixth update to Circular No. 263, "New Prudential Supervisory Provisions Concerning Banks" of 27 December 2010, revised prudential rules governing risk concentration to bring them into line with the provisions of Directive 2009/111/EC. In detail, under the new rules, "big risks" are identified as exposures equal to or greater than 10% of capital for regulatory purposes, by reference to the carrying amount of "exposures" rather than the amount weighted for counterparty risk.
Accordingly, risk positions that constitute "big risks" are identified by reference to both carrying amounts and weighted amounts.

BIG RISKS	31.12.2012	31.12.2011
a) Carrying amount	6,613,610	3,427,610
b) Weighted amount	569,461	478,575
c) Number	20	19

C. Securitisation and disposal of assets

C.1 Securitisation

The securitisations portfolio contains only asset-backed securities (ABS) issued by European entities with underlying securities attributable exclusively to European originators.
The portfolio is made up of senior securities with ratings not less than investment grade.
The portfolio includes products mostly with underlying residential and commercial mortgages (RMBS/CMBS).

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE						TOTAL NET EXPOSURE
	SENIOR		MEZZANINE		JUNIOR		
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	
Cash exposure							
A. With own underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
B. With third-party underlying assets	**52,128**	**50,912**	**172**	**172**	**-**	**-**	**51,084**
a) Non-performing loans	-	-			-	-	-
b) Other	52,128	50,912	172	172	-	-	51,084

C.1.3 Breakdown of exposure resulting from the third-party main securitisation by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUST. REVERSALS	BOOK VALUE	ADJUST. REVERSALS	BOOK VALUE	ADJUST. REVERSALS
A. Cash exposure	**50,912**	**-1,216**	**172**	**-**	**-**	**-**
B. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**
C. Lines of credit	**-**	**-**	**-**	**-**	**-**	**-**

	PORTFOLIO	TYPE OF UNDERLYING ASSETS/EXPOSURE	ISIN CODE	UNDERLYING	CASH EXPOSURE					
					SENIOR		MEZZANINE		JUNIOR	
					BOOK VALUE	ADJUST. REVERSALS	BOOK VALUE	ADJUST. REVERSALS	BOOK VALUE	ADJUST. REVERSALS
A.1	loans	AYT CAJAS N 10 FRN 30,06,2015	ES0312342001	Mortgage	14,640	-58	-	-	-	-
A.2	loans	BANCAJA N6 TITULUZ FRN 20,02,2036	ES0312885017	RMBS	1,045	-	-	-	-	-
A.3	loans	CAIXA D' ESTALVIS FRN 28,01,2043	ES0313252001	RMBS	-	-	-	-	-	-
A.4	loans	ABS BBVA RMBS2 FRN 17,09,2050	ES0314148018	RMBS	-	-	-	-	-	-
A.5	loans	SANTANDER HIP3 FRN 18,01,2050	ES0338093018	RMBS	-	-	-	-	-	-
A.6	loans	MBS BANCAJA FRN 23,07,2050	ES0361797014	RMBS/CMBS	3,160	-	-	-	-	-
A.7	loans	AYT KUTXA HIPOTECARIO II FRN 15,10,2059	ES0370154009	RMBS	-	-	-	-	-	-
A.8	loans	LOCAT SEC VEHICLE FRN 12,12,2024 A	IT0003733083	Leasing	-	-	-	-	-	-
A.9	loans	FIP FUND FRN 10,01,2023	IT0003872774	CMBS	4,461	-1,159	-	-	-	-
A.10	loans	VELA MORT CL A FRN 30,07,2040	IT0003933998	RMBS	634	-	-	-	-	-
A.11	loans	ASTI FINANCE FRN 27,09,2041	IT0003966477	RMBS	838	-	-	-	-	-
A.12	loans	CORDUSIO FRM 30,06,2035	IT0004087174	RMBS	-	-	-	-	-	-
A.13	loans	ARCOBALENO FRN 28,10,2030	IT0004095672	Loans (Italian Pharmacies)	90	-	-	-	-	-
A.14	loans	LEASIMPRESA FRN 22,12,2025	IT0004123722	Leasing	316	-	-	-	-	-
A.15	loans	APULIA FINA FRN 20,07,2044	IT0004127574	RMBS/CMBS	742	-	-	-	-	-
A.16	loans	ABS VOBA FIN FRN 28,06,2043	IT0004153216	RMBS	-	-	-	-	-	-
A.17	loans	SESTANTE FRN 23,04,2046 CL A1	IT0004158124	RMBS	385	-	-	-	-	-
A.18	loans	ABS CLARIS FIN FRN 21,11,2053	IT0004189160	RMBS	419	-	-	-	-	-
A.19	loans	BP MORT FRN 20,04,2043	IT0004215320	RMBS	2,631	-	-	-	-	-
A.20	trading	QUARZO CL1 FRN 31,12,2019 ABS	IT0004284706	RMBS/CMBS	15,024	-	-	-	-	-
A.21	loans	MAGELLAN MORT N 2 FRN 18,07,2036	XS0177944690	RMBS	733	-	-	-	-	-
A.22	loans	LUSITANO MORT N 2 FRN 16,11,2036	XS0178545421	RMBS	1,499	-	-	-	-	-
A.23	loans	ABS THEMELEION MTG FRN 27,12,2036	XS0194393640	RMBS	273	-	-	-	-	-
A.24	loans	EMAC MORTG CL A FRN 25,01,2037	XS0207208165	RMBS	1,130	-	-	-	-	-
A.25	loans	E-MAC MORTG FRN CL A 25,04,2038	XS0216513118	RMBS	1,231	-	-	-	-	-
A.26	loans	ESTIA MORTG FRN 27,10,2040 CL A	XS0220978737	RMBS	774	-	-	-	-	-
A.27	loans	AIRE VALLEY MORTG FRN 20,09,2066	XS0264192989	RMBS	1,646	-	-	-	-	-
A.28	loans	SAGRES PELICAN FRN 15,09,2054	XS0293657416	RMBS	456	-	-	-	-	-
A.29	loans	ITALF VEHIC CL C FRN 14,03,2023	IT0003963433	Leasing	-	-	172	-	-	-
Total					**52,128**	**-1,216**	**172**	**-**	**-**	**-**

C.1.4 Breakdown of exposure arising on securitisations by financial-asset portfolio and type

EXPOSURE/PORTFOLIO	TYPE OF FINANCIAL-ASSET PORTFOLIO						
	FIN. ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS	31.12.2012	31.12.2011
1. Cash exposure	**15,024**	**-**	**-**	**-**	**36,060**	**51,084**	**74,184**
Senior	15,024	-	-	-	35,888	50,912	67,582
Mezzanine	-	-	-	-	172	172	6,602
Junior	-	-	-	-	-	-	-
2. Off-balance sheet exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Senior	-	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-

C.2 Transfer operations

C.2.1 Transferred financial assets not written off

TECHNICAL TYPE/PORTFOLIO	FIN. ASSETS HELD FOR TRADING			AFS FINANCIAL ASSETS			HTM FINANCIAL ASSETS			FINANCIAL ASSETS -BANKS			FINANCIAL ASSETS - CUSTOMERS			TOTAL
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets	**-**	**-**	**-**	**75,044**	**-**	**-**	**880,114**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**955,158**
1. Debt securities	-	-	-	75,044	-	-	880,114	-	-	-	-	-	-	-	-	955,158
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2012	**-**	**-**	**-**	**75,044**	**-**	**-**	**880,114**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**955,158**
Total at 31.12.2011	**-**	**-**	**-**	**351,349**	**-**	**-**	**285,171**	**-**	**-**	**4,713**	**-**	**-**	**-**	**-**	**-**	**641,233**

C.2.2 Financial liabilities for transferred assets not written off

LIABILITIES/ASSETS PORTFOLIO	FINANCIAL ASSETS HELD FOR TRADING	FVO FINANCIAL ASSETS	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL
1. Due to customers	**-**	**-**	**25,232**	**128,165**	**-**	**-**	**153,397**
a) for fully recognised assets	-	-	25,232	128,165	-	-	153,397
b) for partially recognised assets	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**49,044**	**752,339**	**-**	**-**	**801,383**
a) for fully recognised assets	-	-	49,044	752,339	-	-	801,383
b) for partially recognised assets	-	-	-	-	-	-	-
Total at 31.12.2012	**-**	**-**	**74,276**	**880,504**	**-**	**-**	**954,780**
Total at 31.12.2011	**-**	**-**	**351,202**	**284,532**	**-**	**4,655**	**640,389**

Section 2 - Market risks

The bank's exposure to market risk is mainly due to 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.

The Group has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.
The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.
Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with high credit ratings, and ABSs.
The portfolio's exposure to the equities market remains limited with respect to the bond component and derivatives transactions are absolutely marginal in extent.
The Group's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.
The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.
The Banca Generali Group holds only small amounts of securities denominated in foreign currencies.

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

2.1 Interest rate and price risk - regulatory trading book

Qualitative information

A. General aspects

The main activities of the banking group that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the corporate bond securities;
- dealings in interest rate derivatives, all of them over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The securities portfolio is characterised by a limited remaining life.
The bank's investments in structured securities are negligible.

B. Management processes and interest rate risk measurement techniques

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

	Q4 2012	Q3 2012	Q2 2012	Q12012
Average VaR. 99% 1 day (€/000)	6,002	3,773	2,814	2,150

Quantitative information

1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**-**	**105,263**	**99,772**	**823**	**1,280**	**-**	**13**	**-**	**207,151**
1.1 Debt securities									
- with early repayment option	-	53	-	-	-	-	-	-	53
- other entities	-	105,210	99,772	823	1,280	-	13	-	207,098
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**42,399**	**1,774**	**7,001**	**40,178**	**86**	**-**	**-**	**91,438**
3.1 With underlying securities	-	1,005	740	-	178	86	-	-	2,009
- Options									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other									
- long positions	-	503	370	-	89	43	-	-	1,005
- short positions	-	502	370	-	89	43	-	-	1,004
3.2 Without underlying securities	-	41,394	1,034	7,001	40,000	-	-	-	89,429
- Options									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other									
- long positions	-	20,829	517	3,538	20,000	-	-	-	44,884
- short positions	-	20,565	517	3,463	20,000	-	-	-	44,545

2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

TYPE OF TRANSACTION/ INDEX	LISTED			NON LISTED
	ITALY	FRANCE	OTHER	
A. Equity securities				
long positions	957	-	417	2
short positions	-	-	-	-
B. Equity security purchases/sales to be settled				
long positions	-	-	1,814	-
short positions	-	-	1,960	-
C. Other derivatives on capital securities				
long positions	-	-	-	-
short positions	-	-	-	-
D. Stock index derivatives			-	--
long positions	-	-	-	-
short positions	-	-		-

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question or are due to factors that influence all similar financial instruments traded on the market.
Price risk arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to UCITS units held in the portfolio, however, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

3. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primary risk factors, which for Banca Generali Group are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.
The next stage involves establishing the potential effects on the profit and loss account both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.
In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +138/-138 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of government bonds held for trading of -0.6/+0.6 million euros, gross of the tax effect. The fair value component of government bonds carried in the HFT portfolio associated with such bonds would amount to -0.5/+0.5 thousand euros due to the hypothesised shift in the rate curve.

(€ THOUSAND)	HFT	AFS	HTM+L&R	LOANS	TOTAL
FV equity delta (+10%)	138	1,812	-	-	1,949
FV equity delta (-10%)	-138	-1,812	-	-	-1,949
FV bonds delta (+1%)	-607	-20,565	-46,788	-6,660	-74,620
- *of which government bonds*	*-519*	*-20,052*	*-42,078*	-	*-62,649*
FV bonds delta (-1%)	607	20,574	46,797	6,666	74,644
- *of which government bonds*	*519*	*20,061*	*42,094*	-	*62,674*
Interest margin delta (+1%)	1,384	4,389	10,081	10,357	26,211
Interest margin delta (-1%)	-1,384	-4,389	-10,081	-10,358	-26,212

2.2 Interest rate and price risk - Banking portfolio

Qualitative information

A. General aspect, management processes and interest rate risk measurement techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.
This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Group's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, net equity.

The Group has established a specific policy for managing interest-rate risk in the banking portfolio.
The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.
The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.
The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Group's banking portfolio arises from:

- trading on the interbank deposits market;
- customer lending activities; and
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

Quantitative information

1 Banking portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**1,072,137**	**2,108,278**	**952,445**	**723,549**	**1,859,754**	**142,415**	**3,506**	**-**	**6,862,084**
1.1 Debt securities									
- with early repayment option	-	31,120	5,159	12,231	56,415	2,960	-	-	107,885
- other entities	-	1,287,523	938,468	697,397	1,800,685	133,685	-	-	4,857,758
1.2 Loans to banks	113,903	565,274	-	-	-	-	-	-	679,177
1.3 Loans to customers									
- current accounts	629,317	42	9	85	-	-	-	-	629,453
- other loans	328,917	224,319	8,809	13,836	2,654	5,770	3,506	-	587,811
- with early repayment option	245,059	153,024	226	407	2,445	1,870	3,506	-	406,537
- other entities	83,858	71,295	8,583	13,429	209	3,900	-	-	181,274
2. Cash liabilities	**2,798,050**	**1,770,880**	**476,655**	**330,200**	**1,316,420**	**-**	**-**	**-**	**6,692,205**
2.1 Due to customers									-
- current accounts	2,637,134	1,476,099	44,433	85,240	290	-	-	-	4,243,196
- other payables	38,049	48,785	67,199	48,950	16,130	-	-	-	219,113
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	38,049	48,785	67,199	48,950	16,130	-	-	-	219,113
2.2 Due to banks									
- current accounts	217	-	-	-	-	-	-	-	217
- other payables	122,650	245,996	365,023	196,010	1,300,000	-	-	-	2,229,679
2.3 Debt securities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying securities	-	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).

In further detail, the only listed securities consist of the equity investments in the Parent Company, Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.

The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

2. Banking portfolio: internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +1.8/-1.8 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -20.6/+20.6 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the banking book would amount to -62.1/+62.2 million euros as a result of the hypothesised shift in the rate curve, or 84% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +26.2/-26.2 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.
The same criteria were also applied to a sensitivity analysis of net interest income, which resulted in a potential impact on the profit and loss account of -1.1 million euros, gross of the tax effect in case of reduction of interest rates by 1% and +1.1 million euros in case of increase by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Interest margin delta (+1%)	26,211	- 25,135	1,076
Interest margin delta (-1%)	- 26,212	25,137	- 1,075

2.3 Exchange rate risk

Exchange rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.

Breakdown by currency of denomination for assets, liabilities, and derivatives

ITEMS	CURRENCY					OTHER CURRENCIES	TOTAL CURRENCIES
	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	ICELAND KRONA		
A. Financial assets	**13,963**	**9,057**	**2,708**	**1,713**	**1,637**	**1,145**	**30,223**
A.1 Debt securities	-	-	-	-	-	-	-
A.2 Equity securities	1	-	-	-	-	-	1
A.3 Loans to banks	13,962	153	2,524	1,713	1,637	1,145	21,134
A.4 Loans to customers	-	8,904	184	-	-	-	9,088
A.5 Other financial assets	-	-	-	-		-	-
B. Other assets	**-**			**-**		**-**	**-**
C. Financial liabilities	**13,587**	**8,911**	**2,624**	**1,840**	**1,215**	**1,017**	**29,194**
C.1 Due to banks	-	8,892	-	-	-	-	8,892
C.2 Due to customers	13,587	19	2,624	1,840	1,215	1,017	20,302
C.3 Debt securities	-	-	-	-		-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**-147**	**-88**	**-109**	**-**	**-**	**4**	**-340**
Options	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
Other derivatives	-147	-88	-109	-	-	4	-340
- long positions	21,058	475	664	126	-	2,220	24,543
- short positions	21,205	563	773	126	-	2,216	24,883
Total assets	**35,021**	**9,532**	**3,372**	**1,839**	**1,637**	**3,365**	**54,766**
Total liabilities	**34,792**	**9,474**	**3,397**	**1,966**	**1,215**	**3,233**	**54,077**
Excess	**229**	**58**	**-25**	**-127**	**422**	**132**	**689**

2.4 Derivative financial instruments

A. Financial derivatives

A.1 Regulatory and trading portfolio: notional amounts at period-end

TYPES OF DERIVATIVES/UNDERLYING ASSETS	31.12.2012		31.12.2011	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	**20,000**	**-**	**20,000**	**-**
a) Options	-	-	-	-
b) Swaps	20,000	-	20,000	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**27,253**	**-**	**22,706**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	27,253	-	22,706	
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**47,253**	**-**	**42,706**	**-**

A.3 Breakdown of financial derivatives with positive fair value by products

PORTFOLIO/TYPE OF DERIVATIVES	POSITIVE FV 2012		POSITIVE FV 2011	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	**397**	**-**	**695**	**2**
a) Options	-	-	-	2
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	397	-	695	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**397**	**-**	**695**	**2**

A.4 Breakdown of financial derivatives with negative fair value by products

PORTFOLIO/TYPE OF DERIVATIVES	NEGATIVE FV 2012		NEGATIVE FV 2011	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	**1,448**	**-**	**1,737**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	1,064	-	1,055	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	384	-	682	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**1,448**	**-**	**1,737**	**-**

A.5 OTC financial derivatives - Regulatory trading book: notional values, positive and negative gross fair value by counterparties - contracts other than compensation agreements

CONTRACT OTHER THAN COMPENSATION AGREEMENTS	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
1) Debt securities and interest rates							
notional value	-	-	20,000	-	-	-	-
positive fair value	-	-	-	-	-	-	-
negative fair value	-	-	1,064	-	-	-	-
future exposure	-	-	100	-	-	-	-
2) Equity securities and equity indices							
notional value	-	-	-	-	-	-	-
positive fair value	-	-	-	-	-	-	-
negative fair value	-	-	-	-	-	-	-
future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
notional value	-	-	12,497	-	-	61	14,695
positive fair value	-	-	217	-	-	-	180
negative fair value	-	-	150	-	-	-	234
future exposure	-	-	122	-	-	1	147
4) Other values							
notional value	-	-	-	-	-	-	-
positive fair value	-	-	-	-	-	-	-
negative fair value	-	-	-	-	-	-	-
future exposure	-	-	-	-	-	-	-

A.9 Time-to-maturity of OTC financial derivatives: notional values

LIABILITIES/ASSETS PORTFOLIO	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading portfolio	**27,253**	**20,000**	**-**	**47,253**
A.1 Financial derivatives on debt securities and interest rates	-	20,000	-	20,000
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	27,253	-	-	27,253
A.4 Financial derivatives on other valuables	-	-	-	-
B. Banking portfolio	**-**	**-**	**-**	**-**
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other valuables	-	-	-	-
Total at 31.12.2012	**27,253**	**20,000**	**-**	**47,253**
Total at 31.12.2011	**22,706**	**20,000**	**-**	**42,706**

Section 3 - Liquidity risk

Exposure to liquidity risk derives from funding and lending transactions in the course of the Group's normal business, as well as from the presence of unquoted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to procure 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 Group has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.
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). The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.

Market risks are maintained within appropriate short-term and structural operating limits (over one year), which are monitored by the *Risk Management Service*. Such limits are established with the objective of maintaining a level of risk that is consistent with the risk profile defined by the Board of Directors.
The indicators of the risk management framework include the liquidity risk, so called Basel 3 (Liquidity Coverage Ratio - LCR and Net Stable Funding Ratio - NSFR).
The *Internal Audit Service* is responsible for third-tier controls on investment and fund-raising transactions.

The *Risk Committee* is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The Group has also implemented a Contingency Liquidity Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international financials; the portfolio is invested

for a lesser amount into corporate issuers, with high credit ratings and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.
Moreover, the securities portfolio is characterised by a limited remaining average life.

The Group uses a maturity ladder to apply the guidelines set out in the new Prudential Supervisory provisions [1] governing the measurement of net financial position.

The maturity ladder permits an assessment of the balance of expected cash flows by comparing the assets and liabilities whose maturities fall within each individual time range. The maturity ladder permits the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or surpluses) over the holding period considered.

1 Circular No. 263 of 27 December 2006, "New Prudential Supervisory Provisions Concerning Banks", as amended.

1. Breakdown of assets and liabilities by maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAYS UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	INDEF. MATURITY	TOTAL
Cash assets											
A.1 Government securities	462	-	139,963	270,216	502,166	718,656	681,101	2,221,825	120,019	-	4,654,408
A.2 Other debt securities - listed	16	2	235	20,214	65,164	44,783	75,795	269,716	103,442	40	579,407
A.3 UCIT units	15,869	-	-	-	-	-	-	-	-	-	15,869
A.4 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	113,903	32,657	513,098	-	-	-	-	-	-	19,519	679,177
- to customers	694,162	655	41,674	703	44,932	26,126	69,229	206,878	139,473	-	1,223,832
Total	**824,412**	**33,314**	**694,970**	**291,133**	**612,262**	**789,565**	**826,125**	**2,698,419**	**362,934**	**19,559**	**7,152,693**
Cash liabilities											
B.1 Deposits	-	-	-	-	-	-	-	-	-	-	-
- from banks	90,060	-	-	-	308	8,582	-	1,300,000	-	-	1,398,950
- from customers	2,685,745	6,813	421,797	843,595	150,711	45,018	87,378	1,605	-	-	4,242,662
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	99,695	1,991	50,272	5,492	236,718	423,640	244,960	16,130	-	-	1,078,898
Total	**2,875,500**	**8,804**	**472,069**	**849,087**	**387,737**	**477,240**	**332,338**	**1,317,735**	**-**		**6,720,510**
Off-balance sheet transactions											
C.1 Financial derivatives with capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	13,350	229	164	7,590	517	3,538	11	40	-	25,439
- short positions	-	13,097	229	152	7,590	517	3,463	11	40	-	25,099
C.2 Financial derivatives with capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	1,063	-	-	-	-	-	-	-	-	-	1,063
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions		-	-	-	-	-	-			-	-
C.4 Irrevocable commitment to dispense funds	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	722	-	-	-	-	-	-	659	59	-	1,440
C.5 Financial guarantees issued	-	-	-	-	-	-	88	260	-	-	348
Total	**1,785**	**26,447**	**458**	**316**	**15,180**	**1,034**	**7,089**	**941**	**139**	**-**	**53,389**

Section 4 - Operating risks

The 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, which 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 Group has established an operating risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of operating risk.

The functions dealing with *Organisation and IT* guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Group and, if necessary, implements measures to guarantee a higher general level of security.
The Risk Management Service identifies and assesses the operational risks inherent in business processes (risk assessment and scoring), measures the impact of operational losses (Loss Data Collection process) and monitors the action plans adopted to mitigate material risks.
The Internal Audit Service supervises the regular conduct of the Group's operations and processes and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The *Risk Committee* is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Moreover, the Banca Generali Group has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

PART F - INFORMATION ON NET EQUITY

Section 1 - Net equity

A. Qualitative information

The Banca Generali Group's capital management strategy aims to ensure that the capital and ratios of Banca Generali and the banks and financial companies it controls are consistent with its risk profile and regulatory requirements.
Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the Bank of Italy.
Such rules require that banks maintain a certain level of capital for regulatory purposes, which is separate from the net equity stated in the financial statements. Regulatory capital requirements are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.
Moreover, the ratio of regulatory capital to risk-weighted assets must be at least 8%; the Bank of Italy verifies conformity with these requirements every three months.
Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information.

B. Quantitative information

Group net equity of the Banca Generali Group at 31 December 2012 amounted to 395.1 million euros, a 132.7 million euros increase compared to the previous year due to the following changes:

	GROUP	THIRD PARTIES	OVERALL
Net equity at year-start	**258,245**	**4,176**	**262,421**
Dividend paid	-61,415	-876	-62,291
Previous stock option plans: issue of new shares	11,733	-	11,733
New stock option plans	712	-	712
Other changes	3	-1	2
Transfer of the focus funds business unit	3,710	-	3,710
Change in valuation reserves	45,754	-	45,754
Consolidated profit	129,212	3,867	133,079
Net equity at year-end	**387,954**	**7,166**	**395,120**
Changes	**129,709**	**2,990**	**132,699**

Equity also includes minority interests in the amount of 7.2 million euros, including net profit for the year of 3.9 million euros.

B.1 Consolidated net equity: breakdown by type of company

(€ THOUSAND)	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES	TOTAL 2012	TOTAL 2011
1. Share capital	114,860	-	-	-	114,860	113,598
2. Additional paid-in capital	16,591	-	-	-	16,591	3,231
3. Reserves	141,218	-	-	-	141,218	124,807
4. Equity instruments	-	-	-	-	-	-
5. (Treasury shares)	-41	-	-	-	-41	-248
6. Valuation reserves	-10,587	-	-	-	-10,587	-56,341
- AFS financial assets	-10,587	-	-	-	-10,587	-56,341
- Property and equipment	-	-	-	-	-	-
- Intangible assets	-	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-	-
- Cash-flow hedges	-	-	-	-	-	-
- Exchange differences	-	-	-	-	-	-
- Non-current assets held for sale	-	-		-	-	-
- Actuarial gains (losses) from defined benefit plans	-	-	-	-	-	-
- Share of valuation reserves of investee companies valued at equity	-	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-	-
7. Net profit (loss) for the year attributable to the Group and minority interests	133,079	-	-	-	133,079	77,374
Total net equity	**395,120**	**-**	**-**	**-**	**395,120**	**262,421**

B.2 Breakdown of reserves from AFS financial assets

At year-end 2012, valuation reserves for AFS assets were a negative amount of 10.6 million euros, net of the associated tax effect, marking a significant decrease compared to the values recognised at the end of the previous year.

These reserves still refer mainly to government bonds, which account for 11.6 million euros, whereas reserves for other types of issuers of bonds have a negative value of only 96 thousand euros.

However, the latter amount include, only for a residual amount (-147 thousand euros) negative changes in fair value that were recognised due to the transfer of securities from the AFS portfolio to the portfolios held to maturity and loans and receivables (net of the relative tax effect). In accordance with IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

ASSETS/VALUES	BANKING GROUP		INSURANCE COMPANIES		OTHER COMPANIES		CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	1,623	13,313	-	-	-	-	-	-	1,623	13,313
2. Equity securities	1,043	-	-	-	-	-	-	-	1,043	-
3. UCIT units	70	10	-	-	-	-	-	-	70	10
4. Financing	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2012	**2,736**	**13,323**	**-**	**-**	**-**	**-**	**-**	**-**	**2,736**	**13,323**
Total at 31.12.2011	**157**	**56,498**	**-**	**-**	**-**	**-**	**-**	**-**	**157**	**56,498**

B.3 Changes in reserves from AFS financial assets

The net positive change of such reserves at 31 December 2012 amounted to 45.7 million euros and was determined by the combined effect of:

- the mark-to-market of the carrying amount of the AFS portfolio (+51.6 million euros), largely attributable to the severe tension witnessed in the Italian sovereign debt segment in the fourth quarter;
- the reduction of pre-existing net negative reserves due to re-absorption in the profit and loss account through realisation and impairment (+15.4 million euros);
- the negative fiscal effect due to the discontinuance of pre-paid taxation associated to the above-mentioned changes (-21,2 million euros).

(€ THOUSAND)	31.12.2012				
	EQUITY SHARE CAPITAL	UCIT UNITS	DEBT SECURITIES		TOTAL
			AFS	PREVIOUSLY RECOGNISED AS AFS	
1. Amount at year-start	**-80**	**7**	**-55,855**	**-413**	**-56,341**
2. Increases	**1,432**	**89**	**65,685**	**401**	**67,607**
2.1 Fair value increases	416	85	51,515	-	52,016
2.2 Transfer to profit and loss of negative reserves:					-
- due to impairment	1,016	-	-	-	1,016
- due to disposal	-	-	14,168	399	14,567
2.3 Other changes	-	4	2	2	8
3. Decreases	**309**	**36**	**21,373**	**135**	**21,853**
3.1 Fair value decreases	238	9	176	-	423
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of positive reserves: due to disposal	-	-	200	6	206
3.4 Other changes	71	27	20,997	129	21,224
4. Amount at year-end	**1,043**	**60**	**-11,543**	**-147**	**-10,587**

Section 2 - Net equity and bank surveillance coefficients

2.1 Capital for regulatory purposes

A. Qualitative information

The Group's capital for regulatory purposes and capital ratios were calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IASs/IFRSs, and bearing in mind the rules defined in the update to Circular Letter No. 155/91 relating to the "Instructions on Reporting Regulatory Capital and Capital Ratios".
The objective of the provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS.
Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.

Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital.

Deductions from Tier 1 and Tier 2 capital include equity investments and other items (innovative equity instruments, hybrid equity instruments and subordinated assets) issued by the entity and the so-called "prudential filters".
The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes.

In particular, the aspects of the provisions that most affect Banca Generali Group include:

- for financial assets held for trading, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the remaining balance is negative, it reduces Tier 1 capital; if it is positive, it contributes for 50% to Tier 2 capital;
- furthermore, any unrealised gains and losses on loans classified as available-for-sale are completely sterilised;
- for hedges, unrealised gains and losses on cash-flow hedges, which are recorded in a specific reserve, are sterilised; no filter is applied to fair-value hedges.

The **Instruction of 18 May 2010** partly changed the regulatory framework in that it introduced the option of adopting, rather than the "asymmetric" approach, the alternative method of full "neutralisation" from the calculation of capital for regulatory purposes of both capital gains and capital losses, as limited to securities issued by the central governments of EU Member States and allocated to the portfolio of available-for-sale (AFS), thus considering said securities as if they were valued at cost.
Such option must however apply to all securities of this kind held in the aforementioned portfolio at the level of the banking group and maintained constantly over time.
As of the year 2010, the Parent Company Banca Generali exercised the option for the full "neutralisation" of capital gains and capital losses, duly informing the Bank of Italy.

1. Tier 1 Capital

Tier 1 capital includes paid-in share capital, issue premium, earnings and capital reserves, the net profit for the year, innovative and non-innovative equity instruments, net of treasury shares or units in portfolio, intangible assets, "other negative items", as well as any losses reported in the previous and current years, net of the application of positive/negative "prudential filters".
The Parent Company Banca Generali's Tier 1 capital did not include any innovative or non-innovative equity instruments at year-end, whereas prudential filters consisted of negative reserves resulting from the measurement of available-for-sale financial assets according to the equity method.

2. Tier 2 Capital

Tier 2 capital includes valuation reserves, innovative and non-innovative equity instruments not included in Tier 1 capital, hybrid equity instruments, Tier 2 subordinated liabilities, net of non-performing loan projections due to country risk, and other negative items, net of positive/negative "prudential filters".

The Parent Company's Banca Generali's year-end Tier 2 capital includes Tier 2 subordinated liabilities consisting of a subordinated loan, for a remaining amount of 24 million euros, granted by the German insurance subsidiary Generali Versicherung AG.
The loan was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.
The loan was contracted in the "*Schuldschein*" contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.

The interest rate agreed upon is equal to the 12-month Euribor plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

3. Tier 3 Capital

Tier 3 capital includes subordinated liabilities that may not be calculated as part of Tier 2 capital and Tier 3 liabilities, net of the application of negative "prudential filters". This aggregate may only be used to cover market risk capital requirements - computed net of capital requirements for counterparty risk and settlement risk associated with the "regulatory trading book" - and up to a maximum of 71.4% of said market risk requirements.

The Parent Company Banca Generali did not have Tier 3 capital at year-end.

B. Quantitative information

Consolidated capital for regulatory purposes amounted to 276.5 million euros at 31 December 2012, on the basis of projected total dividends to be distributed of 105.5 million euros and is broken down as follows.

ITEMS/VALUES	31.12.2012	31.12.2011	CHANGE	
			AMOUNT	%
Tier 1 capital	252,359	204,862	47,497	23.19%
Tier 2 capital	24,163	31,624	-7,461	-23.59%
Tier 3 capital	-	-	-	n.a.
Total capital for regulatory purposes	**276,523**	**236,486**	**40,037**	**16.93%**
Consolidated net equity	**395,120**	**262,421**	**132,699**	**50.57%**

The increase in the aggregate of 40.0 million euros was due not only to the share of the net profit for the year not allocated for distribution (27.6 million euros), but also increases in capital caused by old and new stock-option plans (12.4 million euros), the change in relevant AFS reserves (+4.7 million euros) and the effect of the extraordinary transaction (3.7 million euros), which totally offset the redemption of the second tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros).

Capital for regulatory purposes at 31.12.2011	**236,486**
Changes in Tier 1 capital	
Stock option plans	12,445
Sale of the business line	3,710
Profit of the year, net of the expected dividend	27,577
Change in negative AFS reserves	4,073
Other effects (intangibles, part. Simgenia, etc.)	-308
Total changes in Tier 1 capital	**47,497**
Changes in Tier 2 capital	
Subordinated loan	-8,000
Change in positive AFS reserves	646
Other effects (part. Simgenia)	-107
Total changes in Tier 2 capital	**-7,461**
Capital for regulatory purposes at 31.12.2012	**276,523**
Changes	**40,037**

Composition of capital for regulatory purposes

The following is a brief account of the structure of the Group's capital for regulatory purposes, broken down into its main Tier 1 and Tier 2 components.

ITEMS/VALUES	31.12.2012	31.12.2011	CHANGES
Tier 1 capital			
Share capital	114,860	113,597	1,263
Additional paid-in capital	16,591	3,231	13,360
Reserves	141,218	124,808	16,410
Net profit (loss) for the year	133,079	77,374	55,705
Dividends for pay-out (1)	-105,502	-62,680	-42,822
Total positive items	**300,246**	**256,330**	**43,916**
Treasury shares	-41	-248	207
Goodwill	-38,632	-38,632	-
Intangible assets	-8,730	-8,139	-591
Total negative items	**-47,403**	**-47,019**	**-384**
Prudential Tier 1 capital filter:	**-**	**-**	**-**
Negative fair value reserve for AFS debt securities	-	-4,000	4,000
Negative fair value reserve for AFS equity securities	-	-73	73
Total negative items	**-**	**-4,073**	**4,073**
Total Tier 1 capital	**252,843**	**205,238**	**47,605**
50% higher port. 10% in banks/SIMs	-484	-376	-108
Total deductions	**-484**	**-376**	**-108**
Total Tier 1 capital	**252,359**	**204,862**	**47,497**
Tier 2 capital			**-**
Valuation reserves	-	-	-
- positive fair value reserve for AFS equity securities	191	-	191
- positive fair value reserve for AFS bonds	1,103	-	1,103
Subordinated loan	24,000	32,000	-8,000
Total positive items	**25,294**	**32,000**	**-6,706**
Other negative items	-	-	-
Total negative items	**-**	**-**	**-**
Prudential filters of Tier 2 capital	**-**	**-**	**-**
Other	-	-	-
Total positive filters	-	-	-
- inapplicable portion (50%) of positive AFS reserve	-647	-	-647
- other negative items		-	-
Total negative filters	-647	-	-647
Total Tier 2 capital	**24,647**	**32,000**	**-7,353**
50% higher port. 10% in banks/SIMs	-484	-376	-108
Total deductions	**-484**	**-376**	**-108**
Total Tier 2 capital	**24,163**	**31,624**	**-7,461**
Tier 3 capital	**-**	**-**	**-**
- subordinated liabilities (up to 50% of Tier 1 capital)	-	-	-
Excess capital compared to calculated amount	-	-	-
Total Tier 3 capital	**-**	**-**	**-**
Total capital for regulatory purposes	**276,523**	**236,486**	**40,037**

(1) Amount based on paid-in share capital at 31 December 2012, including the dividend paid by the subsidiary GFM to minority interests.

Prudential filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel Committee on the calculation of capital for regulatory purposes.

		31.12.2012	31.12.2011
A.	**Tier 1 capital before application of prudential filters**	**252,843**	**209,311**
B.	Prudential Tier 1 capital filters:	-	-4,073
	B.1 Positive IAS/IFRS prudential filters (+)	-	-
	B.2 Negative IAS/IFRS prudential filters (-)	-	-4,073
C.	**Tier 1 capital before deductions**	**252,843**	**205,238**
D.	Deductions from Tier 1 capital	-484	-376
E.	**Tier 1 capital (C - D)**	**252,359**	**204,862**
F.	**Tier 2 capital before application of prudential filters**	**25,294**	**32,000**
G.	Prudential filters of Tier 2 capital:	-647	-
	G.1 Positive IAS/IFRS prudential filters (+)	-	-
	G.2 Negative IAS/IFRS prudential filters (-)	-647	-
H.	**Tier 2 capital before deductions**	**24,647**	**32,000**
I.	Deductions from Tier 2 capital	-484	-376
L.	**Tier 2 capital (H - I)**	**24,163**	**31,624**
M.	Items to deduct from total Tier 1 and Tier 2 capital	-	-
N.	**Capital for regulatory purposes (E + L - M)**	**276,523**	**236,486**
O.	Tier 3 capital	-	-
P.	**Capital for regulatory purposes, including Tier 3 (N + O)**	**276,523**	**236,486**

2.2 Capital adequacy

A. Qualitative information

Based on the supervisory instructions, Banca Generali Group's capital for regulatory purposes, since the bank is part of a banking group, must amount to at least 8% of its risk-weighted assets (total capital ratio) in relation to credit risk, which is evaluated based on the category of the counterparty, maturity, country risk and guarantees received.
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 regulatory capital to cover operating risk, which in the case of Banca Generali is calculated using the basic method set forth in Bank of Italy's Circular No. 263 of 27 December 2006.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information.
The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g. acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

B. Quantitative information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority amounted to 170.7 million euros at year-end, with an increase of 23.4 million euros compared to the previous year (+15.9%).
The increase of the capital for regulatory purposes to cover risks is mainly attributable to the increase in assets at risk, the downgrade of Italian Republic's rating, which resulted in a deterioration of risk weightings for issuers associated with that index, and the increase in requirements for covering operating risk, calculated on the basis of the average net banking income for the previous three years.

The increase in consolidated capital for regulatory purposes however allows to establish the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at 105.8 million euros, up by 16.6 million euros compared to the value recognised at the end of the previous year.
Total capital ratio reached 12.96 % compared to the minimum capital ratio of 8% required by regulations, slightly increasing compared to the previous year.

	31.12.2012		31.12.2011	
	NON WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	NON WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
A. RISK ACTIVITY	**6,620,026**	**1,533,763**	**4,614,334**	**1,272,875**
A.1 Credit and counterparty risk				
1. Standardised method	6,583,966	1,491,446	4,555,208	1,213,341
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	36,060	42,317	59,126	59,534
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk	**-**	**122,701**	**-**	**101,830**
B.2 Market risks	**-**	**6,446**	**-**	**7,861**
1. Standard methodology	x	6,446	x	7,861
2. Internal models	x	-	x	-
3. Foreign exchange risk	-	-	-	-
B.3 Operating risk	**x**	**41,576**	**x**	**37,655**
1. Basic method	x	41,576	x	37,655
2. Standardised method	x	-	x	-
3. Advanced method	x	-	x	-
B.4 Other prudential requirements	**x**	**-**	**x**	**-**
B.5 Other variables	**x**	**-**	**x**	**-**
B.6 Total prudential requirements	**x**	**170,723**	**x**	**147,346**
C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS				
C.1 Risk-weighted assets		2,134,038		1,841,825
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)		11.83%		11.12%
C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio)		12.96%		12.84%

PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the Banking Group's goodwill are also stated in the interest of consistency of presentation.

Section 1 - Transactions undertaken during the year

In 2012, two restructuring transactions internal to the Banking Group, which had been approved during the previous year, were completed:

- on 1 April 2012, the transfer of the collective asset management business unit by the merged company BG SGR to the related party Generali Investments Europe SGR was finalised; and
- on 1 September 2012, the merger of the subsidiary BG SGR into Banca Generali became effective; this transaction was made with retroactive accounting and fiscal effects as of 1 January 2012.

Transfer of the Italian mutual fund management business unit

On 1 April 2012, the transfer of the collective asset management business unit by the merged company BG SGR to the related party Generali Investments Europe SGR, as previously approved by the Boards of Directors of the companies involved on 27 September 2011, was finalised.

All contractual relationships pertaining to the management of the three harmonised mutual funds (BG Focus Monetario, BG Focus Obbligazionario and BG Focus Azionario), with a total of 342 million euros in assets under management at 31 March 2012, are attributable to the business unit sold.
The transaction is aimed at meeting the need for increased efficiency in the management of assets, the volume of which has decreased, and for which economies of scale now appear insufficient to satisfy the requirements imposed by the asset management industry, with the resulting benefit for investors in the funds.

However, Banca Generali continues to distribute the asset management products associated with the business unit sold.

As a result of such transaction, on 1 April 2012, the merged company BG SGR ceased operations as manager of Alto household's funds, which are now promoted by Generali Investments Europe SGR S.p.A. At 31 March 2012, the assets associated with that management mandate amounted to 961 million euros.

The total consideration agreed upon for the sale was 5.5 million euros, of which 0.3 million euros was attributable to the surplus of assets acquired over liabilities assumed, calculated according to the appraisal conducted by KPMG Advisory appended to the disclosure document drafted pursuant to Article 5 of CONSOB Resolution No. 17221 of 12 March 2010, published on 3 October 2011.

In addition, there is a price-adjustment clause tied to the average volume of AUM subject to sale at 31 December 2015.

The sale transaction may be considered a transaction between entities under common control within the Generali insurance Group, not falling within the scope of IFRS 3.
Consequently, the capital gain on the sale, net of tax liabilities and amounting to 3.7 million euros, was not recognised through profit and loss, but rather in an equity reserve, as it represents in substance a capital contribution from the other companies of the insurance group.

Moreover, pursuant to IFRS 5, the profit and loss result of the business line, net of the tax effect, and the operations that have been disposed of, until 31 March 2012, has been recognised as an aggregate value in a separate item of the profit and loss statement for 2012 called "Profit (Loss) on groups of assets held for sale, net of taxes," which is broken down as shown in the following table.

The company's balance sheet components and earnings results have been stated gross of infra-group transactions.

(€ THOUSAND)	2012	2011	CHANGE	
			AMOUNT	%
Commission income	1,659	6,673	-5,014	-75.1
Commission expense	-661	-3,082	2,421	-78.6
Other net operating costs	-319	-846	527	-62.3
Pre-tax result	679	2,745	-2,066	-75.3
Taxes	-228	-910	682	-74.9
Total	**451**	**1,835**	**-1,384**	**-75.4**

Merger of BG SGR S.p.A.

On 21 June 2012, the Boards of Directors of Banca Generali and the General Shareholders' Meeting of BG SGR S.p.A., a fully-owned subsidiary of Banca Generali, approved the merger of BG SGR into Banca Generali, approving the draft merger plan pursuant to the combined provisions of Articles 2501-*ter* and 2505 of the Italian Civil Code.
The merger, which had already been approved by the two companies' boards of directors on 14 December 2011, was authorised by the Bank of Italy on 13 April 2012 and took effect for statutory purposes from 1 September 2012, and effect for accounting and tax purposes backdated to 1 January 2012.

The transaction is part of the larger scheme aimed at rationalising and increasing the efficiency of Banca Generali's management activities, in the framework of which the sale of the collective asset management business unit discussed in the previous paragraph was also completed.

Following the merger of BG SGR into its Parent Company, Banca Generali, an Investment Division was created within Banca Generali with the aim of enhancing portfolio management activity by offering a full, customised range of investment solutions and wealth management services.

Since this business combination qualifies as transaction between entities under common control, it was accounted for in accordance with the principle of the continuity of the values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali's 2011 consolidated financial statements and therefore did not have any effects on the consolidated financial statements for 2012.

For a more detailed description of the effects of this transaction on Banca Generali's financial statements, the reader is referred to Part G of the Explanatory Notes in the separate financial statements.

Section 2 - Transactions after the close of the year

After 31 December 2012, there were no business combination transactions.

Section 3 - Retrospective adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2012, pursuant to paragraphs 61 and B7 of IFRS 3.
The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

The Banking Group's goodwill amounted to 38.6 million euros at 31 December 2012, unchanged compared to 31 December 2011.

As a result, the Group's goodwill is shown in the following table.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE	
			AMOUNT	%
Prime Consult and INA SIM	2,991	2,991	-	-
BG Fiduciaria SIM S.p.A.	4,289	4,289	-	-
Banca del Gottardo Italia	31,352	31,352	-	-
Total	**38,632**	**38,632**	**-**	**-**

In detail, the goodwill arising from the acquisition of the 100% equity investment in Banca del Gottardo Italia was recognised on the basis of the book values resulting from initial recognition in the consolidated financial statements of the common Parent Company, Assicurazioni Generali S.p.A. This value was determined on the basis of the Purchase Price Allocation (PPA) prepared by the Parent Company pursuant to IFRS 3 for the acquisition of the Swiss banking group Banca del Gottardo S.A. in 2008.

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified for management reporting, pursuant to IFRS 8.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Goodwill is monitored by Banca Generali's central functions. The following CGUs have been defined in order to perform the impairment test for such goodwill in accordance with IAS 36:

- Relationship Management CGU, falling within the Private Banking operating segment;
- Prime Consult and INA SIM CGU, falling within the Affluent operating segment; and
- Trust Management CGU, whose activities regard all operating segments Private Banking, Affluent and Corporate.

To determine the recoverable amount, both basic methodologies (to arrive at value in use) and market assessments (to arrive at fair value) were considered.

Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a pay-out consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the individual CGUs were based on an extract of the Banking Group's 2013-2015 forecast data. These data refer to the 2013-2015 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

1. Relationship Management CGU ("RM CGU")

The Relationship Management CGU ("RM CGU") refers to the part of the activity of Banca Generali's Private Banking Division, relating to the operations of the now merged Banca BSI Italia and Banca del Gottardo Italia, to which the goodwill arising from the acquisition is attributable in full.
This CGU, in view of the "confusion" arising following business merger and reorganisation operations, includes all Relationship Managers employed by Banca Generali.
The CGU's scope and future cash flows have been identified on the basis of the assets under management with the relationship managers, including management mandates previously received by BG SGR and now included in the new Asset Management Division of Banca Generali.
In light of economic-financial forecasts based on the 2013-2015 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM), is expected to expand by **3.5%** on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **11.1%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

a) risk free rate of 5.3%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.1 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as the basis for the same calculations during the previous financial year.
The tests performed on the CGU did not detect any goodwill impairment.
Compared to the RM CGU's carrying amount of **46.1 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **55.6 million euros** and a maximum of **63.9 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" and "long-term growth rate", using a range of variation of 10.9%-11.4% and 1.5%-2.5%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

2. Trust Management CGU ("TM CGU")

The Trust Management CGU ("TM CGU") coincides substantially with the equity investment in BG Fiduciaria SIM. For the purposes of the application of IAS 36 in connection with IFRS 8, since the CGU in question is transversal to the operating segments identified for IFRS 8, cash flows were allocated between the Private Banking, Retail and Corporate segments according to AUM, thereby avoiding overlapping between segments. Since the profitability of the assets attributed to the three segments is similar and costs are also allocated on the basis of AUM, the fact that the TM CGU passed the impairment test means that the goodwill attributed to the Private Banking, Retail and Corporate segments also passed the test.

In light of economic-financial forecasts based on the 2013-2015 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM), is expected to expand by 3.7% on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at 12.2%.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

a) risk free rate of 5.3%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.1 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as the basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.
Compared to the TM CGU's carrying amount of **15.5 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **17.2 million euros** and a maximum of **18.7 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" and "long-term growth rate", using a range of variation of 11.7%-12.7% and 1.5%-2.5%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

3. Prime Consult and INA SIM CGU

The CGU "Prime Consult and INA SIM" ("CGU ex SIM") refers to the part of the activity of the Affluent segment, relating to the operations of the stock brokerage companies Prime Consult SIM S.p.A. and INA SIM S.p.A., merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.
In light of economic-financial forecasts based on the 2013-2015 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM), is expected to expand by **2.8%** on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **11.1%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

a) risk free rate of 5.3%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.3 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as the basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.
Compared to the Prime Consult and INA SIM CGU's carrying amount of **15.6 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **92.5 million euros** and a maximum of **106.3 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" and "long-term growth rate", using a range of variation of 10.9%-11.4%% and 1.5%-2.5%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

PART H - TRANSACTIONS WITH RELATED PARTIES

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code, and Article 4 of the Regulation governing related party transactions, adopted by CONSOB through Resolution No. 17221 of 12 March 2010, as subsequently amended by Resolution No. 17389 of 23 June 2010.
On 12 December 2011, the Bank of Italy also updated the Prudential Supervisory Instructions for Banks (Bank of Italy Circular No. 263/2006), issuing new Provisions regulating risk-taking and conflicts of interest on the part of banks and banking groups, towards Associated Undertakings (Title V, Chapter 5).
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 on Connected Parties and passing resolution on a new version of the "*Related Party and Connected Party Transaction Procedure*."
The new *Related Party and Connected Party Transaction Procedure*, in force as from 31 December 2012, is thus intended to implement CONSOB and Bank of Italy regulations, by adopting, at group level, rules on transactions with Related Parties and Connected Parties governing the related investigation activities and approval, reporting and disclosure powers.

Based on CONSOB Regulations, the Provisions issued by the Supervisory Body, and the Procedure, the following parties are considered as Banca Generali's related parties:

- subsidiaries of the Banking Group;
- the Parent Company Assicurazioni Generali, its subsidiaries (companies subject to common control) and pension funds established for the benefit of Generali Group employees;
- key management personnel of the Bank and the Parent Company Assicurazioni Generali (key managers), close relatives of the above personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Group are also considered related parties.

With specific regard to key managers, the following persons have been designated as such:

- directors, statutory auditors, the General Manager, the Vice Deputy General Manager and the other Deputy General Manager of Banca Generali, as well as persons holding similar positions at the Group's subsidiaries;
- representatives of the Parent Company identified as such in the corresponding procedure regarding transactions with related parties adopted by that company.

The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- **Highly Significant Transactions** - that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by CONSOB Resolution No. 17221, reduced to 2.5% for transactions carried out with the Parent Company that is listed on regulated markets or with undertakings thereto related which are in turn related to the Company - must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
- **Moderately Significant Transactions** - falling short of the threshold defining Highly Significant Transactions - must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions.
- **Transactions of a modest amount**, whose value has been determined pursuant to the Bank of Italy's Provisions cannot exceed the amount of **250,000** euros for banks with a capital for regulatory purposes below 1 million euros, are excluded from the scope of application of the regulation on approval and disclosure transparency.

In addition to transactions for modest amounts, in accordance with CONSOB Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- **Share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-*bis* of the TUF, and related implementing transactions;
- **Resolutions regarding the remuneration of directors** entrusted with specific tasks other than that determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of key management personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
- **Ordinary Transactions** that are part of the ordinary operations and any and all related financial activities, and effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Highly Significant threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;

- **Transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated regulatory capital, the threshold of Highly Significant Transactions currently stands at around **11.2 million euros**, reduced to **5.6 million euros** for transactions with the Parent Company Assicurazioni Generali and the latter's related entities.

The provisions issued by the Bank of Italy, moreover, impose, for the first time, prudential restrictions, in terms of the Capital for Regulatory Purposes, on risk-taking in respect of Associated Undertakings. 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; exposure in respect of the Generali Group's associated undertakings, on the other hand, is capped at 7.5% of the Capital for Regulatory Purposes, on a consolidated basis.
Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed 20% of the sum total of their respective Capital for Regulatory Purposes.

1. Disclosure of Directors and Executives compensation

As required by IAS 24, the total compensation recorded in the profit and loss account for the year is disclosed below, broken down by personnel category and type.

	2012				2011 TOTAL	CHANGES
	DIRECTORS	AUDITORS	KEY MANAGEMENT PERSONNEL	TOTAL		
Short-term benefits (current comp. and social security charges)	1,285	169	3,317	4,771	5,883	-1,112
Post-employment benefits	63	-	523	586	769	-183
Other long-term benefits	24	-	1,828	1,852	2,047	-195
Severance indemnities	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Total	**1,372**	**169**	**5,668**	**7,209**	**8,699**	**-1,490**

The table presents the total expenses recognised in the profit and loss account presented in the annual financial statements on the basis of the application of international accounting principles (IASs/IFRSs). It therefore also includes the social security charges for which the Company is liable, the allocation to the provision for post-employment benefits, the expenses associated with stock-option plans determined in accordance with IFRS 2 and the estimate of productivity bonuses accrued during the year on the basis of the provisions of the remuneration policy.
It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the Bank's new remuneration policy. This item also includes the charge to profit and loss accrued during the year in connection with the Long-Term Incentive Plan, calculated on the basis of best estimate procedures in relation to expectations concerning the achievement of the objectives set.

This incentive plan is described in greater detail in Part A of these Explanatory Notes.

For the financial year 2012, the table also includes charges pertaining to the merging company BG SGR's key management personnel, and incurred, in application of accruals accounting principles, up to the date on which the merger is to be deemed to enter into effect, for the intents and purposes of the Italian Civil Code.

With regard to key management personnel who left office during the course of the financial year, it must be pointed out that the former Chief Executive Officer received a severance indemnity of 2,021 thousand euros fully covered by a severance insurance policy, the premiums on which were paid and booked in Banca Generali's financial statements, on an annual basis, pursuant to accruals accounting principles. As a result, the aforesaid severance package in no way impacted Banca Generali's income statement for 2012. Neither received the former Chief Executive Officer nor the former Board Chairman any further severance benefits of any kind whatsoever.

In Resolution No. 18049 of 23 December 2011, CONSOB introduced new, more systematic rules for the remuneration paid by listed companies, simplifying and rationalising previous provisions.

For detailed information concerning remuneration policies, including the information previously presented in this Part H of the Explanatory Notes, the reader is therefore referred to the specific document concerning remuneration policies instituted by the aforementioned CONSOB Resolution.

2. Disclosure of related party transactions

As part of its normal business operations, Banca Generali has numerous financial and commercial relationships with related parties included in the consolidation area of the Generali Group.

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

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

Finally, as part of its normal operations, the Bank also has relationships pertaining to outsourcing, IT and administration, insurance, leasing, as well as other minor relationships with Generali Group companies.

Intragroup transactions with subsidiaries are attributable to ordinary internal operations and consist of:

- transactions aimed at investing liquidity with the Parent Company and, to a lesser extent, obtaining financing in support of the financial needs of the companies concerned;
- outsourcing arrangements in the areas of administration, operations, legal affairs, control and the secondment of staff;
- agreements with product companies for the distribution of the respective financial products and services through the Group's Financial Advisors network.

Unusual, atypical or extraordinary transactions

During 2012, the Company did not undertake related party transactions that may be considered atypical or unusual or that might affect the protection of the Company's assets or the completeness and accuracy of information concerning the issuer, except as reported below:

- on 1 April 2012, the transfer of the collective asset management business unit by the merged company BG SGR to the related party Generali Investments Europe SGR was finalised; and
- on 1 September 2012, the merger of the subsidiary BG SGR into Banca Generali became effective; this transaction was made with retroactive accounting and fiscal effects as of 1 January 2012.

A more detailed description of the above-mentioned transactions is given in Part G - Business Combinations in the Explanatory Notes.

Highly significant transactions

In 2012, the Group did not carry out any transactions qualifying as "Highly Significant", unusual, entered into at non-market or 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

In 2012, no transactions were approved qualifying as "moderately significant" transactions, which are subject to the prior binding opinion of the Internal Control Committee.

With reference to ordinary transactions carried out on an arm's length basis and qualifying as "Highly Significant" transactions, subject to disclosure to the Supervisory Body, it should be noted that on 24 April 2012 the increase of the share of the pooled loan granted to the related party Citylife S.r.l. - a company of the Generali Group - from 10 million euros to 20 million euros was approved.

Ordinary or recurring transactions

The developments of ordinary transactions with related parties during 2012 are presented in the following sections.

1.1 Balance sheet data

(€ THOUSAND)	PARENT COMPANY ASSICURAZIONI GENERALI	AG GROUP SUBSIDIARIES	OTHER RELATED PARTIES	31.12.2012	31.12.2011	% WEIGHT 2012	% WEIGHT 2011
Financial assets held for trading	219	-	-	219	183	-	0.52
AFS financial assets	633	1,278	-	1,911	1,809	0.86	0.14
HTM financial assets	-	-	-	-	-	-	-
Loans to customers	21,440	33,756	1,614	56,810	46,237	1.89	4.76
Loans to banks	-	3,081	-	3,081	51,537	0.37	10.02
Property, equipment and intangible assets	-	-	-	-	-	-	-
Tax assets (AG tax consolidation)	1,309	-	-	1,309	12,022	2.53	15.60
Other assets	-	295	-	295	519	0.72	0.32
Financial assets held for sale	-	-	-	-	224	-	33.19
Total assets	**23,601**	**38,410**	**1,614**	**63,625**	**112,531**	**0.87**	**2.47**
Due to banks	-	29,157	-	29,157	30,284	1.31	2.83
Due to customers	1,433,805	528,709	1,944	1,964,458	853,930	43.74	28.07
Financial liabilities held for trading	-	2,494	-	2,494	-	172.24	-
Tax payables	744	-	-	744	-	2.03	-
Other liabilities	653	25	-	678	668	0.71	0.79
Financial liabilities held for sale	-	-	-	-	-	-	-
Special purpose provisions	-	-	-	-	-	-	-
Net equity	-	-	-	-	-	-	-
Total liabilities	**1,435,202**	**560,385**	**1,944**	**1,997,531**	**884,882**	**27.30**	**19.45**
Guarantees issued	**-**	**3,296**	**-**	**3,296**	**3,244**	**11.63**	**9.24**

Equity transactions with Assicurazioni Generali group

The overall exposure to the Parent Company Assicurazioni Generali, its subsidiaries and associates amounted to 62 million euros, or 0.85% of total assets.
The overall debt position instead reached 1,995.6 million euros, corresponding to 27.3% of assets.

As part of asset management, 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 a 15% stake in Simgenia Sim and to the shares held in consortia of the GBS Group (Generali Business Solutions) and GCS (Generali Corporate Services).

Accounts receivable from Generali Group banks amounted to 3.1 million euros and, following the discontinuation of term deposit operations by Generali Bank, refer solely to the positive foreign currency account balances held with BSI SA and used to hedge positions payable in foreign currencies towards customers.

Generali Bank has a credit facility from Banca Generali of a total of 100 million euros, of which 40 million euros for an unlimited period of time (revocable) and 60 million euro expiring on 31 December 2012.

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2012		31.12.2011	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Bank AG	Controlled by AG	Term deposits	-	125	50,090	776
BSI S.A.	Controlled by AG	Currency deposits	3,073	3	1,447	85
BSI S.A.	Controlled by AG	Operating loans	8	-	-	-
			3,081	**128**	**51,537**	**861**

Exposures to Generali Group companies recognised as loans to customers amounted to 55.2 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2012		31.12.2011	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Assicurazioni Generali	Parent Company	Gesav policy	21,373	788	20,584	1,026
Citylife S.r.l.	Subsidiary of the AG Group	Grant to ST in current account	16,357	267	6,667	245
Investimenti marittimi	Associate of the AG Group	Grant to MLT in current account	10,267	357	10,369	300
Generali Factoring S.p.A.	Subsidiary of the AG Group	Current account loan	-	-	-	14
Genertellife	Subsidiary of the AG Group	Operating receivables	6,745	-	6,049	-
Assicurazioni Generali	Parent Company	Operating receivables	66	-	-	-
Other (Generali Inv. Europe, Simgenia)	Subsidiary of the AG Group	Operating receivables	388	-	825	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	-	-	-	5
			55,196	**1,412**	**44,494**	**1,590**

The only noteworthy development during the year has to do with the increase, from 6.7 million euros to 16.4 million euros, in the exposure to Citylife S.r.l., which has been granted overdraft privileges totalling 20 million euros as part of a revolving credit line provided by a pool of lenders in the overall amount of 30 million euros to cover the borrower's day-to-day business operations. Banca Generali has also issued bank guarantees totalling 2.5 million euros, in favour of the same customer.
As of 31 December 2012, amounts receivable from the Parent Company and classified as tax receivables include solely the estimated tax credit arising from the application for the refund of the portion of the regional production tax (IRAP) rendered deductible for corporation tax (IRES) purposes pursuant to Legislative Decree No. 201/2011, and subject to reimbursement within the framework of the filing of tax returns on a national consolidated basis, as opted for by the Parent Company.
The tax credit booked at the end of the previous financial year, on the other hand, has been fully offset against the bank's current tax charges.

Amounts due to customers attributable to transactions with related parties, in the form of current accounts, term deposits and repurchase agreements amounted to 1,962.5 million euros for the year, including 1,433.8 million euros attributable to the banking group's Parent Company.
The sharp rise since the end of the previous year is due primarily to the increase in fixed deposits made by the Parent Company at the end of the financial year (1,255 million euros) to cover temporary cash-flow requirements.

Amounts due to customers also include the subordinated loan granted by Generali Versicherung in the amount of 24.2 million euros, gross of the interest accrued.

Amounts due to banks of the Group consisted for 20.2 million euros of deposits made by BSI S.A. as collateral for certain impaired loans resulting from the acquisition of Banca del Gottardo Italia (collateral deposits), while the residual amount (8.9 million

euros) consisted of the negative balance of foreign exchange deposits with the same counterparty.
Finally, a total of 3.3 million euros in guarantees has been issued for Generali Group companies, of which 2.5 million euros on behalf of Citylife.

Equity transactions with other related parties

Exposure in respect of the Bank's and its Parent Company Assicurazioni Generali's Group Key Managers mainly refers to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other executives of the banking and insurance Group, and has remained substantially unchanged since the end of the previous year.

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.

(EURO THOUSAND)	KEY MANAGEMENT PERSONNEL
Loans to customers	973
Due to customers	1,507
Guarantees issued	-
Guarantees received	-
	2,480

1.2 Profit and Loss account data

(€ THOUSAND)	PARENT COMPANY ASSICURAZIONI GENERALI	AG GROUP SUBSIDIARIES	2012	2011	% WEIGHT 2012	% WEIGHT 2011
Interest income	790	751	1,541	2,451	1.94	4.35
Interest expense	-1,205	-3,835	-5,040	-9,469	16.70	71.97
Net interest	**-415**	**-3,084**	**-3,499**	**-7,018**	**-7.13**	**-16.23**
Commission income	246	72,396	72,642	64,913	20.71	17.39
Commission expense	-	-5,872	-5,872	-6,422	3.61	3.66
Net commissions	**246**	**66,524**	**66,770**	**58,491**	**35.52**	**29.54**
Dividends	12	-	12	35	0.01	0.05
Gain (loss) on trading	36	-	36	-	-0.04	-
Operating income	**-121**	**63,440**	**63,319**	**51,508**	**25.98**	**20.25**
General and administrative expense	-4,875	-12,925	-17,800	-15,484	22.66	20.26
Staff expenses	303	399	702	558	-1.08	-0.87
Net adjustments of property, equipment and intangible assets	-	-	-	-	-	-
Other net operating profit	-	234	234	222	2.70	2.53
Net operating expense	**-4,572**	**-12,292**	**-16,864**	**-14,704**	**12.15**	**10.81**
Operating profit	**-4,693**	**51,148**	**46,455**	**36,804**	**44.27**	**31.09**

At 31 December 2012, the profit and loss components recognised in the financial statements with regard to transactions with companies of the Generali Group amounted to 46.5 million euros, that is 44.3% of operating profit.

Overall net interest accrued in dealings with members of the insurance Group is negative and amounted to 3.5 million euros, with interest expense paid to such companies (5.0 million euros) accounting for 16.7% of the total item recognised in the profit and loss account.

Within that item, the interest expense paid to Generali Versicherung in connection with the subordinated loan granted amounts to 1.4 million euros, whereas 3.0 million euros is associated with the interest on funding contributed by customers consisting of Generali Group companies and the remaining 0.6 million euros refers to interest accrued on the collateral deposits of BSI S.A.

Commission income paid back by companies of the insurance Group amounted to 72.7 million euros, equal to 20.7% of the aggregate amount and was broken down as follows:

	2012	2011	CHANGES	
			ABSOLUTE	%
Commissions for the placement of UCITS	2,988	2,323	665	28.6
Distribution of insurance products	69,654	62,590	7,064	11.3
Total	**72,642**	**64,913**	**7,729**	**11.9**

In the distribution of insurance products, commissions retroceded refer mainly to ongoing dealings with Genertellife. Commissions on the placement of units of UCITS of the insurance Group included 1.4 million euros in income on the distribution of BG Focus funds for the period following the sale of the business unit to Generali Investments Europe SGR.

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 commissions, amounting to 2.6 million euros, are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.

Commission expense retroceded to insurance Group companies consists primarily of distribution commissions for the Group's asset management products, in addition to 2.0 million euros of advisory and middle-office commissions related to non-Italian UCITS.

The net operating costs reported by the Bank in relation to transactions with related parties of the Generali Group amounted to 16.9 million euros and refer for 10.8% to outsourced services in the insurance, leasing, administrative and information technology sector.

The administrative expense incurred in relation to the Parent Company, Assicurazioni Generali, amounted to 4.9 million euros, of which 3.7 million euros refer to insurance services and the remainder primarily to rentals for property leases.

	2012	2011
Insurance services	3,982	2,914
Property services	5,627	4,420
Administration, IT and logistics services	7,957	7,783
Financial services	-	145
Staff services	-702	-558
Total administrative expense	**16,864**	**14,704**

Among the other companies of the insurance Group, information technology, administration and logistics services rendered by Generali Business Solution S.r.l. (GBS) on the basis of existing outstanding contracts amount to 7.6 million euros.

The cost of property services relating to the lease of office, branch network and the bank's operating outlet premises refers mainly to Generali Properties (2.7 million euros), whereas the remainder pertains to other Group companies.

Direction and coordination

Pursuant to Article 2497-bis of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of the latter company's latest financial statements is reported hereunder.

2011 highlights of Assicurazioni Generali

(€ MILLION)	FY 2011
Net profit	**325.5**
Aggregate dividend	311.4
Increase	*-55.6%*
Total net premiums	8,475.8
Total gross premiums	9,429.9
Total gross premiums from direct business	6,925.2
Change on equivalent terms [(a)]	*-2.8%*
Total gross premiums from indirect business	2,504.7
Change on equivalent terms [(a)]	*-0.4%*
Acquisition and administration costs	1,277.4
Expense ratio [(b)]	15.1%
Life Segment	
Life net premiums	5,182.8
Life gross premiums	5,416.1
Change on equivalent terms [(a)]	*-5.1%*
Life gross premiums from direct business	3,645.9
Change on equivalent terms [(a)]	*-5.8%*
Life gross premiums from indirect business	1,770.2
Change on equivalent terms [(a)]	*-3.5%*
Life acquisition and administration costs	574.9
Expense ratio [(b)]	11.1%
Non-life Segment	
Non-life segment net premiums	3,293.0
Non-life gross premiums	4,013.8
Change on equivalent terms [(a)]	*2.0%*
Non-life gross premiums from direct business	3,279.3
Change on equivalent terms [(a)]	*0.7%*
Non-life gross premiums from indirect business	734.5
Change on equivalent terms [(a)]	*7.9%*
Non-life acquisition and administration costs	702.6
Expense ratio [(b)]	*21.4%*
Loss ratio [(c)]	*73.8%*
Combined ratio [(d)]	*95.2%*
Current financial result	**1,604.4**

(a) At constant exchange rates.
(b) Ratio of administrative expense to total premiums.
(c) Ratio of accrued claims to accrued premiums.
(d) Total (b) + (c).

Technical provisions	41,718.5
Life segment technical provisions	34,921.3
Non-life segment technical provisions	6,797.2
Investments	64,443.5
Capital and reserves	14,259.5

The highlights of the Parent Company Assicurazioni Generali S.p.A. shown above were taken from the company's financial statements for the year ended 31 December 2011. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm entrusted by Banca Generali.

PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

A. Qualitative information

Payment agreements based on own equity instruments

At 31 December 2012, the payment agreements based on own equity instruments activated by Banca Generali consisted of:

- two stock-option plans, one for Financial Advisors and the other for certain of the Group's directors relating to Banca Generali's listing on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A., approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two stock-option plans reserved respectively for financial advisors and network managers and relationship managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010.

The main features of the aforementioned plans are detailed below.

In 2012, the remaining options of the stock-option plan approved by Banca BSI Italia on 19 January 2007 for the company's then-Chairman, inherited through the merger with the company, was concluded.

1. Stock option plans for employees and Financial Advisors related to the listing

The stock-option plans approved by the Board of Directors on 24 May 2006, ratified by the extraordinary Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA, organised and managed by Borsa Italiana S.p.A., called for:

- the granting to employees of companies belonging to Banca Generali Group the issuance of a maximum amount of 1,113,130 new ordinary shares;
- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, the issuance of a maximum of 4,452,530 shares.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting had passed a resolution for a splittable capital increase, subject to the admission of the company's shares to trading on the electronic share market (MTA) for a maximum notional amount of 5,565,660,00 euros, through the issuance of a maximum of 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the MTA on 15 November 2006. On 15 December 2006, 4,452,530 options were assigned to Financial Advisors and 818,500 options to Group executives; the strike price of both sets of options was 9.046 euros.

The plans' rules and procedures called for advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). The plan called for a single three-year vesting period for managers, with the possibility of exercising the options over the following three years.

On 9 October 2009, Banca Generali's Board of Directors resolved to amend the plans' rules and procedures to include a three-year extension of the strike period of the options granted. That amendment was approved by the Shareholders' Meeting on 21 April 2010. Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for Financial Advisors - 31 March 2014;
- for salaried managers - 15 December 2015.

All other plan conditions, from the strike price of 9.0 euros per share, to the obligation to reinvest 50% of capital gains in Banca Generali shares and retain said shares for at least 12 months, remain unchanged.

During 2012, 1,221,760 options were exercised, of which 354,500 were exercised by salaried managers. In addition, 51,010 options were cancelled due to termination of the agreements with the Financial Advisors and the resignations of employed managers to whom they had been assigned.

At the end of 2012, the options assigned under the plan for employees of banking group companies therefore totalled 371,000, whereas the option rights granted to Financial Advisors stood at 1,256,233.

1.1 Accounting effects of the extension of the stock-option plans

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-deter-

mination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 financial statements, in which the transactions concerned were originally recognised.
At present, since the vesting period has concluded, the above plans have entered a purely executive phase, resulting in accounting effects on equity, analysed in Section B below, solely in relation to the exercise of vested option rights by beneficiaries.

2. Rules for the stock option plan for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010

The stock-option plans approved by the Shareholders' Meeting on 21 April 2010 called for:

- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers of a maximum of 2,300,000 shares to be issued;
- the granting to Banca Generali's relationship managers of a maximum amount of 200,000 ordinary shares to be issued;
- the assignment of options by 30 June 2011, after having verified that overall and individual targets for the development of inflows by 31 December 2010 have been reached;
- the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

Accordingly, a share capital increase in one or more tranches, excluding option rights pursuant to Article 2441, paragraphs 5 and 8, of the Italian Civil Code, was therefore approved in the previous year in service of the stock-option plans indicated above for the issue of a maximum of 2.5 million new ordinary shares, in addition to the 5.5 million new shares already approved in relation to the existing stock-option plans, already examined.

The following is a summary of the salient characteristics of the plans in question.

Recipients	1) Financial Advisors under standard agency agreements at 1 July 2009, provided not on notice; 2) Financial Advisors engaged after the end of the Reference Period; 3) the Network Managers on whom the Company conferred as of 1 July 2009, a specific additional appointment as Sales Manager for Italy, Area Manager, Private Banking Manager or District Manager, provided that the said additional appointment is not revoked and continues to remain in full force and effect through to the expiry of the Reference Period; 4) any and all employees still in the service of Banca BSI Italia as Relationship Managers or Unit Coordinators of Relationship Managers, and not placed on notice of termination as of 30 September 2009.
Performance conditions	Granting of the Options to the Plan Recipients is contingent upon the satisfaction of: • overall net inflow targets set by the Board of Directors at 2.0 billion euros for 2010; • individual net inflow targets set by the Plan's Management Committee. Individual targets call for a minimum net inflow access threshold, above which the options granted are proportional to the net inflow level achieved. Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be assigned, an allotment will be conducted.
Reference period and measurement parameters	The following must be considered for participation in the Plan: 1. the net inflows achieved in the fourth quarter of 2009 and all of 2010 arising from application of the "Tax Amnesty"; 2. the remaining net inflows achieved in 2010, calculated according to the normal rules applicable to semi-annual incentive plans.
Vesting conditions	The assigned Options shall be exercisable as follows: • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2011; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2012; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2013; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2014; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2015; • the remaining one sixth of the Options, as of 1 July 2016. The Rules and Procedures state that if the relationship between the Recipients/Grantees and the Company is terminated for any reason or the associated notice period is underway, the Recipient shall forfeit, effective immediately, the right to be granted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of Financial Advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010). In such case, only the options that have already become exercisable may be exercised.
Exercise period	The assigned Options must be exercised by 30 June 2017 at the very latest. The shares may be freely disposed of and are not subject to any restrictions.
Effective date of the Plan	The Plan shall take effect as soon as the Plan Management Committee identifies the recipients of the options, provided that, by such time: • Banca Generali's General Shareholders' Meeting approves the capital increase covering the Plan; • the Board of Directors determines that the overall performance targets set during the session of the Board of Directors during which the financial statement results for 2010 are discussed have been met; • the Delegated Organ determines that the individual Recipients have, in fact, met the individual performance targets previously established. The latter condition must be determined to have been satisfied by 15 May 2011 and the Options must be granted to the entitled parties by 30 June 2011.
Strike Price	The Strike Price of the Options represents the arithmetic mean of the Reference Prices of the Shares as quoted on the electronic share market (MTA) during the period between the date on which the Options were assigned, and the same day of the calendar month immediately preceding the aforesaid assignment date.

In this regard, it should be noted that the review of the achievement of the overall inflow goals was conducted by the Board of Directors on 14 March 2011, whereas the review of the achievement of the individual goals assigned to the various categories of recipients was conducted by the Plan Management Committee on 13 May 2011.
The option rights were effectively assigned to the entitled parties on 7 June 2011.
The exercise price of the shares was determined on the basis of the plans Regulations, based on the arithmetic mean of the reference price of "Banca Generali SpA ordinary shares" listed on the electronic share market (MTA) managed by Borsa Italiana S.p.A., in the period from the current date to the same day of the previous month, amounting to 10.7118 euros.
The second tranche of options, accounting for one-sixth of the total options assigned, became eligible for exercise effective 1 July 2012.
During 2012, a total of 111,427 options were exercised, of which 10,815 were exercised by salaried managers. In addition, 47,161 options were cancelled due to termination of the agreements with the Financial Advisors to whom they had been assigned.
At the end of 2012, the options assigned under the plan for employees of banking group companies therefore totalled 189,185, whereas the option rights granted to Financial Advisors stood at 2,143,850.

2.1 Measurement of fair value and accounting effects

Valuation of the stock option plan is based on the fair value of the options assigned, calculated with reference to the options final assignment date.

In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate assignment, with the determination of a specific fair value.

The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.

The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.

In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.
Considering the particular situation of market volatility that occurred during the option assignment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) and 30 June 2011, the date specified in the Rules and Procedures as the final deadline for assignment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.
Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

B. Quantitative information

The expenses recognised in profit and loss in 2012 in connection with the stock-option plans for Financial Advisors and salaried Relationship Managers authorised in 2010 totalled 0.7 million euros.

During 2012, owing to the favourable performance of the market price of Banca Generali stock, 1,333,187 option rights deriving from the old 2006 stock option plans related to the listing and the new 2010 plans were exercised, for a total amount of proceeds for the bank of 11.5 million euros.

The value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 3.0 million euros.

That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares assigned, was added to the share premium reserve (13.3 million euros) pursuant to the supervisory authority's instructions (Circular No. 262/2005, paragraph 5, The Statement of Changes in Net Equity).

The 20,000 treasury shares covering the stock option plan in favour of the Chairman of the merged company Banca BSI S.p.A. were assigned.

At the end of 2012, the equity IFRS 2 reserve therefore amounted to 6.3 million euros, of which 5.0 million euros attributable to the old 2006 plans and 1.2 million attributable to the new 2010 stock option plans.

ITEMS/NO. OF OPTIONS AND STRIKE PRICES	TOP MANAGERS	AVERAGE PRICES (EURO)	FINANCIAL ADVISORS	AVERAGE PRICES (EURO)	EMPLOYED MANAGERS	AVERAGE PRICES (EURO)	TOTAL	AVERAGE PRICES (EURO)	AVERAGE MATURITY
A. Amount at year-start	**20,000**	**10.00**	**4,455,126**	**9.89**	**936,500**	**9.17**	**5,411,626**	**9.76**	**3.97**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**x**
B.1 Newly issued shares	-	-	-	-	-	-	-	-	x
B.2 Other changes	-	-	-	-	-	-	-	-	x
C. Decreases	**-20,000**	**10.00**	**-1,055,043**	**9.00**	**-376,315**	**6.86**	**-1,451,358**	**8.46**	**x**
C.1 Cancelled	-	-	-87,171	9.93	-11,000	9.00	-98,171	9.82	x
C.2 Exercised	-20,000	10.00	-967,872	9.18	-365,315	9.14	-1,353,187	9.18	x
C.3 Expired	-	-	-	-	-	-	-	-	x
C.4 Other changes	-	-	-	-	-	-	-	-	x
D. Amount at year-end	**-**	**-**	**3,400,083**	**10.08**	**560,185**	**9.58**	**3,960,268**	**10.01**	**3.32**
E. Options that can be exercised at the end of the year	**-**	**-**	**1,904,566**	**-**	**426,852**	**-**	**2,331,418**	**-**	**x**
Strike price (€ thousands)	**-**		**655**		**57**		**712**		**x**
IFRS 2 reserve (€ thousands)	**-**		**5,045**		**1,210**		**6,255**		**x**

(*) Including option rights exercised by the beneficiaries in the last days of 2012 but in compliance with the 2013 financial regulations.

PART L - 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, most of whom are employed by Banca Generali, and their respective clients;
- 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 "Banca Generali Private Banking Division" and by their respective clients;
- the **Corporate Channel**, which refers to the total earnings generated for the Group by the financing 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, as well as variable revenues specifically related to the ability of the financial product management activities to outperform their benchmarks.

The management of foreign mutual funds promoted by the Assicurazioni Generali insurance Group, falling within the business scope of the merged company GIL - Generali Investment Luxembourg and its AUM, does not, however, constitute a business unit included in management's operating assessments since it relates exclusively to the portion of the group's operating result attributable to minority interests.

Based on the periodical reports analysed by the Management, the Group assesses the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments.
The financial aggregates presented for each segment therefore consist of net interest, net commissions and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the Group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

It should be noted in this regard that internal revenues can be identified solely with reference to the interest margin; in fact, since net commissions are generated directly by volumes of gross inflows and Assets Under Management relating to the individual segments they are generated in full as external revenues.

The interest expense incurred by Affluent Retail 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" paid by the Corporate segment at the internal transfer rate of 0.33% at 31 December 2012 and 1.18% at 31 December 2011.

In addition, the Corporate segment's commission margin includes the entire amount of Performance fees accrued for the year.

All the revenue components presented are measured using the same accounting criteria adopted to prepare the Group's consolidated financial statements so that segment data can be reconciled more easily with consolidated data.

The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations and reclassified based on IFRS 5.

Moreover, below the tables, by way of additional quantitative information analysed by the management to evaluate the Group's performance, a breakdown is given of assets under management at year-end and net inflows for the year ended 31 December 2012, along with the comparative figures, by operating segment.

Distribution by business segment: Profit and Loss account figures

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT (€ THOUSAND)	31.12.2012					31.12.2011				
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GIL	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GIL	TOTAL
Interest income and similar revenues	16,996	15,339	125,053	4	157,392	5,594	6,841	66,796	-	79,231
Notional interest	2,118	633	-2,750	-	-	8,612	3,544	-12,156	-	-
Interest expense and similar charges	-10,852	-8,386	-26,602	-1	-45,840	-5,472	-4,460	-20,267	26	-30,172
Net interest income	**8,262**	**7,586**	**95,701**	**3**	**111,552**	**8,734**	**5,925**	**34,374**	**26**	**49,059**
Commission income	171,645	111,494	72,437	29,057	384,633	173,158	107,883	41,530	28,151	350,722
of which subscriptions	18,235	6,563	2,278	-	27,075	26,298	5,945	1,324	-	33,567
of which management	145,304	97,337	8,645	28,674	279,959	140,033	95,367	13,799	27,990	277,189
of which performance	-	-	50,238	-	50,238	-	-	9,800	-	9,800
of which other	8,107	7,595	11,276	383	27,361	6,828	6,570	16,607	161	30,167
Commission expense	-91,143	-43,205	-14,029	-22,191	-170,568	-86,441	-38,969	-15,941	-21,409	-162,760
Net commissions	**80,502**	**68,289**	**58,408**	**6,866**	**214,065**	**86,718**	**68,914**	**25,589**	**6,742**	**187,963**
Profit (loss) of financial operations	-	-	11,616	-	11,615	-	849	-86,410	-10	-85,571
Dividends	-	-	739	-	739	-	-	92,259	-	92,259
Net banking income	**88,764**	**75,875**	**166,463**	**6,868**	**337,971**	**95,452**	**75,688**	**65,812**	**6,759**	**243,710**
Staff expenses					-67,161					-64,780
Other general and administrative expense					-92,651					-78,564
Net adjustments/ reversal of property, equipment and intangible assets					-4,493					-4,091
Other operating expense/income					19,139					8,666
Net operating expense					**-145,166**					**-138,769**
Operating profit					**192,805**					**104,941**
Reversal value of loans					-3,572					-1,329
Adjustments of other assets					-712					-4,650
Net provisions					-18,613					-10,068
Gain (loss) from the disposal of equity investments					-4					-1
Operating profit before taxation					**169,904**					**88,893**
Income taxes for the year on current operations					-37,276					-13,354
Profit (loss) from assets available for sale					451					1,835
Minority interests (+/-) for the year					-3,867					-3,955
Net profit					**129,212**					**73,419**
(€ MILLION)										
Assets under management	15,431	10,733	2,005	5,900	34,069	13,679	9,417	2,693	5,559	31,348
Net inflows	1,131	471	n.a.	n.a.	1,602	837	423	n.a.	n.a.	1,260
Financial Advisors/RMs	1,137	316	n.a.	n.a.	1,453	1,154	317	n.a.	n.a.	1,471

With respect to the information about assets and liabilities required by IFRS 8, it should be noted that the Group's management does not present or analyse the data in question in a format that differs from that approved in the consolidated and separate financial statements.

Accordingly, for comments on the Group's balance sheet figures, the reader is referred to the other sections of these Notes.

The following table allocates the balance of consolidated intangible assets, showing separately goodwill, between the three segments.

(€ THOUSAND)	31.12.2012				
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	GIL	TOTAL
Goodwill	4,416	33,110	1,106	-	38,632
Intangible assets (client relationships)	-	4,767	-	-	4,767

In accordance with the requirements of IFRS 8.33, we report that the Group's business is substantially evenly distributed throughout Italy. The management does not receive any reports on performance by geographical area.

In accordance with the requirements of IFRS 8.34, we report that the Group does not have customers representing more than 10% of consolidated revenue.

Trieste, 8 March 2013

THE BOARD OF DIRECTORS

Report of the independent auditors

PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 27.01.2010, N. 39

ERNST & YOUNG

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree dated 27.01.2010, n. 39
(Translation from the original Italian text)

To the Shareholders
of Banca Generali S.p.A.

1. We have audited the consolidated financial statements of Banca Generali S.p.A. and its subsidiaries, (the "Banca Generali Group") as of and for the year ended December 31, 2012, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 2, 2012.

3. In our opinion, the consolidated financial statements of the Banca Generali Group at December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Generali Group for the year then ended.

4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the Banca Generali Group as of December 31, 2012.

Milan, March 26, 2013

Reconta Ernst & Young S.p.A.

Signed by: Stefano Cataneo, Partner

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FINANCIAL STATEMENTS

as of 31 December 2012

BOARD OF DIRECTORS 8 MARCH 2013

Economic and financial highlights

HIGHLIGHTS

Economic and financial highlights

(€ MILLION)	31.12.2012	31.12.2011	CHANGE %
Net interest income	111.5	48.0	132.1
Net commissions	93.6	93.4	0.3
Dividends and net profit from trading activities	12.4	6.7	84.4
Net banking income	**217.5**	**148.1**	**46.8**
Staff expenses	-60.8	-53.8	13.0
Other general and administrative expense	-89.5	-72.7	23.0
Amortisation and depreciation	-4.4	-3.5	25.7
Other operating income	18.5	9.0	106.0
Net operating expense	**-136.1**	**-121.0**	**12.5**
Operating profit	**81.3**	**27.1**	**200.0**
Provisions	-18.7	-10.3	82.1
Dividends and income from equity investments	86.2	64.5	33.8
Net adjustments of loans and other assets	-4.3	-5.8	-25.7
Profit before taxation	**144.6**	**75.5**	**91.4**
Net profit	**118.1**	**68.6**	**72.2**
Cost/Income ratio	60.6%	79.3%	-23.6
EBITDA	85.7	30.6	180.1
ROE	65.04%	51.15%	27.2
EPS - Earnings per Share (units of euro)	1.055	0.614	71.8

Net inflows

(€ MILLION) (ASSORETI FIGURES)	31.12.2012	31.12.2011	CHANGE %
Mutual funds	444	-11	-4,136.4
Asset management	68	-177	138.4
Insurance/Pension funds	1,115	713	56.4
Securities/Current accounts	-25	735	-103.4
Total	**1,602**	**1,260**	**27.1**

Assets Under Management & Custody (AUM/C)

(€ BILLION) (ASSORETI FIGURES)	31.12.2012	31.12.2011	CHANGE %
Mutual funds	6.8	5.9	15.6
Asset management	3.1	2.8	10.3
Insurance/Pension funds	8.5	7.3	16.0
Securities/Current accounts	7.8	7.2	7.4
Total	**26.2**	**23.3**	**12.5**

Net equity

(€ MILLION)	31.12.2012	31.12.2011	CHANGE %
Net equity	333.9	211.4	58.0
Capital for regulatory purposes	223.4	198.5	12.5
Excess capital	100.1	94.2	6.3
Solvency margin	14.49%	15.22%	-4.8

Financial Statements

BALANCE SHEET

Assets		31.12.2012	31.12.2011
10.	Cash and deposits	10,381,583	73,955,408
20.	Financial assets held for trading	222,152,669	34,924,648
30.	Financial assets at fair value	-	-
40.	AFS financial assets	1,733,946,607	1,318,944,457
50.	HTM financial assets	3,000,329,136	1,415,699,984
60.	Loans to banks	826,605,533	483,540,723
70.	Loans to customers	1,282,790,434	948,834,446
100.	Equity investments	14,024,545	39,417,137
110.	Property and equipment	4,342,109	5,204,130
120.	Intangible assets:	43,053,510	34,917,172
	- goodwill	34,342,606	29,410,091
130.	Tax receivables:	40,687,228	69,347,575
	a) current	1,423,706	11,342,626
	b) prepaid	39,263,522	58,004,949
	b1) as per Law No. 214/2011	11,629,400	11,301,878
150.	Other assets	95,516,723	73,832,224
	Total assets	**7,273,830,077**	**4,498,617,904**

Net equity and liabilities		31.12.2012	31.12.2011
10.	Due to banks	2,229,857,818	1,070,857,721
20.	Due to customers	4,539,982,698	3,070,157,252
40.	Financial liabilities held for trading	1,447,818	1,736,694
80.	Tax payables:	10,204,742	1,930,665
	a) current	6,952,284	716,567
	b) deferred	3,252,458	1,214,098
100.	Other liabilities	91,425,454	81,327,148
110.	Employee termination indemnities	3,910,755	3,041,147
120.	Provisions for liabilities and contingencies:	63,139,193	58,195,401
	b) other provisions	63,139,193	58,195,401
130.	Valuation reserves	-10,587,179	-56,340,860
160.	Reserves	96,818,366	84,429,475
170.	Additional paid-in capital	16,591,106	3,231,225
180.	Share capital	112,937,722	111,676,183
190.	Treasury shares (-)	-41,238	-247,592
200.	Net income (loss) for the year (+/-)	118,142,822	68,623,445
	Total net equity and liabilities	**7,273,830,077**	**4,498,617,904**

PROFIT AND LOSS ACCOUNT

		31.12.2012	31.12.2011
10.	Interest income and similar revenues	157,392,616	78,963,488
20.	Interest expense and similar charges	-45,914,826	-30,932,285
30.	**Net interest income**	**111,477,790**	**48,031,203**
40.	Commission income	226,588,804	218,585,648
50.	Commission expense	-132,944,210	-125,190,359
60.	**Net commissions**	**93,644,594**	**93,395,289**
70.	Dividends and similar income	86,958,822	156,717,713
80.	Net income (loss) from trading activities	8,485,217	-87,582,806
90.	Net profit from hedging	-937,120	-
100.	Gain (loss) from sales or repurchase of:	4,067,202	2,021,900
	a) receivables	-4,311,455	893,048
	b) AFS financial assets	7,549,116	1,329,560
	c) HTM financial assets	829,541	-200,708
120.	Net banking income	303,696,505	212,583,299
130.	Net adjustments/reversals due to impairment of:	-4,293,219	-5,777,143
	a) receivables	-3,581,271	-1,960,773
	b) AFS financial assets	-1,016,206	-3,980,606
	c) HTM financial assets	304,258	164,236
140.	**Net result from banking operations**	**299,403,286**	**206,806,156**
150.	General and administrative expense:	-150,234,595	-126,492,037
	a) staff expenses	-60,769,299	-53,764,346
	b) other general and administrative expense	-89,465,296	-72,727,691
160.	Net provisions for liabilities and contingencies	-18,695,688	-10,266,860
170.	Net adjustments/reversals of property and equipment	-1,701,533	-1,644,542
180.	Net adjustments of intangible assets	-2,678,930	-1,839,687
190.	Other operating expense/income	18,471,763	8,967,710
200.	**Operating expense**	**-154,838,983**	**-131,275,416**
240.	Gains (losses) from disposal of investments	-3,866	-982
250.	**Profit (loss) from operating activities before income taxes**	**144,560,437**	**75,529,758**
260.	Income taxes for the year on operating activities	-26,868,434	-6,906,313
270.	**Profit (loss) from operating activities net of taxes**	**117,692,003**	**68,623,445**
280.	Profit (loss) of disposal groups, net of taxes	450,819	-
290.	**Net profit (loss) for the year**	**118,142,822**	**68,623,445**

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2012	31.12.2011
10.	**Net profit for the year**	**118,142,822**	**68,623,445**
	Other income net of income taxes		
20.	AFS financial assets	45,753,681	-32,629,234
110.	**Total other income, net of income taxes**	**45,753,681**	**-32,629,234**
120.	**Comprehensive income**	**163,896,503**	**35,994,211**

STATEMENT OF CHANGES IN NET EQUITY

	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER					
Net equity at 31.12.2011	**111,676,183**	**-**	**3,231,225**	**75,710,239**	**8,719,236**	**-56,340,860**	**-**	**-247,592**	**68,623,445**	**211,371,876**
Change in opening balances	-	-	-	-	-	-	-	-		-
Amount at 01.01.2012	111,676,183	-	3,231,225	75,710,239	8,719,236	-56,340,860	-	-247,592	68,623,445	211,371,876
Allocation of net income of the previous year:	-	-		7,208,370	-	-	-	-	-68,623,445	-61,415,075
- Reserves	-	-	-	7,208,370	-	-	-	-	-7,208,370	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-61,415,075	-61,415,075
Change in reserves			-	3,852,920	3,710,098	-		-		7,563,018
Transactions on net equity:	1,261,539	-	13,359,881	-	-2,382,497		-	206,354	-	12,445,277
- Issue of new shares	1,261,539	-	13,359,881	-	-3,094,281	-	-	206,354	-	11,733,493
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividend:	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	711,784	-	-			711,784
Comprehensive income	-	-	-	-	-	45,753,681	-	-	118,142,822	163,896,503
Net equity at 31.12.2012	**112,937,722**	**-**	**16,591,106**	**86,771,529**	**10,046,837**	**-10,587,179**	**-**	**-41,238**	**118,142,822**	**333,861,599**

	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER					
Net equity at 31.12.2010	**111,362,750**	**-**	**-**	**30,105,649**	**8,469,434**	**-23,711,626**	**-**	**-660,299**	**106,931,975**	**232,497,883**
Change in opening balances	-	-	-	-	-	-	-	-	-	
Amount at 01.01.2011	111,362,750	-	-	30,105,649	8,469,434	-23,711,626	-	-660,299	106,931,975	232,497,883
Allocation of net income of the previous year:	-	-	-	45,604,590	-	-	-	-	106,931,975	-61,327,385
- Reserves	-	-	-	45,604,590	-	-	-	-	-106,931,975	-61,327,385
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-
Change in reserves	-	-	-	-	-					
Transactions on net equity:	313,433	-	3,231,225	-	249,802	-	-	412,707	-	4,207,167
- Issue of new shares	313,433	-	3,231,225	-	-846,755	-	-	412,707	-	3,110,610
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividend:	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	1,096,557	-	-			1,096,557
Comprehensive income	-	-	-	-	-	-32,629,234	-	-	68,623,445	35,994,211
Net equity at 31.12.2011	**111,676,183**	**-**	**3,231,225**	**75,710,239**	**8,719,236**	**-56,340,860**	**-**	**-247,592**	**68,623,445**	**211,371,876**

CASH FLOW STATEMENT

Indirect method

	31.12.2012	31.12.2011
A. OPERATING ACTIVITIES		
1. Operations	**22,983,015**	**6,742,429**
Net profit (loss) for the year	118,142,822	68,623,445
Gain/Loss on financial assets held for trading	-3,273,460	2,324,922
Gain/Loss on hedging assets	-	-
Net adjustments due to impairment	4,293,219	5,777,143
Net adjustments of property, equipment and intangible assets	4,380,463	3,484,229
Net provisions for liabilities and contingencies and other costs/revenues	3,211,874	6,694,396
Taxes included in taxes not paid	21,215,319	10,383,073
Adjustments of discontinued operations	-	-
Other adjustments	-124,987,222	-90,544,779
2. Liquidity generated by/used for financial assets (+/-)	**-1,212,109,214**	**79,004,238**
Financial assets held for trading	-181,501,516	82,326,998
Financial assets measured at fair value	-	-
Financial assets available for sale	-339,233,802	164,518,018
Loans to banks: repayable on demand	145,133,609	-50,396,051
Loans to banks: other receivables	-487,393,709	13,953,997
Loans to customers	-335,414,130	-129,738,754
Other assets	-13,699,665	-1,659,970
3. Net liquidity generated by/used for financial liabilities (+/-)	**2,631,336,618**	**772,030,060**
Due to banks: repayable on demand	78,958,065	-34,616,700
Due to banks: other payables	1,073,501,601	650,887,430
Due to customers	1,472,948,810	149,573,007
Securities issued	-	-188,732
Financial liabilities held for trading	-878,118	-6,501,986
Financial liabilities measured at fair value	-	-
Other liabilities	6,806,260	12,877,041
Net liquidity generated by/used for operating activities	**1,442,210,419**	**857,776,728**

Indirect method

	31.12.2012	31.12.2011
B. INVESTING ACTIVITIES		
1. Liquidity generated by:	**782,718,364**	**210,922,967**
Disposal of equity investments	-	-
Dividends received	86,220,000	64,458,630
Disposal of HTM financial assets	690,998,364	146,464,337
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	5,500,000	-
2. Liquidity used for:	**-2,238,821,026**	**-944,477,473**
Purchase of equity investments	-	-
Purchase of HTM financial assets	-2,234,666,406	-941,578,935
Purchase of property and equipment	-843,378	-2,258,266
Purchase of intangible assets	-3,311,242	-640,272
Purchase of business units	-	-
Net liquidity generated by/used for investing activities	**-1,456,102,662**	**-733,554,506**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	11,733,493	3,110,610
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-61,415,075	-61,327,385
Net liquidity generated by/used for funding activities	**-49,681,582**	**-58,216,775**
NET LIQUIDITY GENERATED BY/USED IN THE YEAR	**-63,573,825**	**66,005,447**
+ liquidity generated (-) liquidity used	-	-
Reconciliation		
Cash and cash equivalents at year-start	**73,955,408**	**7,949,961**
Liquidity generated/used in the year	-63,573,825	66,005,447
Cash and cash equivalents effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**10,381,583**	**73,955,408**

Legend: + liquidity generated (-) liquidity used.

Notes and comments

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PART A - ACCOUNTING POLICIES

Part A.1 - General

Section 1 - Declaration of compliance with International Accounting Standards

These 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 interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

The financial statements as of 31 December 2012 was prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups," which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 through a Provision dated 22 December 2005, as amended on 18 November 2009. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Explanatory Notes.

In preparing the financial statements, Banca Generali adopted the IASs/IFRSs in force at 31 December 2012 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2012, several amendments to the IASs/IFRSs, and IFRIC documents were adopted and new IFRICs were issued.

The new standards and interpretations will enter into force for the most part in coming years and, therefore, they have not had a significant impact on Banca Generali's 2012 operations.

International Accounting Standards effective as of 2012	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets	305/2011	23.11.2011	01.01.2012

International Accounting Standards endorsed in 2012 and effective after 31 December 2012	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IAS 19 Employee Benefits	475/2012	06.06.2012	01.01.2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets	475/2012	06.06.2012	01.07.2012
IFRS 10 Consolidated Financial Statements	1254/2012	29.12.2012	01.01.2014
IFRS 11 Joint Arrangements	1254/2012	29.12.2012	01.01.2014
IFRS 12 Disclosure of Interests in Other Entities	1254/2012	29.12.2012	01.01.2014
IFRS 13 Fair Value Measurement	1254/2012	29.12.2012	01.01.2014
IAS 27 Separate Financial Statements	1254/2012	29.12.2012	01.01.2014
IAS 28 Investments in Associates and Joint Ventures	1254/2012	29.12.2012	01.01.2014
Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets	1255/2012	29.12.2012	01.01.2013
IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1255/2012	29.12.2012	01.01.2013
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1255/2012	29.12.2012	01.01.2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	1256/2012	29.12.2012	01.01.2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1256/2012	29.12.2012	01.01.2013

In 2012, the Bank of Italy and IASs/IFRSs Application Coordination Board also issued certain notices concerning amendments and clarifications pertaining to instructions for the preparation of the financial statements of banks.

DATE	DOCUMENT	SUBJECT	EFFECTIVE DATE
22.03.2012	Technical note	Clarification on disclosure of LTROs, arrears interest on bad loans, residual life on non-demand portion of deposited interest, financial assets and liabilities designated at fair value	
15.05.2012	Document No. 5 by the Coordination Board between the Bank of Italy, CONSOB and ISVAP Concerning the Application of IASs/IFRSs	Accounting treatment of certain categories of deferred tax assets (DTAs) pursuant to Law No. 214/2011	31.12.2012
01.06.2012	Com. 481309/12	Reporting treatment of non-performing exposures past-due and/or expired by more than 90 days (Circular No. 263/2005)	30.06.2012
07.08.2012	Com. 677311/12	Instructions regarding the disclosure in the financial statements of banks and financial entities (Circular No. 262/2005) of deferred tax assets pursuant to Law No. 214/2011	31.12.2012
		Clarification concerning the recognition of contingent assets, bad loans, the assignment of impaired loans, securities lending and the recognition of external guarantees and rating classes	31.12.2012
15.01.2013	Com. 46586/13	Amendments to Circular No. 262/2005, "The financial statements of banks: presentation schemes and rules for preparation", following the transposition of the amendment of IFRS 7 concerning the "transfer of financial assets"	31.12.2012
		Clarification concerning expedited evaluation fees, ABS securities (pool factor), amortising swap contracts, repurchase agreements involving securities in foreign currencies and securitisation	31.12.2012
01.02.2013	Com. 115320/13	Recommendations concerning the adoption of the disclosures contained in the document "Enhancing the Risk Disclosure of Banks" issued by the Enhanced Disclosure Task Force under the auspices of the FSB on 29 October 2012	31.12.2012

Section 2 - Preparation criteria

The annual financial statements consists of the following documents:

- Balance Sheet,
- Profit and Loss Account,
- Statement of Other Comprehensive Income,
- Statement of Changes in Net Equity,
- Cash Flow Statement,
- Notes and Comments.

The report is accompanied by a Directors' report on the bank's operations and situation.

According to the provisions of Article 3, paragraph 3-*bis*, of Legislative Decree No. 87/1992, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the Consolidated Report on Operations and the Separate Report on Operations of the Company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the financial statements of Banca Generali S.p.A. were prepared in euros. All amounts in the accounting statements are expressed in euro units, while the figures in the Notes and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The financial statements are prepared by applying 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 in line with the general assumptions set out in the *Framework for the Preparation and Presentation of Financial Statements* drafted *by* the IASB. There were no derogations of the application of international accounting standards (IASs/IFRSs).

The Directors' Report on Operations and the Notes on the Accounts include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The financial statements and Notes include figures for the period under review, as well as comparative data at 31 December 2011.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-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 (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.

Financial Statement contents

The Financial Statements and the Notes have been prepared in accordance with Bank of Italy's Circular No. 262/2005 and the first update published on 18 November 2009 and subsequent updates.

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

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

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 equity capital.

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 commissions; 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.

Section 3 - Events occurred after the balance sheet date

The draft Financial Statements of Banca Generali were approved by the Board of Directors in their meeting held on 8 March 2013, when they also authorised their disclosure.

No events occurred after 31 December 2012 and until publication of the annual report was authorised, that would make it necessary to adjust the results presented in the financial statements at that date.

Section 4 - Other Issues

Non-recurring significant events and transactions

During the 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, excluding the following ones (CONSOB Communication No. DEM/6064293 of 28 July 2006):

- on 1 April 2012 the transfer of the collective asset management business unit to the related party Generali Investments Italy SGR (now Generali Investments Europe SGR) was finalised by the subsidiary BG SGR; and
- on 1 September 2012, the merger of the subsidiary BG SGR into Banca Generali became effective; this transaction was made with retroactive accounting and fiscal effects as of 1 January 2012.

A more detailed description of the above-mentioned transactions is given in Part G - Business Combinations in the Explanatory Notes.

National tax consolidation option

In 2004, the Parent Company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Audit

The financial statements of Banca Generali S.p.A. are audited by Reconta Ernst & Young.

Part A.2 - Main items of the accounts

Accounting policies

This section sets out the accounting policies adopted for the preparation of the financial statements as of 31 December 2012, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

During the year, the accounting policies adopted by the Bank underwent no significant amendments and supplementations.

1. Financial assets held for trading

Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading, including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.
Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives that are not closely related to the host contract but meet the definition of a derivative are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

Measurement

After initial recognition, financial assets held for trading are measured at fair value.
The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.
A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where such instruments are not traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors.
Values drawn from recent comparable transactions are also used.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire or when the financial assets, together with substantially all related risks and rewards, are transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

2. AFS financial assets

Classification

This category includes non-derivative financial asset not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:

- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or with Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.
Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.
Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in net equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.
Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).
If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss (for loans or debt securities) or through net equity (for equity securities).
Under no circumstances may the amount of such reversals exceed the amortised cost that would have been attributable to the instrument, had no previous impairment been recognised.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, are transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

3. HTM financial assets

Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

Recognition

Initial recognition of these assets takes place on the settlement date.

Upon initial recognition, financial assets classified to this category are measured at their fair value, including any directly attributable costs and income.
If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

When a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's

original principal through scheduled or early ordinary payments.

Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.
Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.
If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss. The reversal may not exceed the amortised cost that would have been attributable to the asset, had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial assets, together with substantially all the related risks and rewards incidental to ownership, are transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

4. Loans

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed on an active market and are not initially classified as financial assets available for sale.

This item also includes:
- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Law (TUB) and Consolidated Finance Law (TUF).

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised at the date of disbursement or, in the case of debt securities, at the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.
If recognition in this category takes place as a result of reclassification from available-for-sale assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at *amortised cost*, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the *effective interest-rate method*) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of

the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- Bad loans: loans to parties in a state of insolvency or substantially equivalent situation;
- Substandard loans: loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;
- Restructured loans: loans in which a syndicate of banks (or a "single lender") grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- Expired loans: loans to parties that, at the end of the period, show payables past due or expired by more than 90 days.

Loans classified as bad loans, substandard loans, or restructured loans are normally subject to an analytical assessment process.

The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate. Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing. Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.
Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.
In further detail, a probability of default and loss given default value is attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach.

Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Derecognition

Receivables are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

5. Financial assets at fair value

At the reporting time, none of the Bank's financial assets are classified under this category.

6. Hedging transactions

Types of hedging transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes

in future cash flows of balance-sheet items attributable to particular risks;
- hedges of a net investment in a foreign operation: intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Derivatives are measured at fair value. Specifically:
- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flow) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:
- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective* tests, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity investments

Classification

This item includes equity investments in subsidiary and associate companies.
Subsidiaries are entities in which the bank directly or indirectly holds more than half of the voting rights, or when, despite having a lower percentage of voting rights, the bank has the power to appoint the majority of directors or determine financial and operating policies of the entity. In assessing voting rights, "potential" rights that can be currently exercised or converted into actual voting rights at any time are taken into account.
Companies are considered associates when the bank holds 20% or more of the voting power and, due to specific legal or economic ties, is presumed to have significant influence.

Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement

Equity investments are measured at cost and adjusted for impairment.
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.
If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

8. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.
They are systematically depreciated over their estimated useful life using the straight-line method.
At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

9. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.
An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and restrict the access of others to those benefits.
The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the business combination of Banca del Gottardo Italia.
This asset is an intangible asset, as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, based on the historic percentage of decline of Assets under Management, before the company was acquired.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, including intangible assets in progress at the end of the year.
Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.
Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).
Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected.
Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.
Software costs are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a five-year period.
For contractual relations with customers, acquired as a result of the above-mentioned business combination of Banca del Gottardo Italia, the useful lives are estimated at ten years.
Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test for goodwill is presented in Section 1.2 "Annual Changes in Goodwill" in Part G of these Notes.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

10. Non-current assets held for sale or disposal groups

The asset item "Non-current assets held for sale or disposal groups" and liability item "Liabilities associated with assets held for sale or disposal groups" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, "Profit (Loss) on groups of assets available for sale, net of taxes."

11. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.
Specifically, deferred tax assets and liabilities are calculated based on the temporary differences - without time limits - between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali - as a result of its exercise of the option provided by the Italian Tax Consolidation scheme - to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "tax assets" and deferred tax liabilities are recorded under "tax liabilities."

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Consolidated Finance Law) introduced the new paragraph 2-*ter* into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.
That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).
The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced a new system of optional realignment of tax and balance-sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.
However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.
That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Legislative Decree No. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.
The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-*ter*).
The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments is to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:
1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;
2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the financial statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-*ter*, of the TUIR ;
3) redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria Sim S.p.A. undertaken in 2011.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.
IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.
The analyses conducted by the OIC - the Italian Accounting Standard Setter - summarised in application document No. 1 of 27 February 2009 entitled "*Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Legislative Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IASs/IFRSs*", which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRSs:
1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over the years to coincide with the non-accounting deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.
During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.
Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be deemed recoverable on the basis of future taxable income.

12. Provisions for liabilities and contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.
Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.
This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.
The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.
In relation to recent market practices in the area, during the reporting year a thorough contractual revisitation of the scheme was carried out and entered into effect on 1 January 2012.
The system introduces a rule, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.
Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, with that amount reduced by 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

13. Debt and securities issued

Classification

Due to banks, Due to customers and Securities issued include the various forms of interbank funding and inflows from customers, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.
Due to banks and due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial liabilities measured at fair value

There are currently no financial liabilities measured at fair value.

16. Foreign currency transactions

Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.
The Group has no non-monetary items that are measured at historical cost or fair value.
Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

17. Other information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.
Loans income, in the form of the coupons accrued on securities and the difference between the spot and forward prices of securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

In accordance with IFRS 2 - *Share-Based Payments*, as amended in 2010, share-based benefit plans for staff and financial consultants are recognised as costs on the statement of operations based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the con-

ditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Employee termination indemnities

Under IAS 19 - *Employee Benefits*, until 31 December 2006 termination indemnity was considered as a "post-employment benefit" classified as a "defined benefit plan." The benefit was therefore reported in the financial statements based on the actuarial value determined using the "Projected Unit Credit Method."

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must - depending on the employees' choice - be allocated to a supplementary pension fund or maintained within the company and transferred to a special fund managed by Italy's national security institute (INPS).

The entry into force of the aforementioned reform led to a change in the accounting treatment of the termination indemnity, in terms of both the amounts accrued until 31 December 2006, as well as the amounts accrued starting on 1 January 2007.

More specifically:

- termination indemnities accrued by personnel starting on 1 January 2007 are considered a defined contribution plan, whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. The amounts accrued must, however, be determined based on the contributions owed without applying an actuarial calculation;
- termination indemnities accrued by personnel up to 31 December 2006 are considered a "defined benefit plan", and therefore must be calculated using actuarial methods; however, after 31 December 2006, such methods no longer involve the proportional allocation of the benefit to the period of service worked. This is because the service period in question is considered fully completed as a result of the change in the accounting nature of termination indemnities accruing beginning on 1 January 2007.

As a result of the legislative changes, employees' termination indemnities were recalculated at 31 December 2006 using the new actuarial method. The difference resulting from the actuarial calculation is deducted from the defined benefit plan, and, in accordance with IAS 19, the related gains or losses are charged to the profit and loss account (including actuarial components that had not been previously recognised, in accordance with the corridor method).

Productivity bonuses for salaried employees

Pursuant to the first update to Circular No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item "Other liabilities."

More specifically, in accordance with IAS 19 - *Employee Benefits*, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expense in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have as their balancing entry in equity the item for provisions for liabilities and contingencies:

- the share of the variable remuneration of managers of the banking group deferred up to two years and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
- the long-term incentive plans authorised by the Parent Company, Assicurazioni Generali, for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors, analysed in greater detail in the coming paragraph.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:

- incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
- provisions for post-employment medical benefits of Group executives;
- allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore attributed in their entirety to the item for provisions for liabilities and contingencies.

Long term incentive plans

During its Shareholders' Meetings of 24 April 2010 and 30 April 2011, Assicurazioni Generali introduced a new type of long-term retention plans addressed to the key managers of the Insurance Group.
Such plans, with the additions required to comply with industry regulations concerning remuneration policies, were also approved and incorporated into the Company's remuneration structure by Banca Generali during the meeting of its Board of Directors held on 13 October 2011.

In brief, the new incentive plans present the following characteristics:

- they are indefinite in duration, structured in six-year rolling cycles;
- each cycle is linked to the targets set in three-year strategic plans; in particular, the 2010 plan is linked to the targets set in the 2010-2012 strategic plan, whereas the 2011 plan is linked with the following 2011-2013 strategic plan;
- each cycle is sub-divided into two three-year components:
  - the first three years: at the end of this period, if and to the extent that certain absolute performance targets have been met, a monetary incentive is to be paid out, with an obligation or option to reinvest a share of such incentive (differing in amount depending on the segment to which the recipients belong) in shares of Assicurazioni Generali;
  - the second three years: at the end of the period, for each share purchased by investing a percentage of the incentive disbursed at the end of the previous three years, the beneficiary obtains a potential right to receive from Assicurazioni Generali, at no cost, a number of shares depending on the positioning of Assicurazioni Generali in the rankings of a group of peers prepared on the basis of their respective total shareholders' returns (relative performances).

Under IASs/IFRSs, both the 2010 and 2011 plans are eligible for accounting treatment on a separate basis, partly as expenses for long-term employee benefits within the scope of IAS 19 - *Employee Benefits*, and partly within the scope of IFRS 2.
The IAS 19 expense portion, calculated according to best estimate procedures on the basis of the achievement of the predetermined objectives set, is charged to profit and loss, among staff expense, over a three-year vesting period (2010-2012 for the 2010 plan or 2011-2013 for the 2011 plan).
In addition, pursuant to IFRS 2, the value of the stock-granting plan is measured on the basis of the grant date fair value of the bonus shares potentially to be granted.
The impact on the profit and loss account has therefore been determined and allocated annually according to the option vesting period, i.e., over a period of six years from the grant date.
Since the arrangement calls for the shares of the parent to be granted directly by said parent to the employees of a subsidiary, the charge to the profit and loss account will be recognised through a balancing entry to an equity reserve, inasmuch as it is similar to a capital contribution by the parent.

Expenses functionally related to staff

In its bulletin of 13 February 2012, the Bank of Italy provides additional clarification concerning the classification of certain expenses incurred by companies functionally related to services rendered by personnel, integrating the indications set out in the previous bulletin of 16 February 2011.
In further detail, it is clarified that certain types of expenses (including reimbursements of expenses incurred in rendering professional services and medical examinations compulsorily required by employers) are to be classified under 150 b) Other general and administrative expense and not 150 a) Staff expense.
Such cases may indeed be considered disbursements not representing remuneration for professional services rendered but rather pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.
A similar arrangement may also be adopted for other types of expenses incurred by companies in connection with activity carried out by employees.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interest payable is recognised on a pro-rata basis according to contractual interest rate, or the effective interest rate, if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue commissions are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading commissions on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management commissions are recognised according to the length of the service. Commissions considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Use of estimates and assumptions in the preparation of the financial statements for the year

The preparation of the annual report requires the use of estimates and assumptions that could influence the amounts reported in the balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.
The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.
Given their nature, the estimates and assumptions used may vary from year to year, meaning that 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:

- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Testing financial instruments for impairment

In accordance with IAS 39, the portfolio of securities, not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans), is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, the breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).
In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involves the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.
During the year, the long-term reduction in value requisite was reduced from 36 to 24 months, based on a benchmark analysis of the policies adopted by the main European groups. Such change did not involve any further economic impact on the impairments recognised in 2012.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information drawn from the market.

For corporate debt securities classified to AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- purchase cost, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- the current fair value.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- the book value of the asset; and
- the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the impairment loss is determined based on losses on the tranche of the security held.
Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&Rs) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.
In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (Standard & Poor's Cumulative Average Default Rates By Rating, 1981-2011) and using a market loss given default (LGD) between 60% and 70%.
For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.
In any event, Italian government bonds are excluded from such testing of securities in the HTM portfolio.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.
In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years, of a sample of securitisation transactions with similar characteristics.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.
The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

Part A.3 - Information on fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The arm's length concept requires that counterparties are fully operational and are not forced to wind up or significantly scale back operations or undertake transactions under unfavourable conditions.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

On the basis of the approach to determining fair value, international accounting standard IFRS 7 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**: prices quoted on active markets for identical instruments;
- **Level 2**: prices quoted on non-active markets for the same instrument or on active markets for similar instruments or calculated through the use of valuation techniques, in which all significant inputs are based on estimation parameters observable on the market;
- **Level 3**: valuation techniques where a significant input for measurement at fair value is based on non-observable market data.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.
Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, listing on a regulated or official market does not in itself guarantee the presence of significant prices due to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered listed on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.
For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

For securities not quoted on active markets, the procedure calls for the analysis of:

1) prices of similar instruments quoted on active or inactive markets; and
2) inputs other than quotations observable directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. a single contributor on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value, for example:
   - Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
   - Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
   - Markit European ABS, a consensus platform for measuring ABS-type instruments;

3. a reference to current market values of other essentially identical or similar instruments.

UCITSs not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

A.3.1 Transfers between portfolios

Following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standards Board) on 13 October 2008 and included in the European Regulation (EC) No. 1004/2008 of 15 October 2008, in financial year 2008 the Parent Company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at amortised cost, assets held to maturity (HTM) and loans to banks and customers (L&Rs), while equity securities held for trading were transferred to the AFS portfolio.

For further details of the conditions of this transaction, refer to the contents of the corresponding Section A.3 of the Notes to the 2009 Financial Statements and Part A of the 2008 Financial Statements.

A.3.1.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

TYPE OF FINANCIAL INSTRUMENT	FROM	TO	DATE OF TRANSF.	31.12.2012 BOOK VALUE	31.12.2012 FAIR VALUE	INCOME COMPONENTS WITH NO TRANSFER		INCOME COMPONENTS FOR THE YEAR	
(€ THOUSAND)						VALUATION	OTHER	VALUATION	OTHER
Equity securities	TRA	AFS	01.7.08	1,794	1,794	-412	-	-412	-
Debt securities	TRA	HTM	01.7.08	95,355	94,340	6,958	3,415	77	2,385
Debt securities	AFS	HTM	30.9.08	12,465	12,479	217	717	3	333
Total HTM portfolio				107,820	106,819	7,175	4,132	80	2,718
Debt securities	TRA	Loans	01.7.08	60,802	54,798	3,305	989	35	-3,327
Debt securities	AFS	Loans	01.7.08	3,302	3,606	-385	-341	-819	-631
Total loan portfolio (banks and clients)				64,104	58,404	2,920	648	-784	-3,958
Total reclassified financial assets				**173,718**	**167,017**	**9,683**	**4,780**	**-1,116**	**-1,240**

During 2012, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date, the portfolios concerned therefore presented a total carrying amount of 173.7 million euros, down sharply from the 363.0 million euros reported at the end of the previous year (-189.3 million euros). This amount includes the increases for the amortised costs gradually reaching maturity and the impairment losses recognised.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2012 before taxes of 6.7 million euros would have entailed negative differences compared to book values, compared to 27.0 million euros at the end of 2011.

Had the Bank not opted to reclassify such securities, they would have registered greater capital gains through profit and loss and equity in 2012 of 10.7 million euros, equal to the positive difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.
The contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to 6.0 million euros due to lower realised losses remeasured based on the fair values of the previous year, net of interest recognised according to the effective interest rate method.

A.3.2 Fair value hierarchy

International accounting standard IFRS 7 - Financial Instruments: Disclosures, approved by the IASB in March 2009, requires that entities that apply IASs/IFRSs provide adequate

disclosure of the fair value measurements used for each class of financial instrument, with especial reference to:

1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2) any significant transfers between Level 1 and Level 2 during the year;
3) 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 information on the fair value hierarchy requires that financial assets designated at fair value be reclassified according to a level-based hierarchy that reflects the significance of the inputs used in valuations, as explained in further detail in the premise of the Section.

A.3.2.1 Accounting portfolios: breakdown by fair-value levels

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE	31.12.2012				TOTAL
	L1	L2	L3	AT COST	
1. Financial assets held for trading	191,226	13,530	17,397	-	222,153
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,691,972	22,555	14,602	4,818	1,733,947
4. Hedging derivatives	-	-	-	-	-
Total	**1,883,198**	**36,085**	**31,999**	**4,818**	**1,956,100**
1. Financial liabilities held for trading	-	1,448	-	-	1,448
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**1,448**	**-**	**-**	**1,448**

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE	31.12.2011				TOTAL
	L1	L2	L3	AT COST	
1. Financial assets held for trading	1,777	15,852	17,296	-	34,925
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,224,387	70,153	16,268	8,136	1,318,944
4. Hedging derivatives	-	-	-	-	-
Total	**1,226,164**	**86,005**	**33,564**	**8,136**	**1,353,869**
1. Financial liabilities held for trading	-	1,737	-	-	1,737
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**1,737**	**-**	**-**	**1,737**

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of assets and liabilities held for trading and the portfolio of AFS financial assets, comprised 96% of financial assets eligible for allocation to class L1. This category consists largely of Italian government bonds (1,795.6 million euros). It also includes, to a limited extent (6.7 million euros), equities listed on Italian and European regulated markets.

By contrast, financial assets allocated to the L2 trading portfolio consist of units of money-market UCITSs not listed on regulated markets (15.3 million euros) and bank bonds from Italy and the major Euro Area countries. The Level 2 portfolio also includes derivative financial assets and liabilities consisting of interest rate swaps (IRSs) and currency outrights valued according to observable market parameters.

A.3.2.2 Accounting portfolios: annual changes in financial assets at fair value (Level L3)

		FINANCIAL ASSETS		
		TRADING	AFS AT FAIR VALUE	AFS AT COST
1.	**Amount at year-start**	**17,296**	**16,268**	**8,136**
2.	**Increases**	**135**	**5,412**	**1,659**
2.1	Purchases	4	-	1,550
2.2	Gains through:	131	94	-
	2.2.1 Profit and loss	131	-	-
	- *of which: capital gains*	*131*	-	-
	2.2.2 Net equity	-	94	-
2.3	Transfers from other levels	-	4,977	-
2.4	Other increases	-	341	109
	- *of which: business combinations*			109
3.	**Decreases**	**34**	**7,078**	**4,977**
3.1	Sales	-	-	-
3.2	Redemptions	-	7,000	-
3.3	Losses through:	34	78	-
	3.3.1 Profit and loss	34	78	-
	- *of which: capital losses*	*34*	-	-
	3.3.2 Net equity	-	-	-
3.4	Transfers to other levels	-	-	4,977
3.5	Other decreases	-	-	-
4.	**Amount at year-end**	**17,397**	**14,602**	**4,818**

The L3 financial assets in the trading portfolio consist solely of:

- the investment in the Quarzo 1 bond, a securitisation of residential mortgage-backed securities (RMBS) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Assicurazioni Generali Group;
- an interest in a speculative hedge fund issued by Finanziaria Internazionale Group companies;
- a defaulted Landesbanki bond, written off;
- the investment in a multihedge sub-fund of the SICAV BG Selection.

The L3 financial assets in the AFS portfolio include equities of 9.9 million euros, consisting of the equity interest in the private-equity vehicle Athena Private Equity (4.8 million euros), subject to impairment in previous years, the equity investment in Veneto Banca (5.1 million euros), a non-listed company acquired during the previous year, whereas the remainder is represented by unlisted bond set to mature in 2013.

By contrast, financial assets measured at purchase cost in the absence of reliable estimates of fair value include 4.8 million euros in "minor equity investments" (CSE, GBS, Caricese, SWIFT, etc.) and increased in the year due to the underwriting of a new equity interest in CSE, as well as the acquisition of the equity investment in GBS, which was formerly held by BG SGR.

A.3.3 Information on "Day-one profit/loss"

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.
It should be noted that no such cases occur in the financial statements in question.

PART B - INFORMATION ON THE BALANCE SHEET - ASSETS

Section 1 - Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2012	31.12.2011
a) Cash	10,382	13,955
b) Demand deposits with Central Banks	-	60,000
Total	**10,382**	**73,955**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: categories

ITEMS/VALUES	31.12.2012			31.12.2011		
	L1	L2	L3	L1	L2	L3
A. Cash						
1. Debt securities	189,730	1,991	15,067	710	1,021	15,099
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	189,730	1,991	15,067	710	1,021	15,099
2. Equity securities	1,375	-	1	1,062	-	-
3. UCIT units	121	11,142	2,329	5	14,134	2,197
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**191,226**	**13,133**	**17,397**	**1,777**	**15,155**	**17,296**
B. Derivatives						
1. Financial derivatives	-	397	-	-	697	-
1.1 Trading	-	397	-	-	697	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**397**	**-**	**-**	**697**	**-**
Total (A + B)	**191,226**	**13,530**	**17,397**	**1,777**	**15,852**	**17,296**

Notes
1. The portfolio contains a single non-performing position consisting of a bond issued by the Icelandic bank Landesbanki, currently subject to a winding-up procedure by the national authorities and written down to zero.
2. A more detailed description of the Fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.

2.2 Financial assets held for trading: debtors/issuers

ITEMS/VALUES	31.12.2012	31.12.2011
A. Cash		
1. Debt securities	**206,788**	**16,830**
a) Governments and Central Banks	189,678	57
b) Other public institutions	-	-
c) Banks	2,086	1,695
d) Other issuers	15,024	15,078
2. Equity securities	**1,376**	**1,062**
a) Banks	1	2
b) Other issuers:	1,375	1,060
- insurance companies	486	384
- financial companies	119	2
- non-financial companies	770	674
- other entities	-	-
3. UCIT units	**13,592**	**16,336**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**221,756**	**34,228**
B. Derivatives		
a) Banks	217	434
b) Customers	180	263
Total B	**397**	**697**
Total (A + B)	**222,153**	**34,925**

2.3 Financial assets held for trading: year changes

		DEBT SECURITIES	EQUITY SECURITIES	UCIT UNITS	LOANS	TOTAL
A.	**Amount at year-start**	**16,830**	**1,062**	**16,336**	**-**	**34,228**
B.	**Increases**	**5,158,039**	**514,319**	**1,852,053**	**-**	**7,524,411**
	B.1 Purchases	5,148,023	514,001	1,850,836	-	7,512,860
	B.2 Positive changes in fair value	428	210	730	-	1,368
	B.3 Other changes	9,588	108	487	-	10,183
	of which: business combination transactions	-	-	-	-	-
C.	**Decreases**	**4,968,081**	**514,005**	**1,854,797**	**-**	**7,336,883**
	C.1 Sales	3,836,518	513,952	1,854,786	-	6,205,256
	C.2 Repayments	1,129,036	-	-	-	1,129,036
	C.3 Negative changes in fair value	126	5	8	-	139
	C.4 Transfer to other portfolios	-	-	-	-	-
	C.5 Other changes	2,401	48	3	-	2,452
D.	**Amount at year-end**	**206,788**	**1,376**	**13,592**	**-**	**221,756**

Notes
1. Item B.3 "Other changes - increases" includes final dividend accruals, final premiums/discounts, and gains on disposal.
2. Item C.5 "Other changes - decreases" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.

Section 4 - Available-for-sale financial assets - Item 40

4.1 Available-for-sale financial assets: categories

ITEMS/VALUES	31.12.2012			31.12.2011		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**1,686,666**	**18,429**	**4,707**	**1,219,080**	**69,111**	**11,446**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,686,666	18,429	4,707	1,219,080	69,111	11,446
2. Equity securities	**5,306**	**7**	**14,713**	**5,307**	**-**	**12,958**
2.1 Valued at fair value	5,306	7	9,895	5,307	-	4,822
2.2 Valued at cost	-	-	4,818	-	-	8,136
3. UCIT units	**-**	**4,119**	**-**	**-**	**1,042**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,691,972**	**22,555**	**19,420**	**1,224,387**	**70,153**	**24,404**

Notes
1. The portfolio of equity securities includes 4,818 thousand euros for equity investments valued at the cost of acquisition in absence of reliable estimates of fair value. It includes the residual 15% investment in Simgenia (1,033 thousand euros) and equity securities which fall into the category of what are known as "minor equity investments" and largely related to service agreements concluded by the Group (CSE, GBS, Caricese, SWIFT, etc.), usually non-negotiable (3,721 thousand euros).
2. AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. Following the test, impairment losses for an amount of 1,016 thousand euros were recognised on equity securities, due to the fact that the fair value automatic relevant threshold compared to the book value had been exceeded (significant of prolonged loss).
3. A more detailed description of the Fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.
4. Item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements and other guarantee assets amounting to 769,100 thousand euros.

4.2 Available-for-sale financial assets: debtors/issuers

ITEMS/VALUES	31.12.2012	31.12.2011
1. Debt securities	**1,709,802**	**1,299,637**
a) Governments and Central Banks	1,605,949	1,130,509
b) Other public institutions	-	-
c) Banks	103,577	154,123
d) Other issuers	276	15,005
2. Equity securities	**20,026**	**18,265**
a) Banks	5,837	5,919
b) Other issuers:	14,189	12,346
- insurance companies	825	654
- financial companies	6,297	6,430
- non-financial companies	7,060	5,255
- other entities	7	7
3. UCIT units	**4,119**	**1,042**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**1,733,947**	**1,318,944**

4.4 Available-for-sale financial assets: year changes

		DEBT SECURITIES	EQUITY SECURITIES	UCIT UNITS	LOANS	TOTAL
A.	**Amount at year-start**	**1,299,637**	**18,265**	**1,042**	**-**	**1,318,944**
B.	**Increases**	**1,949,810**	**2,854**	**3,085**	**-**	**1,955,749**
	B.1 Purchases	1,858,164	1,550	3,000	-	1,862,714
	B.2 Positive changes in fair value	51,517	178	85	-	51,780
	B.3 Reversal value:	-	1,016	-	-	1,016
	- P&L	-	x	-	-	-
	- net equity	-	1,016	-	-	1,016
	B.4 Transfer from other portfolios	-	-	-	-	-
	B.5 Other changes	40,129	110	-	-	40,239
	of which: business combination transactions	-	*110*	-	-	*110*
C.	**Decreases**	**1,539,645**	**1,093**	**8**	**-**	**1,540,746**
	C.1 Sales	845,891	25	-	-	845,916
	C.2 Repayments	680,431	-	-	-	680,431
	C.3 Negative changes in fair value	176	-	8	-	184
	C.4 Write-downs of non-performing loans:	-	1,016	-	-	1,016
	- P&L	-	1,016	-	-	1,016
	- net equity	-	-	-	-	-
	C.5 Transfer to other portfolios	-	-	-	-	-
	C.6 Other changes	13,147	52	-	-	13,199
D.	**Amount at year-end**	**1,709,802**	**20,026**	**4,119**	**-**	**1,733,947**

Notes
1. Item "B.5 Other changes - increases" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals at the reporting date and realised gains, net of any transfers of equity reserves.
2. Item C.6 "Other changes - decreases" includes interest adjustment arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
3. Item B.3 "Reversal value" in equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the profit and loss account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the profit and loss account.

Section 5 - Held-to-maturity financial assets - Item 50

5.1 Held-to-maturity financial assets: categories

	31.12.2012				31.12.2011			
	BOOK VALUE	FV			BOOK VALUE	FV		
		L1	L2	L3		L1	L2	L3
1. Debt securities	**3,000,329**	**3,003,241**	**30,897**	**18,958**	**1,415,700**	**1,216,873**	**127,494**	**41,050**
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other securities	3,000,329	3,003,241	30,897	18,958	1,415,700	1,216,873	127,494	41,050
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,000,329**	**3,003,241**	**30,897**	**18,958**	**1,415,700**	**1,216,873**	**127,494**	**41,050**

Notes
1. Held-to-maturity financial assets were subject to analytical impairment testing but no impairment was detected. To take into account the financial market turbolence in the Euro area, however, a collective reserve was established to cover potential losses for a total amount of 296 thousand euros, with reversals amounting to 304 thousand euros.
2. A more detailed analysis of the Fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.
3. The item includes assets sold but not written off, which refer to own securities used in repurchase agreements and other guarantee assets amounting to 2,525,865 thousand euros.

5.2 Held-to-maturity financial assets: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
1. Debt securities	**3,000,329**	**1,415,700**
a) Governments and Central Banks	2,849,762	1,064,024
b) Other public institutions	-	-
c) Banks	119,826	295,239
d) Other issuers	30,741	56,437
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**3,000,329**	**1,415,700**

5.4. Held-to-maturity financial assets: year changes

		DEBT SECURITIES	LOANS	TOTAL
A.	**Amount at year-start**	**1,415,700**	**-**	**1,415,700**
B.	**Increases**	**2,295,962**	**-**	**2,295,962**
	B.1 Purchases	2,234,666	-	2,234,666
	B.2 Reversal value	304	-	304
	B.3 Transfer from other portfolios	-	-	-
	B.4 Other changes	60,992	-	60,992
C.	**Decreases**	**711,333**	**-**	**711,333**
	C.1 Sales	26,487	-	26,487
	C.2 Repayments	664,511	-	664,511
	C.3 Adjustments	-	-	-
	C.4 Transfer to other portfolios	-	-	-
	C.5 Other changes	20,335	-	20,335
D.	**Amount at year-end**	**3,000,329**	**-**	**3,000,329**

Notes
1. Other increases (B.4) include dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. Other decreases (C.5) include dividend accruals and final adjustments at amortised cost established according to the effective interest rate effective at the end of the previous year and losses on disposal.
3. Item B2 "Reversal value" refers to changes in the collective reserve allocated at the end of the previous year.
4. Item C1 "Sales" includes debt securities nearing maturity or subject to significant downgrades of their credit ratings with respect to the initial measurement, resulting in a significant decrease in applicable capital requirements and the impact on the collective reserve through profit and loss.

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
A. Loans to Central Banks	**19,519**	**10,341**
1. Term deposits	-	-
2. Mandatory reserve	19,519	10,341
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**807,086**	**473,200**
1. Current accounts and demand deposits	95,174	238,924
2. Term deposits	147,692	59,343
3. Other:	400,030	428
3.1 Repurchase agreements	398,136	-
3.2 Finance lease	-	-
3.3 Other	1,894	428
4. Debt securities	164,190	174,505
4.1 Structured securities	-	-
4.2 Other securities	164,190	174,505
Total (book value)	**826,605**	**483,541**
Total (fair value)	**825,628**	**466,863**

Notes
1. A specific impairment test was conducted on debt portfolio classified among loans to banks but no impairment was detected. Moreover, a 1,892 thousand euros collective reserve, including 1,140 thousand euros of greater impairment losses recognised during the year, was allocated for potential losses on the securities portfolio that was not subject to analytical impairment.
2. The item includes transferred assets not written off, which refer to own securities used in refinancing transactions amounting to 76,538 thousand euros.
3. Item 3.3 "Other (loans)" refers, for 1,780 thousand euros, to collateral margins paid to counterparties in repurchase agreements.

Breakdown of loans to banks - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Operating loans	114	428
Collateral margins paid	1,780	-
Total	**1,894**	**428**

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012			31.12.2011		
	PERFORMING LOANS	NON-PERFORMING LOANS		PERFORMING LOANS	NON-PERFORMING LOANS	
		PURCHASED	OTHER		PURCHASED	OTHER
1. Current accounts	619,814	-	9,690	507,486	-	9,734
2. Repurchase agreements	-	-	-	-	-	-
3. Loans	402,285	-	16,668	218,079	-	20,728
4. Credit cards, personal loans and loans on wages	-	-	-	-	-	-
5. Finance lease	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-
7. Other transactions	142,038	-	974	105,662	-	2,495
8. Debt securities:	91,321	-	-	81,185	-	3,465
8.1 Structured securities	-	-	-	-	-	-
8.2 Other securities	91,321	-	-	81,185	-	3,465
Total (book value)	**1,255,458**	**-**	**27,332**	**912,412**	**-**	**36,422**
Total (fair value)	**1,252,092**	**-**	**27,332**	**901,362**	**-**	**34,265**

Notes
1. Item "Debt securities" includes by convention a Gesav capitalisation policy of 21,373 thousand euros, with tradability option.
2. A specific impairment test was conducted on debt portfolio classified among loans to customers but no impairment was detected. Moreover, a 1,484 thousand euros collective reserve, including 691 thousand euros of greater impairment losses recognised during the year, was allocated for potential losses on the securities portfolio that was not subject to analytical impairment.
3. The two positions pertaining to non-performing debt securities recognised at the end of the previous year, for a net amount of 3,465 thousand euros, were disposed of and written off, respectively.
4. Operating receivables include non-performing positions of a net amount of 1,379 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process, or for which the term for reimbursement has otherwise lapsed.

Breakdown of item loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Other grants not included in c/a and loans subject to amortisation	47,226	45,463
Short-term deposits on the new MIC	40,003	-
Interest-bearing daily margins Italian Stock Exchange	2,167	4,061
Sums advanced to financial advisors	22,078	26,733
Operating loans	30,626	29,676
Interest-bearing caution deposits	376	342
Amounts to be collected	536	1,882
Total	**143,012**	**108,157**

7.2 Loans to customers: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2012			31.12.2011		
	PERFORMING LOANS	NON-PERFORMING LOANS		PERFORMING LOANS	NON-PERFORMING LOANS	
		PURCHASED	OTHER		PURCHASED	OTHER
1. Debt securities	**91,321**	-	-	**81,185**	-	**3,465**
a) Governments	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-
c) Other issuers	91,321	-	-	81,185	-	3,465
- non-financial companies	18,927	-	-	-	-	-
- financial companies	46,046	-	-	55,659	-	3,465
- insurance companies	26,348	-	-	25,526	-	-
- other entities	-	-	-	-	-	-
2. Loans	**1,164,137**	-	**27,332**	**831,227**	-	**32,957**
a) Governments	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-
c) Other parties	1,164,137	-	27,332	831,227	-	32,957
- non-financial companies	340,505	-	20,661	246,135	-	25,075
- financial companies	119,115	-	104	81,174	-	1,512
- insurance companies	7,512	-	-	326	-	-
- other entities	697,005	-	6,567	503,592	-	6,370
Total	**1,255,458**	-	**27,332**	**912,412**	-	**36,422**

Section 10 - Equity investments - Item 100

10.1 Equity investments in subsidiary companies, entities under common control or subject to significant influence: disclosure on type of relations

NAME	REGISTERED OFFICE	% HELD	% OF VOTING RIGHTS
A. Subsidiary companies wholly controlled			
1. BG Fiduciaria Sim S.p.A.	Trieste (Italy)	100%	100%
2. Generali Fund Management S.A.	Luxembourg	51%	51%
3. Generfid S.p.A.	Milan (Italy)	100%	100%

10.2 Equity investments in subsidiary companies, entities under common control or subject to significant influence: accounting disclosures

NAME	TOTAL ASSETS	REVENUE	NET PROFIT (LOSS)	NET EQUITY	BOOK VALUE	FAIR VALUE (LISTED)
A. Subsidiary companies wholly controlled						
1. BG Fiduciaria Sim S.p.A. [1]	14,685	11,994	978	11,196	11,779	X
2. Generfid S.p.A.	725	806	42	571	245	X
3. Generali Fund Management S.A.	111,024	220,099	100,090	59,291	2,000	X
Total	**126,434**	**232,899**	**101,110**	**71,058**	**14,024**	**-**

Note
1. The difference between the carrying value and equity investment in BG Fiduciaria and the relevant net equity is due to the goodwill paid to acquire the company. Pursuant to IAS 36, this item was tested for impairment but no impairment was detected.

10.3 Equity investments: year changes

	31.12.2012	31.12.2011
A. Amount at year-start	**39,417**	**39,417**
B. Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Reversal value	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**25,393**	**-**
C.1 Sales and repayments	-	-
C.2 Adjustments	-	-
of which :permanent write-downs	-	-
C.3 Other changes	25,393	-
of which: business combination transactions	*25,393*	-
D. Amount at year-end	**14,024**	**39,417**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

Section 11 - Property and equipment - Item 110

11.1 Breakdown of property and equipment: assets valued at cost

ASSETS/VALUES	31.12.2012	31.12.2011
A. Operating assets		
1.1 Owned assets:	**4,342**	**5,204**
a) land	-	-
b) buildings	-	-
c) furniture	2,551	2,797
d) electronic equipment	852	1,155
e) other	939	1,252
1.2 Acquired under finance lease:	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**4,342**	**5,204**
B. Assets held as investments		
2.1 Owned assets:	**-**	**-**
a) land	-	-
b) buildings	-	-
2.2 Acquired under finance lease:	**-**	**-**
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
Total (A + B)	**4,342**	**5,204**

11.3 Operating assets: year changes

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross amount at year-start	**-**	**-**	**17,188**	**4,652**	**7,646**	**29,486**
A.1 Total net impairment	-	-	14,391	3,497	6,394	24,282
A.2 Net amount at year-start	**-**	**-**	**2,797**	**1,155**	**1,252**	**5,204**
B. Increases	**-**	**-**	**544**	**213**	**203**	**960**
B.1 Purchases			544	116	181	841
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal value:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.4 Fair value positive change in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	-	97	22	119
of which: business combination transactions	-	-	-	-	-	-
C. Decreases	**-**	**-**	**790**	**516**	**516**	**1,822**
C.1 Sales	-	-	1	1	-	2
C.2 Depreciation	-	-	789	493	419	1,701
C.3 Adjustments due to impairment recognised in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.4 Fair value negative changes in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	22	97	119
of which: business combination transactions	-	-	-	-	-	-
D. Net amount at year-end	**-**	**-**	**2,551**	**852**	**939**	**4,342**
D.1 Total net impairment	-	-	15,206	4,181	6,607	25,994
D.2 Gross amount at year-end	-	-	**17,757**	**5,033**	**7,546**	**30,336**
E. Valued at cost	**-**	**-**	**2,551**	**852**	**939**	**4,342**

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: categories

ASSETS/VALUES	31.12.2012		31.12.2011	
	SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY
A.1 Goodwill	-	34,343	-	29,410
A.2 Other intangible assets	8,711	-	5,507	-
A.2.1 Assets valued at cost:	8,711	-	5,507	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	8,711	-	5,507	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**8,711**	**34,343**	**5,507**	**29,410**

12.2 Intangible assets: year changes

		GOODWILL	OTHER INTANGIBLE ASSETS: INTERNALLY GENERATED		OTHER INTANGIBLE ASSETS: OTHER		TOTAL
			SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY	
A.	**Gross amount at year-start**	**29,410**	**-**	**-**	**46,694**	**-**	**76,104**
	A.1 Total net impairment	-	-	-	41,187	-	41,187
	A.2 Net amount at year-start	**29,410**	**-**	**-**	**5,507**	**-**	**34,917**
B.	**Increases**	**4,933**	**-**	**-**	**5,940**	**-**	**10,873**
	B.1 Purchases	-	-	-	3,368	-	3,368
	B.2 Increase of internal intangible assets	-	-	-	-	-	-
	B.3 Reversal value	-	-	-	-	-	-
	B.4 Fair value positive changes in:	-	-	-	-	-	-
	- net equity	-	-	-	-	-	-
	- P&L	-	-	-	-	-	-
	B.5 Exchange gains	-	-	-	-	-	-
	B.6 Other changes	4,933	-	-	2,572	-	7,505
	of which: business combination transactions	*4,933*	-	-	*2,572*	-	*7,505*
C.	**Decreases**	**-**	**-**	**-**	**2,736**	**-**	**2,736**
	C.1 Sales	-	-	-	-	-	-
	C.2 Adjustments:	-	-	-	2,679	-	2,679
	- Amortisation	-	-	-	2,679	-	2,679
	- Write-downs:	-	-	-	-	-	-
	- net equity	-	-	-	-	-	-
	- P&L	-	-	-	-	-	-
	C.3 Fair value negative changes:	-	-	-	-	-	-
	- Net equity	-	-	-	-	-	-
	- P&L	-	-	-	-	-	-
	C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
	C.5 Exchange losses	-	-	-	-	-	-
	C.6 Other changes	-	-	-	57	-	57
	of which: business combination transactions		-	-	-	-	
D.	**Amount at year-end**	**34,343**	**-**	**-**	**8,711**	**-**	**43,054**
	D.1 Total net adjustments	**-**	**-**	**-**	**11,177**	**-**	**11,177**
E.	**Gross amount at year-end**	**34,343**	**-**	**-**	**19,888**	**-**	**54,231**
F.	**Valued at cost**	**34,343**	**-**	**-**	**8,711**	**-**	**43,054**

Breakdown of goodwill

(EURO THOUSAND)	31.12.2012	31.12.2011
Prime Consult Sim and INA Sim	2,991	2,991
BG Fiduciaria Sim S.p.A.	-	-
Banca del Gottardo	31,352	26,419
Total	**34,343**	**29,410**

Breakdown of intangible assets - other assets

	31.12.2012	31.12.2011
Charges associated with the implementation of legacy CSE procedures	2,540	2,037
Transactions with customers (former Banca del Gottardo)	4,767	3,149
Other software costs	125	213
Commissions to be amortised	-	56
Trademarks	-	-
Advance payments on intangible assets	1,279	52
Total	**8,711**	**5,507**

The Banca Generali's goodwill and intangible assets arising from the acquisition of Banca del Gottardo (customer relationships) were tested to impairment in accordance with IAS 36, without detecting any impairment losses. Tests' execution procedures and results are analysed in greater detail in Part G of the Notes.

Section 13 - Tax assets and liabilities - Item 130 (Assets) and Item 80 (Liabilities)

Breakdown of item 130 (Assets) - tax receivables

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Current taxation	**1,424**	**11,343**
- IRES arising on National Tax Consolidation	-	10,623
- IRAP	-	605
- IRPEG/IRES refund receivables	1,424	115
Deferred tax receivables	**39,264**	**58,005**
With impact on profit and loss account	**32,951**	**31,269**
- IRES	29,205	27,532
- IRAP	3,746	3,737
With impact on net equity	**6,313**	**26,736**
- IRES	5,400	22,866
- IRAP	913	3,870
Total	**40,688**	**69,348**

Notes
1. Current tax assets and liabilities represent the net positive or negative unbalance between IRES and IRAP taxes payable for the year net of related payments on accountand withholdings.
2. In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of accounts receivable from and payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. As a consequence of 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 calculates and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the consolidated entity and requesting the associated prepayments.
3. Sums due for taxes to be refunded mainly refer to the excess IRES (corporate income tax) paid in 2007-2011 due to the introduction under Legislative Decree 201/2011 of the deductibility of that tax from the share of IRAP (regional production tax) paid on the cost of labour. The account receivable has been recognised on the basis of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for submitting refund applications, and also takes the form of an asset vis-à-vis Assicurazioni Generali's tax consolidation programme.

Breakdown of tax liabilities - item 80

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Current taxation	**6,953**	**717**
- Substitute tax	172	291
- IRES arising on National Tax Consolidation	744	-
- IRAP	6,037	426
Deferred tax liabilities	**3,252**	**1,214**
With impact on profit and loss account	**2,383**	**1,140**
- IRES	2,305	1,068
- IRAP	78	72
With impact on net equity	**869**	**74**
- IRES	701	63
- IRAP	168	11
Total	**10,205**	**1,931**

Note
1. Substitute tax refers to the remaining instalment associated with the redemption of the goodwill receivable from merged company BG SGR, pursuant to Article 176, paragraph 2-*ter* of TUIR, to be paid in 2013.

13.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2012		31.12.2011	
		OF WHICH LAW 214/2011		OF WHICH LAW 214/2011
With impact on profit and loss account	**32,951**	**11,629**	**31,269**	**11,302**
Previous fiscal losses	-	-	1,120	-
Provisions for liabilities and contingencies	18,870	-	17,584	-
Write-down of held-for-trading securities before 2008	11	-	425	-
Write-down of securities in the AFS portfolio	-	-	316	-
Write-downs on debt securities	-	-	71	-
Credit devaluation	820	776	1,122	851
Redeemed goodwill (pursuant to Art. 15, para. 10, of Legislative Decree No. 185/08)	8,064	8,064	9,072	9,072
Redeemed goodwill (pursuant to Art. 176, para. 2-*ter*, of TUIR) of former BG SGR	1,410	1,410	-	-
Consolidated goodwill of BG Fiduciaria (Art. 15, paragraph 10-ter, of Legislative Decree No. 185/08)	1,379	1,379	1,379	1,379
Other goodwill of former BG SGR	2,250	-	-	-
Other operating expenses	147	-	180	-
With impact on net equity	**6,313**	**-**	**26,736**	**-**
Measurement at fair value of AFS financial assets	6,313	-	26,736	-
Total	**39,264**	**11,629**	**58,005**	**11,302**

Notes
1. Previous fiscal losses refer to tax losses not used by Assicurazioni Generali's tax consolidation programme and had been used in their entirety at 31 December 2012.
2. The DTAs transformed into tax credits pursuant to Law 214/2011 include assets associated with impairment losses in excess of 0.30%, deductible over 18 years, in connection with the banking book, and the assets associated with goodwill redeemed pursuant to Article 10 of Legislative Decree 185/08 and Article 72 of Italy's Consolidated Income Tax Law.

13.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
With impact on profit and loss account	**2,383**	**1,140**
Capital gains by instalments from the transfer of the funds business unit	1,126	-
Goodwill, excluding off-balance sheet items	638	575
Provision for post-employment benefits (IAS19)	308	254
Provision for risks on loans, after off-balance sheet items	311	311
With impact on net equity	**869**	**74**
Measurement at fair value of AFS financial assets	869	74
Total	**3,252**	**1,214**

13.3 Change in deferred tax assets (offsetting entry to the profit and loss account)

	31.12.2012	31.12.2011
1. Amount at year-start	**31,269**	**29,410**
2. Increases	**12,948**	**9,413**
2.1 Deferred tax assets for the year:	8,059	8,814
a) relative to prior years	-	322
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	8,059	8,492
2.2 New taxes or increases in tax rates	-	575
2.3 Other increases	4,889	24
of which: adjustment of prepaid taxes for the national tax consolidation	-	*24*
of which: business combinations	*4,876*	-
3. Decreases	**11,266**	**7,554**
3.1 Deferred tax receivables eliminated in the year:	10,025	7,324
a) transfers	9,027	6,366
b) write-downs for non-recoverability	412	777
c) change in accounting criteria	586	181
3.2 Decreases in tax rates	121	-
3.3 Other decreases:	1,120	230
a) conversion in tax credits pursuant to Law 214/2011	-	-
b) other	1,120	230
of which: adjustment of prepaid taxes for the national tax consolidation	*1,120*	-
of which: business combinations	-	-
4. Amount at year-end	**32,951**	**31,269**

Note
1. The difference between the net reduction of deferred tax assets in the P&L (-2,074 thousand euros) and the overall increase in the balance sheet (1,651 thousand euros) refers to the merger of BG SGR (+4,876 thousand euros), net of adjustment of tax losses contributed for the national tax consolidation (-1,120 thousand euros).

13.3.1 Change in deferred tax assets pursuant to Law 214/2011

	31.12.2012
1. Amount at year-start	**11,302**
2. Increases	**1,541**
of which: business combinations	*1,541*
3. Decreases	**1,214**
3.1 Transfers	1,214
3.2 Conversion in tax credits:	-
a) arising from losses during the year	-
b) arising from fiscal losses	-
3.3 Other decreases	-
4. Amount at year-end	**11,629**

13.4 Change in tax liabilities (offsetting entry to the profit and loss account)

	31.12.2012	31.12.2011
1. Amount at year-start	**1,140**	**1,066**
2. Increases	**1,260**	**77**
2.1 Deferred tax payables recognised during the year:	66	67
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	66	67
2.2 New taxes or increases in tax rates	-	10
2.3 Other increases	1,194	-
of which: business combination transactions	*1,194*	-
3. Decreases	**17**	**3**
3.1 Deferred tax payables eliminated during the year:	17	3
a) transfers	17	3
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**2,383**	**1,140**

Note
1. The difference between the increase in deferred taxes in profit and loss, equal to 49 thousand euros, and the overall change in the balance sheet, equal to 1,243 thousand euros, relates to the effects of the extraordinary transactions involving the merger of BG SGR and the transfer of the collective management business unit. This latter transaction resulted in the recognition of deferred tax assets of 1,126 thousand euros with a balancing entry to the equity reserve for transfers.

13.5 Changes in deferred tax assets (offsetting entry to the net equity)

	31.12.2012	31.12.2011
1. Amount at year-start	**26,736**	**10,469**
2. Increases	**102**	**17,698**
2.1 Deferred tax assets for the year:	102	17,440
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	102	17,440
2.2 New taxes or increases in tax rates	-	258
2.3 Other increases	-	-
3. Decreases	**20,525**	**1,431**
3.1 Deferred tax receivables eliminated in the year:	20,525	1,431
a) transfers	20,525	1,407
b) write-downs for non-recoverability	-	24
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**6,313**	**26,736**

13.6 Changes in deferred tax liabilities (offsetting entry to the net equity)

	31.12.2012	31.12.2011
1. Amount at year-start	**74**	**121**
2. Increases	**861**	**2**
2.1 Deferred tax liabilities recognized in the year:	861	-
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	861	-
2.2 New taxes or increases in tax rates	-	2
2.3 Other increases	-	-
3. Decreases	**66**	**49**
3.1 Deferred tax payables eliminated during the year:	66	49
a) transfers	66	49
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**869**	**74**

Section 15 - Other assets - Item 150

15.1 Breakdown of other assets

	31.12.2012	31.12.2011
Fiscal items	**6,728**	**14,140**
Advances paid to fiscal authorities - current account withholdings [1]	1,449	5,178
Advances paid to fiscal authorities - stamp duty	4,428	8,022
Excess payment of substitute tax for tax shield	634	634
Other sums due from fiscal authorities	168	146
Sums due from fiscal authorities for indirect taxes to be refunded	49	160
Leasehold improvements	**932**	**1,196**
Operating receivables not related to financial transactions	**84**	**439**
Sundry advances to suppliers and employees	**4,689**	**9,025**
Cheques under processing	**20,861**	**9,653**
C/a cheques drawn on third parties under processing	2,466	1,317
Our c/a cheques under processing c/o service	16,009	8,207
Cheques - other amounts under processing	2,386	129
Other amounts to be debited under processing	**23,515**	**18,152**
Amounts to be settled in the clearing house (debits)	6,027	3,618
Clearing accounts for securities and funds procedure	14,775	9,780
Other amounts to be debited under processing	2,713	4,754
Amounts receivable for legal disputes related to non-credit transactions	**2,874**	**5,226**
Trade receivables from customers and banks that cannot be traced back to specific items	**14,858**	**2,303**
Other amounts	**20,976**	**13,698**
Prepayments for the new supplementary commissions of FAs	18,941	12,529
Due from Assicurazioni Generali for claims to be settled	228	22
Other accrued income and deferred charges that cannot be traced back to specific items	1,578	1,100
Sundry amounts	229	47
Total	**95,517**	**73,832**

(1) Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account ant the related payable to fiscal authorities.

PART B - INFORMATION ON THE BALANCE SHEET - LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
1. Due to Central Banks	**1,309,841**	**500,696**
2. Due to banks	**920,017**	**570,162**
2.1 Current accounts and demand deposits	80,217	1,259
2.2 Term deposits	8,892	10,082
2.3 Loans:	801,383	538,625
2.3.1 Repurchase agreements	801,383	538,625
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	29,525	20,196
Total	**2,229,858**	**1,070,858**
Total (fair value)	**2,229,858**	**1,070,858**

Notes
1. Item "Other liabilities" refers for 20,189 thousand euros to deposits made by BSI S.A. as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits) and, for the remaining amount, to collateral margins received from counterparties in reverse repurchase agreements.

Section 2 - Due to customers - Item 20

2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
1. Current accounts and demand deposits	**2,686,437**	**2,528,676**
2. Term deposits	**1,610,868**	**344,262**
3. Loans	**177,593**	**134,149**
3.1 Repurchase agreements	153,397	101,764
3.2 Other	24,196	32,385
4. Liabilities for repurchase commitments of own equity instruments	**-**	**-**
5. Other debts	**65,085**	**63,070**
Total	**4,539,983**	**3,070,157**
Total (fair value)	**4,539,983**	**3,070,157**

Notes
1. Item 5 "Other debts" refers for 28,863 thousand euros to the stock of bank drafts issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, to other amounts available to customers and, for the remaining amount, to trade payables to the sales network.
2. Item 3.2 "Loans - Other" includes a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A. under the contractual form known as Schuldschein (loan), with a repayment schedule that calls for five annual instalments, the second of which paid on 1 October 2012, and an interest rate equal to the 12-month EURIBOR plus 225 basis points. The loan is subordinated in the event of a default by the bank.

2.2 Due to customers: subordinated debts

TYPE OF TRANSACTIONS/VALUES	31.12.2012	31.12.2011
Due to customers: subordinated debts	**24,196**	**32,385**
Generali Versicherung subordinated loan	24,196	32,385

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: categories

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	31.12.2012 FAIR VALUE			NOMINAL VALUE	31.12.2011 FAIR VALUE		
		L1	L2	L3		L1	L2	L3
A. Cash liabilities								
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-
Total A		**-**				**-**		
B. Derivatives								
1. Financial derivatives	**-**	**-**	**1,448**	**-**	**-**	**-**	**1,737**	**-**
1.1 Trading	x	-	1,448	-	x	-	1,737	-
1.2 Related to the fair value option	x	-	-	-	x	-	-	-
1.3 Other	x	-	-	-	x	-	-	-
2. Credit derivatives	-	**-**	**-**	**-**		**-**	**-**	**-**
2.1 Trading	x	-	-	-	x	-	-	-
2.2 Related to the fair value option	x	-	-	-	x	-	-	-
2.3 Other	x	-	-	-	x	-	-	-
Total B	**-**	**-**	**1,448**	**-**	**-**	**-**	**1,737**	**-**
Total (A + B)	**-**	**-**	**1,448**	**-**	**-**	**-**	**1,737**	**-**

Section 8 - Tax liabilities - Item 80

Breakdown of tax liabilities - item 80

Section 13 (Assets) provides an analysis.

Section 10 - Other liabilities - Item 100

10.1 Breakdown of other liabilities

	31.12.2012	31.12.2011
Trade payables	**12,720**	**12,628**
Due to suppliers	11,530	10,963
Due for payments on behalf of third parties	1,190	1,665
Due to staff and social security institutions	**12,046**	**10,275**
Due to staff for accrued holidays etc.	3,087	2,779
Due to staff for productivity bonuses	4,965	3,881
Contributions to be paid to social security institutions	2,037	1,810
Contributions to advisors to be paid to Enasarco	1,957	1,805
Tax authorities	**18,422**	**6,629**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	3,200	1,408
Withholding taxes to be paid to tax authorities on behalf of customers	12,794	3,047
Notes to be paid into collection services	2,221	2,174
VAT payable	81	-
Tax liabilities - other (stamp and substitute tax on medium/long term loans)	126	-
Amounts to be debited under processing	**45,677**	**45,441**
Bank transfers, cheques and other sums payable	7,258	2,325
Amounts to be settled in the clearing house (credits)	29,601	21,775
Liabilities from reclassification of portfolio subject to collection (SBF)	1,257	749
Other amounts to be debited under processing	7,561	20,592
Sundry items	**2,560**	**6,354**
Amounts to be credited	248	267
Sums made available to customers	57	13
Sundry items	1,399	5,947
Accrued expenses and deferred income	856	127
Total	**91,425**	**81,327**

Section 11 - Provisions for termination indemnity - Item 110

11.1 Provisions for termination indemnity: year changes

	31.12.2012	31.12.2011
A. Amount at year-start	**3,041**	**3,379**
B. Increases	**1,558**	**189**
B.1 Provisions for the year	990	177
B.2 Other increases	568	12
of which: business combination transactions	*568*	-
C. Decreases	**688**	**527**
C.1 Amounts paid	471	527
C.2 Other decreases	217	-
of which: business combination transactions	-	-
D. Amount at year-end	**3,911**	**3,041**

11.2 Other information

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

The provision was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

	31.12.2012	31.12.2011
Current service cost	7	3
Interest cost	175	186
Curtailment effect	-	-
Actuarial gains & losses (Corridor method)	808	-12
Total provisions for the financial year	**990**	**177**
Recorded value	3,911	3,041
Actuarial gains & losses not recognised (Corridor method)	375	89
Actuarial value	**4,286**	**3,130**
Value calculated Re. Art. 2120 of the Italian Civil Code	**5,057**	**4,436**

Section 12 - Provisions for liabilities and contingencies - Item 120

12.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2012	31.12.2011
1. Company provisions for pensions	**-**	**-**
2. Other provisions for liabilities and contingencies	**63,139**	**58,195**
2.1 Litigation	11,254	11,179
2.2 Staff	12,505	8,961
2.3 Other	39,380	38,055
Total	**63,139**	**58,195**

Breakdown of other provisions for liabilities and contingencies

	31.12.2012	31.12.2011
Provision for staff expenses	**12,505**	**8,961**
Provisions for legal disputes	**11,254**	**11,179**
Provision for risks related to litigations connected with FA's embezzlements	7,386	5,850
Provision for other legal disputes with financial advisors	892	1,189
Provision for risks related to legal disputes with staff	709	739
Provision for other legal disputes	2,267	3,401
Provisions for termination indemnity for financial advisors	**11,255**	**9,156**
Provision for termination indemnity	9,924	8,082
Provision for portfolio overcommission indemnity	908	1,074
Provision for retirement benefit plans	423	-
Provisions for risks related to network incentives	**27,147**	**28,899**
Provision for network development incentives	22,212	24,974
Provisions for managers incentives with access gate	2,317	1,875
Provision for commissions - travel incentives and tenders	2,500	1,900
Provision for commissions - other	118	31
Provision for loyalty bonuses	-	119
Other provisions for liabilities and contingencies	**978**	**-**
Total	**63,139**	**58,195**

12.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR PENSIONS	OTHER PROVISIONS	TOTAL
A. Amount at year-start	**-**	**58,195**	**58,195**
B. Increases	**-**	**28,021**	**28,021**
B.1 Provisions for the year	-	26,290	26,290
B.2 Other increases	-	1,731	1,731
of which: business combination transactions		*1,731*	*1,731*
C. Decreases	**-**	**23,077**	**23,077**
C.1 Use in the year	-	18,866	18,866
C.2 Other decreases	-	4,211	4,211
of which: business combination transactions	-	-	-
D. Amount at year-end	**-**	**63,139**	**63,139**

Provisions for liabilities and contingencies: details of movements

	31.12.2011	OTHER CHANGES	USES	SURPLUS	PROVISIONS	31.12.2012
Provision for staff expenses	**8,961**	**1,631**	**-4,213**	**-1,715**	**7,841**	**12,505**
Provisions for legal disputes	**11,179**	**100**	**-4,136**	**-655**	**4,766**	**11,254**
Provision for risks related to litigations connected with FA's embezzlements	5,850	2,015	-2,174	-548	2,243	7,386
Provision for other legal disputes with financial advisors	1,189	-	-971	-	674	892
Provision for risks related to legal disputes with staff	739	-	-	-30	-	709
Provision for other legal disputes	3,401	-1,915	-991	-77	1,849	2,267
Provisions for termination indemnity for financial advisors	**9,156**	**-**	**-503**	**-745**	**3,347**	**11,255**
Provision for termination indemnity	8,082	-	-101	-709	2,652	9,924
Provision for portfolio overcommission indemnities	1,074	-	-402	-36	272	908
Provision for retirement benefit plans	-	-	-	-	423	423
Provisions for risks related to network incentives	**28,899**	**-**	**-10,014**	**-1,096**	**9,358**	**27,147**
Provision for risks related to network development incentives	24,974	140	-7,679	-845	5,622	22,212
Provisions for managers incentives with access gate	1,875	-140	-561	-	1,143	2,317
Provision for commissions - travel incentives	1,900	-	-1,649	-251	2,500	2,500
Provision for commission plans	31	-	-6	-	93	118
Provision for loyalty bonuses	119	-	-119	-	-	-
Other provisions for liabilities and contingencies	**-**	**-**	**-**	**-**	**978**	**978**
Total	**58,195**	**1,731**	**-18,866**	**-4,211**	**26,290**	**63,139**

12.4 Provisions for liabilities and contingencies - other provisions

Provision for staff expenses

These provisions include the following amounts:

a) 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 the banking group's new remuneration policy;
b) the estimate of the variable compensation provided for in the new long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali (the Long Term Incentive Plan);
c) provisions for post-employment medical benefits of Group executives;
d) other allocations intended to support a company reorganisation plan launched following the merger of BG SGR, informal incentives and other expenses associated with personnel classification, not included within the scope of IAS 19.

In 2012, provisions for staff expenses also included the allocation related to the performance bonus envisaged in the company supplementary contract. In fact, at the date of the financial statements, the new supplementary contract for the three-year period 2012-2014 will not yet be in effect, inasmuch as negotiations with union representatives are still in the initial phases. However, the Bank decided to allocate the amount of the bonus on the basis of the mechanisms agreed for the previous two-year period 2010-2011.

The provisions and surpluses associated with the cases set out in points a) and b), and, for 2012, the provisions the 2012 performance bonus, associated with the supplementary company agreement subject to renewal, have as their balancing entries in profit and loss, respectively, staff expense, item 150 a) of the profit and loss account, and other operating income and expenses, item 190 of the profit and loss account. The balancing entries in profit and loss for the remaining provisions fall appropriately under item 160, net provisions for liabilities and contingencies

Provisions for legal disputes

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

Provisions for advisors' termination indemnity

These include provisions for termination indemnities paid to the sales network pursuant to Article 1751 of the Italian Civil Code and the portfolio development indemnity called for in the agency agreement. In particular, the portfolio development scheme calls for financial advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.

For both provisions, the expense associated with existing obligations at year-end is assessed according to a statistical-actuarial method, with the aid of independent professionals, for financial advisors in regular service, and through a specific assessment, for financial advisors who have left service.

Provisions for risks related to network incentives

In general, network development plans are entered into following the recruitment of new Financial Advisors in the Banca Generali network and envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, retention bonus, extrabonus, etc.) related to the achievement of net inflow objectives and the presence in of one or more years (up to 5 or 7 years).

The contractual clause governing the "volume bonus," which calls for an incentive to be provided on the basis of new assets under management contributed, was amended in 2009 to introduce a mechanism for periodic disbursal of fees accrued, in lieu of deferred disbursal at the end of the plan. Accordingly, there were no provisions to account for this specific form of incentive.

This amount includes also allocations for performance-based incentive programmes, including the "BG Premier Club Trip", and for other commission plans (supplementary allowances, stabilisers, objective-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuing employment in the network or the achievement of sales objectives.

Tax dispute

In January 2013 the Regional Department for Friuli Venezia Giulia of the Italian Revenue Service initiated an audit of tax year 2010. At present, the audit has not resulted in irregularities of a material nature.

At 31 December 2012 Banca Generali was not involved in any tax disputes with the revenue authorities

Section 14 - Company net equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 Breakdown of capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
Share capital				
- ordinary shares	1.00	112,937,722	112,937,722	112,938
Treasury shares				
- ordinary shares	1.00	-10,071	-10,071	-41
		112,927,651	**112,927,651**	**112,897**

14.2 Capital - Number of shares: year changes

ITEMS/TYPE	ORDINARY	OTHER
A. Existing shares at year-start	**111,676,183**	**-**
- paid up	111,676,183	-
- partially paid	-	-
A.1 Treasury shares (-)	-30,071	-
A.2 Outstanding shares: at year-start	**111,646,112**	**-**
B. Increases	**1,281,539**	**-**
B.1 Newly issued shares		
- against payment:	1,261,539	-
- business combination transactions	-	-
- bonds conversion	-	-
- exercise of warrant	1,261,539	-
- other	-	-
- for free	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	20,000	-
C.4 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**112,927,651**	**-**
D.1 Treasury shares (+)	10,071	-
D.2 Outstanding shares at year-end	112,937,722	-
- paid up	112,937,722	-
- partially paid	-	-

14.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 112,937,722 ordinary shares of 1 euro each,with regular dividend entitlement, and it was fully paid up.
During the year, the company also allocated 20,000 own shares for the stock option plan reserved for the Chairman approved by the merged company Banca BSI Italia S.p.A. into Banca Generali, for a book value of 207 thousand euros.

During the year, as a result of the exercise of options within the stock option plan reserved for financial advisors, 1,261,539 newly issued shares were issued, for a total of 13,360 thousand euros.

14.4 Income reserves: further information

	31.12.2011	PROFIT DISTRIBUTION OF DIVIDENDS	PURCHASE OF SHARES	SALES OF TREASURY SHARES	ISSUE OF SHARES	OTHER	31.12.2012
Legal reserve	22,315	24	-	-	-	-	22,339
Restricted reserve for treasury shares	248	-	-	-207	-	-	41
Restricted reserve for shares of the parent company	713	-	-	-	-	139	852
Extraordinary reserve	-	-	-	-	-	-	-
Unrestricted reserve	1,154	-	-	207	-	-139	1,222
Contribution to stock grant AG	81	-	-	-	-	-	81
Merger surplus - BG SGR	-	-	-	-	-	3,853	3,853
Share-based payments reserve (IFRS2)	8,638	-	-	-55	-3,039	712	6,256
Reserve from income (loss) carried forward	51,280	7,184	-	-	-	-	58,464
Equity reserve from the transfer of the funds business unit	-	-	-	-	-	3,710	3,710
Total	**84,429**	**7,208**	**-**	**-55**	**-3,039**	**8,275**	**96,818**

As required by article 2427, paragraph 7-bis, of the Italian Civil Code, the following table contains an analytical illustration of net equity items, including an indication of their origins, possible draw-downs and distribution, and draw-downs made during previous years.

	31.12.2012	POSSIBLE DRAW-DOWNS (1)	NON-DISTRIBUTABLE PORTION	DISTRIBUTABLE PORTION	DISTRIBUTABLE PORTION	DRAW-DOWNS (2012-2009)	
						DIVIDENDS	LOSSES
Share capital	**112,938**		**-**	**-**	**-**	**-**	**-**
Additional paid-in capital	**16,591**	**A, B, C (3)**	**-**	**16,591**	**-**	**-**	**-**
Reserves	**96,818**		**893**	**95,925**	**67,330**	**-189**	**-**
Legal reserve	22,339	B	-	22,339	-	-	-
Restricted reserve for treasury shares	41	B	41	-	-	-	-
Reserve for shares of the parent company	852	B	852	-	-	-	-
Extraordinary reserve	-	A, B, C	-	-	-	-189	-
Available reserve	1,222	A, B, C	-	1,222	1,222	-	-
Merger surplus - BG SGR	3,853	A, B, C	-	3,853	3,853	-	-
Contribution to stock grant AG	81	A, B, C	-	81	81	-	-
Share-based payments reserve	6,256	A, B, C (4)	-	6,256	-	-	-
Reserve from income (loss) carried forward	58,464	A, B, C	-	58,464	58,464	-	-
Equity reserve from the transfer of the funds business unit	3,710	A, B, C	-	3,710	3,710	-	-
Valuation reserves	-10,587		-10,587	-	-	-	-
Revaluation reserves	-	A, B, C	-	-	-	-	-
Negative fair value reserve for AFS debt securities (2)	-11,689		-11,689	-	-	-	-
Negative fair value reserve for AFS UCITs (2)	59		59	-	-	-	-
Negative fair value reserve for AFS equity securities (2)	1,043		1,043	-	-	-	-
Net profit (loss) for the year	118,143	A, B, C	-	118,143	117,894	-	-
Net equity for accounting purposes	333,903		-9,694	230,659	185,224	-	-

(1) Availability refers to possible draw-downs for.
A Capital increases
B Replenishment of losses
C Distribution to shareholders
(2) Restricted reserve pursuant to article 6 of Legislative Decree 38/2005.
(3) May not be distributed until the legal reserve has reached 1/5th of share capital.
(4) The reserve can only be used for stock option plan.

PART B - INFORMATION ON THE BALANCE SHEET

Other information

1. Guarantees issued and commitments

TRANSACTIONS	31.12.2012	31.12.2011
1) Financial guarantees issued	**16,909**	**20,139**
a) Banks	5,220	5,220
b) Customers	11,689	14,919
2) Commercial guarantees issued	**11,438**	**14,981**
a) Banks	-	-
b) Customers	11,438	14,981
3) Irrevocable commitment to dispense funds	**10,744**	**93,689**
a) Banks:	502	91,580
i) of certain use	502	91,580
ii) of uncertain use	-	-
b) Customers	10,242	2,109
i) of certain use	1,813	-
ii) of uncertain use	8,429	2,109
4) Underlying commitments to credit derivatives: hedging sales	**-**	**-**
5) Assets pledged as collateral of third-party bonds	**4,000**	**-**
6) Other commitments	**-**	**-**
of which securities receivable for put option issued	-	-
Total	**43,091**	**128,809**

Notes
1. Financial guarantees to banks includes the commitment to FITD (interbank deposit protection fund) amounting to 5,220 thousand euros.
2. Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
3. Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
4. 10% of assets pledged to secure the obligations of third parties consist of guarantees granted to cover possible losses by operators in default on the collateralised interbank market (NewMIC).

2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	31.12.2012	31.12.2011
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. AFS financial assets	769,100	794,861
4. HTM financial assets	2,525,865	605,172
5. Loans to banks	76,538	157,030
6. Loans to customers	10,091	19,257
7. Property and equipment	-	-
8. Intangible assets	-	-
Total	**3,381,594**	**1,576,320**

Notes
1. Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB.

4. Trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2012	31.12.2011
1. Execution of orders on behalf of clients	**25,464,297**	**29,226,667**
a) Purchases:	12,334,097	14,855,900
1. Settled	12,257,730	14,781,136
2. To be settled	76,367	74,764
b) Sales:	13,130,200	14,370,767
1. Settled	13,069,189	14,297,183
2. To be settled	61,011	73,584
2. Asset management	**2,353,615**	**-**
a) Individual	2,353,615	-
b) Collective	-	-
3. Custody and administration of securities (Excluding asset management)	**29,206,251**	**30,606,055**
a) Third-party securities held in deposit related to services provided as depository bank:	-	1,902,364
1. Issued by the bank that prepares the financial statements	-	7
2. Other securities	-	1,902,357
b) Other third-party securities held in deposit: other	12,010,178	11,877,973
1. Issued by the bank that prepares the financial statements	15,202	38,968
2. Other securities	11,994,976	11,839,005
c) Third-party securities deposited with third parties	11,973,414	13,641,466
d) Portfolio securities deposited with third parties	5,222,659	3,184,252
4. Other	**-**	**-**

PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Section 1 - Interest - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER	31.12.2012	31.12.2011
1. Financial assets held for trading	2,950	-	-	2,950	487
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	32,877	-	-	32,877	32,945
4. HTM financial assets	97,628	-	-	97,628	19,422
5. Loans to banks	4,397	1,207	-	5,604	8,185
6. Loans to customers	848	16,691	-	17,539	17,916
7. Financial assets at fair value	-	-	-	-	-
8. Hedging derivatives	-	-	777	777	-
9. Other assets	-	-	18	18	8
Total	**138,700**	**17,898**	**795**	**157,393**	**78,963**

Note
1. Loan to custumers - Financing include 788 thousand euros (1,026 thousand euros at 31 December 2011) for the return on the capitalisation policy Gesav.

1.3 Breakdown of interest income and similar charges: further information

	31.12.2012	31.12.2011
1.3.1 Interest income on financial assets in foreign currencies	168	182
1.3.2 Interest income on finance lease transactions	-	-
1.3.3 Interest income on third-party funds under administration	-	-
Total	**168**	**182**

1.4 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER	31.12.2012	31.12.2011
1. Due to Central Banks	12,128	-	-	12,128	954
2. Due to banks	9,521	-	-	9,521	8,524
3. Due to customers	24,261	-	-	24,261	21,421
4. Securities issued	-	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	5	5	33
8. Hedging derivatives	-	-	-	-	-
Total	**45,910**	**-**	**5**	**45,915**	**30,932**

1.6 Breakdown of interest expense and similar charges: further information

	31.12.2012	31.12.2011
1.6.1 Interest expense on financial assets in foreign currencies	46	45
1.6.2 Interest expense on finance lease liabilities	5	33
1.6.3 Interest expense on third-party funds under administration	-	-
Total	**51**	**78**

Section 2 - Commissions - Items 40 and 50

2.1 Breakdown of commission income

TYPE OF SERVICE/VALUES	31.12.2012	31.12.2011
a) Guarantees issued	112	151
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	219,811	212,486
1. Trading of financial instruments	13,143	16,980
2. Currency trading	-	-
3. Asset management:	24,608	-
3.1 Individual	24,608	-
3.2 Collective	-	-
4. Custody and administration of securities	857	838
5. Depositary bank	-	-
6. Placement of securities	101,480	109,831
7. Order collection	4,916	5,441
8. Consultancy activities:	2,205	259
8.1 Investment advice	2,205	259
8.2 Advice on financial structure	-	-
9. Distribution of third-party services:	72,602	79,137
9.1 Asset management:	2,969	16,256
9.1.1 Individual	2,599	15,931
9.1.2 Collective	370	325
9.2 Insurance products	69,299	62,270
9.3 Other products	334	611
d) Collection and payment services	2,090	1,900
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	2,871	2,952
j) Other services	1,705	1,097
Total	**226,589**	**218,586**

2.2 Commission income: distribution channels of products and services offered

CHANNELS/VALUES	31.12.2012	31.12.2011
a) Group branches:	**2,895**	**252**
1. Asset management	-	-
2. Placement of securities	2,895	252
3. Third-party products and services	-	-
b) External offer:	**195,795**	**188,716**
1. Asset management	24,608	-
2. Placement of securities	98,585	109,579
3. Third-party products and services	72,602	79,137
c) Other distribution channels:	**-**	**-**
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
Total	**198,690**	**188,968**

2.3 Breakdown of commission expense

SERVICES/VALUES	31.12.2012	31.12.2011
a) Guarantees received	105	76
b) Credit derivatives	-	-
c) Management and brokerage services:	130,489	123,089
1. Trading of financial instruments	2,657	3,449
2. Currency trading	-	-
3. Asset management:	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	520	477
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	127,312	119,163
d) Collection and payment services	1,086	889
e) Other services	1,264	1,136
Total	**132,944**	**125,190**

Section 3 - Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	31.12.2012		31.12.2011	
	DIVIDENDS	UCIT UNITS	DIVIDENDS	UCIT UNITS
A. Financial assets held for trading	61	102	91,516	93
B. AFS financial assets	576	-	650	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	86,220	x	64,459	x
Total	**86,857**	**102**	**156,625**	**93**

Section 4 - Net profit from trading - Item 80

4.1 Breakdown of net profit from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSS	LOSS FROM TRADING	NET RESULT 31.12.2012	NET RESULT 31.12.2011
1. Financial assets	**1,369**	**7,878**	**139**	**2,432**	**6,676**	**-138,199**
1.1 Debt securities	429	7,277	126	2,381	5,199	438
1.2 Equity securities	210	116	5	48	273	-137,181
1.3 UCIT units	730	485	8	3	1,204	-1,456
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange gains and losses	**-**	**2,179**	**-**	**-**	**2,179**	**935**
4. Derivatives	**44**	**506**	**-**	**920**	**-370**	**49,681**
4.1 Financial derivatives:	44	506	-	920	-370	49,681
- on debt securities and interest rates	**44**	**208**	**-**	**622**	**-370**	**-580**
- interest rate swaps	44	208	-	622	-370	-733
- swap assets	-	-	-	-	-	153
- on equity securities and stock indexes	**-**	**-**	**-**	**-**	**-**	**50,256**
- options		-	-	-	-	73
- futures	-	-	-	-	-	50,183
- on currency and gold (1)	**-**	**298**	**-**	**298**	**-**	**5**
- other	**-**	**-**	**-**	**-**	**-**	**-**
- total return swap	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
Total	**1,413**	**10,563**	**139**	**3,352**	**8,485**	**-87,583**

Notes
(1) It includes currency options and currency outrights.

Section 5 - Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

		31.12.2012	31.12.2011
A.	**Income from:**		
	A.1 Fair-value hedge derivatives	-	-
	A.2 Hedged financial assets (fair value)	-	-
	A.3 Hedged financial liabilities (fair value)	-	-
	A.4 Cash-flow hedge derivatives	-	-
	A.5 Assets and liabilities denominated in foreign currencies	-	-
	Total income from hedging (A)	**-**	**-**
B.	**Charges from:**		
	B.1 Fair-value hedge derivatives	-	-
	B.2 Hedged financial assets (fair value)	-	-
	B.3 Hedged financial liabilities (fair value)	-	-
	B.4 Cash-flow hedge derivatives	937	-
	B.5 Assets and liabilities denominated in foreign currencies	-	-
	Total charges from hedging (B)	**937**	**-**
C.	**Net income from hedging (A - B)**	**-937**	**-**

Section 6 - Gain (loss) from transfer/repurchase - Item 100

6.1 Breakdown of gain (loss) from transfer/repurchase

	31.12.2012			31.12.2011		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Loans to banks	453	-	453	553	19	534
2. Loans to customers	353	5,117	-4,764	390	31	359
3. AFS financial assets	21,973	14,424	7,549	2,692	1,362	1,330
3.1 Debt securities	21,973	14,372	7,601	2,672	1,362	1,310
3.2 Equity securities	-	52	-52	20		20
3.3 UCIT units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. HTM financial assets	1,240	411	829	70	271	-201
Total assets	**24,019**	**19,952**	**4,067**	**3,705**	**1,683**	**2,022**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Previous AFS equity reserves transferred back to the profit and loss account are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	200	-14,169	-13,969
Equity securities	-	-	-
Total	**200**	**-14,169**	**-13,969**

Section 8 - Net adjustments/reversal value for impairment - Item 130

8.1 Breakdown of net adjustments to non-performing loans

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				31.12.2012	31.12.2011
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Loans to banks	**-**	**-**	**1,140**	**-**	**-**	**-**	**-**	**-1,140**	**-281**
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	1,140	-	-	-	-	-1,140	-281
B. Loans to customers	**45**	**1,632**	**783**	**1**	**18**	**-**	**-**	**-2,441**	**-1,680**
Non-performing loans purchased									
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other loans									
- Loans	-	1,192	92	1	18	-	-	-1,265	-135
- Operating loans	45	440	-	-	-	-	-	-485	-835
- Debt securities	-	-	691	-	-	-	-	-691	-710
C. Total	**45**	**1,632**	**1,923**	**1**	**18**	**-**	**-**	**-3,581**	**-1,961**

Portfolio adjustments on debt securities classified under "Loans to customers" and "Loans to banks" amounted to 1,831 thousand euros (439 thousand euros at 31 December 2011) and refer to the adjustments of the collective reserves allocated to account for potential impairment on the corporate bond and ABS portfolio.

Specific value adjustments refer for 389 thousand euros to doubtful loans and for the remaining amount to other non-performing positions (substandard loans, objective substandard loans and loans expired from over 90 days). Value adjustments to operating loans refer to writedowns of advances commissions to former financial advisors and other operating loans.

8.2 Breakdown of net adjustments for impairment of available-for-sale financial assets

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				31.12.2012	31.12.2011
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	1,016	-	-	-	-	-	-1,016	-3,980
C. UCIT units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
F. Total	**-**	**1,016**	**-**	**-**	**-**	**-**	**-**	**-1,016**	**-3,980**

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				31.12.2012	31.12.2011
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	304	304	164
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to costumers	-	-	-	-	-	-	-	-	-
D. Total	**-**	**-**	**-**	**-**	**-**	**-**	**304**	**304**	**164**

Section 9 - General and administrative expense - Item 150

Breakdown of general and administrative expense

	31.12.2012	31.12.2011
a) Staff expense	60,769	53,764
b) Other general and administrative expense	89,465	72,728
Total	**150,234**	**126,492**

9.1 Breakdown of staff expense

TYPE OF EXPENSES/VALUES	31.12.2012	31.12.2011
1) Employees	**59,971**	**51,656**
a) Wages and salaries	34,260	30,610
b) Social security charges	8,928	8,138
c) Termination indemnity	-	-
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	989	177
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	3,780	3,514
- defined contribution	3,780	3,514
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	57	162
i) Other employee benefits	11,957	9,055
2) Other staff	**619**	**617**
3) Directors and Auditors	**1,230**	**2,788**
4) Retired personnel	**-**	**-**
5) Recovery of expenses for seconded staff from other companies	**-1,161**	**-1,313**
6) Repayments of expenses for seconded staff from other companies	**110**	**16**
Total	**60,769**	**53,764**

9.2 Average number of employees by category

	31.12.2012	31.12.2011
Employees	**714**	**690**
a) Managers	41	37
b) Total executives	172	159
of which 3rd and 4th level	*107*	*102*
of which 1st and 2nd level	*65*	*58*
c) Employees at other levels	501	494
Other employees	**-8**	**-10**
Total	**706**	**680**

Note
The average headcount of the comparison period was determined based on the simple average of the workforce at year-end, therefore it does not completely include the effects of the incorporation of BG SGR S.p.A., effective for accounting purposes 1 January 2012.

Breakdown of headcount

	31.12.2012	31.12.2011
Employees	**740**	**686**
a) Managers	43	38
b) Total executives	185	158
of which 3rd and 4th level	*113*	*100*
of which 1st and 2nd level	*72*	*58*
c) Employees at other levels	512	490
Other employees	**-10**	**-5**
Contract and temporary workers	4	13
Seconded staff from other companies	3	1
Seconded staff to other companies	-17	-19
Total	**730**	**681**

9.4 Other employee benefits

	31,12,2012	31,12,2011
Short-term productivity bonuses to be paid (CIA and Managers bonus)	7,510	6,108
Other long-term incentives	2,208	1,031
Charges for staff supplementary pensions	1,402	1,239
Expenses for missions - expense reimbursement and indemnities, and charges payable by the bank	-	-
Amounts replacing cafeteria indemnities	735	568
Training expenses	-	-
Transfer incentives and other indemnities	-	2
Allowances and charitable gifts	101	107
Other expenses (clothes, medical costs, etc.)	1	-
Total	**11,957**	**9,055**

9.5 Breakdown of other general and administrative expenses

	31.12.2012	31.12.2011
Administration	**11,876**	**10,908**
Advertising	3,743	3,537
Consultancy and professional advice expenses	2,825	2,499
Financial consultancy expenses	-	725
Corporate boards and auditing firms	307	288
Insurance	3,963	2,791
Entertainment expenses	228	431
Membership contributions	636	553
Charity	174	84
Operations	**30,755**	**27,549**
Rent and usage of premises and management of property	14,908	13,965
Outsourced administrative services	4,981	3,332
Post and telephone	2,889	1,895
Print material	847	822
Other expenses for sales network management	2,426	2,199
Other expenses and purchases	1,895	2,775
Other indirect staff expenses	2,809	2,561
Information system and equipment	**29,470**	**25,357**
Expenses related to outsourced IT services	21,845	17,386
Fees for IT services and databases	4,673	3,326
Software maintenance and servicing	2,050	3,710
Fees for equipment hired and software used	168	195
Other maintenance	734	740
Indirect taxation	**17,364**	**8,914**
Total	**89,465**	**72,728**

Section 10 - Net provisions for liabilities and contingencies - Item 160

10.1 Breakdown of net provisions for liabilities and contingencies

	31.12.2012			31.12.2011		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for risks related to staff expenses [1]	**2,950**	**-207**	**2,743**	**2,277**	**-2,635**	**-358**
Provisions for staff expenses: long-term incentives	-	-	-	-	-1,275	-1,275
Provision for staff expenses: other	2,950	-207	2,743	2,277	-1,360	917
Provision for legal disputes	**4,766**	**-655**	**4,111**	**3,829**	**-418**	**3,411**
Provision for risks related to legal disputes with subscribers	2,243	-548	1,695	1,819	-105	1,714
Provision for risks related to legal disputes with advisors	674	-	674	397	-10	387
Provision for risks related to legal disputes with staff	-	-30	-30	-	-	-
Provision for risks related to legal disputes with other parties	1,849	-77	1,772	1,613	-303	1,310
Provisions for termination indemnity for financial advisors	**3,347**	**-745**	**2,602**	**1,324**	**-3,163**	**-1,839**
Provision for termination indemnity for financial advisors	2,652	-709	1,943	875	-86	789
Provision for overcommission risks for financial advisors	272	-36	236	449	-3,077	-2,628
Provision for retirement benefit plans	423		423	-	-	-
Provisions for risks related to network incentives	**9,358**	**-1,096**	**8,262**	**9,666**	**-522**	**9,144**
Provision for risks related to network development incentives	5,622	-845	4,777	6,961	-522	6,439
Provisions for managers incentives with access gate	1,143	-	1,143	792	-	792
Provision for commissions - travel incentives	2,500	-251	2,249	1,900	-	1,900
Provision for commission plans	93	-	93	13	-	13
Provision for loyalty bonuses for financial advisors	-	-	-	-	-	-
Other provisions for liabilities and contingencies	**978**	**-**	**978**	**-**	**-91**	**-91**
Total	**21,399**	**-2,703**	**18,696**	**17,096**	**-6,829**	**10,267**

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

Section 11 - Net adjustments/reversals value of property and equipment - Item 170

11.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 31.12.2012	NET RESULT 31.12.2011
A. Property and equipment					
A.1 Owned	1,701	-	-	1,701	1,644
- Operating	1,701	-	-	1,701	1,644
- Investment	-	-	-	-	-
A.2 Leased	-	-	-	-	-
- Operating	-	-	-	-	-
- Investment	-	-	-	-	-
Total	**1,701**	**-**	**-**	**1,701**	**1,644**

Section 12 - Net adjustments/reversals value of intangible assets - Item 180

12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 31.12.2012	NET RESULT 31.12.2011
A. Intangible assets					
A.1 Owned	2,679	-	-	2,679	1,840
- Generated in-house	-	-	-	-	-
- Other	2,679	-	-	2,679	1,840
A.2 Leased	-	-	-	-	-
Total	**2,679**	**-**	**-**	**2,679**	**1,840**

Breakdown of value adjustments of intangible assets - amortisation

	31.12.2012	31.12.2011
Long-term no-load commissions	-	49
Charges associated with the implementation of legacy CSE procedures	1,638	1,148
Relations with customers	953	525
Other intangible assets	88	118
Total	**2,679**	**1,840**

Section 13 - Other operating income and expenses - Item 190

13.1 Breakdown of other operating expenses

	31.12.2012	31.12.2011
Adjustments of leasehold improvements	506	679
Write-downs on other assets	208	-
Elimination of improvements to discontinued outlets	-	70
Indemnities and compensation for litigation and claims	2,081	1,094
Charges from accounting adjustments with customers	315	290
Charges for card compensation and guarantees	66	152
Costs associated with tax penalties and disputes	23	23
Other contingent liabilities and non-existent assets	778	871
Other operating expenses	16	11
Total	**3,993**	**3,190**

13.2 Breakdown of other operating income

	31.12.2012	31.12.2011
Fees for outsourcing services	431	973
Recovery of taxes from customers	16,533	8,023
Recovery of expenses from customers	548	468
Recovery of portfolio valorisation overcommission	810	93
Indemnities for advisors' notices	275	8
Other recoveries of repayments and costs from advisors	774	811
Contingent assets - staff expense	1,906	745
Other contingent assets and non-existent liabilities	711	777
Insurance compensation and indemnities	356	102
Other income	121	158
Total	**22,465**	**12,158**
Total other net income	**18,472**	**8,968**

Section 17 - Gains (losses) from disposal of investments - Item 240

17.1 Breakdown of gains (losses) from disposal of investments

INCOME COMPONENTS/VALUES	31.12.2012	31.12.2011
A. Buildings	-	-
- Gains from disposal	-	-
- Losses from disposal	-	-
B. Other assets	-4	-1
- Gains from disposal	-	-
- Losses from disposal	4	1
Net result	**-4**	**-1**

Section 18 - Income tax for the year for current operations - Item 260

18.1 Breakdown of income tax for the year for current operations

INCOME COMPONENTS/VALUES	31.12.2012	31.12.2011
1. Current taxation (-)	-26,249	-9,842
2. Change in prior years current taxes	1,504	1,175
3. Reduction of current taxes for the year (+)	-	-
4. Changes of prepaid taxation (+/-)	-2,074	1,835
5. Changes of deferred taxation (+/-)	-49	-74
6. Taxes for the year (-)	**-26,868**	**-6,906**

Following the publication of the Order of the Director of Italian Revenue Service of 17 December 2012 governing the methods of submission of the refund application for the share of IRAP (regional production tax) deductible for the purposes of IRES (corporate income tax), introduced by the Legislative Decree No. 201/2011, the Group also recognised the associated tax benefit of approximately 1.3 million euros.

The changes in deferred tax assets and liabilities for which there is no balancing entry, as presented in table 18.2 below, refer to the reversal of deferred tax assets associated with AFS equity securities reclassified in 2008 pursuant to the Ministerial Decree of 3 June 2011 aimed at "IAS compliance" and the reversal of deferred tax assets associated with receivables not arising from lending transactions for which it was deemed prudent to assess recoverability from a tax standpoint upon realisation or recognition of a loss.

18.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes for the year, including both current and deferred taxes, as set out in item 260 of the Profit & Loss Account and the theoretical IRES tax determined by applying the current applicable tax rate of 27.5% to the pre-tax profit.

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

	31.12.2012	31.12.2011
Current taxation	**-26,249**	**-9,842**
IRES	-18,111	-7,148
IRAP	-8,120	-2,006
Substitute tax for redemption	-	-686
Other	-18	-2
Prepaid and deferred taxation	**-2,123**	**1,761**
IRES	-1,392	1,033
IRAP	-731	728
Taxes of prior years	**1,504**	**1,175**
IRES	1,504	339
IRAP	-	836
Income taxes	**-26,868**	**-6,906**
Theoretical taxation	**27.5%**	**27.5%**
Profit (loss) before taxation	**144,560**	**75,530**
Theoretical taxation	**-39,754**	**-20,771**
Tax income (+) expense (-):		
Non-taxable income (dividends)	23,607	17,089
Non-deductible interest expenses (4%)	-505	-315
Impairment of equity securities PEX	-279	-1,095
Other non-deductible costs	-1,873	-1,073
IRAP (net of redemption effect)	-8,851	-641
Taxes of prior years	1,504	339
Other (foreign) taxes	-18	-2
Redemption of consolidated goodwill of BG Fiduciaria	-	692
Redempion of goodwill and intangible assets of Banca del Gottardo	-	-
Change in deferred taxes without offsetting entry	-699	-1,130
Actual tax expense	**-26,868**	**-6,906**
Total actual tax rate	**18.6%**	**9.1%**
Actual tax rate (IRES only)	**12.5%**	**8.6%**
Actual tax rate (IRAP only)	**-6.1%**	**-0.6%**

Section 19 - Income (loss) of disposal groups, net of taxes - Item 280

19.1 Income (loss) of groups of available-for-sale assets, net of taxes

INCOME COMPONENTS/VALUES	31,12,2012	31,12,2011
1. Income	1,659	-
2. Charges	-980	-
3. Measurement of groups of assets available for sale and associated liabilities	-	-
4. Gains (losses) on disposal	-	-
5. Taxes and duties	-228	-
Net profit (Loss)	**451**	**-**

This result refers to the business unit of the subsidiary BG SGR, consisting of Italian managed mutual funds (BG Focus Funds), whose sale to Generali Investment Europe SGR was completed on 1 April 2012.

Commission income includes the commissions paid by funds unitholders and the amount performance commissions charged to the seller. The item also includes management commissions for the mandate received by Alleanza funds, terminated upon the sale of the business unit.

Charges refers to:

- 661 thousand euros for commissions remitted to the placement agents of the transferred funds;
- 350 thousand euros for operating costs related to personnel, administrative expenses and amortisations;
- 31 thousand euros for other net operating income.

The sale of the business unit generated a capital gain, net of directly attributable additional charges and taxes for the year, of 3,710 thousand euros. Since the business combination transaction occurred between entities under common control, such capital gains was recognised in equity as equity contribution by the transferee belonging to the same group.

Section 21 - Earnings per Share

21.1 Average number of ordinary shares after dilution

	31.12.2012	31.12.2011
Net profit for the year (thousand euros)	118,143	68,623
Net profit attributable to ordinary shares (thousand euros)	118,143	68,623
Average number of outstanding shares (thousand)	111,973	111,729
EPS - Earnings per Share (euros)	**1.055**	**0.614**
Average number of outstanding shares diluted capital (thousand)	115,065	114,839
EPS - Diluted Earnings per Share (euros)	**1.027**	**0.598**

PART D - COMPREHENSIVE INCOME

Analytical statement of comprehensive income

ITEMS		GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10.	**Net profit (loss) for the year**	**x**	**x**	**118,143**
	Other income			
20.	AFS financial assets:	66,972	-21,218	45,754
	a) Fair value changes	51,595	-16,545	35,050
	b) Transfer to profit and loss account:	15,377	-4,664	10,713
	- Adjustments due to impairment	1,016	-47	969
	- Gains (losses) on disposal	14,361	-4,617	9,744
	c) Other changes	-	-9	-9
30.	Property and Equipment	-	-	-
40.	Intangible Assets	-	-	-
50.	Hedges of foreign investments:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	c) Other changes	-	-	-
60.	Cash-flow hedges:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	c) Other changes	-	-	-
70.	Exchange differences:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	c) Other changes	-	-	-
80.	Non-current assets held for sale:	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account	-	-	-
	c) Other changes	-	-	-
90.	Actuarial gains (losses) from defined benefit plans	-	-	-
100.	Share of valuation reserves of investments valued at equity	-	-	-
	a) Fair value changes	-	-	-
	b) Transfer to profit and loss account:	-	-	-
	- Adjustments due to impairment	-	-	-
	- Gains (losses) on disposal	-	-	-
	c) Other changes	-	-	-
110.	**Total other income**	**66,972**	**-21,218**	**45,754**
120.	**Comprehensive income (Item 10+110)**	**66,972**	**-21,218**	**163,897**

PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

Section 1 - Credit risk

Qualitative information

1. General aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.
In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.
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, AFS and loans to customers (both corporate and retail).
Exposure to the credit risk also derives from the presence of ABS classified in the L&R portfolio, which may become permanently impaired; this exposes the company to the risk of carrying losses through profit or loss. Securities in this portfolio are monitored at least quarterly to identify any deterioration in their credit quality.

Loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to whom loans almost totally backed by collateral on financial instrument were issued during 2012. At any rate, the ratio of loans to customers to total loans remains relatively low.
As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at individuals.

The Bank has formally defined a credit risk management policy that specifies the bodies and functions involved and sets forth the guidelines for the identification, measurement, monitoring and reporting of credit risk.
The Bank has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.
The Bank has defined an extensive system of powers and limits associated with loan authorisation.
In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In terms of the monitoring of loans after they have been disbursed, the Bank has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.
The Lending Department monitors the performance of loans and reports on anomalous positions.
In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Bank's overall credit exposure.
The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.
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 Service and established with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

2. Credit risk management policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Regulations.
In addition to issuing loans, the Lending Department is also charged with managing and monitoring credit, with a special focus on the performance of doubtful loans.

With reference to adoption of IASs/IFRSs, Banca Generali applied what has been developed in the Basel 2 framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are associated with issuers with high levels of creditworthiness.

Credit risk mitigation techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.
Collaterals can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collateral is in the form of securities, a discount is usually applied when the loan is issued and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI S.A. for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008, which concerns a residual class of loans for an amount of approximately 26 million euros.
This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity has been maintained for those positions managed with the aim of recovery and those positions that have shown a default event for which payment of the indemnity was requested from the guarantor, BSI S.A.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority.

At present there are:
- bad loans;
- substandard loans;
- expired loans or outstanding over 90 days.

After value adjustments, overall impaired loans accounted for a negligible percentage of total loans to customers.

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.

Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

Doubtful receivables of a significant amount refer to Banca del Gottardo Italia's clients and are guaranteed by the framework indemnity issued by the seller BSI S.A. Such positions are not effectively a credit risk for the Bank, therefore no adjustments were made.

Quantitative information

A. Credit quality

A.1 Exposure to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITSs.

A.1.1 Breakdown of credit exposures by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS	OTHER ASSETS	TOTAL
1. Financial assets held for trading	40	-	-	-	207,145	207,185
2. AFS financial assets	-	-	-	-	1,709,802	1,709,802
3. HTM financial assets	-	-	-	-	3,000,329	3,000,329
4. Loans to banks	-	-	-	-	826,605	826,605
5. Loans to customers	23,399	2,087	960	886	1,255,458	1,282,790
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total at 31.12.2012	**23,439**	**2,087**	**960**	**886**	**6,999,339**	**7,026,711**
Total at 31.12.2011	**21,783**	**7,894**	**2,948**	**3,837**	**4,128,777**	**4,165,239**

A.1.2 Breakdown of loans by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	NON-PERFORMING LOANS			PERFORMING LOANS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. Financial assets held for trading	1,983	1,943	40	x	x	207,145	207,185
2. AFS financial assets	-	-	-	1,709,802	-	1,709,802	1,709,802
3. HTM financial assets	-	-	-	3,000,625	296	3,000,329	3,000,329
4. Loans to banks	-	-	-	828,496	1,891	826,605	826,605
5. Loans to customers	41,092	13,760	27,332	1,258,440	2,982	1,255,458	1,282,790
6. Financial assets at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	-	-
Total at 31.12.2012	**43,075**	**15,703**	**27,372**	**6,797,363**	**5,169**	**6,999,339**	**7,026,711**
Total at 31.12.2011	**58,411**	**21,949**	**36,462**	**4,114,912**	**3,622**	**4,128,777**	**4,165,239**

A.1.2.1 Breakdown of credit exposures renegotiated under collective agreements and other performing exposures by portfolio

PORTFOLIOS/MATURITY EXPIRED	OTHER EXPOSURES					TOTAL (NET EXPOSURE)
	EXPIRED FROM UP TO 3 MONTHS	EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS	EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR	EXPIRED FOR OVER 1 YEAR	NOT EXPIRED	
1. Financial assets held for trading	-	-	-	-	207,145	207,145
2. AFS financial assets	-	-	-	-	1,709,802	1,709,802
3. HTM financial assets	-	-	-	-	3,000,329	3,000,329
4. Loans to banks	-	-	-	-	826,605	826,605
5. Loans to customers	20,104	266	1,395	4,823	1,228,870	1,255,458
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total at 31.12.2012	**20,104**	**266**	**1,395**	**4,823**	**6,972,751**	**6,999,339**
Total at 31.12.2011	**-**	**768**	**8,234**	**178**	**4,119,597**	**4,128,777**

Banca Generali's loan portfolio does not include exposures renegotiated under collective agreements such as the Italian Banking Association-Ministry for the Economy and Finances agreement (ABI-MEF agreement). Other past-due performing exposures refer to positions past due or expired by more than 90 days, for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted.

A.1.3 Cash and off-balance sheet loans with banks: gross and net amounts

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Cash exposure				
a) Bad loans	1,983	1,943	-	40
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
b) Other assets	1,054,211	x	2,157	1,052,054
Total A	**1,056,194**	**1,943**	**2,157**	**1,052,094**
B. Off-balance sheet exposure				
a) Non-performing loans	-	-	-	-
b) Other	5,437	x	-	5,437
Total B	**5,437**	**-**	**-**	**5,437**

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.4 Cash exposure with banks: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Gross exposure at year-start	1,983	-	-	-
- *of which: positions transferred but not written off*	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 Inflows from performing loans	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	-	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	-	-	-
C.6 Other decreases	-	-	-	-
D. Gross exposure at year-end	**1,983**	**-**	**-**	**-**
- *of which: positions transferred but not written off*	-	-	-	-

A.1.5 Cash exposure with banks: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Total adjustments at year-start	**1,943**	**-**	**-**	**-**
- *of which: positions transferred but not written off*	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 Adjustments	-	-	-	-
B.2 Transfers from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 Reversal of adjustments	-	-	-	-
C.2 Reversal of collections	-	-	-	-
C.3 Write-offs	-	-	-	-
C.4 Transfer to other categories of non-performing loans	-	-	-	-
C.5 Other decreases	-	-	-	-
D. Total adjustments at year-end	**1,943**	**-**	**-**	**-**
- *of which: positions transferred but not written off*				

A.1.6 Cash and off-balance sheet credit exposure with customers: gross and net amounts

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. Cash exposure				
a) Bad loans	36,340	12,941	-	23,399
b) Substandard loans	2,815	728	-	2,087
c) Restructured loans	960	-	-	960
d) Expired loans	977	91	-	886
b) Other assets	5,949,900	-	3,012	5,946,888
Total A	**5,990,992**	**13,760**	**3,012**	**5,974,220**
B. Off-balance sheet exposure				
a) Non-performing loans	486	-	-	486
b) Other	31,249	-	-	31,249
Total B	**31,735**	**-**	**-**	**31,735**

Cash exposures to customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.
Non-performing exposures in the substandard category also include debt securities subject to impairment on an individual basis and operating receivables not arising from credit transactions, chiefly associated with dispute and pre-dispute positions involving terminated and other former financial advisors.

A.1.7 Cash exposure with customers: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Gross exposure at year-start	**37,231**	**12,412**	**2,948**	**3,837**
- *of which: positions transferred but not written off*	-	-	-	-
B. Increases	**3,273**	**991**	**51**	**1,255**
B.1 Inflows from performing loans	-	695	-	1,233
B.2 Transfers from other categories of non-performing loans	2,250	103	-	1
B.3 Other increases	1,023	193	51	21
- *of which: business combinations*	-	-		-
C. Decreases	**4,164**	**10,588**	**2,039**	**4,115**
C.1 Outflows to performing loans	-	3	-	3,391
C.2 Write-offs	3,120	-	-	-
C.3 Repayments	1,044	10,413	156	419
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	165	1,883	305
C.6 Other decreases	-	7	-	-
D. Gross exposure at year-end	**36,340**	**2,815**	**960**	**977**
- *of which: positions transferred but not written off*	-	-	-	-

A.1.8 Cash exposure with customers: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
A. Total adjustments at year-start	**15,488**	**4,518**	**-**	**-**
- *of which: positions transferred but not written off*	-	-	-	-
B. Increases	**1,088**	**712**	**-**	**138**
B.1 Adjustments	1,088	588	-	52
B.2 Transfers from other categories of non-performing loans	-	47	-	-
B.3 Other increases	-	77	-	86
- *of which: business combinations*	-	-		-
C. Decreases	**3,635**	**4,502**	**-**	**47**
C.1 Reversal of adjustments	169	-	-	-
C.2 Reversal of collections	346	4,496	-	-
C.3 Write-offs	3,120	-	-	-
C.4 Transfer to other categories of non-performing loans	-	-	-	47
C.5 Other decreases	-	6	-	-
D. Total adjustments at year-end	**12,941**	**728**	**-**	**91**
- *of which: positions transferred but not written off*	-	-	-	-

A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.

The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Breakdown of cash and off-balance sheet exposures by external rating classes

RESTRUCTURED	EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
Financial assets held for trading	-	189,741	260	-	3	-	16,784	206,788
AFS financial assets	-	8,017	1,644,813	55,461	-	-	1,511	1,709,802
HTM financial assets	19,697	700,649	2,258,934	21,049	-	-	-	3,000,329
Loans to customers	7,530	26,262	34,937	-	946	273	1,212,842	1,282,790
Loans to banks	9,991	45,363	69,140	39,696		-	662,415	826,605
A. Cash exposure	**37,218**	**970,032**	**4,008,084**	**116,206**	**949**	**273**	**1,893,552**	**7,026,314**
Financial derivatives	-	-	-	-	-	-	397	397
Credit derivatives	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**397**	**397**
C. Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**28,347**	**28,347**
D. Commitment to dispense funds	**-**	**-**	**-**	**-**	**-**	**-**	**8,429**	**8,429**
Total	**37,218**	**970,032**	**4,008,084**	**116,206**	**949**	**273**	**1,930,725**	**7,063,487**

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.2 Guaranteed exposure with customers

		COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2) - GUARANTEES					
	LOAN AMOUNT	BUILDINGS	SECURITIES	OTHER ASSETS	TOTAL	GOVERN-MENTS	OTHER PUBLIC INSTITU-TIONS	BANKS	OTHER ENTITIES	TOTAL	**TOTAL (1) + (2)**
1. Guaranteed cash exposure:	**1,061,293**	**343,762**	**630,721**	**698,131**	**1,672,614**	**-**	**-**	**640**	**69,057**	**69,697**	**1,742,311**
1.1 Totally guaranteed	993,546	342,921	599,416	685,954	1,628,291	-	-	640	64,285	64,925	1,693,216
- of which non performing	*11,474*	*27,581*	*849*	*347*	*28,777*	-	-	-	*376*	*376*	*29,153*
1.2 Partially guaranteed	67,747	841	31,305	12,177	44,323	-	-	-	4,772	4,772	49,095
- of which: non performing	*7,102*	-	*4,000*	-	*4,000*	-	-	-	-	-	*4,000*
2. Guaranteed off-balance sheet exposures	**26,051**	**763**	**21,594**	**13,490**	**35,847**	**-**	**-**	**-**	**766**	**766**	**36,613**
2.1 Totally guaranteed	17,201	763	19,311	13,450	33,524	-	-	-	725	725	34,249
- of which: non performing	*324*		*24*	*401*	*425*	-	-	-	*76*	*76*	*501*
2.2 Partially guaranteed	8,850	-	2,283	40	2,323	-	-	-	41	41	2,364
- of which non performing	-	-	-	-	-	-	-	-	-	-	-

B. Breakdown and concentration of loans

B.1 Sector breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
A. Cash exposure			
1. Government and Central Banks	**4,645,389**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	4,645,389	-	-
2. Other public institutions	**-**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	-	-	-
3. Financial companies	**207,053**	**108**	**1,299**
a. Bad loans	3	28	-
b. Substandard loans	76	77	-
c. Restructured loans	-	-	-
d. Expired loans	25	3	-
e. Other loans	206,949	-	1,299
4. Insurance companies	**33,860**	**-**	**3**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	33,860	-	3
5. Non-financial companies	**384,345**	**11,308**	**1,710**
a. Bad loans	17,973	11,261	-
b. Substandard loans	1,544	36	-
c. Restructured loans	960	-	-
d. Expired loans	184	11	-
e. Other loans	363,684	-	1,710
6. Other entities	**703,573**	**2,344**	**-**
a. Bad loans	5,423	1,652	-
b. Substandard loans	467	615	-
c. Restructured loans	-	-	-
d. Expired loans	677	77	-
e. Other loans	697,006	-	-
Total A - Cash exposure	**5,974,220**	**13,760**	**3,012**

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
B. Off-balance sheet exposure			
1. Government and Central Banks	**-**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
2. Other public institutions	**-**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
3. Financial companies	**429**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	429	-	-
4. Insurance companies	**-**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
5. Non-financial companies	**19,087**	**-**	**-**
a. Bad loans	68	-	-
b. Substandard loans	228	-	-
c. Other non-performing loans	-	-	-
d. Other loans	18,791	-	-
6. Other entities	**12,219**	**-**	**-**
a. Bad loans	-	-	-
b. Substandard loans	88	-	-
c. Other non-performing loans	102	-	-
d Other loans	12,029	-	-
Total B - Off-balance sheet exposure	**31,735**	**-**	**-**

Summary

	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
Governments and Central Banks	4,645,389	-	-
Public institutions	-	-	-
Financial companies	207,482	108	1,299
Insurance companies	33,860	-	3
Non-financial companies	403,432	11,308	1,710
Other entities	715,792	2,344	-
Overall total (A + B) at 31.12.2012	**6,005,955**	**13,760**	**3,012**

B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposure										
A.1 Bad loans	23,399	12,417	-	524	-	-	-	-	-	-
A.2 Substandard loans	2,086	726	1	2	-	-	-	-	-	-
A.3 Restructured loans	960	-	-	-	-	-	-	-	-	-
A.4 Expired loans	886	91	-	-	-	-	-	-	-	-
A.5 Other exposure	5,853,066	2,863	73,393	132	20,429	17	-	-	-	-
Total A	**5,880,397**	**16,097**	**73,394**	**658**	**20,429**	**17**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	315	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	102	-	-	-	-	-	-	-	-	-
B.4 Other exposure	31,215	-	35		-	-	-	-	-	-
Total B	**31,700**	**-**	**35**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2012	**5,912,097**	**16,097**	**73,429**	**658**	**20,429**	**17**	**-**	**-**	**-**	**-**
Total at 31.12.2011	**3,133,579**	**20,024**	**108,368**	**2,366**	**20,271**	**33**	**-**	**-**	**-**	**-**

B.3 Geographical breakdown of cash and off-balance sheet credit exposure to banks (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposure										
A.1 Bad loans	-	-	40	1,943	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	969,252	2,046	82,685	111	117	-	-	-	-	-
Total A	**969,252**	**2,046**	**82,725**	**2,054**	**117**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposure										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	5,220	-	217	-	-	-	-	-	-	-
Total B	**5,220**	**-**	**217**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2012	**974,472**	**2,046**	**82,942**	**2,054**	**117**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2011	**627,557**	**953**	**308,914**	**2,195**	**3,780**	**-**	**-**	**-**	**-**	**-**

B.4 Big risks

The sixth update to Circular No. 263, "New Prudential Supervisory Provisions Concerning Banks" of 27 December 2010, revised prudential rules governing risk concentration to bring them into line with the provisions of Directive 2009/111/EC. In detail, under the new rules, "big risks" are identified as exposures equal to or greater than 10% of capital for regulatory purposes, by reference to the carrying amount of "exposures" rather than the amount weighted for counterparty risk.

Accordingly, risk positions that constitute "big risks" are identified by reference to both carrying amounts and weighted amounts.

BIG RISKS	31.12.2012	31.12.2011
a) Carrying amount	6,613,610	3,582,924
b) Weighted amount	569,461	559,092
c) Number	20	25

C. Securitisation and disposal of assets

C.1 Securitisation

The securitisations portfolio contains only asset-backed securities (ABS) issued by European entities with underlying securities attributable exclusively to European originators.
The portfolio is made up of senior securities with ratings not less than investment grade.

The portfolio includes products mostly with underlying residential and commercial mortgages (RMBS/CMBS).

C.1.1 Breakdown of exposure resulting from securitisation by type of underlying assets

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE						TOTAL NET EXPOSURE
	SENIOR		MEZZANINE		JUNIOR		
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	
Cash exposure							
A. With own underlying assets:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
B. With third-party underlying assets:	**52,128**	**50,912**	**172**	**172**	**-**	**-**	**51,084**
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	52,128	50,912	172	172	-	-	51,084

C.1.3 Breakdown of exposure resulting from the third-party main securitisation by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUST REVERSALS	BOOK VALUE	ADJUST. REVERSALS	BOOK VALUE	ADJUST REVERSALS
A. Cash exposure	50,912	-1,216	172	-	-	-
B. Guarantees issued	-	-	-	-	-	-
C. Lines of credit	-	-	-	-	-	-

					CASH EXPOSURE					
					SENIOR		MEZZANINE		JUNIOR	
	PORTFOLIO	TYPE OF UNDERLYING ASSETS/EXPOSURE	ISIN CODE	UNDERLYING	BOOK VALUE	ADJUST. REVERSALS	BOOK VALUE	ADJUST. REVERSALS	BOOK VALUE	ADJUST. REVERSALS
A.1	Loans	AYT CAJAS N 10 FRN 30.06.2015	ES0312342001	Mortgage	14,640	-58	-	-	-	-
A.2	Loans	BANCAJA N6 TITULUZ FRN 20.02.2036	ES0312885017	Rmbs	1,045	-	-	-	-	-
A.3	Loans	CAIXA D' ESTALVIS FRN 28.01.2043	ES0313252001	Rmbs	-	-	-	-	-	-
A.4	Loans	ABS BBVA RMBS2 FRN 17.09.2050	ES0314148018	Rmbs	-	-	-	-	-	-
A.5	Loans	SANTANDER HIP3 FRN 18.01.2050	ES0338093018	Rmbs	-	-	-	-	-	-
A.6	Loans	MBS BANCAJA FRN 23.07.2050	ES0361797014	Rmbs/Cmbs	3,160	-	-	-	-	-
A.7	Loans	AYT KUTXA HIPOTECARIO II FRN 15.10.2059	ES0370154009	Rmbs	-	-	-	-	-	-
A.8	Loans	LOCAT SEC VEHICLE FRN 12.12.2024 A	IT0003733083	Leasing	-	-	-	-	-	-
A.9	Loans	FIP FUND FRN 10.01.2023	IT0003872774	Cmbs	4,461	-1,159	-	-	-	-
A.10	Loans	VELA MORT CL A FRN 30.07.2040	IT0003933998	Rmbs	634	-	-	-	-	-
A.11	Loans	ASTI FINANCE FRN 27.09.2041	IT0003966477	Rmbs	838	-	-	-	-	-
A.12	Loans	CORDUSIO FRM 30.06.2035	IT0004087174	Rmbs	-	-	-	-	-	-
A.13	Loans	ARCOBALENO FRN 28.10.2030	IT0004095672	Loans (Italian Pharmacies)	90	-	-	-	-	-
A.14	Loans	LEASIMPRESA FRN 22.12.2025	IT0004123722	Leasing	316	-	-	-	-	-
A.15	Loans	APULIA FINA FRN 20.07.2044	IT0004127574	Rmbs/Cmbs	742	-	-	-	-	-
A.16	Loans	ABS VOBA FIN FRN 28.06.2043	IT0004153216	Rmbs	-	-	-	-	-	-
A.17	Loans	SESTANTE FRN 23.04.2046 CL A1	IT0004158124	Rmbs	385	-	-	-	-	-
A.18	Loans	ABS CLARIS FIN FRN 21.11.2053	IT0004189160	Rmbs	419	-	-	-	-	-
A.19	Loans	BP MORT FRN 20.04.2043	IT0004215320	Rmbs	2,631	-	-	-	-	-
A.20	Trading	QUARZO CL1 FRN 31.12.2019 ABS	IT0004284706	Rmbs/Cmbs	15,024	-	-	-	-	-
A.21	Loans	MAGELLAN MORT N 2 FRN 18.07.2036	XS0177944690	Rmbs	733	-	-	-	-	-
A.22	Loans	LUSITANO MORT N 2 FRN 16.11.2036	XS0178545421	Rmbs	1,499	-	-	-	-	-
A.23	Loans	ABS THEMELEION MTG FRN 27.12.2036	XS0194393640	Rmbs	273	-	-	-	-	-
A.24	Loans	EMAC MORTG CL A FRN 25.01.2037	XS0207208165	Rmbs	1,130	-	-	-	-	-
A.25	Loans	E-MAC MORTG FRN CL A 25.04.2038	XS0216513118	Rmbs	1,231	-	-	-	-	-
A.26	Loans	ESTIA MORTG FRN 27.10.2040 CL A	XS0220978737	Rmbs	774	-	-	-	-	-
A.27	Loans	AIRE VALLEY MORTG FRN 20.09.2066	XS0264192989	Rmbs	1,646	-	-	-	-	-
A.28	Loans	SAGRES PELICAN FRN 15.09.2054	XS0293657416	Rmbs	456	-	-	-	-	-
A.29	Loans	ITALF VEHIC CL C FRN 14.03.2023	IT0003963433	Leasing	-	-	172	-	-	-
Total					**52,128**	**-1,216**	**172**	**-**	**-**	**-**

C.1.4 Breakdown of exposure arising on securitisations by portfolio and type

EXPOSURE/PORTFOLIO	TYPE OF FINANCIAL-ASSET PORTFOLIO						
	FIN. ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS	31.12.2012	31.12.2011
1. Cash exposure	**15,024**	**-**	**-**	**-**	**36,060**	**51,084**	**88,916**
- senior	15,024	-	-	-	35,888	50,912	67,582
- mezzanine	-	-	-	-	172	172	6,602
- junior	-	-	-	-	-	-	-
2. Off-balance sheet exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- senior	-	-	-	-	-	-	-
- mezzanine	-	-	-	-	-	-	-
- junior	-	-	-	-	-	-	-

C.2 Transfer operations

C.2.1 Transferred financial assets not written off

TECHNICAL TYPE/PORTFOLIO	FIN. ASSETS HELD FOR TRADING			AFS FINANCIAL ASSETS			HTM FINANCIAL ASSETS			FINANCIAL ASSETS - BANKS			FINANCIAL ASSETS - CUSTOMERS			**TOTAL**
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
A. Cash assets	-	-	-	75,044	-	-	880,114	-	-	-	-	-	-	-	-	955,158
1. Debt securities	-	-	-	75,044	-	-	880,114	-	-	-	-	-	-	-	-	955,158
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2012	**-**	**-**	**-**	**75,044**	**-**	**-**	**880,114**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**955,158**
Total at 31.12.2011	**-**	**-**	**-**	**351,349**	**-**	**-**	**285,171**	**-**	**-**	**4,713**	**-**	**-**	**-**	**-**	**-**	**641,233**

A = Transferred financial assets fully recognised (book value).
B = Transferred financial assets partially recognised (book value).
C = Transferred financial assets partially recognised (total value).

C.2.2 Financial liabilities for transferred assets not written off

LIABILITIES/ASSETS PORTFOLIO	FINANCIAL ASSETS HELD FOR TRADING	FVO FINANCIAL ASSETS	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL
1. Due to customers	**-**	**-**	**25,232**	**128,165**	**-**	**-**	**153,397**
a) for fully recognised assets	-	-	25,232	128,165	-	-	153,397
b) for partially recognised assets	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**49,044**	**752,339**	**-**	**-**	**801,383**
a) for fully recognised assets	-	-	49,044	752,339	-	-	801,383
b) for partially recognised assets	-	-	-	-	-	-	-
Total at 31.12.2012	**-**	**-**	**74,276**	**880,504**	**-**	**-**	**954,780**
Total at 31.12.2011	**-**	**-**	**351,202**	**284,532**	**-**	**4,655**	**640,389**

Section 2 - Market risk

The bank's exposure to market risk is mainly due to the trading of financial instruments on its own account. 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.

The Bank has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.
The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.
Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with high credit ratings, and ABSs.
The portfolio's exposure to the equities market remains limited with respect to the bond component and derivatives transactions are absolutely marginal in extent.
The Bank's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.
The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.
Banca Generali holds only small amounts of securities denominated in foreign currencies.
Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

2.1 Interest rate and price risk - regulatory trading book

Qualitative information

A. General aspects

The main activities of the banking group that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the corporate bond securities;
- dealings in interest rate derivatives, all of them over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The securities portfolio is characterised by a limited remaining life.
The bank's investments in structured securities are negligible.

B. Management processes and interest rate risk measurement techniques

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Average VaR 99% 1 day (Euro/000)	6,002	3,773	2,814	2,150

Quantitative information

1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**-**	**105,263**	**99,772**	**823**	**884**	**-**	**13**	**-**	**206,755**
1.1 Debt securities									
- With early repayment option	-	53	-	-	-	-	-	-	53
- Other entities	-	105,210	99,772	823	884	-	13	-	206,702
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**42,399**	**1,774**	**7,001**	**40,178**	**86**	**-**	**-**	**91,438**
3.1 With underlying securities	-	1,005	740	-	178	86	-	-	2,009
- Options:									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other:									
- long positions	-	503	370	-	89	43	-	-	1,005
- short positions	-	502	370	-	89	43	-	-	1,004
3.2 Without underlying securities	-	41,394	1,034	7,001	40,000	-	-	-	89,429
- Options:									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other:									
- long positions	-	20,829	517	3,538	20,000	-	-	-	44,884
- short positions	-	20,565	517	3,463	20,000	-	-	-	44,545

2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

TYPE OF TRANSACTION/INDEX	LISTED			NON LISTED
	ITALY	FRANCE	OTHER	
A Equity securities				
- long positions	957	-	417	2
- short positions	-	-	-	-
B. Equity security purchases/sales to be settled	-	-	-	-
- long positions	-	-	1,814	-
- short positions	-	-	1,960	-
C. Other derivatives on capital securities	-	-	-	-
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives	-	-	-	-
- long positions	-	-	-	-
- short positions	-	-	-	-

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by interest-rate risk or exchange-rate risk), regardless of whether such changes are the result of factors specific to the instrument or issuer in question or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc., and in relation to UCITS units held in the portfolio.
However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

3. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primary risk factors, which for Banca Generali are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.
The next stage involves establishing the potential effects on the profit and loss account, both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.
In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +138/-138 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of government bonds held for trading of -0.6/+0.6 million euros, gross of the tax effect. The fair value component of government bonds carried in the HFT portfolio associated with such bonds would amount to -0.5/+0.5 million euros due to the hypothesised shift in the rate curve.

(€ THOUSAND)	HFT	AFS	HTM+L&R	LOANS	TOTAL
FV equity delta (+10%)	138	1,812	-	-	1,949
FV equity delta (-10%)	-138	-1,812	-	-	-1,949
FV bonds delta (+1%)	-607	-20,565	-46,788	-6,660	-74,620
- *of which government bonds*	*-519*	*-20,052*	*-42,078*	-	*-62,649*
FV bonds delta (-1%)	607	20,574	46,797	6,666	74,644
- *of which government bonds*	*519*	*20,061*	*42,094*	-	*62,674*
Interest margin delta (+1%)	1,384	4,389	10,081	10,357	26,211
Interest margin delta (-1%)	-1,384	-4,389	-10,081	-10,358	-26,212

2.2 Interest rate and price risk - Banking portfolio

Qualitative information

A. General aspect, management processes and interest rate risk measurement techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.
This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, net equity.

The bank has established a specific policy for managing interest-rate risk in the banking portfolio.
The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.
The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.
The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the bank's banking portfolio arises from:

- trading on the interbank deposits market;
- customer lending activities; and
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

B. Fair value and cash flow hedging

The bank does not currently engage in fair value or cash flow hedging.

Quantitative information

1. Banking portfolio: breakdown by time-to-maturity (according to repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**1,055,427**	**2,082,431**	**952,445**	**723,548**	**1,859,754**	**142,415**	**3,506**	**-**	**6,819,526**
1.1 Debt securities									
- with early repayment option	-	31,120	5,159	12,231	56,415	2,960	-	-	107,885
- other entities	-	1,287,523	938,468	697,396	1,800,685	133,685	-	-	4,857,757
1.2 Loans to banks	97,141	565,274	-	-	-	-	-	-	662,415
1.3 Loans to customers									
- current accounts	629,368	42	9	85	-	-	-	-	629,504
- other loans	328,918	198,472	8,809	13,836	2,654	5,770	3,506	-	561,965
- with early repayment option	245,059	153,024	226	407	2,445	1,870	3,506	-	406,537
- other entities	83,859	45,448	8,583	13,429	209	3,900	-	-	155,428
2. Cash liabilities	**2,852,133**	**1,765,568**	**476,655**	**330,200**	**1,316,420**	**-**	**-**	**-**	**6,740,976**
2.1 Due to customers									
- current accounts	2,691,217	1,476,099	44,433	85,240	290	-	-	-	4,297,279
- other payables	38,049	43,511	67,199	48,950	16,130	-	-	-	213,839
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	38,049	43,511	67,199	48,950	16,130	-	-	-	213,839
2.2 Due to banks									
- current accounts	217	-	-	-	-	-	-	-	217
- other payables	122,650	245,958	365,023	196,010	1,300,000	-	-	-	2,229,641
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying securities									
- Options	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities									
- Options	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).
In further detail, the only listed securities consist of the equity investments in the Parent Company, Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.
The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

2. Banking portfolio: internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +1.8/-1.8 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -20.6/+20.6 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the banking book would amount to -62.1/+62.2 million euros as a result of the hypothesised shift in the rate curve, or 84% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +26.2/-26.2 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.
The same criteria were also applied to a sensitivity analysis of net interest income, which resulted in a potential impact on the profit and loss account of -1.1 million euros, gross of the tax effect in case of reduction of interest rates by 1% and +1.1 million euros in case of increase by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Interest margin delta (+1%)	26,211	-25,135	1,076
Interest margin delta (-1%)	-26,212	25,137	-1,075

2.3 Exchange rate risk

Exchange rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.

Quantitative information

1. Breakdown by currency of denomination for assets, liabilities, and derivatives

ITEMS	CURRENCY					OTHER CURRENCIES	TOTAL CURRENCIES
	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	ICELAND KRONA		
A. Financial assets	**13,963**	**9,057**	**2,708**	**1,713**	**1,637**	**1,145**	**30,223**
A.1 Debt securities	-	-	-	-	-	-	-
A.2 Equity securities	1	-	-	-	-	-	1
A.3 Loans to banks	13,962	153	2,524	1,713	1,637	1,145	21,134
A.4 Loans to customers	-	8,904	184	-	-	-	9,088
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**13,587**	**8,911**	**2,624**	**1,840**	**1,215**	**1,017**	**29,194**
C.1 Due to banks	-	8,892	-	-	-	-	8,892
C.2 Due to customers	13,587	19	2,624	1,840	1,215	1,017	20,302
C.3 Debt securities	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**-147**	**-88**	**-109**	**-**	**-**	**4**	**-340**
Options:							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
Other derivatives:	-147	-88	-109	-	-	4	-340
- long positions	21,058	475	664	126	-	2,220	24,543
- short positions	21,205	563	773	126	-	2,216	24,883
Total assets	**35,021**	**9,532**	**3,372**	**1,839**	**1,637**	**3,365**	**54,766**
Total liabilities	**34,792**	**9,474**	**3,397**	**1,966**	**1,215**	**3,233**	**54,077**
Excess	**229**	**58**	**-25**	**-127**	**422**	**132**	**689**

2.4 Derivative financial instruments

A. Financial derivatives

A.1 Regulatory and trading portfolio: notional amounts at year-end and average amounts

TYPES OF DERIVATIVES/UNDERLYING ASSETS	31.12.2012		31.12.2011	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	**20,000**	**-**	**20,000**	**-**
a) Options				
b) Swaps	20,000	-	20,000	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**27,253**	**-**	**22,706**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	27,253	-	22,706	
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**47,253**	**-**	**42,706**	**-**

A.3 Breakdown of financial derivatives with positive fair value by products

PORTFOLIO/TYPE OF DERIVATIVES	POSITIVE FV 2012		POSITIVE FV 2011	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	**397**	**-**	**695**	**2**
a) Options	-	-	-	2
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	397	-	695	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**397**	**-**	**695**	**2**

A.4 Breakdown of financial derivatives with negative fair value by products

PORTFOLIO/TYPE OF DERIVATIVES	NEGATIVE FV 2012		NEGATIVE FV 2011	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
A. Regulatory trading portfolio	**1,448**	**-**	**1,737**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	1,064	-	1,055	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	384	-	682	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging portfolio	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**1,448**	**-**	**1,737**	**-**

A.5 OTC financial derivatives - Regulatory trading book: notional values, positive and negative gross fair value by counterparties- contracts other than compensation agreements

CONTRACT OTHER THAN COMPENSATION AGREEMENTS	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
1) Debt securities and interest rates							
- notional value	-	-	20,000	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	1,064	-	-	-	-
- future exposure	-	-	100	-	-	-	-
2} Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
- notional value	-	-	12,497	-	-	61	14,695
- positive fair value	-	-	217	-	-	-	180
- negative fair value	-	-	150	-	-	-	234
- future exposure	-	-	122	-	-	1	147
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Time-to-maturity of OTC financial derivatives: notional values

LIABILITIES/ASSETS PORTFOLIO	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading portfolio	**27,253**	**20,000**	**-**	**47,253**
A.1 Financial derivatives on debt securities and interest rates	-	20,000	-	20,000
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	27,253	-	-	27,253
A.4 Financial derivatives on other valuables	-	-	-	-
B. Banking portfolio	**-**	**-**	**-**	**-**
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other valuables	-	-	-	-
Total at 31.12.2012	**27,253**	**20,000**	**-**	**47,253**
Total at 31.12.2011	**22,706**	**20,000**	**-**	**42,706**

Section 3 - Liquidity risk

Exposure to liquidity risk derives from inflows and lending transactions in the course of the Bank's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to procure 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 Group has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.

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). The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.
Market risks are maintained within appropriate short-term and structural operating limits (over one year), which are monitored by the *Risk Management Service*. Such limits are established with the objective of maintaining a level of risk that is consistent with the risk profile defined by the Board of Directors.
The indicators of the risk management framework include the liquidity risk, so called Basil 3 (Liquidity Coverage Ratio - LCR and Net Stable Funding Ratio - NSFR).

The *Internal Audit Service* is responsible for third-tier controls on investment and fund-raising transactions.

The *Risk Committee* is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The Group has also implemented a Contingency Liquidity Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international financials; the portfolio is invested for a lesser amount into corporate issuers, with high credit ratings and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.
Moreover, the securities portfolio is characterised by a limited remaining average life.

The Bank uses a maturity ladder to apply the guidelines set out in the new Prudential Supervisory provisions[1] governing the measurement of net financial position.
The maturity ladder permits an assessment of the balance of expected cash flows by comparing the assets and liabilities whose maturities fall within each individual time range. The maturity ladder permits the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or surpluses) over the holding period considered.

1 Circular No. 263 of 27 December 2006, "New Prudential Supervisory Provisions Concerning Banks", as amended.

1. Breakdown of financial assets and liabilities by remaining contractual maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAYS UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	INDEF. MATURITY	TOTAL
Cash assets											
A.1 Government securities	462	-	139,963	270,216	502,166	718,656	681,101	2,221,425	120,019	-	4,654,008
A.2 Debt securities	16	2	235	20,214	65,164	44,783	75,795	269,716	103,442	40	579,407
A.3 UCIT units	15,869	-	-	-	-	-	-	-	-	-	15,869
A.4 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	97,141	32,657	513,098	-	-	-	-	-	-	19,519	662,415
- to customers	694,213	655	41,674	703	19,086	26,126	69,229	206,878	139,473	-	1,198,037
Total	**807,701**	**33,314**	**694,970**	**291,133**	**586,416**	**789,565**	**826,125**	**2,698,019**	**362,934**	**19,559**	**7,109,736**
Cash liabilities											
B.1 Deposits											
- from banks	90,058	-	-	-	308	8,582	-	1,300,000	-	-	1,398,948
- from customers	2,685,745	6,813	421,797	843,595	204,794	45,018	87,378	1,605	-	-	4,296,745
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	99,695	1,991	50,272	5,492	231,404	423,640	244,960	16,130	-	-	1,073,584
Total	**2,875,498**	**8,804**	**472,069**	**849,087**	**436,506**	**477,240**	**332,338**	**1,317,735**	**-**		**6,769,277**
Off-balance sheet transactions											
C.1 Financial derivatives with capital swaps											
- long positions	-	13,350	229	164	7,590	517	3,538	11	40	-	25,439
- short positions	-	13,097	229	152	7,590	517	3,463	11	40	-	25,099
C.2 Financial derivatives with capital swap											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	1,063	-	-	-	-	-	-	-	-	-	1,063
C.3 Deposits and loans receivable											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions		-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitment to dispense funds											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	722	-	-	-	-	-	-	659	59	-	1,440
C.5 Financial guarantees issued	-	-	-	-	-	-	88	260	-	-	348
Total	**1,785**	**26,447**	**458**	**316**	**15,180**	**1,034**	**7,089**	**941**	**139**	**-**	**53,389**

Section 4 - Operating risks

A. General aspects

The Bank's exposure to operating risks 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 company'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 company to operating risk, which 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 Bank has established an operating risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of operating risk.

The functions dealing *with Organisation and IT* guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Bank and, if necessary, implements measures to guarantee a higher general level of security.
The *Risk Management Service* identifies and assesses the operational risks inherent in business processes (risk assessment and scoring), measures the impact of operational losses (Loss Data Collection process) and monitors the action plans adopted to mitigate material risks.
The *Internal Audit Service* supervises the regular conduct of the Bank's operations and processes and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The *Risk Committee* is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Moreover, Banca Generali has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

PART F - INFORMATION ON NET EQUITY

Section 1 - Net equity

A. Qualitative information

The main objective of the bank's management strategy for net equity is to ensure that its equity and ratios are consistent with its risk profile and regulatory requirements.
The bank is subject to the equity adequacy requirements established by the Basel Committee in accordance with the guidelines set forth by the Bank of Italy.
Such rules require that banks maintain a certain level of capital for regulatory purposes, which is separate from the net equity stated in the financial statements. Regulatory capital requirements are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.
Moreover, the ratio of regulatory capital to risk-weighted assets must be at least 8%; the Bank of Italy verifies conformity with these requirements every three months.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information.

B. Quantitative information

Banca Generali's net equity at 31 December 2012 amounted to 333.9 million euros, a 122.4 million euro increase compared to the previous year, due to the following changes.

Net equity at year-start	**211,371**
Dividend paid	-61,415
Merger of BG SGR	3,853
Transfer of the focus funds business unit	3,710
Previous stock option plans: issue of new shares	11,733
New stock option plans	712
Other changes	1
Change in valuation reserves (AFS and financial flows)	45,754
Net profit for the year	118,143
Net equity at year-end	**333,862**
Changes	**122,491**

B.1 Breakdown of net equity attributable to the Company

(€ THOUSAND)	31.12.2012	31.12.2011
1. Share capital	112,938	111,676
2. Additional paid-in capital	16,591	3,231
3. Reserves	96,818	84,430
- Retained earnings	93,108	84,430
a) legal reserve	22,339	22,315
b) statutory reserve	-	-
c) treasury shares	41	248
d) other	70,728	61,867
- Other	3,710	-
4. Equity instruments	-	-
5. (Treasury shares)	-41	-248
6. Valuation reserves	-10,587	-56,341
- AFS financial assets	-10,587	-56,341
- Property and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash-flow hedges	-	-
- Exchange differences	-	-
- Non-current assets held for sale	-	-
- Actuarial gains (losses) from defined benefit plans	-	-
- Share of valuation reserves of investee companies valued at equity	-	-
- Special revaluation laws	-	-
7. Net profit (loss) for the year	118,143	68,623
Total net equity	**333,862**	**211,371**

B.2 Breakdown of reserves from AFS financial assets

At year-end 2012, valuation reserves for AFS assets were a negative amount of 10.6 million euros, net of the associated tax effect, marking a significant decrease compared to the values recognised at the end of the previous year.

These reserves still refer mainly to government bonds, which account for 11.6 million euros, whereas reserves for other types of issuers of bonds have a negative value of only 96 thousand euros.

However, the latter amount include, only for a residual amount (-147 thousand euros) negative changes in fair value that were recognised due to the transfer of securities from the AFS portfolio to the portfolios held to maturity and loans and receivables (net of the relative tax effect). In accordance with IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

ASSETS/VALUES	31.12.2012			31.12.2011		
	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL
1. Debt securities	1,623	-13,313	-11,690	143	-56,411	-56,268
2. Equity securities	1,043	-	1,043	3	-83	-80
3. UCITSS units	70	-10	60	11	-4	7
3. Financing	-	-	-	-	-	-
Total	**2,736**	**-13,323**	**-10,587**	**157**	**-56,498**	**-56,341**

B.3 Changes in reserves from AFS financial assets

The net positive change of such reserves at 31 December 2012 amounted to 45.7 million euros and was determined by the combined effect of:

- the mark-to-market of the carrying amount of the AFS portfolio (+51.6 million euros), largely attributable to the gradual easing of tensions in the Italian sovereign debt segment in the second half of the year;
- the reduction of pre-existing net negative reserves due to re-absorption in the profit and loss account through realisation and impairment (+15.4 million euros);
- the negative fiscal effect due to the discontinuance of pre-paid taxation associated to the above-mentioned changes (-21,2 million euros).

(€ THOUSAND)	31.12.2012				
	EQUITY SHARE CAPITAL	UCIT UNITS	DEBT SECURITIES		TOTAL
			AFS	PREVIOUSLY RECOGNISED AS AFS	
1. Amount at year-start	**-80**	**7**	**-55,855**	**-413**	**-56,341**
2. Increases	**1,432**	**89**	**65,685**	**401**	**67,607**
2.1 Fair value increases	416	85	51,515	-	52,016
2.2 Transfer to profit and loss of negative reserves					-
- due to impairment	1,016	-	-	-	1,016
- due to disposal	-	-	14,168	399	14,567
2.3 Other changes	-	4	2	2	8
3. Decreases	**309**	**36**	**21,373**	**135**	**21,853**
3.1 Fair value decreases	238	9	176	-	423
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of positive reserves: due to disposal	-	-	200	6	206
3.4 Other changes	71	27	20,997	129	21,224
4. Amount at year-end	**1,043**	**60**	**-11,543**	**-147**	**-10,587**

Section 2 - Net equity and bank surveillance coefficients

2.1 Capital for regulatory purposes

Qualitative information

The capital for regulatory purposes and capital ratios were calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IASs/IFRSs and bearing in mind the rules defined in the update to Circular Letter No. 155/91 relating to the "Instructions on Reporting Regulatory Capital and Capital Ratios".
The objective of the provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS.
Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.

Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital.

Deductions from Tier 1 and Tier 2 capital include equity investments and other items (innovative equity instruments, hybrid equity instruments and subordinated assets) issued by the entity and the so-called "prudential filters."
The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes.

In particular, the aspects of the provisions that most affect Banca Generali are as follows:

- for financial assets held for trading, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the remaining balance is negative, it reduces Tier 1 capital; if it is positive, it contributes for 50% to Tier 2 capital. Furthermore, any unrealised gains and losses on loans classified as available-for-sale are completely sterilised;
- for hedges, unrealised gains and losses on cash-flow hedges, which are recorded in a specific reserve, are sterilised; no filter is applied to fair-value hedges.

The **Instruction of 18 May 2010** partly changed the regulatory framework in that it introduced the option of adopting, rather than the "asymmetric" approach, the alternative method of full "neutralisation" from the calculation of capital for regulatory purposes of both capital gains and capital losses, as limited to securities issued by the central governments of EU Member States and allocated to the portfolio of available-for-sale (AFS), thus considering said securities as if they were valued at cost.
Such option must however apply to all securities of this kind held in the aforementioned portfolio at the level of the banking group and maintained constantly over time.
In 2010, Banca Generali exercised the option for the full "neutralisation" of capital gains and capital losses, duly informing the Bank of Italy thereof.

1. Tier 1 Capital

Tier 1 capital includes paid-in share capital, issue premium, earnings and capital reserves, the net profit for the year, innovative and non-innovative equity instruments, net of treasury shares or units in portfolio, intangible assets, "other negative items", as well as any losses reported in the previous and current years, net of the application of positive/negative "prudential filters."
Banca Generali's Tier 1 capital did not include any innovative or non-innovative equity instruments at year-end, whereas prudential filters consisted of negative reserves resulting from the measurement of available-for-sale financial assets according to the equity method.

2. Tier 2 Capital

Tier 2 capital includes valuation reserves, innovative and non-innovative equity instruments not included in Tier 1 capital, hybrid equity instruments, Tier 2 subordinated liabilities, net of non-performing loan projections due to country risk, and other negative items, net of positive/negative "prudential filters".
Banca Generali's year-end Tier 2 capital includes Tier 2 subordinated liabilities consisting of a subordinated loan, for a remaining amount of 24 million euros, granted by the German insurance subsidiary Generali Versicherung AG.
The loan was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.
The loan was contracted in the "Schuldshein" contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.
The interest rate agreed upon is equal to the 12-month EURIBOR plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

3. Tier 3 Capital

Tier 3 capital includes subordinated liabilities that may not be calculated as part of Tier 2 capital and Tier 3 liabilities, net of the application of negative "prudential filters." This aggregate may only be used to cover market risk capital requirements - computed net of capital requirements for counterparty risk and settlement risk associated with the "regulatory trading book" - and up to a maximum of 71.4% of said market risk requirements.
Banca Generali did not have Tier 3 capital at year-end.

B. Quantitative information

Capital for regulatory purposes amounted to 223.4 million euros at 31 December 2012, on the basis of projected total dividends to be distributed of 101.6 million euros and is broken down as follows.

ITEMS/VALUES	31.12.2012	31.12.2011	DIFFERENCE
Tier 1 capital	199,244	166,908	32,336
Tier 2 capital	24,130	31,591	-7,461
Tier 3 capital	-	-	-
Total capital for regulatory purposes	**223,374**	**198,499**	**24,875**
Net equity for accounting purposes	**333,862**	**211,371**	**122,491**

The increase in the aggregate of 24.9 million euros was mainly due to the share of the net profit for the year not allocated to reserve (16.5 million euros), increases in capital caused by old and new stock-option plans (12.4 million euros), the change in relevant AFS reserves (+4.7 million euros) and the effect of extraordinary transactions (7.5 million euros), which totally offset the redemption of the second tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros) and the deduction of goodwill of former BG SGR.

Composition of capital for regulatory purposes

The following is a brief account of the structure of the capital for regulatory purposes, broken down into its main Tier 1 and Tier 2 components.

ITEMS/VALUES	31.12.2012	31.12.2011
Tier 1 capital		
Share capital	112,938	111,676
Additional paid-in capital	16,591	3,231
Reserves	96,818	84,430
Net profit (loss) for the year	118,143	68,623
Dividends for pay-out (1)	-101,635	-61,405
Total positive items	**242,855**	**206,555**
Treasury shares	-41	-248
Goodwill	-34,343	-29,410
Intangible assets	-8,711	-5,507
Negative fair value reserve for equity securities and UCITs	-	-72
Negative fair value reserve for AFS debt securities	-	-4,001
50% net tax benefit of redemption of goodwill Re. Art. 15 of Leg. Decree 185/08	-	-
Total negative items	**-43,095**	**-39,238**
Total Tier 1 capital	**199,760**	**167,317**
Investment in Simgenia	-517	-409
Total deductions	**-517**	**-409**
Total Tier 1 capital	**199,244**	**166,908**
Tier 2 capital	**-**	**-**
Valuation reserves	-	-
- Positive fair value reserve for equity securities and UCITs	1,103	-
- Positive reserve from AFS debt securities	191	-
Subordinated liabilities (up to 50% of Tier 1 capital)	24,000	32,000
Total positive items	**25,294**	**32,000**
Inapplicable portion (50%) of positive AFS reserve	-647	-
Other negative items	-	-
Total negative items	**-647**	**-**
Total Tier 2 capital	**24,647**	**32,000**
Investment in Simgenia	-517	-409
Total deductions	**-517**	**-409**
Total Tier 2 capital	**24,131**	**31,591**
Total capital for regulatory purposes	**223,374**	**198,499**

(1) Amount based on paid-in share capital as of 31 December 2012.

Prudential filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel Committee on the calculation of capital for regulatory purposes.

		31.12.2012	31.12.2011
A.	**Tier 1 capital before application of prudential filters**	**199,760**	**171,390**
B.	Prudential Tier 1 capital filters:	-	-4,073
	B.1 Positive IAS/IFRS prudential filters (+)	-	-
	B.2 Negative IAS/IFRS prudential filters (-)	-	-4,073
C.	**Tier 1 capital before deductions**	**199,760**	**167,317**
D.	Deductions from Tier 1 capital	-517	-409
E.	**Tier 1 capital (C - D)**	**199,244**	**166,908**
F.	Tier 2 capital before application of prudential filters	25,294	32,000
G.	Prudential filters of Tier 2 capital:	-647	-
	G.1 Positive IAS/IFRS prudential filters (+)	-	-
	G.2 Negative IAS/IFRS prudential filters (-)	-647	-
H.	**Tier 2 capital before deductions**	**24,647**	**32,000**
I.	Deductions from Tier 2 capital	-517	-409
L.	**Tier 2 capital (H - I)**	**24,131**	**31,591**
M.	Items to deduct from total Tier 1 and Tier 2 capital	-	-
N.	**Capital for regulatory purposes (E + L - M)**	**223,374**	**198,499**
O.	Tier 3 capital	-	-
P.	**Capital for regulatory purposes, including Tier 3 (N + O)**	**223,374**	**198,499**

2.2 Capital adequacy

A. Qualitative information

Based on the supervisory instructions, Banca Generali's capital for regulatory purposes, since the bank is part of a banking group, must amount to at least 8% of its risk-weighted assets (total capital ratio) in relation to credit risk, which is evaluated based on the category of the counterparty, maturity, country risk and guarantees received, with a forfait reduction of 25%.
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, Banca Generali uses standard methods under all circumstances.

Lastly, banks are required to set aside part of their regulatory capital to cover operating risk, which in the case of the Banca Generali is calculated using the basic method set forth in Bank of Italy's Circular No. 263 of 27 December 2006.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information.
The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

B. Quantitative information

The total capital requirements for credit, market and operating risk imposed by the supervisory authority, net of the flat reduction of 25% envisaged in Basel 2 rules for banks belonging to banking groups, reached a level of 123.3 million euros at year-end, marking an increase of 19.0 million euros compared with the previous year (+18.2%).
The increase in capital for regulatory purposes committed to cover risks is primarily attributable to the increase in risk assets, the downgrade of the Italian Republic, which entailed a deterioration of risk weightings for issuers associated with that index, and the increase in requirements covering operating risk, calculated on the average net banking income for the previous three years.

The increase in capital for regulatory purposes however allows to establish the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at over 100 million euros, up by 5.9 million euros compared to the value recognised at the end of the previous year.

Total capital ratio thus reached 14.5%, compared to a minimum requirement of 8%, down slightly compared to the previous year owing to the increase in risk weighted assets.

	31.12.2012		31.12.2011	
	NON WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	NON WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
A. Risk activity	**6,585,826**	**1,499,563**	**4,385,188**	**1,240,826**
A.1 Credit and counterparty risk				
1. Standardised method	6,549,766	1,457,246	4,326,062	1,181,292
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	36,060	42,317	59,126	59,534
B. Regulatory capital requirements				
B.1 Credit risk	**-**	**119,965**	**-**	**99,266**
B.2 Market risks	**-**	**6,446**	**-**	**7,861**
1. Standard methodology	x	6,446	x	7,861
2. Internal models	x	-	x	-
3. Foreign exchange risk	-	-	-	-
B.3 Operating risk	**x**	**37,990**	**x**	**31,996**
1. Basic method	x	37,990	x	31,996
2. Standardised method	x	-	x	-
3. Advanced method	x	-	x	-
B.4 Other prudential requirements	**x**	**-**	**x**	**-**
B.5 Other variables	**x**	**-41,100**	**x**	**-34,781**
B.6 Total prudential requirements	**x**	**123,301**	**x**	**104,342**
C. Risk-weighted assets and regulatory capital ratios				
C.1 Risk-weighted assets	x	1,541,263	x	1,304,275
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	x	12.93%	x	12.80%
C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio)	x	14.49%	x	15.22%

PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section describes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the company's goodwill are also stated in the interest of consistency of presentation.

Section 1 - Transactions undertaken during the year

In 2012, two restructuring transactions internal to the banking group, which had been approved during the previous year, were completed:

- on 1 April 2012 the transfer of the collective asset management business unit to the related party Generali Investments Italy SGR (now Generali Investments Europe SGR) was finalised by the subsidiary BG SGR; and
- on 1 September 2012, the merger of the subsidiary BG SGR into Banca Generali became effective; this transaction was made with retroactive accounting and fiscal effects as of 1 January 2012.

Transfer of the Italian mutual fund management business unit

On 1 April 2012, the transfer of the collective asset management business unit by the merged company BG SGR to the related party Generali Investments Italy SGR, as previously approved by the Boards of Directors of the companies involved on 27 September 2011, was finalised.

All contractual relationships pertaining to the management of the three harmonised mutual funds (BG Focus Monetario, BG Focus Obbligazionario and BG Focus Azionario), with a total of 342 million euros in assets under management at 31 March 2012, are attributable to the business unit sold.
The transaction is aimed at meeting the need for increased efficiency in the management of assets, the volume of which has decreased, and for which economies of scale now appear insufficient to satisfy the requirements imposed by the asset management industry, with the resulting benefit for investors in the funds.

However, Banca Generali continues to distribute the asset management products associated with the business unit sold.

As a result of such transaction, on 1 April 2012, the merged company BG SGR ceased operations as manager of Alto household's funds, which are now promoted by Generali Investments Europe SGR S.p.A. At 31 March 2012, the assets associated with that management mandate amounted to 961 million euros.

The total consideration agreed upon for the sale was 5.5 million euros, of which 0.3 million euros was attributable to the surplus of assets acquired over liabilities assumed, calculated according to the appraisal conducted by KPMG Advisory appended to the disclosure document drafted pursuant to Article 5 of CONSOB Resolution No. 17221 of 12 March 2010, published on 3 October 2011.

In addition, there is a price-adjustment clause tied to the average volume of AUM subject to sale at 31 December 2015.

The sale transaction may be considered a transaction between entities under common control within the Generali insurance group, not falling within the scope of IFRS 3.

Consequently, the capital gain on the sale, net of tax liabilities and amounting to 3.7 million euros, was not recognised through profit and loss, but rather in an equity reserve, as it represents in substance a capital contribution from the other companies of the insurance Group.

Moreover, pursuant to IFRS 5, the profit and loss result of the business line, net of the tax effect, and the operations that have been disposed of, realised until 31 March 2012, has been recognised as an aggregate value in a separate item of the profit and loss statement for 2012 called "Profit (Loss) on groups of assets held for sale, net of taxes," which is broken down as shown in the following table.

The company's balance sheet components and earnings results have been stated gross of infra-group transactions.

(€ THOUSAND)	31.12.2012	31.12.2011	CHANGE	
			AMOUNT	%
Commission income	1,659	6,673	-5,014	-75.1%
Commission expense	-661	-3,082	2,421	-78.6%
Other net operating costs	-319	-846	527	-62.3%
Pre-tax result	679	2,745	-2,066	-75.3%
Taxes	-228	-910	682	-74.9%
Total	**451**	**1,835**	**-1,384**	**-75.4%**

Merger of BG SGR S.p.A.

On 21 June 2012, the Boards of Directors of Banca Generali and the General Shareholders' Meeting of BG SGR S.p.A., a fully-owned subsidiary of Banca Generali, approved the merger of BG SGR into Banca Generali, approving the draft merger plan pursuant to the combined provisions of Articles 2501-*ter* and 2505 of the Italian Civil Code.
The merger, which had already been approved by the two companies' boards of directors on 14 December 2011, was authorised by the Bank of Italy on 13 April 2012 and took effect for statutory purposes from 1 September 2012, and effect for accounting and tax purposes backdated to 1 January 2012.

The transaction is part of a larger scheme aimed at rationalising and increasing the efficiency of Banca Generali's management activities, which was also the context for the transfer of the collective asset management business unit, as discussed in the previous section.
Following the merger of BG SGR into its parent, Banca Generali, an Investment Division was created within Banca Generali with the aim of enhancing portfolio management activity by offering a full, customised range of investment solutions and wealth management services.
The merger did not require an increase in the capital of Banca Generali, as the bank already owned 100% of the merged company.

The business combination between entities under common control, outside the scope of IFRS 3, was accounted for on the basis of the principle of the continuity of the acquiree's values.

In accounting terms, the merger was thus carried out based on the book value of the assets and liabilities of the merged subsidiary, whilst the difference between this value and the carrying value of the Parent Company's holding was recognised in the merging bank's net equity.

In further detail, at the effective date of the merger, the value of the equity investment in BG SGR amounted to 25,392 thousand euros, whereas the company's net equity amounted to 29,246 thousand euros. Accordingly, Banca Generali recognised a positive merger difference ("merger goodwill") in the amount of 3,853 thousand euros, allocated as an increase to net equity.

The following were also recognised among Banca Generali's assets:

- the share of goodwill, 4.9 million euros, attributable to management contracts for retail customers previously acquired by BG SGR following the contribution of the portfolio management unit by Banca BSI Italia, prior to the merger of the latter;
- the residual value at 1 January 2012, 2.6 million euros, of the intangible assets attributable to contractual relationships with the customers of the former Banca del Gottardo Italia, acquired in the context of the same contribution.

In order to facilitate the analysis of the effects of the aforementioned transaction and permit a comparison with the Bank's financial statements at 31 December 2012, a restated profit and loss account and balance sheet at 31 December 2011 have been drawn up to account for the effects of the merger of BG SGR.

The following accounts thus present the aggregated balance sheets and profit and loss accounts of Banca Generali and BG SGR at 31 December 2012, along with the eliminations of the intercompany items between the two companies.

ASSETS (€ THOUSAND)	BANCA GENERALI 31.12.2012	BG SGR 31.12.2012	AGGREGATE 31.12.2012	CANCELLATION 31.12.2012	BANCA GENERALI RESTATED
Financial assets held for trading	34,925	-	34,925	-	34,925
AFS financial assets	1,318,944	110	1,319,054	-	1,319,054
HTM financial assets	1,415,700	-	1,415,700	-	1,415,700
Loans to banks	543,541	15,017	558,558	-13,386	545,172
Loans to customers	948,834	5,411	954,245	-2,834	951,411
Equity investments	39,417	-	39,417	-25,392	14,025
Property, equipment and intangible assets	40,121	7,504	47,625	-	47,625
Tax receivables	69,348	7,388	76,736	-	76,736
Other assets	87,788	1,256	89,044	-94	88,950
Financial assets held for sale	-	675	675	-	675
Total assets	**4,498,618**	**37,361**	**4,535,979**	**-41,706**	**4,494,273**

NET EQUITY AND LIABILITIES (€ THOUSAND)	BANCA GENERALI 31.12.2012	BG SGR 31.12.2012	AGGREGATE 31.12.2012	CANCELLATION 31.12.2012	BANCA GENERALI RESTATED
Due to banks	1,070,858	2,744	1,073,602	-2,744	1,070,858
Due to customers and securities issued	3,070,157	121	3,070,278	-13,384	3,056,894
Financial liabilities held for trading and hedging	1,737	-	1,737	-	1,737
Tax payables	1,931	482	2,413	-	2,413
Other liabilities	81,327	2,152	83,479	-185	83,294
Financial liabilities held for sale	-	316	316	-	316
Special purpose provisions	61,237	2,300	63,537	-	63,537
Valuation reserves	-56,341	-	-56,341	-	-56,341
Reserves	84,430	-1,303	83,127	6,102	89,229
Additional paid-in capital	3,231	20,449	23,680	-20,449	3,231
Share capital	111,676	8,051	119,727	-8,051	111,676
Treasury shares (-)	-248	-	-248	-	-248
Net profit (loss) for the year (+/-)	68,623	2,049	70,672	-2,995	67,677
Total net equity and liabilities	**4,498,618**	**37,361**	**4,535,979**	**-41,706**	**4,494,273**

(€ THOUSAND)	BANCA GENERALI 2012	BG SGR 2012	AGGREGATE 2012	CANCELLATION 2012	BANCA GENERALI RESTATED
Net interest	48,031	661	48,692	-	48,692
Net commissions	93,395	8,792	102,187	-596	101,591
Dividends	92,259	-	92,259	-	92,259
Net result from banking operations	-85,561	-	-85,561	-	-85,561
Net operating income	148,124	9,453	157,577	-596	156,981
Staff expenses	-53,764	-5,781	-59,545	-	-59,545
Other general and administrative expense	-72,728	-4,377	-77,105	1,194	-75,911
Net adjustments of property, equipment and intangible assets	-3,484	-489	-3,973	-	-3,973
Other operating expense/income	8,967	142	9,109	-598	8,511
Net operating expense	-121,009	-10,505	-131,514	596	-130,918
Operating profit	27,115	-1,052	26,063	-	26,063
Net adjustments for non-performing loans	-1,961	-35	-1,996	-	-1,996
Net adjustments of other financial assets	-3,816	-	-3,816	-	-3,816
Net provisions	-10,267	66	-10,201	-	-10,201
Dividends and income from equity investments	64,459	-	64,459	-2,995	61,464
Gains (losses) from the disposal of equity investments	-1	-	-1	-	-1
Operating profit before taxation	**75,529**	**-1,021**	**74,508**	**-2,995**	**71,513**
Income taxes for the year on current operations	-6,906	1,235	-5,671	-	-5,671
Profit (loss) from non-current assets	-	1,835	1,835	-	1,835
Net profit	**68,623**	**2,049**	**70,672**	**-2,995**	**67,677**

Section 2 - Transactions after the close of the year

After 31 December 2012, there were no business combination transactions.

Section 3 - Retrospective adjustments

No retrospective adjustments to business combinations carried out by the banking group in previous years were undertaken in 2012, pursuant to paragraphs 61 and B7 of IFRS 3.
The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

At 31 December 2012, the goodwill recognised by Banca Generali totalled 34.3 million euros and included 31.4 million euros in goodwill originating from the acquisition of Banca del Gottardo Italia by Banca BSI.

Banca Generali obtained that goodwill in two steps:

- 26.4 million euros in 2010 following the merger of Banca BSI Italia S.p.A.; and
- 4.9 million euros in 2012 owing to the merger of BG SGR S.p.A., which had acquired the share of such goodwill attributable to retail customer management contracts following the contribution of the portfolio business unit by Banca BSI Italia before its merger.

This value therefore now reflects the same amount that was initially recognised in the financial statements of Banca BSI Italia, based on the book values shown for the first time recognition in the consolidated financial statements of the mutual Parent Company Assicurazioni Generali S.p.A, at the time of the acquisition of the Swiss banking Group Banca del Gottardo S.A in 2008, as determined following the PPA - Purchase Price Allocation process, prepared in accordance with IFRS 3.

As a result, goodwill is as shown in the following table.

(€ THOUSAND)	31.12.2012	31.12.2011
Prime Consult Sim and INA Sim	2,991	2,991
BG Fiduciaria Sim S.p.A.	-	-
Banca del Gottardo	31,352	26,419
Total	**34,343**	**29,410**

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified for management reporting, pursuant to IFRS 8.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
Goodwill is monitored by Banca Generali's central functions.

The following CGUs have been defined in order to perform the impairment test for such goodwill in accordance with IAS 36:

- Relationship Management CGU, falling within the Private Banking operating segment; and
- Prime Consult and INA Sim CGU, falling within the Affluent operating segment.

To determine the recoverable amount, both basic methodologies (to obtain the value in use) and market assessments (to obtain the fair value) were considered.
Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a pay-out consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the individual CGUs were based on an extract of the banking group's 2013-2015 forecast data. These data refer to the 2013-2015 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

Relationship Management CGU ("RM CGU")

The Relationship Management CGU ("RM CGU") refers to the part of the activity of Banca Generali's Private Banking Division, relating to the operations of the now merged Banca BSI Italia and Banca del Gottardo Italia, to which the goodwill arising from the acquisition is attributable in full.

This CGU, in view of the "confusion" arising following business merger and reorganisation operations, includes all Relationship Managers employed by Banca Generali.
The scope of the CGU and related future revenue flows have been identified in relation to Assets Under Management managed by them, including management mandates conferred on the merged company BG SGR, which are now part of Banca Generali's new Asset Management Division, and whose profits were distributed, until last year, to Banca Generali in the form of dividends paid each year by the merged company.

In light of economic-financial forecasts based on the 2013-2015 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is expected to expand by 3.5% on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at **11.1%.**

The cost of capital was established applying the Capital Asset Pricing Model (CAPM), on the basis of the following assumptions:

a) risk free rate of 5.3%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.1 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as the basis for the same calculations during the previous financial year.
The tests performed on the CGU did not detect any goodwill impairment.
Compared to the RM CGU's carrying amount of **46.10 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **55.6 million euros** and a maximum of **63.9 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" and "long-term growth rate", using a range of variation of 10.9%-11.4% and 1.5%-2.5%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

2. Prime Consult and INA Sim CGU

The CGU "Prime Consult and INA Sim" ("CGU ex Sim") refers to the part of the activity of the Affluent operating segment, relating to the operations of the stock brokerage companies Prime Consult Sim S.p.A and INA Sim S.p.A., merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

In light of economic-financial forecasts based on the 2013-2015 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM), is expected to expand by 2.8% on a cumulative basis over the three years in question, whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 2%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at **11.1%**.

The cost of capital was established applying the Capital Asset Pricing Model (CAPM), on the basis of the following assumptions:

a) risk free rate of 5.3%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of 1.1 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as the basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.
Compared to the Prime Consult and INA Sim CGU's carrying amount of **15.6 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **92.5 million euros** and a maximum of **106.3 million euros**.
In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters "cost of capital" and "long-term growth rate", using a range of variation of 10.9%-11.4%% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

PART H - TRANSACTIONS WITH RELATED PARTIES

Procedural aspects

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code, and Article 4 of the Regulation governing related party transactions, adopted by CONSOB through Resolution No. 17221 of 12 March 2010, as subsequently amended by Resolution No. 17389 of 23 June 2010.
On 12 December 2011, the Bank of Italy also updated the Prudential Supervisory Instructions for Banks (Bank of Italy Circular No. 263/2006), issuing new Provisions regulating risk-taking and conflicts of interest on the part of banks and banking groups, towards Associated Undertakings (Title V, Chapter 5).
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 on Connected Parties and passing resolution on a new version of the "Related Party and Connected Party Transaction Procedure."
The new Related Party and Connected Party Transaction Procedure, in force as from 31 December 2012, is thus intended to implement CONSOB and Bank of Italy regulations, by adopting, at group level, rules on transactions with Related Parties and Connected Parties governing the related investigation activities and approval, reporting and disclosure powers.

Based on CONSOB Regulations, the Provisions issued by the Supervisory Body and the Procedure, the following parties are considered as Banca Generali's related parties:

- subsidiaries of the Banking Group;
- the Parent Company Assicurazioni Generali, its subsidiaries (companies subject to common control) and pension funds established for the benefit of Generali Group employees;
- key management personnel of the Bank and the Parent Company Assicurazioni Generali (key managers), close relatives of the above personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Group are also considered related parties.

With specific regard to key managers, the following persons have been designated as such:

- directors, statutory auditors, the General Manager, the Vice Deputy General Manager and the other Deputy General Manager of Banca Generali, as well as persons holding similar positions at the Group's subsidiaries;
- representatives of the Parent Company identified as such in the corresponding procedure regarding transactions with related parties adopted by that company.

The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- **Highly Significant Transactions** - that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by CONSOB Resolution No. 17221, reduced to 2.5% for transactions carried out with the Parent Company that is listed on regulated markets or with undertakings thereto related which are in turn related to the Company - must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
- **Moderately Significant Transactions** - falling short of the threshold defining Highly Significant Transactions - must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
- **Transactions of a modest amount,** whose value has been determined pursuant to the Bank of Italy's Provisions cannot exceed the amount of 250,000 euros for banks with a capital for regulatory purposes below 1 million euros, and are excluded from the scope of application of the regulation on approval and disclosure transparency.

In addition to transactions for modest amounts, in accordance with CONSOB Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-*bis* of the TUF, and related implementing transactions;
- **resolutions regarding the remuneration of directors** entrusted with specific tasks other than that determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of key management personnel, provided that the Company has adopted a remuneration policy with certain characteristics;

- **Ordinary Transactions** that are part of the ordinary operations and any and all related financial activities, and effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Highly Significant threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
- **Transactions with or among Subsidiaries and Associates**, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated regulatory capital, the threshold of Highly Significant Transactions currently stands at around **11.2 million euros**, reduced to **5.6 million euros** for transactions with the Parent Company Assicurazioni Generali and the latter's related entities.

Moreover, the provisions issued by the Bank of Italy impose, for the first time, prudential restrictions in terms of the Capital for Regulatory Purposes on risk-taking in respect of Associated Undertakings. 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; exposure in respect of the Generali Group's associated undertakings, on the other hand, is capped at 7.5% of the Capital for Regulatory Purposes, on a consolidated basis.

Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed 20% of the sum total of their respective Capital for Regulatory Purposes.

1. Disclosure of Directors and Executives compensation

As required by IAS 24, the total compensation recorded in the profit and loss account for the year is disclosed below, broken down by personnel category and type.

	31.12.2012				31.12.2011
	DIRECTORS	AUDITORS	KEY MANAGEMENT PERSONNEL	TOTAL	
Short-term benefits (current comp. and social security charges)	1,033	140	2,656	3,829	3,925
Post-employment benefits	63	-	448	511	507
Other long-term benefits	24	-	1,879	1,903	1,703
Severance indemnities	-	-	-	-	-
Share-based payments	-	-	-	-	-
Total	**1,120**	**140**	**4,983**	**6,243**	**6,135**

The table presents the total expenses recognised in the profit and loss account presented in the annual financial statements on the basis of the application of international accounting principles (IASs/IFRSs). It therefore also includes the social security charges for which the Company is liable, the allocation to the provision for post-employment benefits, the expenses associated with stock-option plans determined in accordance with IFRS 2 and the estimate of productivity bonuses accrued during the year on the basis of the provisions of the remuneration policy.
It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.
In further detail, the item "Other long-term benefits" includes the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the Bank's new remuneration policy. This item also includes the charge to profit and loss accrued during the year in connection with the Long-Term Incentive Plan, calculated on the basis of best estimate procedures in relation to expectations concerning the achievement of the objectives set. This incentive plan is described in greater detail in Part A of these Explanatory Notes.

For the financial year 2012, the table also includes charges pertaining to the merging company BG SGR's key management personnel, and incurred, in application of accruals accounting principles, up to the date on which the merger is to be deemed to enter into effect, for the intents and purposes of the Italian Civil Code.

With regard to key management personnel who left office during the course of the financial year, it must be pointed out that the former Chief Executive Officer received a severance indemnity of 2,021 thousand euros fully covered by a severance insurance policy, the premiums on which were paid and booked in Banca Generali's financial statements, on an annual basis, pursuant to

accruals accounting principles. As a result, the aforesaid severance package in no way impacted Banca Generali's income statement for 2012. Neither received the former Chief Executive Officer nor the former Board Chairman any further severance benefits of any kind whatsoever.

In Resolution No. 18049 of 23 December 2011, CONSOB introduced new, more systematic rules for the remuneration paid by listed companies, simplifying and rationalising previous provisions.
For detailed information concerning remuneration policies, including the information previously presented in this Part H of the Explanatory Notes, the reader is therefore referred to the specific document concerning remuneration policies instituted by the aforementioned CONSOB Resolution.

2. Disclosure of related party transactions

As part of its normal business operations, Banca Generali has numerous financial and commercial relationships with related parties included in the consolidation area of the Generali Group.

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

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

Finally, as part of its normal operations, the Bank also has relationships pertaining to outsourcing, IT and administration, insurance, leasing, as well as other minor relationships with Generali Group companies.

Intragroup transactions with subsidiaries are attributable to ordinary internal operations and consist of:

- transactions aimed at investing liquidity with the Parent Company and, to a lesser extent, obtaining financing in support of the financial needs of the companies concerned;
- outsourcing arrangements in the areas of administration, operations, legal affairs, control and the secondment of staff;
- agreements with product companies for the distribution of the respective financial products and services through the Group's Financial Advisors network.

Unusual, atypical or extraordinary transactions

During 2012, the Company did not undertake related party transactions that may be considered atypical or unusual or that might affect the protection of the Company's assets or the completeness and accuracy of information concerning the issuer, except as reported below:

- on 1 April 2012, the transfer of the collective asset management business unit by the merged company BG SGR to the related party Generali Investments Italy SGR was finalised; and
- on 1 September 2012, the merger of the subsidiary BG SGR into Banca Generali became effective; this transaction was made with retroactive accounting and fiscal effects as of 1 January 2012.

A more detailed description of the above-mentioned transactions is given in Part G - Business Combinations in the Explanatory Notes.

Highly Significant Transactions

In 2012, the Group did not carry out any transactions qualifying as "Highly Significant", unusual, entered into at non-market or 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

In 2012, no transactions were approved qualifying as "moderately significant" transactions, which are subject to the prior binding opinion of the Internal Control Committee.

With reference to ordinary transactions carried out on an arm's length basis and qualifying as "Highly Significant" transactions, subject to disclosure to the Supervisory Body, it should be noted that on 24 April 2012 the increase of the share of the pooled loan granted to the related party Citylife S.r.l. - a company of the Generali Group - from 10 million euros to 20 million euros was approved.

Ordinary or recurring transactions

The developments of ordinary transactions with related parties during 2012 are presented in the following sections.

2.1 Balance Sheet data

(€ THOUSAND)	SUBSIDIARY COMPANIES BANKING GROUP	PARENT COMPANY ASSICURAZIONI GENERALI	OTHER SUBSIDIARIES GENERALI GROUP	31.12.2012	% WEIGHT 2012	31.12.2011
Financial assets held for trading	-	219	-	219	0.1%	183
AFS financial assets	-	633	1,274	1,907	0.1%	1,695
HTM financial assets	-	-	-	-	-	-
Loans to banks	-	-	3,081	3,081	0.4%	51,537
Loans to customers	18,311	21,439	33,715	73,465	5.7%	70,137
Equity investments	14,025	-	-	14,025	100.0%	39,417
Tax assets (AG tax consolidation)	-	1,309	-	1,309	3.3%	10,623
Property, equipment and intangible assets	-	-	-	-	-	-
Other assets	50	-	292	342	0.3%	621
Total assets	**32,386**	**23,600**	**38,362**	**94,348**	**1.3%**	**174,213**
Due to banks	-	-	29,118	29,118	1.3%	30,233
Due to customers	54,085	1,433,805	527,548	2,015,438	44.4%	882,862
Financial liabilities held for trading	-	-	-	-	-	-
Other liabilities	173	653	2,494	3,320	3.5%	496
Tax liabilities (AG tax consolidation)	-	744	-	744	7.9%	-
Total liabilities	**54,258**	**1,435,202**	**559,160**	**2,048,620**	**28.2%**	**913,591**
Guarantees issued	**-**	**-**	**3,296**	**3,296**	**14.3%**	**3,244**

Equity transactions with Assicurazioni Generali group

The overall exposure to the Parent Company Assicurazioni Generali, its subsidiaries and associates amounted to 62 million euros, or 0.85% of total assets.
The overall debt position instead reached 1,994.4 million euros, corresponding to 27.4% of assets.

As part of asset management, 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 a 15% stake in Simgenia Sim and to the shares held in consortia of the GBS Group (Generali Business Solutions) and GCS (Generali Corporate Services).

Accounts receivable from Generali Group banks amounted to 3.1 million euros and, following the discontinuation of term deposit operations by Generali Bank, refer solely to the positive foreign currency account balances held with BSI S.A. and used to hedge positions payable in foreign currencies towards customers.

Generali Bank has a credit facility from Banca Generali of a total of 100 million euros, of which 40 million euros for an unlimited period of time (revocable) and 60 million euros expiring on 31 December 2012.

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2012		31.12.2011	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Bank AG	Controlled by AG	Term deposits	-	125	50,090	776
BSI S.A.	Controlled by AG	Currency deposits	3,073	3	1,447	85
BSI S.A.	Controlled by AG	Operating loans	8	-	-	-
			3,081	**128**	**51,537**	**861**

Exposures to Generali Group companies recognised as loans to customers amounted to 55.2 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2012		31.12.2011	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Assicurazioni Generali	Parent Company	Gesav policy	21,373	788	20,584	1,026
Citylife S.r.l.	Subsidiary of the AG Group	Grant to ST in current account	16,357	267	6,667	245
Investimenti marittimi	Associate of the AG Group	Grant to MLT in current account	10,267	357	10,369	300
Generali Factoring S.p.A.	Subsidiary of the AG Group	Current account loan	-	-	-	14
Genertellife	Subsidiary of the AG Group	Operating receivables	6,745	-	6,049	-
Assicurazioni Generali	Parent Company	Operating receivables	66	-	-	-
Other (Generali Inv. Europe, Simgenia)	Subsidiary of the AG Group	Operating receivables	346	-	332	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	-	-	-	5
			55,154	**1,412**	**44,001**	**1,590**

The only noteworthy development during the year has to do with the increase, from 6.7 million euros to 16.4 million euros, in the exposure to Citylife S.r.l., which has been granted overdraft privileges totalling 20 million euros as part of a revolving credit line provided by a pool of lenders in the overall amount of 30 million euros to cover the borrower's day-to-day business operations. Banca Generali has also issued bank guarantees totalling 2.5 million euros, in favour of the same customer.

As of 31 December 2012, amounts receivable from the Parent Company and classified as tax receivables include solely the estimated tax credit arising from the application for the refund of the portion of the regional production tax (IRAP) rendered deductible for corporation tax (IRES) purposes pursuant to Legislative Decree No. 201/2011, and subject to reimbursement within the framework of the filing of tax returns on a national consolidated basis, as opted for by the Parent Company.

The tax credit booked at the end of the previous financial year, on the other hand, has been fully offset against the bank's current tax charges.

Amounts due to customers attributable to transactions with related parties, in the form of current accounts, term deposits and repurchase agreements amounted to 1,961.3 million euros for the year, including 1,433.8 million euros attributable to the Banking Group's Parent Company.
The sharp rise since the end of the previous year is due primarily to the increase in fixed deposits made by the Parent Company at the end of the financial year (1,255 million euros) to cover temporary cash-flow requirements.

Amounts due to customers also include the subordinated loan granted by Generali Versicherung in the amount of 24.2 million euros, gross of the interest accrued.

Amounts due to banks of the Group consisted for 20.2 million euros of deposits made by BSI S.A. as collateral for certain impaired loans resulting from the acquisition of Banca del Gottardo Italia (collateral deposits), while the residual amount (8.9 million euros) consisted of the negative balance of foreign exchange deposits with the same counterparty.

Finally, a total of 3.3 million euros in guarantees has been issued for Generali Group companies, of which 2.5 million euros on behalf of Citylife.

Equity relationships with banking group companies

Within the Banking Group, the exposure to subsidiaries amounted to 18.3 million euros and consisted of operating receivables pertaining to the distribution of financial products. The current account overdraft granted to BG Fiduciaria has been repaid.
Funding from group companies amounted to 54.1 million euros and consists solely of the balances of current account deposits.

Equity transactions with other related parties

Exposure in respect of the bank's and its Parent Company Assicurazioni Generali's Group Key Managers mainly refers to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other executives of the banking and insurance group, and has remained substantially unchanged since the end of the previous year.
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.

(€ THOUSAND)	KEY MANAGEMENT PERSONNEL
Loans to customers	973
Due to customers	1,507
Guarantees issued	-
Guarantees received	-
	2,480

2.2 Profit and Loss account data

(€ THOUSAND)	SUBSIDIARY COMPANIES BANKING GROUP	PARENT COMPANY ASSICURAZIONI GENERALI	OTHER SUBSIDIARIES GENERALI GROUP	31.12.2012	% WEIGHT 2011	31.12.2011
Interest income	51	790	751	1,592	1.0%	2,592
Interest expense	-76	-1,205	-3,835	-5,116	11.1%	-10,232
Net interest	**-25**	**-415**	**-3,084**	**-3,524**	**-3.2%**	**-7,640**
Commission income	73,768	246	72,302	146,316	64.6%	155,935
Commission expense	-	-	-647	-647	0.5%	-274
Net commissions	**73,768**	**246**	**71,655**	**145,669**	**155.6%**	**155,661**
Dividends (including equity investments)	86,220	12	-	86,232	99.2%	64,494
Gain (loss) on trading	-	36	-	36	0.3%	-
Operating income	**159,963**	**-121**	**68,571**	**228,413**	**75.2%**	**212,515**
General and administrative expense	-352	-4,870	-12,762	-17,984	20.1%	-14,383
Staff expenses	264	303	466	1,033	-1.7%	1,096
Adjustments	-	-	-	-	-	-
Other net operating profit	239	-	234	473	2.5%	969
Net operating expense	**151**	**-4,567**	**-12,062**	**-16,478**	**12.1%**	**-12,318**
Operating profit	**160,114**	**-4,688**	**56,509**	**211,935**	**126.41%**	**248,484**

Profit and loss relationships with Generali Group companies

At 31 December 2012, the profit and loss components recognised in the financial statements with regard to transactions with companies of the Generali Group amounted to 51.8 million euros, that is 30.9% of operating profit, including dividends from shareholdings.

Overall net interest accrued in dealings with members of the insurance Group is negative and amounted to 3.4 million euros, with interest expense paid to such companies (5.0 million euros) accounting for 11.0% of the total item recognised in the profit and loss account.

Within that item, the interest expense paid to Generali Versicherung in connection with the subordinated loan granted amounts to 1.4 million euros, whereas 3.0 million euros is associated with the interest on funding contributed by customers consisting of Generali Group companies and the remaining 0.6 million euros refers to interest accrued on the collateral deposits of BSI S.A.

Commission income paid back by companies of the insurance group amounted to 72.5 million euros, equal to 31.7% of the aggregate amount and was broken down as follows:

	BANKING GROUP	GENERALI GROUP	31.12.2012
Commissions for the placement of UCITS	69,324	2,988	72,312
Distribution of insurance products	-	69,560	69,560
Distribution of portfolio management services	2,594	-	2,594
Investment advisory services	1,850	-	1,850
Trading commissions	-	-	-
	73,768	**72,548**	**146,316**

In the distribution of insurance products, commissions retroceded refer mainly to ongoing dealings with Genertellife. Commissions on the placement of units of UCITS of the insurance Group included 1.4 million euros in income on the distribution of BG Focus funds for the period following the sale of the business unit to Generali Investments Europe SGR.

The net operating costs reported by the bank in relation to transactions with related parties of the Generali insurance Group amounted to 16.5 million euros and refer for 12.1% to outsourced services in the insurance, leasing, administrative and information technology sector.

	BANKING GROUP	GENERALI GROUP	31.12.2012
Insurance services	-	3,977	3,977
Property services	-	5,553	5,553
Administration, IT and logistics services	163	7,868	8,031
Financial services	-50	-	-50
Staff services	-264	-769	-1,033
Total administrative expense	**-151**	**16,629**	**16,478**

The administrative expense incurred in relation to the Parent Company, Assicurazioni Generali, amounted to 4.9 million euros, of which 3.7 million euros refer to insurance services and the remainder primarily to rentals for property leases.

Among the other companies of the insurance Group, information technology, administration and logistics services rendered by Generali Business Solution S.r.l. (GBS) on the basis of existing outstanding contracts amount to 7.6 million euros.
The cost of property services relating to the lease of office, branch network and the bank's operating outlet premises refers mainly to Generali Properties (2.7 million euros), whereas the remainder pertains to a large number of other Group companies.

Profit and loss relationships with banking group companies

Total profit and loss account components recognised in connection with transactions undertaken with companies belonging to the Banking Group amounted to 160.1 million euros and mainly consisted of:

- commission income given back to the Group's product companies in connection with the distribution of financial products and services by such companies;
- dividends distributed by the Luxembourg-based subsidiary GFM.

With respect to aggregate operating expenses, the services rendered by the Parent Company to members of the Banking Group are highly limited and refer essentially to the exchange of staff and the outsourcing of major administrative services.

Direction and coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of the latter company's latest financial statements is reported hereunder.

2011 Highlights of Assicurazioni Generali

(€ MILLION)	FY 2011
Net profit	**325.5**
Aggregate dividend	311.4
Increase	*-55.6%*
Total net premiums	8,475.8
Total gross premiums	9,429.9
Total gross premiums from direct business	6,925.2
Change on equivalent terms (a)	*-2.8%*
Total gross premiums from indirect business	2,504.7
Change on equivalent terms (a)	*-0.4%*
Acquisition and administration costs	1,277.4
Expense ratio (b)	*15.1%*
Life Segment	
Life net premiums	5,182.8
Life gross premiums	5,416.1
Change on equivalent terms (a)	*-5.1%*
Life gross premiums from direct business	3,645.9
Change on equivalent terms (a)	*-5.8%*
Life gross premiums from indirect business	1,770.2
Change on equivalent terms (a)	*-3.5%*
Life acquisition and administration costs	574.9
Expense ratio (b)	*11.1%*
Non-life Segment	
Non-life segment net premiums	3,293.0
Non-life gross premiums	4,013.8
Change on equivalent terms (a)	*2.0%*
Non-life gross premiums from direct business	3,279.3
Change on equivalent terms (a)	*0.7%*
Non-life gross premiums from indirect business	734.5
Change on equivalent terms (a)	*7.9%*
Non-life acquisition and administration costs	702.6
Expense ratio (b)	*21.4%*
Loss ratio (c)	*73.8%*
Combined ratio (d)	*95.2%*
Current financial result	**1,604.4**

(a) At constant exchange rates.
(b) Ratio of administrative expense to total premiums.
(c) Ratio of accrued claims to accrued premiums.
(d) Total (b) + (c).

(€ MILLION)	FY 2011
Technical provisions	41,718.5
Life segment technical provisions	34,921.3
Non-life segment technical provisions	6,797.2
Investments	64,443.5
Capital and reserves	14,259.5

The highlights of the Parent Company Assicurazioni Generali S.p.A shown above were taken from the company's financial statements for the year ended 31 December 2011. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm entrusted by Banca Generali.

PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

A. Qualitative information

Payment agreements based on own equity instruments

At 31 December 2012, the payment agreements based on own equity instruments activated by Banca Generali consisted of:

- two stock-option plans, one for Financial Advisors and the other for certain of the Group's directors relating to Banca Generali's listing on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A., approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two stock-option plans reserved respectively for Financial Advisors and network managers and relationship managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010.

The main features of the aforementioned plans are detailed below.

In 2012, the stock-option plan approved by Banca BSI Italia on 19 January 2007 for the company's then-Chairman, inherited through the merger with the company, was concluded with the assignment of the remaining options.

1. Stock option plans for employees and financial advisors related to the listing

The stock-option plans approved by the Board of Directors on 24 May 2006, ratified by the extraordinary Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA, organised and managed by Borsa Italiana S.p.A., called for:

- the granting to employees of companies belonging to Banca Generali Group the issuance of a maximum amount of 1,113,130 new ordinary shares;
- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, the issuance of a maximum of 4,452,530 shares.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting had passed a resolution for a splittable capital increase, subject to the admission of the company's shares to trading on the MTA for a maximum notional amount of 5,565,660.00 euros, through the issuance of a maximum of 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the MTA on 15 November 2006. On 15 December 2006, 4,452,530 options were assigned to Financial Advisors and 818,500 options to Group executives; the strike price of both sets of options was 9.046 euros.

The plans' rules and procedures called for advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). The plan called for a single three-year vesting period for managers, with the possibility of exercising the options over the following three years.

On 9 October 2009, Banca Generali's Board of Directors resolved to amend the plans' rules and procedures to include a three-year extension of the strike period of the options granted. That amendment was approved by the Shareholders' Meeting on 21 April 2010. Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for Financial Advisors - 31 March 2014;
- for salaried managers - 15 December 2015.

All other plan conditions, from the strike price of 9.0 euros per share, to the obligation to reinvest 50% of capital gains in Banca Generali shares and retain said shares for at least 12 months, remain unchanged.

During 2012, a total of 1,221,760 options were exercised, of which 354,500 were exercised by salaried managers. In addition, 51,010 options were cancelled due to termination of the agreements with the Financial Advisors and the resignations of employed managers to whom they had been assigned.
At the end of 2012, the options assigned under the plan for employees of banking group companies therefore totalled **371,000**, whereas the option rights granted to Financial Advisors stood at **1,256,233**.

1.1 Accounting effects of the extension of the stock-option plans

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 financial statements, in which the transactions concerned were originally recognised.
At present, since the vesting period has concluded, the above plans have entered a purely executive phase, resulting in ac-

counting effects on equity, analysed in Section B below, solely in relation to the exercise of vested option rights by beneficiaries.

2. Rules for the stock option plan for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010

The stock-option plans approved by the Shareholders' Meeting on 21 April 2010 called for:

- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers of a maximum of 2,300,000 shares to be issued;
- the granting to Banca Generali's relationship managers of a maximum amount of 200,000 ordinary shares to be issued;
- the assignment of options by 30 June 2011, after having verified that overall and individual targets for the development of inflows by 31 December 2010 have been reached;
- the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

Accordingly, a share capital increase in one or more tranches, excluding option rights pursuant to Article 2441, paragraphs 5 and 8, of the Italian Civil Code, was therefore approved in the previous year in service of the stock-option plans indicated above for the issue of a maximum of 2.5 million new ordinary shares, in addition to the 5.5 million new shares already approved in relation to the existing stock-option plans, already examined.

The following is a summary of the salient characteristics of the plans in question.

Recipients	1) Financial Advisors under standard agency agreements at 1 July 2009, provided not on notice. 2) Financial Advisors engaged after the end of the Reference Period. 3) The Network Managers on whom the Company conferred as of 1 July 2009 a specific additional appointment as Sales Manager for Italy, Area Manager, Private Banking Manager or District Manager, provided that the said additional appointment is not revoked and continues to remain in full force and effect through to the expiry of the Reference Period. 4) Any and all employees still in the service of Banca BSI Italia as Relationship Managers or Unit Coordinators of Relationship Managers, and not placed on notice of termination as of 30 September 2009.
Performance conditions	Granting of the Options to the Plan Recipients is contingent upon the satisfaction of: • overall net inflow targets set by the Board of Directors at 2.0 billion euros for 2010; • individual net inflow targets set by the Plan's Management Committee; Individual targets call for a minimum net inflow access threshold, above which the options granted are proportional to the net inflow level achieved. Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be assigned, an allotment will be conducted.
Reference period and measurement parameters	The following must be considered for participation in the Plan: 1. the net inflows achieved in the fourth quarter of 2009 and all of 2010 arising from application of the "Tax Amnesty"; 2. the remaining net inflows achieved in 2010, calculated according to the normal rules applicable to semi-annual incentive plans.,
Vesting conditions	The assigned Options shall be exercisable as follows: • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2011; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2012; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2013; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2014; • up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2015; • the remaining one sixth of the Options, as of 1 July 2016. The Rules and Procedures state that if the relationship between the Recipients/Grantees and the Company is terminated for any reason or the associated notice period is underway, the Recipient shall forfeit, effective immediately, the right to be granted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of Financial Advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010). In such case, only the options that have already become exercisable may be exercised.
Exercise period	The assigned Options must be exercised by 30 June 2017 at the very latest. The shares may be freely disposed of and are not subject to any restrictions.
Effective date of the Plan	The Plan shall take effect as soon as the Plan Management Committee identifies the Recipients of the Options, provided that, by such time: • Banca Generali's General Shareholders' Meeting approves the capital increase covering the Plan; • the Board of Directors determines that the overall performance targets set during the session of the Board of Directors during which the financial statement results for 2010 are discussed have been met; • the Delegated Organ determines that the individual Recipients have, in fact, met the individual performance targets previously established. The latter condition must be determined to have been satisfied by 15 May 2011 and the Options must be granted to the entitled parties by 30 June 2011.
Strike Price	The Strike Price of the Options represents the arithmetic mean of the Reference Prices of the Shares as quoted on the electronic share market (MTA) during the period between the date on which the Options were assigned, and the same day of the calendar month immediately preceding the aforesaid assignment date.

In this regard, it should be noted that the review of the achievement of the overall inflow goals was conducted by the Board of Directors on 14 March 2011, whereas the review of the achievement of the individual goals assigned to the various categories of recipients was conducted by the Plan Management Committee on 13 May 2011.
The option rights were effectively assigned to the entitled parties on 7 June 2011.
The exercise price of the shares was determined on the basis of the plans Regulations, based on the arithmetic mean of the reference price of "Banca Generali S.p.A. ordinary shares" quoted on the MTA managed by Borsa Italiana S.p.A., in the period from the current date to the same day of the previous month, amounting to 10.7118 euros.
The second tranche of options, accounting for one-sixth of the total options assigned, became eligible for exercise effective 1 July 2012.
During 2012, a total of 111,427 options were exercised, of which 10,815 were exercised by salaried managers. In addition, 47,161 options were cancelled due to termination of the agreements with the Financial Advisors to whom they had been assigned.
At the end of 2012, the options assigned under the plan for employees of banking group companies therefore totalled 189,185, whereas the option rights granted to Financial Advisors stood at 2,143,850.

2.11 Measurement of fair value and accounting effects

Valuation of the stock-option plan is based on the fair value of the options assigned, calculated with reference to the options final assignment date.

In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate assignment, with the determination of a specific fair value.

The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.

The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.
In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.
Considering the particular situation of market volatility that occurred during the option assignment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) to 30 June 2011, the date specified in the Rules and Procedures as the final deadline for assignment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.
Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.
Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

B. Quantitative information

The expenses recognised in profit and loss in 2012 in connection with the stock-option plans for Financial Advisors and salaried Relationship Managers authorised in 2010 totalled 0.7 million euros.

During 2012, owing to the favourable performance of the market price of Banca Generali stock, 1,333,187 option rights deriving from the old 2006 stock-option plans related to the listing and the new 2010 plans were exercised, for a total amount of proceeds for the bank of 11.5 million euros.
The value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 3.0 million euros.

That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares assigned, was added to the share premium reserve (13.3 million euros) pursuant to the supervisory authority's instructions (Circular No. 262/2005, paragraph 5, The Statement of Changes in Net Equity).
The 20,000 treasury share covering the stock option plan in favour of the Chairman of the merged company Banca BSI S.p.A. were assigned.

At the end of 2012, the IFRS 2 equity reserve therefore amounted to 6.3 million euros, of which 5.0 million euros attributable to the old 2006 plans and 1.2 million attributable to the new 2010 stock option plans.

ITEMS/NO. OF OPTIONS AND STRIKE PRICES	TOP MANAGERS	AVERAGE PRICES (EURO)	FINANCIAL ADVISORS	AVERAGE PRICES (EURO)	EMPLOYED MANAGERS	AVERAGE PRICES (EURO)	TOTAL	AVERAGE PRICES (EURO)	AVERAGE MATURITY
A. Amount at year-start	**20,000**	**10.00**	**4,455,126**	**9.89**	**936,500**	**9.17**	**5,411,626**	**9.76**	**3.97**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**x**
B.1 Newly issued shares	-	-	-	-	-	-	-	-	x
B.2 Other changes	-	-	-	-	-	-	-	-	x
C. Decreases	**-20,000**	**10.00**	**-1,055,043**	**9.00**	**-376,315**	**6.86**	**-1,451,358**	**8.46**	**x**
C.1 Cancelled	-	-	-87,171	9.93	-11,000	9.00	-98,171	9.82	x
C.2 Exercised	-20,000	10.00	-967,872	9.18	-365,315	9.14	-1,353,187	9.18	x
C.3 Expired	-	-	-	-	-	-	-	-	x
C.4 Other changes	-	-	-	-	-	-	-	-	x
D. Amount at year-end	**-**	**-**	**3,400,083**	**10.08**	**560,185**	**9.58**	**3,960,268**	**10.01**	**3.32**
E. Options that can be exercised at year-end	**-**	**-**	**1,904,566**	**-**	**426,852**	**-**	**2,331,418**	**-**	**x**
Strike price (€ thousands)	**-**		**655**		**57**		**712**		**x**
IFRS 2 reserve (€ thousands)	**-**		**5,045**		**1,210**		**6,255**		**x**

(*) Item C includes option rights exercised by the beneficiaries in the last days of 2012 but in compliance with the 2013 financial regulations.

Trieste, 8 March 2013

THE BOARD OF DIRECTORS

Report of the independent auditors

PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 27.01.2010, N. 39

ERNST & YOUNG

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree dated 27.01.2010, n. 39
(Translation from the original Italian text)

To the Shareholders
of Banca Generali S.p.A.

1. We have audited the financial statements of Banca Generali S.p.A. as of and for the year ended December 31, 2012, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 2, 2012.

3. In our opinion, the financial statements of Banca Generali S.p.A. at December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Generali S.p.A. for the year then ended.

4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the financial statements of Banca Generali S.p.A. as of December 31, 2012.

Milan, March 26, 2013

Reconta Ernst & Young S.p.A.

Signed by: Stefano Cattaneo, Partner

Report of the Board of Statutory Auditors

PURSUANT TO SECTION 153 OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429, PARAGRAPH 3, OF THE ITALIAN CIVIL CODE

Shareholders,

We have reviewed the Annual Financial Report for the year ended 31 December 2012, which consists of:

- the Draft Individual and Consolidated Financial Statements of Banca Generali S.p.A. for the year ended 31 December 2012, including the notes and detailed accounting statements;
- the Consolidated Report on Operations, which includes the Annual Corporate Governance and Company Ownership Report, in accordance with Article 123-*bis* of Legislative Decree No. 58/1998;

prepared by the Directors and duly forwarded to the Board of Statutory Auditors.
At Group level, among the significant events occurred the following should be mentioned:

- on 1 April 2012, the transfer of the collective asset management business unit to the related party Generali Investments Italy SGR (now Generali Investments Europe SGR) was finalised by the subsidiary BG SGR; and
- on 1 September 2012, the merger of BG SGR into Banca Generali became effective;

The main characteristics and effects of these transactions are analysed in the Notes to the Financial Statements.

Except for the two transactions mentioned above, in 2012 no other non-recurring, atypical or unusual related party transaction was carried out, or in any case no transaction having an impact on the safety of the company's assets or the completeness or accuracy of accounting and other information related to the issuer.

The oversight activity was conducted by the Board of Statutory Auditors in 2012, in compliance with the law and, specifically, of Article 149 of Legislative Decree No. 58/1998, and in accordance with the code of conduct recommended by the Roll of Certified Public Accountants and Commercial Experts, taking also account of CONSOB and Bank of Italy provisions, as well as in accordance with Article 19 of Legislative Decree No. 39/2010.

The Board of Statutory Auditors herewith reports on the oversight activities it conducted in the course of 2012. The Board of Auditors:

- participated in one Shareholders' Meeting;
- participated in the 14 meetings of the Board of Directors held during the year, checking that the resolutions adopted and implemented were in compliance with the law and the Articles of Association and ensuring that they were neither imprudent nor gave rise to conflicts of interest not adequately illustrated and managed. A meeting of non-executive Directors and one of independent Directors were held during the year;
- participated in the 10 meetings of the Audit and Risk Committee;
- participated, through its Chairman, to the 7 meetings of the Remuneration and Nomination Committee;
- participated in some Supervisory Board's meetings;
- met periodically to conduct its audits, recording 21 meetings in its book;
- requested and obtained from the Chief Executive Officer, the Manager responsible for preparing the company's financial reports and the company's other Managers, information concerning the most significant transactions carried out by the Company and acknowledges that such transactions were not considered openly imprudent or risky, in potential conflict of interest, in contrast with resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets;
- exchanged information with the Statutory Auditors of other companies of the Group;
- verified the instructions given by the Company to its subsidiaries, pursuant to Section 114, paragraph 2, of Legislative Decree No. 58/1998, as well as to supervisory instructions issued by the Bank of Italy, and deems that they are adequate;
- issued legal opinions, the main ones of which are listed below:
  - remuneration policies;
  - approval and changes of Company Rules and Policies;
  - significant changes to organisational structure;
  - opinions pursuant to Section 136 of the Consolidated Law on Banking regarding obligations of banks' corporate officers;
  - ICAAP process;
  - directors' co-option;
  - adoption of the procedure and policy governing transactions with associated parties and conflicts of interest;
- verified that its members possessed the independence requisites, as well as its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. Moreover, it verified that the independent auditors possessed the independence requisites and found that the procedures adopted by the Board of Directors to ascertain its own internal independence compliance were adequate;
- systematically followed the activity carried out by the Internal Control System, stating its observations on the Internal Audit annual reports and the programs to be implemented, and checking the implementation status of the activity plans and ensuing results. Business operations and information flows amongst the various parties involved, including the

Board of Statutory Auditors, were efficiently coordinated during the year. The Internal Control System, deemed adequate on the whole, is organised into the following functions: line checks - carried out by the heads of individual operating units; compliance checks - carried out by the Compliance Department; risk management checks - carried out by the heads of individual operating units and by the Risk Management Department; internal audits - carried out by the Internal Audit Department. In expressing an opinion on the appropriateness of internal control systems, during the course of the year, the audit function put forward certain recommendations and suggestions aimed at improving risk management and control, without, however, highlighting any significant shortcomings. The Board of Directors appointed the Chief Executive Officer, the executive director in charge of overseeing the functioning of the internal control system;

- monitored complaints by investors, without discovering any weaknesses in internal procedures or the Company's organisational layout;
- verified the general compliance of the Bank with the requirement for correspondence with and communication to the Supervisory Bodies, as well as with industry regulations;
- acknowledges that the Company has discharged its obligations relating to the prevention of money laundering, with particular regard to Legislative Decree No. 231 of 21 November 2007, as further amended and extended, and the provisions of the Bank of Italy and its Financial Information Unit, including staff training, through its Anti Money Laundering Compliance Unit, within the Legal & Compliance Department;
- acknowledges that the Bank has complied with its obligations concerning privacy with respect to the treatment of personal data pursuant to Italian Legislative Decree No. 196/03 and other applicable laws in force. Moreover, during 2012, it drew up the Security Plan, on a voluntary basis;
- acknowledges that during the year the Supervisory Board monitored the operation and compliance of the Organisational and Management Model, and verified its being updated and accordingly suitable for preventing the commission over time of the crimes mentioned in the legislation. The work performed revealed no irregularities that could be related to the crimes contemplated under the provisions of Legislative Decree No. 231/2001;
- evaluated and verified the appropriateness of the administrative and accounting system, as well as its reliability in accurately representing operations through the report received by the manager responsible for preparing the company's financial reports and by the Independent Auditors, obtaining direct information from the heads of the respective departments, as well as from examination of company records. With reference to the application of Law 262/2005 and the provisions of letter a), paragraph 1, of Article 19 of Legislative Decree No. 39/10, the Board of Statutory Auditors also monitored the processes and activities carried out by the Bank, within the framework of the Financial Accounting Risk Governance activity, aimed at continuously assessing the adequacy of administrative and accounting procedures and the ensuing financial reports. The report on the corporate governance system illustrates the main features of the Bank's financial reporting risk model, as defined by the Manager responsible for preparing the Company's Financial Reports. The firm tasked with the statutory auditing of the Company's accounts has issued the report mentioned in the third paragraph of Article 19 of Legislative Decree No. 39/2010, in which no significant shortcomings were illustrated as regards the internal control system, in connection with the financial reporting process;
- acquired information and monitored the adequacy of the Company's organisational structure;
- acknowledges that the company has adopted, *inter alia*, the following main codes, policies and procedures and that it has updated them during the year:
  - internal dealing;
  - privileged information, with the introduction of the Insider Register;
  - Related Party and Associated Party transactions: the Report on Operations and Explanatory Notes illustrate the transactions with related parties and the associated disclosures;
  - transactions with parties that have powers of management, administration and control over the Bank: the Bank applies the special regulations of Article 136 of TUB;
  - order execution and transmission policy;
  - conflict of interest policy;
  - internal rules;
  - Contingency Funding Plan;
  - liquidity policy;
  - equity investments policy;
  - pricing policy;
  - inducements policy;
  - policy for the classification of customers;
  - asset management procedures (following the merger of BG SGR into Banca Generali, as a result of which the Bank's business operations have been extended to include asset management services which are provided through the AM (Asset Management) Division, newly set-up specifically for such purpose);
- acknowledges that the Company has adhered to the Corporate Governance Code of Listed Companies;
- acknowledges that the Company has updated its Internal Code of Conduct and integrated it with the rules of conduct contained in the Generali Group's Code of Conduct (former Code of Ethics). Moreover, the Board of Statutory Auditors ensured that the Code of Ethics was binding on all the Generali Group's suppliers;
- checked that the Bank has adopted regulations, processes and structures suitable for monitoring and overseeing banking-related risks (market risks, credit risks, liquidity risks, operating risks, compliance risks), as described in the Report on Operations and Explanatory Notes;
- believes that the process of determining ICAAP internal capital is adequate and acknowledges that the Bank has discharged its obligations in this area;

- acknowledges that in 2012, the Bank operated in strict compliance with the "Related Party and Associated Party Transaction Procedure", and updated the latter in light of recent regulatory provisions issued by the Bank of Italy, laying down specific operating rules governing fact-finding procedures, decision-making powers, record-keeping and disclosure obligations. In 2012, except as illustrated above in relation with two extraordinary transactions, the Group did not carry out any transactions qualifying as "highly significant", unusual, entered into at non-market or non-standard conditions. An ordinary "highly significant" transaction was effected at arm's length to raise the amount of the credit line extended to Citylife S.r.l. from 10 million to 20 million euros;
- acknowledges that in 2012 the Company's intra-group transactions were of a financial and commercial nature, and regarded the supply of services that the directors described in their report on operations and notes to the accounts. These ordinary transactions were made with streamlining and cost-cutting objectives;
- acknowledges that Banca Generali complies with the Assicurazioni Generali S.p.A.'s tax consolidation scheme;
- acknowledges that the report on operations and notes contain the information regarding the ownership of treasury shares and Parent Company's shares, in respect of which the respective non-distributable reserves have been set aside;
- acknowledges that the Bank complies with capital requirements (capital for regulatory purposes and total capital ratio) provided by supervisory regulations, as reflected in the detailed information regarding net equity and surveillance coefficients, provided in the Explanatory Notes. Banca Generali exercised the option to neutralise the capital gains and losses deriving from fair value measurement of AFS financial assets included in the Euro area government bond segment for the purposes of capital for regulatory purposes, as allowed under Bank of Italy Order of 18 May 2010;
- acknowledges that the Corporate Governance Report includes the information pursuant to Article123-*bis* of the Consolidated Finance Law;
- acknowledges that the Company has prepared the Remuneration Report: Banking Group's remuneration policies and report on the application of the same;
- acknowledges that the Explanatory Notes provide information on the payment agreements based on own equity instruments;
- specifies that on 23 April 2012, a complaint was filed, pursuant to Article 2408 of the Italian Civil Code, by a shareholder, contending that the imposition of a deadline, in the notice convening the General Shareholders' Meeting, for shareholders to lodge questions to be raised at the said meeting, was in violation of the rights of shareholders to pose questions before and during the meeting itself, and to receive answers to the same. The Board of Statutory Auditors immediately conducted the checks required, and determined that the Bank's actions in such regard were perfectly legitimate, insofar as the indications set forth in the notice convening the General Shareholders' Meeting are aimed, in compliance with law, to promote dialogue between management and shareholders, and ensure the smooth conduct of the proceedings both before and during the General Shareholders' Meeting, without, in any way, limiting the rights of shareholders to directly take the floor at the said meeting. In light of the above, the Board of Statutory Auditors deemed the shareholder's complaint unfounded and has reported its findings during the Shareholders' Meeting held on 24 April 2012;
- acknowledges that during the year no petitions have been submitted,

The Board of Statutory Auditors acknowledges that the Company is subject to management and coordination by the Parent Company "Assicurazioni Generali S.p.A." and that all related statutory obligations have been duly discharged.

The periodic auditing, the review of the Half-year Report, and the audit of the Individual and Consolidated Financial Statements were entrusted to the Auditing Firm "Reconta Ernst & Young S.p.A.". The Board of Statutory Auditors has examined the audit activity plan for 2012 and periodically exchanged information with the Independent Auditors; the latter did not notify the Board of Auditors of any events, circumstances or irregularities requiring its attention. During 2012, the Independent Auditors verified regular bookkeeping practices and correct assessment of operations in the accounting entries, and that the financial statements for the year ended 31 December 2012 coincided with accounting results. The Independent Auditors have issued their reports on the separate and consolidated financial statements for the year ended 31 December 2012, without issuing any particular comments in such regard.

The Independent Auditors have also issued the statement confirming their independence and the fact that they do not labour under any of the causes of incompatibility contemplated in Articles 10 and 17 of Legislative Decree No. 39/2010. The following additional engagements were conferred on the auditing firm Reconta Ernst&Young S.p.A. and companies belonging to the same network during the year, as described in the Explanatory Notes, and specifically:

- Reconta Ernst & Young S.p.A. also carried out specific external audits, as agreed upon with the Bank, in respect of the latter's relationships with its customers regarding the relevant assets under management, and audited the statements forwarded to the Internal Revenue Service (IRS) with regard to 2011, pursuant to the provisions of the Qualified Intermediary Agreement.
- the law and tax accountancy firm Ernst & Young rendered services in connection with the drawing up of the periodic reports generated in connection with the Qualified Intermediaries (QI) procedure required by the Internal Revenue Service (IRS).
- Ernst & Young Financial-Business Advisors S.p.A. rendered technical services, with specific emphasis on methodology, in connection with the following projects and procedures:
  - liquidity risk analysis project;
  - procedure for the production of the "Third Pillar" con-

templated under the Basel II regulations and analysis of the capital absorbed with regard to the First Pillar contemplated under the said regulations;
- project aimed at defining a multi-purpose regulatory and computer model for the comprehensive management of relationships with related parties and associated parties, and conflicts of interest;
- project for benchmarking the rating procedures to be followed in respect of the checks carried out by Internal Audit;
- project aimed at pinpointing the key operational risk indicators;
- periodic EDP audit on a consortium basis, with the outsourcing of CSE computer services and support of Test of Controls activities on computer systems within the framework of the formalities contemplated under Law No. 262,

The manager responsible for preparing the company's financial reports and the Chief Executive Officer issued the statement and attestation of conformity provided for by regulations in the field of accounting and financial statement communications.

The Board of Auditors nonetheless controlled the general criteria used in preparing the financial statements as well as its compliance with the law and specific regulations regarding the preparation of financial statements of banking institutions.

The Annual Financial Statements have been prepared in accordance with Legislative Decree No. 38/2005, according to the accounting standards issued by the IASB and the interpretations of those standards provided by the IFRIC; moreover, they were based on "Instructions for the preparation of company's financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups" issued by the Bank of Italy. The Notes to the financial statements explain the assessment criteria adopted and provide the necessary information as required by current laws, including information on credit risk, market risk, liquidity risk and operational risk. The Directors' Report provides information on operations, highlighting developments underway and the potential outlook, and the banking Group's development and reorganisation process during the year.

In carrying out our supervisory activity, as described above, no other significant facts emerged that need to be reported to the competent Supervisory Bodies or that are worthy of mention in this report.

The Board of Auditors points out that the Consolidated Financial Statements of the Banca Generali Group were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and IFRIC interpretations. Moreover, they were based on "Instructions for the preparation of company's financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups" issued by the Bank of Italy. The consolidation area includes the Parent Company, Banca Generali S.p.A., and its subsidiaries, BG Fiduciaria Sim S.p.A., Generfid S.p.A., and Generali Fund Management SA.

Having regard to the above, the Board of Statutory Auditors considers that the financial statements for 2012, as presented to you by the Board of Directors, may be approved by you and expresses a favourable opinion regarding the allocation of the profit of 118,142,822.00 euros as proposed by the Board of Directors.

Trieste, 26 March 2013

The Board of Statutory Auditors

Giuseppe Alessio Vernì - Chairman
Angelo Venchiarutti - Acting auditor
Alessandro Gambi - Acting auditor

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ATTESTATION

BOARD OF DIRECTORS 8 MARCH 2013

Attestation

PURSUANT TO ARTICLE 154-BIS PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58/98,

BANCA GENERALI

Attestation to the Annual Financial Report Pursuant to Art. 81-*ter* of CONSOB Regulation 11971 Dated 14 May 1999, as Further Amended and Extended

1. The undersigned Piermario Motta, in his capacity as Chief Executive Officer, and Giancarlo Fancel, in his capacity as Manager in charge of the Financial Reports of Banca Generali S.p.A., taking into account the provisions set out in article 154-*bis*, paragraphs 3 and 4, of the Legislative Decree dated 24 February 1998, Nr. 58, hereby declare that the administrative and accounting procedures for preparing the Annual Financial Report for the year 2012:

   - are appropriate in light of the features of the company, and
   - have been actually applied.

2. The appropriateness of administrative and accounting procedures for preparing the Annual Financial Report at 31 December 2012 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 Organizations of the Treadway Commission*, which is generally accepted as a reference framework worldwide.

3. The undersigned further declare that:

3.1 the Annual Financial Report at 31 December 2012:

a) was prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) Nr. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of the Italian Civil Code, and of Legislative Decree Nr. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;

b) reflects the accounting books and records;

c) provides a true and fair view of the asset, liabilities, profit or loss and financial position of the issuer and all its consolidated companies.

3.2 The Directors' report on operations includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Trieste, 8 March 2013

Piermario Motta
Chief Executive Officer

BANCA GENERALI S.p.A.

Giancarlo Fancel
Manager in Charg of
the Company's Financial Reports
BANCA GENERALI S.p.A.

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ANNEXES

BOARD OF DIRECTORS 8 MARCH 2013

ANNEX 1

DISCLOSURE OF COMPENSATION FOR AUDITING PURSUANT TO ARTICLE 149-*DUODECIES* OF CONSOB REGULATION NO. 11971

The following table shows a breakdown of the compensation paid by Banca Generali and the companies of the Banking Group to the independent auditors Reconta Ernst & Young S.p.A. engaged to audit the financial statements in accordance with Legislative Decree No. 58/98, as well as the entities in the network to which the auditing firm belongs.

TYPE OF SERVICE	SERVICE PROVIDER	BANCA GENERALI	BANKING GROUP
Audit	Reconta Ernst & Young S.p.A.	227	389
Certification	Reconta Ernst & Young S.p.A.	61	61
	Studio Legale e Tributario Ernst & Young S.p.A.	-	3
Tax consultancy	Studio Legale e Tributario Ernst & Young S.p.A.	-	-
Other services	Ernst & Young Financial-Business Advisors S.p.A.	301	301
	Studio Legale e Tributario Ernst & Young S.p.A.	22	22
Total		**611**	**776**

Note
1. Amounts net of VAT and out-of-pocket expenses.

Banca Generali S.p.A.

REGISTERED OFFICE

Via Machiavelli 4 - 34132 Trieste - ITALY

SHARE CAPITAL

Authorised 119,378,836 euros

Subscribed and paid 113,888,282 euros

TAX CODE, VAT NO. AND TRIESTE
REGISTER OF COMPANIES

00833240328

**Company managed and coordinated
by Assicurazioni Generali S.p.A.**

**Bank which is a member of the Interbank Deposit
Protection Fund**

**Registration with the bank register
of the Bank of Italy under no. 5358**

**Parent Company of the Banca Generali Banking Group
registered in the banking group register**

ABI code 03075.9

Coordination and design **Sege S.r.l.**
Layout **t&t**
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