FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

BANCA GENERALI

ECONOMIC AND FINANCIAL HIGHLIGHTS

Operating Highlights

(€ million)	31/12/2009	31/12/2008	Change %
Net interest	45.1	48.2	-6.4
Net commissions	45.0	44.4	1.3
Dividends and net profit from trading	69.1	9.6	619.9
Net banking income	**159.2**	**102.1**	**55.8**
Staff expenses	-39.8	-34.7	14.5
Other general and administrative expense	-52.3	-53.2	-1.6
Amortisation and depreciation	-3.4	-3.7	-7.6
Other operating income	11.5	15.1	-23.6
Net operating expense	**-84.0**	**-76.5**	**9.8**
Operating profit	**75.2**	**25.6**	**193.4**
Provisions	-7.1	-4.0	75.4
Net adjustments of loans and other assets	-7.0	-10.0	-29.9
Profit before taxation	**61.1**	**11.5**	**429.4**
Net profit	**54.5**	**12.0**	**353.0**
Cost / income ratio	50.6%	71.3%	-29.0
EBTDA	78.6	29.3	167.9
ROE	29.65%	6.85%	332.8
EPS - Earnings per Share (units of euro)	0.492	0.109	351.0

Net Inflows

(€ million) (Assoreti data)	31/12/2009	31/12/2008	Change %
Mutual funds	154.3	-171.0	190%
Asset management	27.2	-820.0	-103%
Insurance / Pension funds	462.3	1,025.0	-55%
Securities / Current accounts	410.5	60.0	584%
Total	**1,054.2**	**94.0**	**1,022%**

Assets Under Management & Custody (AUM/C)

(€ billion) (Assoreti data)	31/12/2009	31/12/2008	Change %
Mutual funds	3.7	3.0	23.3
Asset management	1.2	1.1	9.1
Insurance / Pension funds	4.5	4.2	7.1
Securities / Current accounts	3.6	2.9	24.1
Total	**13.0**	**11.2**	**16.1**

Net Equity

(€ million)	31/12/2009	31/12/2008	Change %
Net equity	249.9	184.1	35.7
Total capital for regulatory purposes	193.0	171.2	12.7
Excess capital	109.7	91.9	19.3
Solvency margin	18.54%	17.28%	7.3

ACCOUNTING STATEMENTS

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

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BALANCE SHEET - ASSETS

Assets		31/12/2009	31/12/2008
10.	Cash and deposits	7,137,474	7,468,789
20.	Financial assets held for trading	218,552,720	662,089,385
40.	Financial assets available for sale	1,481,926,409	799,039,037
50.	Financial assets held to maturity	666,073,679	606,352,831
60.	Loans to banks	619,719,107	907,848,396
70.	Loans to customers	426,057,414	474,341,597
100.	Equity investments	143,992,305	131,992,304
110.	Property and equipment	3,186,668	4,013,272
120.	Intangible assets	6,568,828	6,299,420
	- goodwill	2,990,625	2,990,625
130.	Tax receivables	14,022,834	25,657,772
	a) current	4,323,880	13,730,003
	b) prepaid	9,698,954	11,927,769
140.	Non-current assets		
	held for sale and disposal groups	-	5,455,985
150.	Other assets	47,491,483	71,362,058
Total assets		**3,634,728,921**	**3,701,920,846**

BALANCE SHEET - NET EQUITY AND LIABILITIES

Net Equity and Liabilities		31/12/2009	31/12/2008
10.	Due to banks	1,034,332,553	885,116,594
20.	Due to customers	2,232,447,558	2,524,360,190
40.	Financial liabilities held for trading	494,360	849,437
80.	Tax payables	2,327,020	1,884,989
	a) current	336,390	36,456
	b) deferred	1,990,630	1,848,533
100.	Other liabilities	93,477,161	85,285,626
110.	Employee Termination Indemnities	2,932,420	3,246,106
120.	Provisions for liabilities and contingencies	18,843,399	17,061,685
	a) pensions and similar obligations	-	-
	b) other provisions	18,843,399	17,061,685
130.	Valuation reserves	- 1,602,155	- 6,754,377
160.	Reserves	67,220,501	51,377,107
170.	Additional paid-in capital	22,308,906	22,804,232
180.	Share capital	111,313,176	111,313,176
190.	Treasury shares (-)	- 3,851,460	- 6,651,699
200.	Net profit (loss) for the year (+/-)	54,485,482	12,027,780
Total Net Equity and Liabilities		**3,634,728,921**	**3,701,920,846**

PROFIT AND LOSS ACCOUNT

Items		31/12/2009	31/12/2008
10.	Interest income and similar revenues	65,314,404	165,743,818
20.	Interest expense and similar charges	-20,238,506	-117,568,780
30.	**Net interest income**	**45,075,898**	**48,175,038**
40.	Commission income	126,816,075	127,585,197
50.	Commission expense	-81,865,592	-83,225,293
60.	**Net commissions**	**44,950,483**	**44,359,904**
70.	Dividends and similar income	122,593,957	53,206,633
80.	Net income (loss) from trading activities	-68,993,411	-45,123,591
100.	Gain (loss) from sales or repurchase of:	15,530,682	1,519,178
	a) loans	-602,281	-173,384
	b) financial assets available for sale	16,132,170	1,692,562
	c) held-to-maturity financial assets	793	-
120.	**Net banking income**	**159,157,609**	**102,137,162**
130.	Net adjustments/reversal due to impairment of:	-7,024,225	-10,026,176
	a) receivables	-2,801,737	-2,961,267
	b) financial assets available for sale	-4,222,488	-7,064,909
140.	**Net income from banking operations**	**152,133,384**	**92,110,986**
150.	General and administrative expense:	-92,087,377	-87,892,537
	a) staff expenses	-39,774,255	-34,740,515
	b) other general and administrative expense	-52,313,122	-53,152,022
160.	Net provisions for liabilities and contingencies	-7,070,679	-4,031,739
170.	Net adjustments/reversal of property and equipment	-1,276,675	-1,492,095
180.	Net adjustments of intangible assets	-2,157,828	-2,226,912
190.	Other operating expense/income	11,536,658	15,097,430
200.	**Operating expense**	**-91,055,901**	**-80,545,853**
210.	Gain (loss) of equity investments	-	-26,831
240.	Gains (loss) from disposal of investments	-	-476
250.	**Profit (loss) from operating activities before income taxes**	**61,077,483**	**11,537,826**
260.	Income taxes for the year on operating activities	-6,592,001	-499,771
270.	**Profit (loss) from operating activities net of taxes**	**54,485,482**	**11,038,055**
280.	Profit (loss) of disposal groups, net of taxes	-	989,725
290.	**Net profit (loss) for the year**	**54,485,482**	**12,027,780**

STATEMENT OF COMPREHENSIVE INCOME

Items		31/12/2009	31/12/2008
10.	**Net profit of the year**	**54,485,482**	**12,027,780**
	Other income net of income taxes		
20.	**Financial assets available for sale**	5,152,222	- 7,699,392
30.	Property and equipment	-	-
40.	Intangible assets	-	-
50.	**Hedges of foreign investments**	-	-
60.	Cash flow hedges	-	-
70.	Exchange gains (losses)	-	-
80.	Non-current assets held for sale	-	-
90.	Actuarial gains (losses) from defined benefit plans	-	-
100.	Portion of valuation reserves of investments valued using the equity method	-	-
110.	**Total other income net of income taxes**	**5,152,222**	**- 7,699,392**
120.	**Comprehensive income**	**59,637,704**	**4,328,388**

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STATEMENT OF CHANGES IN NET EQUITY

	share capital a) ordinary shares	share capital b) other	share premium reserve	Reserves a) retained earnings	Reserves b) other	Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the year	Net equity
Net equity at 31/12/2008	**111,313,176**	**-**	**22,804,232**	**51,377,107**	**-**	**-6,754,377**	**-**	**-6,651,699**	**12,027,780**	**184,116,219**
Change in opening balances	-	-	-	-	-	-	-	-		
Amounts at 01/01/2009	111,313,176	-	22,804,232	51,377,107	-	-6,754,377	-	-6,651,699	12,027,780	184,116,219
Allocation of net income of the previous year	-	-		5,389,917	-	-	-	-	-12,027,780	-6,637,863
- Reserves	-	-	-	5,389,917	-	-	-	-	-5,389,917	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-6,637,863	-6,637,863
Change in reserves				8,588,196		-				8,588,196
Transactions on net equity	-	-	-495,326	1,865,281	-		-	2,800,239	-	4,170,194
- Issue of new shares	-	-	-495,326	-2,304,913	-	-	-	2,800,239	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary Dividends	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	4,170,194	-		-			4,170,194
Comprehensive income	-	-	-	-	-	5,152,222	-	-	54,485,482	59,637,704
Net equity at 31/12/2009	**111,313,176**	**-**	**22,308,906**	**67,220,501**	**-**	**-1,602,155**	**-**	**-3,851,460**	**54,485,482**	**249,874,450**

	share capital a) ordinary shares	share capital b) other	share premium reserve	Reserves a) retained earnings	Reserves b) other	Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the year	Net equity
Net equity at 31/12/2007	**111,313,176**	**-**	**22,804,232**	**51,261,123**	**-**	**945,015**	**-**	**-7,338,883**	**19,315,570**	**198,300,233**
Change in opening balances	-	-	-	-	-	-	-	-	-	
Amounts at 01/01/2008	111,313,176	-	22,804,232	51,261,123	-	945,015	-	-7,338,883	19,315,570	198,300,233
Allocation of net income of the previous year	-	-	-	-557,569	-	-	-	-	-19,315,570	-19,873,139
- Reserves	-	-	-	965,779	-	-	-	-	-965,779	-
- Dividends and other destinations	-	-	-	-1,523,348	-	-	-	-	-18,349,791	-19,873,139
Change in reserves				-		-				-
Transactions on net equity	-	-	-	673,553	-		-	687,184	-	1,360,737
- Issue of new shares	-	-	-	-1,704,061	-	-	-	1,704,061	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-1,016,877	-	-1,016,877
- Extraordinary Dividends	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-		-
- Stock options	-	-	-	2,377,614	-		-			2,377,614
Comprehensive income	-	-	-	-	-	-7,699,392	-	-	12,027,780	4,328,388
Net equity at 31/12/2008	**111,313,176**	**-**	**22,804,232**	**51,377,107**	**-**	**-6,754,377**	**-**	**-6,651,699**	**12,027,780**	**184,116,219**

CASH FLOW STATEMENT

Indirect method	31/12/2009	31/12/2008
A. OPERATING ACTIVITIES		
1. Operations	**50,827,773**	**43,195,473**
- Net profit (loss) for the year	54,485,482	12,027,780
- Gain/loss on financial assets held for trading	974,986	25,145,996
- Gain/loss on hedging assets	-	-
- Net adjustments due to impairment	7,024,225	10,026,176
- Net adjustments of property, equipment and intangible assets	3,434,503	3,719,007
- Net provisions for liabilities and contingencies and other costs/revenues	1,781,714	- 1,841,442
- Taxes included in taxes not paid	9,697,493	- 2,238,100
- Adjustments of discontinued operations	-	-
- Other adjustments	- 26,570,630	- 3,643,944
2. Liquidity generated by/used for financial assets (+/-)	**115,780,416**	**313,041,781**
- Financial assets held for trading	437,789,359	1,257,501,792
- Financial assets measured at fair value	-	-
- Financial assets available for sale	- 685,056,280	- 916,486,091
- Loans to banks: repayable on demand	18,198,844	272,051,610
- Loans to banks: other receivables	269,743,251	- 357,617,429
- Loans to customers	72,056,068	80,371,668
- Other assets	3,049,174	- 22,779,769
3. Net liquidity generated by/used for financial liabilities (+/-)	**- 133,249,819**	**- 284,845,718**
- Due to banks repayable on demand	326,454,229	243,922,739
- Due to banks other payables	- 175,285,716	- 1,914,158
- Due to customers	- 304,409,019	- 518,169,333
- Securities issued	-	-
- Financial liabilities held for trading	- 849,437	- 7,780,275
- Financial liabilities measured at fair value	-	-
- Other liabilities	20,840,124	- 904,691
Net liquidity generated by/used for operating activities	**33,358,370**	**71,391,536**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**47,095,180**	**21,480,261**
- Disposal of equity investments	13,345,000	-
- Dividends received	33,750,180	18,980,261
- Disposal of held-to-maturity financial assets	-	2,500,000
- Disposal of property and equipment	-	-
- Disposal of intangible assets	-	-
- Disposal of business units	-	-
2. Liquidity used for	**- 74,147,002**	**- 71,442,192**
- Purchase of equity investments	- 12,000,000	- 69,226,377
- Purchase of held-to-maturity financial assets	- 59,269,695	-
- Purchase of property and equipment	- 450,071	- 779,286
- Purchase of intangible assets	- 2,427,236	- 1,436,529
- Purchase of business units	-	-
Liquidity generated by/used for investing activities	**- 27,051,822**	**- 49,961,931**
C. FUNDING ACTIVITIES		
- Issue/purchase of treasury shares	-	- 1,016,877
- Issue/purchase of equity instruments	-	-
- Distribution of dividends and other	- 6,637,863	- 19,873,139
Liquidity generated by/used for funding activities	**- 6,637,863**	**- 20,890,016**
NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR		
+ liquidity generated; - liquidity used	- 331,315	539,589
Reconciliation		
Cash and cash equivalents at year-start	7,468,789	6,929,200
Liquidity generated by/used for in the year	- 331,315	539,589
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	7,137,474	7,468,789

NOTES AND COMMENTS

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

Part A – Accounting Policies

Part B – Information on the Balance Sheet

Part C – Information on the Profit and Loss Account

Part D – Comprehensive Income

Part E – Information on Risks and Risk Hedging Policies

Part F – Information on Net Equity

Part G – Mergers of Companies or Business Units

Part H – Transactions with Related Parties

Part I – Payment Agreements Based on Own Equity Instruments

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 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.

By Order dated 22 December 2005, the Bank of Italy, exercising its powers under Article 9 of Legislative Decree 38 of 2005, issued Circular 262/2005, entitled "Instructions for the Preparation of the Financial Statements and Consolidated Financial Statements of Banks and Parent Companies of Banking Groups", which sets forth binding rules governing the presentation and preparation of financial statements and the content of the explanatory notes.
On 18 November 2009, the Bank of Italy issued its first update to Circular 262 aimed at incorporating the more extensive disclosure requirements due to the endorsement and entry into force of the new Standards and the constant process of developing existing Standards.
The following section contains a brief illustration of the main changes set forth in the Circular.

In preparing the annual financial statements, Banca Generali adopted the IAS/IFRS in force at December 31, 2009 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

In this regard, it should be noted that the European Commission, in Regulation (EC) No. 1126/2008 of 3 November 2008, combined into a single text all of the main Standards and Interpretations endorsed through 15 October 2008, repealing Regulation No. 1725/03. However, new Standards and Interpretations and amendments to those already in force were endorsed and entered into effect in 2009.

SECTION 2 – Preparation Criteria

The annual report 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 half-year report is accompanied by a Directors' report on the bank's operations and financial situation.

According to the provisions of Article 3, paragraph 3-*bis*, of Legislative Decree No. 87/92, 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 financial 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 (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 2008.
In accordance with IFRS 5, the comparative profit and loss account figures at December 31, 2008 and the notes associated therewith have been restated to account for the disposal of the subsidiary Simgenia S.p.A.

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 and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has been deemed insignificant and does not cast doubt on the Group's ability to operate as a going concern.

Content of the Financial Statements

Accounts that do not include amounts 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 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

No events occurred after 31 December 2009 that would make it necessary to adjust the results presented in the financial statements at that date.

However, two restructuring transactions internal to the banking group were completed on 1 January 2010:
1) the discretionary portfolio management business unit was contributed by Banca BSI Italia to BG SGR;
2) Banca BSI Italia was merged into the parent company, Banca Generali;

Both of the foregoing qualify as transactions between entities under common control and have been 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 2009 financial statements.
A brief description of the accounting effects of the foregoing transactions is provided in Part G Business Combinations below.

SECTION 4 – Other Issues

Disposal of Simgenia S.p.A.

On 17 June 2009 Banca Generali closed the sale of 85% of the share capital of Simgenia SIM S.p.A. to other Generali Group companies.
A brief description of the accounting effects of the foregoing transaction is provided in Part G Business Combinations below.

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 (CONSOB Communication No. DEM/6064293 of 28 July 2006).

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.

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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 2009, 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.

It should be noted that, following the completion of the endorsement procedure, new IASs/IFRSs, various amendments to existing Standards, and IFRIC interpretative documents entered into force effective 1 January 2009.

International Accounting Standards endorsed in 2009	Endorsement regulations	Effective date 01/01/2010
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	460/2009	01/01/2010
IAS 27R – Consolidated and Separate Financial Statements	494/2009	01/01/2010
IFRS 3R – Business Combinations	495/2009	01/01/2010
IAS 39R (hedging elements) - Financial Instruments: Recognition and Measurement	839/2009	01/01/2010
IFRS 1R – First-time Adoption of International Financial Reporting Standards	1136/2009	01/01/2010
IFRIC 17 – Distribution of Non-cash Assets to Owners	1142/2009	01/01/2010
IAS 32R – Financial Instruments: Presentation	1293/2009	01/01/2010

The new Standards and Interpretations that entered into force did not result in significant accounting effects on the 2009 financial statements, but they did modify salient aspects of the disclosures to be made in those financial statements.

In detail, the revised version of IAS 1 – Presentation of Financial Statements has introduced the concept of “comprehensive income”, which requires the disclosure, in addition to net profit, of all components that contribute to company performance. Essentially, the concept refers to changes in the value of assets that are recognised directly in net equity reserves or affect equity but do not arise from decisions by shareholders. Said changes must be disclosed either in a single statement of comprehensive income, or in two separate schedules (a profit and loss account and a statement of comprehensive profit or loss).

The amendment to IFRS 7 (Financial Instruments: Disclosures) introduced the concept of a fair value “hierarchy” (Level 1, Level 2 and Level 3), under which entities are required to disclose the quality and nature of the inputs used to measure financial instruments and specify whether they have used current prices drawn from an active market, valuations based on observable market parameters, or other internal valuation models.

First update to Circular 262 of 22 December 2005 concerning the presentation and preparation of bank financial statements

Due to the evolution of accounting rules brought on by the new international accounting Standards and the amendments to many Standards already in force, on 18 November 2009 the Bank of Italy issued the first update to Circular 262/2005 governing the presentation and basis of preparation of bank financial statements.

In addition to the aspects indicated above (IAS 1 revised, IFRS 7), this update also includes amendments to IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 made in October 2008 governing the reclassification of financial instruments between accounting portfolios and the associated disclosure requirements.

In light of these developments, the Bank of Italy modified existing tables and added new tables to the notes. In detail, the new information required by the update pertains to:

- the addition of a statement of comprehensive income, which contains profit or loss as well as the other components of profit or loss not recognised in the profit and loss account, consisting essentially of changes in valuation reserves through net equity;
- the addition to Part A of the notes, devoted to an illustration of accounting policies, of a new section dedicated to the analysis of transfers of financial assets between accounting portfolios, with an indication of the effects of such transfers on profit and loss and the balance sheet;
- the addition of detailed disclosures concerning the required fair value hierarchy to both the foregoing section and the sections concerning individual portfolios.

The update also provides that the fair value hierarchy disclosure for the previous year contained in Part A.3 of the notes is not required in the financial statements of first-time adoption of the new provisions and that it is sufficient to provide a distinction between the levels L1 and L2/L3 in Part B in continuity with the previous breakdown into listed and unlisted securities.

The following tables regarding the reclassification of financial assets have not been prepared, inasmuch as these tables refer solely to the year of the reclassification:
A.3.1.2 Reclassified financial assets: effects on comprehensive income prior to the transfer;
A.3.1.3 Transfer of financial assets held for trading;
A.3.1.4 Effective interest rate and cash flows expected from reclassified assets.

The update to Circular 262/2005 also contains some changes aimed at rationalising financial statement disclosures and providing clarification of specific interpretative queries.

With respect to the structure of the notes, it should be noted that:

a) the details of non-performing assets and transferred assets not written off have been reorganised and are now recognised in the notes under the pertinent technical forms and not, as before, in separate items;
b) disclosures about derivatives have been revised and are now included solely in Part E on information on risks;
c) disclosures about net equity (Part F) have been updated through various changes, including the relocation of tables concerning analyses of valuation reserves previously included in Part B concerning the balance sheet;
d) business combination disclosures (Part G) have been updated to incorporate an obligation to include by convention also combinations between entities under common control, to which IFRS 3 does not apply, previously not adequately handled.

The interpretative issues with the greatest impact on the bank include the new guidance on the classification of trade receivables and personnel productivity bonuses.

Reclassification of Trade Receivables
The update to Circular No 262/2005 requires that items pertaining to operating receivables and payables related to the provision of financial services, previously classified among other assets and other liabilities, be reclassified to the pertinent items for payables and receivables to and from customers and banks.
The notion of financial services adopted is extremely broad in that it includes all banking and financial services governed by the Consolidated Banking Act and Consolidated Finance Act, respectively.

The new interpretation represents a partial change with respect to the situation outlined in late 2008 in the note entitled "Provisions Governing the Financial Statements of Banks and Financial Firms" in which, pending the update to Circular 262/2005, it was stated that the item loans to customers should also include "operating receivables other than those associated with payment for goods and services" to be allocated to the item "other assets".

Given the peculiar nature of the Banca Generali's activity, the reclassified aggregates take on particular significance, especially in relation to the amount of receivables from customers arising from loans.
In detail, the items interested consist essentially of receivables from product companies for the placement and distribution of financial products and services, receivables from and payables to financial advisors for their investment solicitation activity, and several items pertaining to fees to be charged to clients at year end in connection with the provisions of financial services.

Productivity Bonuses for Salaried Employees
The update to Circular 262/05 also clarifies that expenses associated with productivity bonuses to be awarded to salaried employees in the following year should be allocated to other current liabilities for the year.
This represents a change compared to the longstanding previous position that called for such costs to be allocated among staff expenses but with a contra-entry to a specific provision for risks and contingencies, a position which was no longer compatible with international accounting standards.
It thus became necessary for this aggregate to be separated into items that represent liabilities by nature and are to be accounted for in accordance with IAS 19 and those that continue to be governed by IAS 37, which applies to provisions for risks and contingencies.

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, has been allocated among current liabilities for the year.

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.

However, it was decided that the conditions set forth in IAS 19 had not been met for non-contractual personnel incentives and incentives for which there is a constructive obligation, in the absence of any customary practice that would effectively be binding for the Group.

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 host 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, the notional value of financial instruments computed using discounted cash flows, 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 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.

2. Financial Assets Available for Sale

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 units 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 measured 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 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 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.

3. Financial assets held to maturity

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.

Where 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.

Derecognition
Financial assets 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.

4. Receivables

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 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 and Consolidated Finance Act.

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.

<u>Non-performing loans</u> 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.

Performing loans, including loans to borrowers residing in countries at risk and past-due loans, are tested for impairment on a collective basis, by using an historical/statistical approach aimed at determining an estimate of the impairment of the loans that there is reason to believe has effectively been incurred at the date in question but the extent of which is not yet known at the moment of testing.

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 credit risk, proportional to the type of loan (i.e. the technical form thereof), the borrower's industry, type of collateral, or other relevant factors.

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 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 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 transferable 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.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, acquisition commissions on no-load products and brands.
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 expenses 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.

Commissions paid to the network in relation to no-load asset-management products are considered as additional charges incurred to promote the signing of the related agreements; the future economic benefit associated with these expenses consists of the contractual rights to receive periodic commissions from the management company.
Such expenses arise in relation to products (e.g., units of collective investment undertakings – UCITs, discretionary accounts - GPF) for which the management company does not charge commissions at the time the investment is made, but rather charges "tunnel commissions" (in addition to usual "management commissions") when the customer divests in two to four years.
Commissions paid by the "distributor" to its sales network, which are commensurate to the commissions on corresponding "load" products, are not immediately offset by up-front fees paid by the "management company"; instead, these are recovered over time by means of the other two commission categories.

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.
Multi-year no-load commissions are amortised based on the period the "tunnel" is in force and the estimated time to divestment by the customers.
For *brands* acquired on the incorporation of subsidiaries, the useful life is 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 and Groups of Assets Available for Sale

The asset item "Non-current assets and groups of assets available for sale" and liability item "Liabilities associated with groups of assets available for sale" 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, net of 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”.
The same reclassification was applied to the comparative profit and loss account figures from the previous year.

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, advance and deferred tax payables, which are calculated using prevailing tax rates.
Specifically, deferred tax payables and receivables 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 receivables are recorded 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 payables are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.
Deferred tax receivables and payables are shown separately in the balance sheet and are not offset; deferred tax receivables are recorded under “tax receivables” and deferred tax payables are recorded under "tax payables".

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 receivables and payables 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.

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.

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 deposits 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.
Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said 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.

However, IFRS 2 is not applicable to the plan called "Prime Consult S.p.A. Stock Granting Plan" approved by the Board of Directors of the company that was later merged into Banca Generali in 2001.
The assignment of shares was not subject to IFRS 2, pursuant to the transitory rules set forth from paragraph 53 on, as the assignment took place before 14 November 2002 (commencement deadline of the new standard) and modified before 1 January 2005 (effective date of the new standard).

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).

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.

Measurement
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 disclosed in the interim report.

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 risks 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 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 involved 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 36 months from the reporting date.
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 due to losses on the tranche of the security held is determined. 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

Collective impairment is applied on the portfolio of debt securities classified among loans to customers not previously tested on an individual basis.
The purpose of this test to identify any impairment that has not yet become openly manifest. To this end, in the absence of historical data series on insolvencies relating to the bank's securities portfolio, the probability of default (PD) and loss given default (LGD) rates were determined according to market statistics on the basis of the segmentation of the portfolio by rating class.

Determination of impairment of the equity investment in Banca BSI Italia

Impairment test of the equity investment in Banca BSI Italia
As a result of the negative results of the investee company during the past few years, partly due to expenses incurred to strengthen its network, the Bank deemed it necessary to test the equity

investment in Banca BSI Italia for impairment, assuming the following:

- the 2010 – 2014 Plan of Banca BSI Italia:
  i) reflects the portion of realised income of the Luxembourg-based asset management company Generali Fund Management S.A. (formerly BG Investment Luxemburg S.A.) for the management of BSI assets,
  ii) does not include income from discretionary accounts transferred from Banca BSI Italia to BG SGR, effective 1 January 2010;
- for assessment purposes, therefore, the value of the discretionary accounts transferred from BSI to BG SGR has been considered as surplus asset, as its profit and loss effects are not reflected in the 2010–2014 Plan.

The earnings and cash flow projections for Banca BSI Italia were based on the group's 2010-2014 forecast data. These data refer to the 2010 Budget, as approved by the Parent Company's 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.
With reference to the inclusion of the portion of income associated with the Luxembourg subsidiary Generali Fund Management into Banca BSI Italia's prospective plan, such income is only attributable to inflows generated by the private bankers network of Banca BSI Italia.

To determine the recoverable amount of the equity investment, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) 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 a company is a function of the dividend flows that it is capable of generating prospectively over the chosen holding period.
The empirical control method employed was the comparable market multiples method.

The expected long-term growth rate after the explicit forecasting period employed to determine the terminal value was set at 1%.
The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at 10%.

The impairment test conducted on the value of the equity investment did not detect any impairment loss.
Compared to the carrying amount of the equity investment of 114.1 million euros, the value obtained by applying the analytical method described above comes to a minimum of 165.9 million euros and a maximum of 206.2 million euros, considering the sensitivity analysis conducted.
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 9.45%-10.45% and 0%-2%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

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.

For financial instruments, fair value is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.

A market is considered active if quoted prices representing effective, regular market transactions undertaken during an appropriate reference period are readily and regularly available from stock exchanges, dealers, brokers, industry companies, listing services or authorised entities.
Equity securities, exchange-traded funds (ETFs) and government bonds listed on regulated markets are considered to be listed on an active market that meets the foregoing requirements.
Spot foreign exchange, futures, and options transactions listed on regulated markets are also considered listed on active derivative markets.

For the remaining bonds, for which listing on a regulated market may prove insignificant due to the limited number and sporadic frequency of transactions (illiquid securities), securities are considered to be listed on an active market where there is an adequate number of counterparties submitting purchase and sale offers (ask/bid), with a bid-ask spread below a threshold deemed appropriate and continuity of price quotations.
Bloomberg circuit data are customarily used to survey these conditions.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current asking price for financial liabilities. Fair value measurements are generally determined using market quotations published by Bloomberg.
For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the closing price for the last day of market operation is also used.

The procedure for determining the fair value of bonds involves identifying various valuation techniques that allow prices to be compared on a single financial instrument and then the most meaningful price to be chosen.

The price types surveyed are as follows:
1) BGN BID (Bloomberg Generic Price). This is a measurement of fair value determined by Bloomberg on the basis of a proprietary methodology using both prices placed on the platform by operators and other information deemed relevant. In particular, BGN's purpose is to provide a measurement of "market consensus" concerning the valuation of a financial instrument.
2) Price displayed by market counterparties on the ALLQ pages of the Bloomberg circuit (or any alternative circuits) used to inform the rest of the market of the level at which these counterparties are willing to purchase the type of security in question. Where there are various counterparties on the page publishing different levels, the best price is chosen considering the bid amounts and the counterparties deemed most reliable.
3) The notional value of the financial instrument calculated using the Discounted Cash Flow Method, using a specific function given by Bloomberg. This method is only used for those instruments deemed particularly illiquid or extremely volatile and thus not easy to value using traditional methods.
4) The valuation of each individual financial instrument by an unrelated counterparty directly involved in the original deal, i.e. the lead manager, underwriter, arranger, placing agent, etc., under the assumption that they have a deeper understanding of the underlying instrument. This

method is also used for those instruments deemed particularly illiquid or extremely volatile and thus not easy to value using traditional methods.
5) For ABSs, valuations from info providers specialised in the sector are also used.

All of the price types listed above are not always available. BGN BID is usually used for bonds listed on an active market.
For securities not listed on active markets, the highest of the available prices is chosen in order to limit the anomaly resulting from the market's lack of liquidity and thus achieve the best representation of the security's true value.
Where the price types listed above are not available or clearly reflect non-operational prices, reference is made to market values indirectly related to the instrument to be valued on the basis of products that are similar in terms of risk characteristics.
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.

A.3.1 Reclassification to Other Portfolios

On 13 October 2008, the IASB (International Accounting Standard Board) approved an amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosures*, which in certain circumstances permits the reclassification of certain non-derivative instruments out of the portfolio of assets held for trading and measured at fair value through profit and loss. The amendments introduced were ratified into the European system and took on the force of law with the publication of EC Regulation No. 1004/2008 of 15 October 2008.

The IASB's intervention partially eliminated a restriction previously established by IAS 39 against the reclassification of financial instruments out of the held-for-trading portfolio, which is characterised by the recognition of changes in fair value through profit and loss, to other accounting portfolios.
In further detail, these portfolios are characterised by a different method of measurement based on amortised cost, in which listed debt securities held to maturity (HTM) and unlisted debt securities classifiable as loans may be classified.
Securities belonging to these portfolios are not subject to periodic adjustment to changes in fair value through profit and loss, but rather are to undergo the impairment testing procedure in order to identify the existence of any permanent impairment losses.
In addition, financial assets may also be reclassified from held-for-trading to available-for-sale (AFS), in which changes in fair value are usually taken through net equity instead of profit and loss.
However, non-derivative instruments designated at fair value through profit and loss by virtue of the fair-value option (e.g., structured securities or other investments to hedge liabilities at fair value through profit and loss) may not be reclassified.

Such reclassifications are now allowed only in those "rare circumstances" in which, due to unusual events unlikely to recur in the near term, a financial instrument is no longer held for trading or available for sale and the company therefore believes it may hold it for the foreseeable future or until maturity.
The 2008 financial crisis was considered as an unusual event by the IASB itself.

The amendment also permits the transfer of financial assets included in the "available-for-sale" (AFS) items where such assets are not listed on an active market and the company has the intention and ability to hold them for the foreseeable future or until maturity.

Due to the exceptional situation represented by the financial market crisis, retroactive first-time application of the amendment was allowed effective no earlier than 1 July 2008.

Reclassification from the held-for-trading portfolio (changes in fair value through profit and loss)		
Asset type	Destination portfolio	Conditions
Debt securities listed on active markets	HTM	Only in rare circumstances and only if the instrument satisfies the definition of HTM
Debt securities not listed on active markets	LOANS	Only in rare circumstances and only if the instrument satisfies the definition of instrument not listed on an active market and the company has the intention and ability to hold it until maturity or for the foreseeable future
Equity securities	AFS	Only in rare circumstances

Reclassification from AFS portfolio (changes in fair value through net equity)		
Asset type	Destination portfolio	Conditions
Debt securities listed on active markets	HTM	If the instrument satisfies the definition of HTM (reclassification already allowed under IAS 39)
Debt securities not listed on active markets	LOANS	If the instrument satisfies the definition of instrument not listed on an active market and the company has the intention and ability to hold it until maturity or for the foreseeable future

Where assets have been reclassified from HFT to AFS, HTM or Loans, the new book value has been taken as the fair value at the date of the reclassification. Changes in fair value already taken through profit and loss may not be reversed until reclassification date.
Where AFS assets have been transferred to HTM or Loans, the new book value has been taken as the fair value at the date of reclassification and the balance of the AFS equity reserve pertaining to the reclassified investments continues to be carried in net equity subsequent to the transfer and is then amortised over the life of the instrument. The amortisation charges for the AFS reserve are balanced in profit and loss by the corresponding change in the security's amortised cost on the basis of the effective interest rate method.

Banca Generali's Position
During the previous year, following the endorsement of IAS 39, 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.

The reclassification of debt securities involved only financial assets issued by non-governmental entities with maturities no earlier than 31 December 2009. Securities for which an active market of listing could not be identified due to the financial crisis have been classified among loans and receivables, while the remainder has been reallocated to the portfolio of held-to-maturity assets. In addition, certain equity investments that the Group no longer considers to be held for trading were reallocated to the AFS portfolio.

The reclassification was undertaken in part in reference to 1 July 2008 and in part in reference to 30 September 2008 and involved securities amounting to a total value of 928.9 million euros,

determined according to their fair value on the date of transfer.
The transfer of financial instruments from the held-for-trading portfolio resulted in the consolidation of capital losses recognised on the profit and loss account of 14.6 million euros as of the date of transfer. These losses were recognised as realised losses of the previous year. The transfer of securities from the AFS portfolio resulted in the recognition of negative net equity reserves of 3.8 million euros.
At 31 December 2008, the book value of reclassified assets amounted to 910 million euros.

During 2009, the new reclassified portfolios were partially liquidated due to redemptions and sales and amounted to 853.2 million euros at the balance sheet date, including increases due to the gradual accrual of amortised cost.
Any change in the fair value of the assets transferred from the trading portfolio at the end of 2009 would have entailed negative differences compared to book values before taxes of 18.5 million euros (compared to 38.7 million euros at 31 December 2008) with implicit reversals, net of disposals, to profit and loss and net equity of 20.0 million euros in the year.

A.3.1.1 Reclassified Financial Assets: Book Value, Fair Value and Effect on Comprehensive Income

Type of financial instrument (€ thousand)	from	to	date of transf.	31/12/2009 Book value	31/12/2009 Fair Value	Income components with no transfer: Valuation	Income components with no transfer: Other	Income components for the year: Valuation	Income components for the year: Other
Equity securities	TRA	AFS	1/7/08	4,405	4,405	- 786	- 336	- 1,182	- 336
Debt securities	TRA	HTM	1/7/08	460,331	457,015	11,735	-	-	2,742
Debt securities	AFS	HTM	30/9/08	156,523	158,206	1,424	-	-	70
Total portfolio HTM				616,854	615,221	13,159	-	-	2,812
Debt securities	TRA	LOANS	1/7/08	157,895	145,472	5,899	- 602	- 2,053	1,597
Debt securities	AFS	LOANS	1/7/08	74,327	69,847	1,748	-	- 280	345
Total loan portfolio (banks and clients)				232,222	215,319	7,647	- 602	- 2,333	1,942
Total reclassified financial assets				**853,481**	**834,945**	**20,020**	**-938**	**-3,515**	**4,418**

A.3.2 Fair Value Hierarchy

The information on the fair value hierarchy defined in the new 27 A of IFRS 7 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.
Specifically, there are three levels:
- Level 1: quotations based on the observable market prices of current transactions surveyed on active markets in accordance with IAS 39 involving the same instrument, without any type of adjustment;
- Level 2: inputs other than the price quotations indicated above, but still based on data observable on the market either directly (prices) or indirectly (price-derived data);
- Level 3: inputs not based on observable market data.

For example, Level 2 values include:
- Market prices for similar assets drawn from markets considered to be active;
- Market prices of identical or similar assets drawn from markets considered to be inactive;
- Inputs other than market prices that still represent observable market data (for example, interest rates and yield curves, volatilities, CDSs, credit risks, default rates, etc.);
- Inputs that are primarily derived from or corroborated by observable market data through the use of correlation or other techniques.

Level 3 valuations are based on inputs not observable on the market and are appropriate for securities for which there is no market activity. Such measurements thus include subjective assessments of the parameters that the market would use to price financial instruments on the basis of the best available information at the reporting date.

Paragraph 27B requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:
1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2) 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, purchases and sales, and transfers out of Level 3 due to the use of market data.

In order to determine the fair value level of the inputs used, it is sometimes crucial to determine whether the data in question are drawn from a market considered active. For example, the Group's corporate securities portfolio includes a number of positions listed on foreign markets that are illiquid or are considered inactive but are customarily traded in exchanges between operators on platforms such as Bloomberg.
As stated above, in such circumstances, in order to determine whether there is an active market, the Group has used quantitative parameters consisting of the existence of an adequate number of ask/bid counterparties, the presence of a limited bid/ask spread with the largest amounts, and a certain continuity of price quotations during the last month.

A.3.2.1 Breakdown of Accounting Portfolios by Fair Value Level

			31/12/2009		
Financial assets/liabilities at fair value	L1	L2	L3	at cost	Total
1. Financial assets held for trading	131,212	69,094	18,247		218,553
2. Financial assets at fair value					-
3. Financial assets available for sale	1,179,565	294,575	5,117	2,670	1,481,927
4. Hedging derivatives					-
Total	**1,310,777**	**363,669**	**23,364**	**2,670**	**1,700,480**
1. Financial liabilities held for trading		494			494
2. Financial Liabilities at fair value					-
3. Hedging derivatives					-
Total	**-**	**494**	**-**	**-**	**494**

At the reporting date, Banca Generali's portfolios designated at fair value consist solely of the portfolio of assets and liabilities held for trading and the portfolio of financial assets available for sale (AFS).

The financial assets in the trading portfolio that fall into Level 1 consist largely of Italian government bonds, short-term European bank bonds, and, to a residual extent, equity securities listed on regulated Italian and European markets.
Level 2 consists of money-market UCITS not listed on regulated markets (33.1 million euros) and, for the remainder, (35.8 million euros), a limited basket of bonds listed on regulated markets but with small circulations, including foreign government bonds, bank bonds and senior-type notes.

The financial assets in the AFS portfolio that fall into Level 1 consist largely of Italian and foreign government bonds, bonds issued by international institutions and government-owned firms and bank bonds from the major euro-area countries. This category also includes equity securities listed on regulated Italian and European markets.
Level 2 assets also include Italian bank bonds and bonds from the major euro-area countries and foreign government bonds with smaller circulations (chiefly German bonds).
The Level 2 portfolio also includes derivative financial assets and liabilities consisting of currency outrights and interest rate swaps (IRSs) valued according to observable market parameters.

The criteria used during the year to determine whether there is an active market for a security are somewhat stricter than those used in the previous years and cannot readily be applied retroactively.
Accordingly, the current arrangement by fair value levels is partially discontinuous with the previous distinction between listed and unlisted securities.
For this reason, although there has been a clear improvement in market conditions, the share of securities that fall into Level 1 does not appear to have increased significantly as compared to securities that fall into Level 2.

The Level 3 financial assets in the trading portfolio consist of the investment in the Quarzo 1 notes. These notes were created through the securitisation of residential mortgages (i.e., they are RMBSs) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Assicurazioni Generali Group.

The Level 3 financial assets in the AFS portfolio consist of the investment in the private-equity vehicle Athena Private Equity, which became impaired during the year and has been valued on the basis of its most recent approved financial statements. There is also a residual amount of equity securities that fall into the category of what are known as “minor equity investments” (CSE, GBS Caricese, SWIFT, etc.) and are measured at cost in the absence of reliable estimates of fair value.

Within the portfolios analysed, no securities were transferred into or out of Level 3.

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.

BANCA GENERALI

Part B – Information on the Balance Sheet – Assets

SECTION 1 - Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

Items/Values	31/12/2009	31/12/2008
a) Cash	7,137	7,469
b) Demand deposits with central banks	-	-
Total	**7,137**	**7,469**

SECTION 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: categories

	31/12/2009			31/12/2008	
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2-3
A. Cash					
1. Debt securities	130,110	35,834	18,247	650,335	5,330
1.1 Structured securities	-	-	-	-	-
1.2. Other debt securities	130,110	35,834	18,247	650,335	5,330
2. Equity securities	1,097	-	-	4,178	-
3. UCIT units	4	33,150	-	-	1,393
4. Loans	-	-	-	-	-
4.1. Repurchase agreements	-	-	-	-	-
4.2. Other	-	-	-	-	-
Total A	**131,211**	**68,984**	**18,247**	**654,513**	**6,723**
B. Derivatives					
1. Financial derivatives	-	110	-	-	853
1.1 Held for trading	-	110	-	-	853
1.2. Related to the fair value option	-	-	-	-	-
1.3. Other	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-
2.2. Related to the fair value option	-	-	-	-	-
2.3. Other	-	-	-	-	-
Total B	**-**	**110**	**-**	**-**	**853**
Total (A+B)	**131,211**	**69,094**	**18,247**	**654,513**	**7,576**

Measurement of fair value

The fair value of the trading portfolio is usually determined based on trading market quotations for cash assets (Level 1). There are however some debt securities and OICR quotas non listed on active markets (Level 2/Level 3) for which alternative measurement methods are used, mainly based on market parameters (level 2). This method is usually applied also to OTC financial derivatives. For a more detailed analysis of the measurement of fair value of financial instruments please refer to Part A.3 of these Notes.

2.2 Financial assets held for trading: debtors/issuers

Items/Values	31/12/2009	31/12/2008
A. Cash		
1. Debt securities	184,191	655,665
a) Governments and central banks	123,933	429,983
b) Other public institutions	-	-
c) Banks	29,965	151,737
d) Other issuers	30,293	73,945
2. Equity securities	**1,097**	**4,178**
a) Banks	3	-
b) Other issuers	1,094	4,178
- insurance companies	719	786
- financial companies	16	622
- non-financial companies	359	2,770
- other entities	-	-
3. UCIT units	**33,154**	**1,393**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	**218,442**	**661,236**
B. Derivatives		
a) Banks	110	853
b) Customers	-	-
Total B	**110**	**853**
Total (A+B)	**218,552**	**662,089**

2.3 Financial assets held for trading: year changes

	Debt securities	Equity securities	OICR quotas	Financing	Total
A. Amount at year-start	**655,665**	**4,178**	**1,393**	**-**	**661,236**
B. Increases	**1,348,791**	**2,665,758**	**698,433**	**-**	**4,712,982**
B1. Purchases	1,337,262	2,649,593	697,847	-	4,684,702
B2. Positive changes in fair value	318	52	353	-	723
B3. Other changes	11,211	16,113	233	-	27,557
C. Decreases	**1,820,265**	**2,668,839**	**666,672**	**-**	**5,155,776**
C1. Sales	1,808,535	2,602,323	666,573	-	5,077,431
C2. Repayments	2,423	-	-	-	2,423
C3. Negative changes in fair value	1,195	23	96	-	1,314
C4. Transfer to other portfolios	-	-	-		-
C5. Other changes	8,112	66,493	3	-	74,608
D. Amount at year-end	**184,191**	**1,097**	**33,154**	**-**	**218,442**

The item “B.3 Other changes” includes final dividend accruals, final premiums/discounts, and gains on disposal.
The item “C.5 Other changes” includes initial dividend accruals, initial premiums/discounts, and losses on disposal.
The item also includes losses on the disposal of equity securities under equity-swap transactions.

SECTION 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: categories

Items/Values	31/12/2009 Level 1	Level 2	Level 3	31/12/2008 Level 1	Level 2-3
1. Debt securities	1,170,594	294,575	-	612,716	168,428
1.1 Structured securities			-		
1.2. Other debt securities	1,170,594	294,575	-	612,716	168,428
2. Equity securities	8,971	-	7,787	8,786	9,109
2.1 Valued at fair value	8,971	-	5,117	8,786	-
2.2 Valued at cost	-	-	2,670	-	9,109
3. UCIT units	-	-	-	-	-
4. Loans	-	-	-	-	-
Total	**1,179,565**	**294,575**	**7,787**	**621,502**	**177,537**

Measurement of fair value
The fair value of the trading portfolio of assets available for sale is usually determined based on trading market quotations for cash assets (Level 1). There are however some debt securities and OICR quotas non listed on active markets (Level 2/Level 3 3) or which alternative measurement methods are used, mainly based on market parameters (level 2). This method is usually applied also to OTC financial derivatives. For a more detailed analysis of the measurement of fair value of financial instruments please refer to Part A.3 of these Notes.

The AFS portfolio also includes the remianing amoount of equity investment included in the so-called "lower equity investments", for the most part linked to service contracts entered into by the group (CSE, GBS Caricese, SWIFT, etc.). These equity invest.

Impairment
In accordance with the IFRS AFS financial assets have been tested for impairment to check wether there are objective signs that their book value cannot be whollly recovered. Further details on the criteria followed to test AFS assets for impairment is given in Part A - Accounting Policies, in the Notes."

As a result of the test, impairment losses have been identified for the following positions:
- Debt securities: BBVA (ES0314227036) for 808 thousand euros and Lehman securities, which had already been subject to impairment losses in 2008, for further 51 thousand euros.
- Athena Private Equity equity securities amounting to 2,165 thousand of euros.
- Other equity securities arising form the reclassification in the prior year for 1,198 thousand euros.

4.2 Financial assets available for sale: debtors/issuers

Items/Values	31/12/2009	31/12/2008
1. Debt securities	**1,465,169**	**781,144**
a) Governments and central banks	1,095,437	605,552
b) Other public institutions	14,031	
c) Banks	300,300	126,286
d) Other issuers	55,401	49,306
2. Equity securities	**16,757**	**17,895**
a) Banks	3,100	3,888
b) Other issuers	13,657	14,007
- insurance companies	1,049	1,030
- financial companies	6,377	7,813
- non-financial companies	6,231	5,164
- other entities	-	-
3. UCIT units	**-**	**-**

(continues)

(continues)

Items/Values	31/12/2009	31/12/2008
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**1,481,926**	**799,039**

4.4 Financial assets available for sale: year changes

	Debt securities	Equity securities	OICR quotas.	Financing	Total
A. Amount at year-start	**781,144**	**17,895**	**-**	**-**	**799,039**
B. Increases	**3,201,116**	**4,534**	**-**	**-**	**3,205,650**
B1. Purchases	3,166,818	2,046	-	-	3,168,864
B2. Positive changes in fair value	6,836	418	-	-	7,254
B3. Reversal value	-	-	-	-	-
- profit and loss account	-	X	-	-	-
- net equity	1,365	1,198	-	-	2,563
B4. Transfer from other portfolios	-	818	-	-	818
B5. Other changes	26,097	54	-	-	26,151
C. Decreases	**2,517,091**	**5,672**	**-**	**-**	**2,522,763**
C1. Sales	2,497,633	1,864	-	-	2,499,497
C2. Repayments	-	-	-	-	-
C3. Negative changes in fair value	2,234	440	-	-	2,674
C4. Write-downs of non-performing loans	-		-	-	-
- profit and loss account	859	3,363	-	-	4,222
- net equity	-	-	-	-	-
C5. Transfer to other portfolios	-	-	-	-	-
C6. Other changes	16,365	5	-	-	16,370
D. Amount at year-end	**1,465,169**	**16,757**	**-**	**-**	**1,481,926**

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 im

Item B.4 "Transfer from other portfolios" refers to the reallocation of the remaining amount of the equity investment in Simgenia to AFS financial assets.

Item B.5 "Other changes - increases" includes adjustments arising on the valuation at amortised cost of securities, dividend accruals matured at the reporting date, and gains on disposals, net of any transfers of equity reserves.

Item C.3 "Negative changes in fair value" refers to the transfer of positive valuation reserves in excess of the impairment loss recognised in the profit and loss account.

Item C.4 "Write-downs of non-performing loans" refer to: equity securiteis of Atena Private Equity (2,165 thousand euros) and for the remaining amount other securities reclassified in the previous year (1,998 thousand euros); for equity securities it ref

Item C.6 "Other changes - decreases" include interest adjustments arising on the valuation at amortised cost, premiums and discounts, dividend accruals and any losses on disposals, net of any transfer of equity reserves.

SECTION 5 - Held-to-maturity financial assets - Item 50

5.1 Held-to-maturity financial assets: categories

	31/12/2009				31/12/2008		
			FV			FV	
	Book value	Level 1	Level 2	Level 3	Book value	L1	L2/L3
1. Debt securities	666,074	144,032	520,442	-	606,353	-	472,769
1.1 Structured securities	-				-		
1.2 Other debt securities	666,074	144,032	520,442		606,353	118,793	472,769
2. Loans	-	-			-	-	-
Total	**666,074**	**144,032**	**520,442**	**-**	**606,353**	**118,793**	**472,769**

5.2 Held-to-maturity financial assets: Debtors/Issuers

Type of transaction/Values	31/12/2009	31/12/2008
1. Debt securities	**666,074**	**606,353**
a) Governments and central banks	-	-
b) Other public institutions		
c) Banks	548,016	493,955
d) Other issuers	118,058	112,398
2. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**666,074**	**606,353**

5.4 Held-to-maturity financial assets: year changes

	Debt securities	Financing	Total
A. Amount at year-start	606,353	-	606,353
B. Increases	69,572	-	69,572
B1. Purchases	61,291	-	61,291
B2. Reversal value	-	-	-
B3. Transfer from other portfolios	-	-	-
B4. Other changes	8,281	-	8,281
C. Decreases	9,851	-	9,851
C1. Sales	2,020	-	2,020
C2. Repayments	-	-	-
C3. Adjustments	-	-	-
C4. Transfer to other portfolios	-	-	-
C5. Other changes	7,831	-	7,831
D. Amount at year-end	666,074	-	666,074

Other changes - increases (B.4) include dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate.

Other changes - 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.

Impairment
In accordance with the IFRS, Held-to-maturity financial assets have been tested for impairment and no impairment losses have been identified. Further information on the impairment test of financial assets is given in Part A - Accounting Policies in the Notes".

SECTION 6 - Loans to banks - Item 60

6.1 Breakdown of item loans to banks: categories

Type of transaction/Values	31/12/2009	31/12/2008
A. Loans to central banks	**188,206**	**227,864**
1. Term deposits	165,045	194,000
2. Mandatory reserve	23,161	33,864
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**431,513**	**679,984**
1. Current accounts and demand deposits	100,395	118,594
2. Term deposits	212,792	482,975
3. Other:	5,621	-
3.1 Repurchase agreements	-	-
3.2 Finance lease	-	-
3.3 Other	5,621	-
4. Debt securities	112,705	78,415
4.1 Structured securities	-	-
4.2. Other debt securities	112,705	78,415
Total (book value)	**619,719**	**907,848**
Total (fair value)	**618,297**	**905,799**

Item "4. Debt securities" refers to the securities reclassified from the portfolios held for trading and AFS financial assets for the previous year.

Breakdown of item loans to banks - other transactions

Type of transaction/Values	31/12/2009	31/12/2008
Subordinated loan	4,651	-
Operating loans	969	-
Other	1	-
Total	**5,621**	**-**

The subordinated loan amounting to 4,650 thousand euros is a receivabel from the subsidiary Banca BSI Italia and was acquired during 2009, following the authorisation by the Bank of Italy, from the former shareholder of Banca Bsi SA. The loan has an indefinite maturity, with an early notice of 5 years for extinction.

SECTION 7 - Loans to customers - Item 70

7.1 Loans to customers: categories

Type of transaction/Values	31/12/2009 Performing loans	31/12/2009 Non-performing loans	31/12/2008 Performing loans	31/12/2008 Non-performing loans
1. Current accounts	114,516	875	77,019	701
2. Repurchase agreements	-		-	
3. Loans	44,591	102	37,572	
4. Credit cards, personal loans and loans on wages	-		-	
5. Finance lease	-		-	
6. Factoring	-		-	
7. Other transactions	63,817	948	111,979	
8. Debt securities	201,208		247,071	
8.1 Structured securities	-		-	
8.2. Other debt securities	201,208		247,071	
Total (book value)	**424,132**	**1,925**	**473,641**	**701**
Total (fair value)	**408,825**	**1,925**	**452,809**	**701**

Item 8 "Debt securities" refers to the capitalisation policy Gesav in the amount of 29,439 thousand euros and for the remaining amount to revenues reclassified from trading asset portfolios and AFS financial assets based on the amendments to IAS 39 introduced by the European Commission Regulation No. 1004 of 15 October 2008.

Impairment
In accordance with the IFRS, debt securities classified among loans to banks and clients have been tested for impaimrent. Further information on the impairment test carried out on financial assets is given Part A – Account Policies in the Notes.

As a result of the impairment test, 2,334 thousand euro impairment losses have been recognised in connection with four positions.

Breakdown of item loans to customers - other transactions

Type of transaction/Values	31/12/2009	31/12/2008
Pooled financing	22.568	44.342
Other short-term financing	10.015	10.690
Interest-bearing daily margins Italian Stock Exchange	5.231	56.113
Sums advanced to financial advisors	8.671	-
Operating receivables	15.989	-
Interest-bearing caution deposits	209	267
Amounts to be collected	2.082	567
Total	**64.765**	**111.979**

7.2 Loans to customers: debtors/issuers

Type of transaction/Values	31/12/2009 Performing loans	31/12/2009 Non-performing loans	31/12/2008 Performing loans	31/12/2008 Non-performing loans
1. Debt securities	**201,208**		**247,071**	**-**
a) Governments	-		-	
b) Other public institutions	-		-	
c) Other issuers	201,208		247,071	
- non-financial companies	11,748		7,620	
- financial companies	155,163		206,283	
- insurance companies	34,297		33,168	
- other entities	-		-	
2. Loans	**222,924**	**1,925**	**226,570**	**701**
a) Governments	-		-	
b) Other public institutions	-		-	
c) Other issuers	222,924	1,925	226,570	701
- non-financial companies	36,875	990	62,478	41
- financial companies	61,331	255	80,090	116
- insurance companies	3,588		1	
- other entities	121,130	680	84,001	544
Total	**424,132**	**1,925**	**473,641**	**701**

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	100%	100%
2. Bg Sgr S.p.A.	Trieste	100%	100%
3. Banca BSI Italia S.p.A.	Milan	100%	100%
4. Generali Fund Management S.A.	Luxembourg	51%	51%
5 Sant'Alessandro Fiduciaria S.p.A.	Milan	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)	16,052	4,593	265	7,469	11,779	X
2. Bg Sgr S.p.A.	35,003	41,548	9,330	26,711	15,893	X
3. Banca BSI Italia S.p.A. (2)	1,330,843	73,544	-21,958	61,832	114,155	X
4. S. Alessandro Fiduciaria S.p.A.	383	199	20	183	165	X

Name	Total assets	Revenue	Net profit (Loss)	Net equity	Book value	Fair Value (listed)
5. Generali Fund Management S.A.	90,816	151,973	73,422	62,754	2,000	X
Total	**1,473,097**	**271,857**	**61,079**	**158,949**	**143,992**	**-**

(1) The difference between the carrying value and net equity is due to the goodwill paid to acquire the company.

(2) The difference between the carrying value and net equity is due to the losses recognised by the company in 2009 and during previous years. On 31.08.2009, Banca Generali made another payment into the loss coverage account to replenish the loss of Euro 12 million incurred during the year.

An impairment test was carried out on both equity investments pursuant to IAS 36 and no impairment losses were identified. Further information on the impairment test procedures and results is given in Part A.2 in the Notes.

10.3 Equity investments: year changes

	31/12/2009	31/12/2008
A. Amount at year-start	**131,992**	**68,229**
B. Increases	**12,000**	**69,253**
B1. Purchases	12,000	69,253
B2. Reversal value	-	-
B3. Revaluations	-	-
B4. Other changes	-	-
C. Decreases	**-**	**5,490**
C1. Sales and repayments	-	-
C2. Adjustments	-	27
of which permanent write-downs	-	27
C3. Other changes	-	5,463
D. Amount at year-end	**143,992**	**131,992**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

Breakdown of changes in equity investments

	31/12/2009	31/12/2008	Change
Bg Fiduciaria Sim S.p.A.	11,779	11,779	-
Bg Sgr S.p.A.	15,893	15,893	-
Banca BSI S.p.A.	114,155	102,155	12,000
S. Alessandro Fiduciaria S.p.A.	165	165	-
Generali Fund Management S.A.	2,000	2,000	-
Total	**143,992**	**131,992**	**12,000**

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SECTION 11- Property and equipment - Item 110

11.1 Property and equipment: breakdown of assets valued at cost

Assets/Values	31/12/2009	31/12/2008
A. Operating assets		
1.1 Owned assets	**3,187**	**4,013**
a) land	-	-
b) buildings	-	-
c) furniture	1,878	2,449
d) electronic equipment	108	110
e) other	1,201	1,454
1.2 Acquired under finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**3,187**	**4,013**
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)	**3,187**	**4,013**

11.3 Operating assets: year changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross amount at year-start	**-**	**-**	**10,798**	**744**	**4,914**	**16,456**
A.1 Total net impairment	-	-	8,349	634	3,460	12,443
A.2 Net amount at year-start	**-**	**-**	**2,449**	**110**	**1,454**	**4,013**
B. Increases:			**216**	**51**	**184**	**451**
B.1 Purchases			216	51	184	451
B.2 Capitalised improvement costs						-
B.3 Reversal value						-
a) net equity						-
b) profit and loss account						-
B.4 Fair value positive change in						-
a) net equity						-
b) profit and loss account						-
B.5 Exchange gains						-
B.6 Transfer of buildings held as investments						-
B.7 Other changes					-	-
C. Decreases:			**787**	**53**	**437**	**1,277**
C.1 Sales			-	-	-	-
C.2 Depreciation			787	53	437	1,277
C.3 Adjustments due to impairment recognised in						-
a) net equity						-
b) profit and loss account						-
C.4 Fair value negative changes in						-
a) net equity						-
b) profit and loss account						-
C.5 Exchange losses						-
C.6 Transfers to:						-
a) property and equipment held as investments						-
b) assets held for sale						-
C.7 Other changes			-	-	-	-
of which business combination transactions			-	-	-	-
D. Net amount at year end			**1,878**	**108**	**1,201**	**3,187**
D.1 Total net impairment			9,136	687	3,897	13,720
D.2 Gross amount at year-end			**11,014**	**795**	**5,098**	**16,907**
E. Valued at cost			1,878	108	1,201	3,187

SECTION 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset

	31/12/2009		31/12/2008	
Assets/Values	Specified maturity	Unspecified maturity	Specified maturity	Unspecified maturity
A.1 Goodwill		2,991		2,991
A.2 Other intangible assets	3,578	-	3,309	-
A.2.1 Assets valued at cost:	3,578	-	3,309	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	3,578	-	3,309	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**3,578**	**2,991**	**3,309**	**2,991**

12.2 Intangible assets: year changes

		Other intangible assets: internally generated		Other intangible assets: Other		
	Goodwill	Specified maturity	Unspecified maturity	Specified maturity	Unspecified maturity	Total
A. Gross amount at year-start	**2,991**			**38,748**		**41,739**
A.1 Total net impairment				35,439		35,439
A.2 Net amount at year-start	**2,991**	**-**	**-**	**3,309**	**-**	**6,300**
B. Increases	**-**	**-**	**-**	**2,427**	**-**	**2,427**
B.1 Purchases	-	-	-	2,427	-	2,427
B.2 Increase of internal intangible assets	-	-	-	-	-	-
B.3 Reversal value	-	-	-	-	-	-
B.4 Fair value positive changes in	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- profit and loss account	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B0.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	2,158	-	2,158
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	2,158	-	2,158
- Amortisation	-	-	-	2,158	-	2,158
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	-	-	-	-	-	-
+ statement of operations	-	-	-	-	-	-
C.3 Fair value negative changes	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- profit and loss account	-	-	-	-	-	-
C.4 Transfer to non-current assets						
of assets available for sale	-	- -	-	-	-	

(continues)

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(continues)

	Goodwill		Other intangible assets: internally generated		Other intangible assets: Other		Total
			Specified maturity	Unspecified maturity	Specified maturity	Unspecified maturity	
C.5 Exchange losses	-	-	-	-	-	-	
C.6 Other changes	-	-	-	-	-	-	
of which business combination transactions		-	-	-	-		
D. Amount at year-end	2,991	-	-		3,578	-	6,569
D.1 Total net adjustments					37,597		37,597
E Gross amount at year-end	2,991				41,175		44,166
F. Valued at cost	2,991	-	-		3,578	-	6,569

Details of intangible assets - other assets

	31/12/2009	31/12/2008
Charges associated with the implementation of legacy CSE procedures	3,303	1,989
Commissions to be amortised	85	219
Other software costs	188	140
Trademarks	2	2
Advance payments on intangible assets	-	959
Total	**3,578**	**3,309**

Godwill arose from the merger of Prime Consult SIM and INA SIM, was tested for impairment in accordance with IAS IAS 36, and no impairment losses were identified. Further information on the impairment test procedures and results is given in Part G in the Notes

SECTION 13 - Tax receivables and payables - Item 130 (Assets) and Item 80 (Liabilities)

Breakdown of item 130 (Assets): tax receivables

Type of transaction/Values	31/12/2009	31/12/2008
Current taxation	**4,324**	13,730
- IRES arising on National Tax Consolidation	4,085	9,756
- IRAP	-	736
- IRPEG refund receivables	239	3,238
Deferred tax receivables	9,699	11,928
With impact on profit and loss account	8,020	8,274
- IRES	7,473	7,760
- IRAP	547	514
With impact on net equity	1,679	3,654
- IRES	1,433	3,154
- IRAP	246	500
Total	14,023	25,658

Current tax assets represent the net positive unbalance between IRES and IRAP taxes payable for the year and related to net of related payments on account and withholdings.
Since Banca Generali participates in the tax consolidation regime of Assicurazioni Generali net IRES receivable represents an asset for the latter.

Breakdown of tax payables - item 80

Type of transaction/Values	31/12/2009	31/12/2008
Current taxation	**336**	**36**
- IRES arising on National Tax Consolidation	-	36
- IRAP	336	-
Deferred tax payables	**1,991**	**1,848**
With impact on profit and loss account	**665**	**808**
- IRES	615	736
- IRAP	50	72
With impact on net equity	**1,326**	**1,040**
- IRES	1,161	911
- IRAP	165	129
Total	**2,327**	**1,884**

13.1 Breakdown of deferred tax receivables:

Type of transaction/Values	31/12/2009	31/12/2008
With impact on profit and loss account	**8,020**	**8,274**
Previous fiscal losses	-	221
Provisions for liabilities and contingencies	5,340	4,794
Write-down of securities	886	1,026
Credit devaluation	740	660
Other operating expenses	1,054	1,573
With impact on net equity	**1,679**	**3,654**
Measurement of financial assets available for sale at their fair value	1,679	3,654
Total	**9,699**	**11,928**

13.2 Breakdown of deferred tax payables:

Type of transaction/Values	31/12/2009	31/12/2008
With impact on profit and loss account	**665**	**808**
Write-up of security portfolio and off-balance sheet transactions	-	202
Goodwill, excluding off-balance sheet transactions (section EC)	438	379
Provision for post-employment benefits (IAS19)	227	227
Capital gains by instalments	**-**	**-**
With impact on net equity	1,326	1,040
Measurement at fair value of financial assets available for sale	**1,326**	**1,040**
Total	**1,991**	**1,848**

13.3 Change in deferred tax receivables (offsetting entry to the profit and loss account)

	31/12/2009	31/12/2008
1. Amount at year-start	**8,274**	**10,988**
2. Increases	**3,797**	**3,553**
2.1 Deferred tax receivables for the period	3,569	3,475
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	3,569	3,475
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	228	78
3. Decreases	**4,051**	**6,267**
3.1 Deferred tax receivables eliminated in the period	3,612	6,251
a) transfers	3,612	6,251
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	439	16
of which business combinations	-	-
4. Amount at year-end	**8,020**	**8,274**

13.4 Change in deferred taxes (offsetting entry to the profit and loss account)

	31/12/2009	31/12/2008
1. Amount at year-start	**808**	**3,206**
2. Increases	**65**	**65**
2.1 Deferred tax payables for the period	65	65
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	65	65
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**208**	**2,463**
3.1 Deferred tax payables eliminated during the period	3	2,323
a) transfers	3	2,323
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	205	140
4. Amount at year-end	**665**	**808**

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13.5 Changes in deferred tax receivables (offsetting entry to the net equity)

	31/12/2009	31/12/2008
1. Amount at year-start	**3,654**	**363**
2. Increases	**85**	**3,452**
2.1 Deferred tax receivables for the period	85	3,452
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	85	3,452
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2,060**	**161**
3.1 Deferred tax receivables eliminated in the period	2,060	161
a) transfers	2,060	161
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**1,679**	**3,654**

13.6 Changes in deferred tax payables (offsetting entry to the net equity)

	31/12/2009	31/12/2008
1. Amount at year-start	**1,040**	**410**
2. Increases	**1,270**	**1,034**
2.1 Deferred tax payables for the period	1,270	1,034
a) relative to prior years		
b) change in accounting criteria	-	-
c) other	1,270	1,034
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**984**	**404**
3.1 Deferred tax payables eliminated during the period	984	404
a) transfers	984	404
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**1,326**	**1,040**

SECTION 14 - Non-current assets and groups of assets held for sale and associated liabilities - Item 140 (Assets) and Item 90 (Liabilities)

14.1 Non-current assets and groups of assets held for sale: breakdown by type of asset

	31/12/2009	31/12/2008
A. Individual assets		
A.1 Equity investments	-	5,456
A.2 Property and equipment		
A.3 Intangible assets		
A.4 Other non-current assets		
Total A	**-**	**5,456**
B. Groups of assets (discontinued operating units)		
B.1 Financial assets held for trading		
B.2 Financial assets at fair value		
B.3 AFS financial assets		
B.4 Financial assets held to maturity		
B.5 Loans to banks		
B.6 Loans to customers		
B.7 Equity investments		
B.8 Property and equipment		
B.9 Intangible assets		
B.10 Other assets		
Total B	**-**	**-**
C. Liabilities of individual assets held for sale		
C.1 Debts		
C.2 Securities		
C.3 Other liabilities		
C Total	**-**	**-**
D Liabilities of groups of assets held for sale		
D. 1 Due to banks		
D.2 Due to customers		
D.3 Outstanding securities		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities measured at fair value		
D.6 Provisions		
D.7 Other liabilities		
Total D	**-**	**-**
Total (A+B+C+D)	**-**	**5,456**

Non-current assets held for sale for 2008 consist of the equity investment in Simgenia S.p.A.

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SECTION 15 - Other assets - Item 150

15.1 Breakdown of other assets

	31/12/2009	31/12/2008
Fiscal items	**16,303**	**5,069**
Sums due from fiscal authorities for taxes to be refunded - stock exchange contract tax	-	1,575
Sums due from fiscal authorities for taxes to be refunded - other	173	171
Advances paid to fiscal authorities – current account withholdings (2)	10,377	-
Advances paid to fiscal authorities - stamp duty	5,673	3,202
Advances paid to fiscal authorities – substitute taxes on loans	-	44
Other sums due from fiscal authorities	80	77
Leasehold improvements	**787**	**1,199**
Credits and advances to advisors and agents (1)	**-**	**6,663**
Commission advances	-	4,703
Amounts receivables from former financial advisors, to be collected	-	741
Amounts receivable from former advisors	-	1,147
Amounts receivable from INA agents' network	-	72
Commercial loans due from product companies (1)	**348**	**17,640**
Sundry advances to suppliers and employees	**5,185**	**4,240**
Cheques under processing	**12,615**	**13,017**
C/a cheques drawn on third parties under processing	1,775	1,320
Our c/a cheques under processing c/o service	10,806	11,338
Cheques - other amounts under processing	34	359
Other amounts to be debited under processing	**9,401**	**17,059**
Amounts to be settled in the clearing house (debits)	1,876	7,240
Clearing accounts for securities and funds procedure	7,137	8,926
Other amounts to be debited under processing	388	893
Amounts receivable for legal disputes related to non-credit transactions	**146**	**154**
Trade receivables from customers and banks that cannot be traced back to specific items	**710**	**3,004**
Other amounts	**1,996**	**3,317**
Bg Security insurance policies as collateral for deferred bonus (1)	-	2,653
Other accrued income and deferred charges that cannot be traced back to specific items	1,947	602
Idle caution deposits	-	47
Sundry amounts	49	15
Total	**47,491**	**71,362**

(1) Trade receivables from product companies and to financial advisors were reclassified form other assets to loans to customers according to provisions included in the first update of Notice 262/2005 of 18 November 2009, described in greater detail in Part A.2 of the Notes.

(2) Sums due from fiscal authorities for withholdings on current accounts represent the asset arising on the difference between advance payments made and the relevant sum due 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 transaction/Values	31/12/2009	31/12/2008
1. Due to central banks	**-**	**-**
2. Due to banks	**1,034,333**	**885,117**
2.1 Current accounts and demand deposits	859,840	533,386
2.2 Term deposits	42,739	22,008
2.3 Loans	131,754	329,723
2.3.1 Repurchase agreements	131,754	329,723
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	-	-
Total	**1,034,333**	**885,117**
Total - fair value	**1,034,333**	**885,117**

SECTION 2 - Due to customers - Item 20

2.1 Due to customers categories

Type of transaction/Values	31/12/2009	31/12/2008
1. Current accounts and demand deposits	2,144,349	2,247,913
2. Term deposits	-	8,801
3. Loans	25,538	210,196
3.1 Repurchase agreements	25,538	210,196
3.2 Other	-	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	62,561	57,450
Total	**2,232,448**	**2,524,360**
Total - fair value	**2,232,448**	**2,524,360**

SECTION 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: categories

Type of transaction/Values	Nominal value	31/12/2009 Fair Value L1	L2	L3	FV*	31/12/2008 Fair Value
A. Cash liabilities						
1. Due to banks		-				-
2. Due to customers		-				-
3. Debt securities		-				-
3.1 Bonds		-				-
3.1.1 Structured		-			X	-
3.1.2 Other bonds		-			X	-
3.2 Other securities		-				-
3.2.1 Structured		-			X	-
3.2.2 Other		-			X	-
Total A		**-**				**-**
B. Derivatives						
1. Financial derivatives		**-**	**494**	**-**		**849**
1.1 trading	X	-	494	-	X	849
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		**-**	**494**	**-**		**849**
Total (A+B)		**-**	**494**	**-**		**849**

(*) FV fair value calculated excluding value changes due to the change of the credit merit of the issuer compared to that at the issue date.*

SECTION 8 - Tax payables - Item 80

Breakdown of tax payables - item 80

Section 14 (Assets) provides a breakdown of deferred taxation.

SECTION 10 - Other liabilities - Item 100

10.1 Breakdown of other liabilities

	31/12/2009	31/12/2008
Trade payables	**17,496**	**22,044**
Due to suppliers	17,496	11,748
Due to agents and advisors (1)	-	10,296
Due to staff and Social Security institutions	**9,055**	**4,107**
Due to staff for accrued holidays etc.	3,312	1,729
Due to staff for productivity bonuses (2)	3,227	-
Contributions to be paid to social security institutions	1,302	1,041
Contributions to advisors to be paid to Enasarco	1,214	1,337
Tax authorities	**4,821**	**6,797**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	979	1,609
Withholding taxes to be paid to tax authorities on behalf of customers	1,709	4,711
Notes to be paid in to collection services	2,002	461
VAT payable	131	16
Third-party assets available for customers	**2,261**	**8,178**
Sums made available to customers	1,645	7,009
Sums to be paid to La Venezia Assicurazioni	616	1,169
Amounts to be debited under processing	**58,740**	**42,797**
Bank transfers, cheques and other sums payable	12,946	6,203
Amounts to be settled in the clearing house (credits)	27,687	24,527
Liabilities from reclassification of portfolio subject to collection (SBF)	5,928	4,235
Other amounts to be debited under processing	12,179	7,832
Sundry items	**1,104**	**1,363**
Amounts to be credited	215	250
Sundry items	820	1,066
Accrued expenses and deferred income	69	47
Total	**93,477**	**85,286**

(1) amounts due to financial advisors have been reclassified from other liabilities to loans to customers based on the provisions of the first update to Notice 262/2005 of 18 November 2009, as reported in greater detail in Part A.2 of the Notes.

(2) Amounts due to employees for production bonuses to be paid in the following year refer to the portion of variable remuneration to be paid to managers and employees for which there are legal obligations that can be reliably estimated, e.g. CIA-related bonuses, managerial bonuses linked to Balance scorecards (MBOs) and contractually agreed upon incentive plans for sales personnel, which in 2008 were inlcuded in item 120 Provisions for liabilities and charges.

SECTION 11 - Provisions for termination indemnity - Item 110

11.1 Provisions for termination indemnity: year changes

	31/12/2009	31/12/2008
A. Amount at year-start	**3,246**	**3,535**
B. Increases	**129**	**119**
B.1 Provisions for the period	129	119
B.2 Other increases	-	-
C. Decreases	**443**	**408**
C.1 Amounts paid	298	290
C.2 Other decreases	145	118
of which business combination transactions	-	-
D. Amount at year-end	**2,932**	**3,246**

11.2 Other information

The amount of termination indemnity can be considered as a non financial defined benefit plans 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.

	31/12/2009	31/12/2008
Current service cost	8	-
Interest cost	121	119
Curtailment effect		-
Actuarial gains & losses	-	-
(Corridor method)		
Total provisions for the financial year	**129**	**119**
Book value	2,932	3,246
Actuarial gains & losses not recognised	346	293
(Corridor method)		
Actuarial value	**3,278**	**3,539**
Value calculated Re. art. 2120 of the Italian Civil Code	**4,003**	**4,214**

SECTION 12 - Provisions for liabilities and contingencies - Item 120

12.1 Provisions for liabilities and contingencies:

Items/Values	31/12/2009	31/12/2008
1. Company provisions for pensions	**-**	**-**
2. Provisions for liabilities and contingencies	**18,843**	**17,062**
2.1 litigation	6,298	3,484
2.2 staff	1,373	3,481
2.3 Other	11,172	10,097
Total	**18,843**	**17,062**

Breakdown of oher provisions for liabilities and contingencies

	31/12/2009	31/12/2008
Provision for staff expenses	**1,373**	**3,481**
Provisions for legal disputes	**6,298**	**3,484**
Provision for risks connected with advisors' embezzlements	3,415	1,613
Provision for other legal disputes with advisors	813	476
Provision for risks related to legal disputes with staff	613	539
Provision for other legal disputes	1,457	856
Provision for termination indemnity of advisors	**4,477**	**3,483**
Provision for termination indemnity	4,166	3,334
Provision for portfolio overcommission indemnities	311	149
Provision for commissions to be paid out	**6,695**	**6,614**
Provision for network development incentives	5,779	5,233
Provision for commissions – travel incentives	632	1,099
Provision for commissions – other	180	173
Provision for loyalty bonuses	104	109
Other provisions for liabilities and contingencies	**-**	**-**
Total	**18,843**	**17,062**

12.2 Provisions for liabilities and contingencies: year changes

	Provisions for pensions	Other provisions	Total
A. Amount at year-start	**-**	**17,062**	**17,062**
B. Increases	**-**	**9,754**	**9,754**
B.1 Provisions for the period	-	9,754	9,754
B.2 Other increases	-	-	-
C. Decreases	**-**	**7,973**	**7,973**
C.1 Use in the period	-	5,290	5,290
C.2 Other decreases	-	2,683	2,683
of which business combination transactions		-	-
D. Amount at year-end	**-**	**18,843**	**18,843**

Provisions for Liabilities and Contingencies: details of movements

	31/12/2008	Uses	Surplus	Other changes	Provisions	31/12/2009
Provision for staff expenses	**3,481**	**-2,063**	**-1,418**	**-**	**1,373**	**1,373**
Provisions for legal disputes	**3,484**	**-487**	**-325**	**-**	**3,626**	**6,298**
Provision for risks connected with advisors' embezzlements	1,613	-154	-80	-	2,036	3,415
Provision for other legal disputes with advisors	476	-166	-2	-	505	813
Provision for risks related to legal disputes with staff	539	-	-	-	74	613
Provision for other legal disputes	856	-167	-243	-	1,011	1,457
Provision for termination indemnity of advisors	**3,483**	**-114**	**-124**	**-**	**1,232**	**4,477**
Provision for termination indemnity	3,334	-101	-111	-	1,044	4,166
Provision for portfolio overcommission indemnities	149	-13	-13	-	188	311
Provision for commissions to be paid out	**6,614**	**-2,626**	**-816**	**-**	**3,523**	**6,695**
Provision for risks related to network development incentives	5,233	-1,395	-770	-	2,711	5,779
Provision for commissions – travel incentives	1,099	-1,058	-41	-	632	632
Provision for commission plans	173	-173	-	-	180	180
Provision for loyalty bonuses	109	-	-5		-	104
Other provisions for liabilities and contingencies	**-**	**-**	**-**	**-**	**-**	**-**
Other provisions	**-**	**-**	**-**	**-**	**-**	**-**
Total	**17,062**	**-5,290**	**-2,683**	**-**	**9,754**	**18,843**

12.4 Provisions for liabilities and contingencies - other provisions - details

Provision for staff expenses

Following the first update to Circular No. 262 concerning the basis of presentation and preparation of bank financial statements, it is specified that expenses relating to productivity bonuses to be paid to salaried employees in the following year are to be reclassified to other current liabilities.
Accordingly, this aggregate does not include the portion of variable compensation to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the integrative corporate contract (CIAs), managerial bonuses relating to balance scorecards (MBOs) and contractual incentive plans for sales staff totalling 11.4 million euros, reclassified to item 100 "Other liabilities".
Accordingly, non-contractual staff incentives for which it is currently believed that the requirements of IAS 19 have not been met represent 4.3 million euros of provisions for staff expenses. Sono inoltre inclusi alcuni stanziamenti per incentivi all'esodo non ancora perfezionati alla data di bilancio.

Provisions for legal disputes

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

Provisions for advisers' termination indemnity

These provisions include additional allowances for the sales network customers, the portfolio overvaluation allowance paid at certain conditions depending on the size of the portfolio managed at the date of severance, and other provisions established by merged company INA SIM (loyalty bonus) prior to incorporation. The decrease in the additional allowances for sales network customers may be attributed to the updating of the parameters used to conduct an actuarial appraisal of the amount of the provision (turnover rates).

Provisions for commissions to be paid out

These provisions refer mainly to Group commitements related to recruitment plans for middle-term expansion of managed portfolios.

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 the company for 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.

Provisions for tax disputes

At 31 December 2009 there were no significant tax disputes, however a tax assessment is being carried out by the Italian tax authorities on the results of financial year 2007. At the moment, this tax assessment has not led to any official findings being serviced to the Company.

SECTION 14 - Shareholders' equity of the company - Items 130,150, 160, 170, 180, 190 and 200

14.1 Breakdown of capital and treasury shares

	Unit value	Number	Nominal value (euro)	Book value (€ thousand)
Share capital				
- ordinary shares	1.00	111,313,176	111,313,176	111,313
Treasury shares				
- ordinary shares	1.00	-399,667	-399,667	-3,851
		110,913,509	**110,913,509**	**107,462**

14.2 Capital - No. of Shares: year changes

Items/Type	Ordinary	Other
A. Existing shares at year-start	**111,313,176**	**-**
- paid up	111,313,176	-
- partially paid	-	-
A.1 Treasury shares (-)	-697,146	-
B.2 Outstanding shares: at year start	**110,616,030**	**-**
B. Increases	**297,479**	**-**
B.1 Newly issued shares		
- against payment:	**-**	**-**
- business combination transactions	-	-
- bonds conversion	-	-
- Exercise of warrant	-	-

(continues)

(continues)

Items/Type	Ordinary	Other
- other	-	-
- for free:	**-**	**-**
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	297,479	-
B0.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C0.4 Other changes	-	-
D. Outstanding shares: at year-end	**110,913,509**	**-**
D.1 Treasury shares (+)	399,667	-
D.2 Existing shares at year-end	111,313,176	-
- paid up	111,313,176	-
- partially paid	-	

14.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 111,313,176 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.
During the period, the company also allotted the whole tranche of the shares for the stock granting plan for 278,284 shares for a book value of 2,726 thousand euros.
With reference to the stock granting plan, a total of 19,195 shares were granted free of charge to financial advisors of the former Prime Consult network for a total value of 79 thousand euros.

14.4 Income reserves: further information

	31/12/2008	Allocation of profit	eplenishment of losses	Distribution of dividends	Purchase of treasury shares	Sale of treasury shares	Other increases	Other decreases	31/12/2009
Legal reserve	16,871	601	-	-	-	-	-	-	17,472
Unavailable reserve for treasury shares	6,652	-	-	-	-	-2,801	-	-	3,851
Unavailable reserve for shares of the parent company	1,364	-	-	-	-	-	-	-	1,364
Extraordinary reserve	2,475	-	-	-	-	2,722	-	-	5,197
Available reserve	-	-	-	-	-	-	-	-	-
Contribution to stock grant AG	648	-	-	-	-	-	-	-	648
Merger surplus	10,757	-	-	-	-	-	-	-	10,757
Share-based payments reserve (IFRS2)	9,615	-	-	-	-	-	4,170	-2,226	11,559
Reserve from income (loss) carried forward	-	4,789	-	-	-	-	-	-	4,789
Reserve from first-time application	2,995	-	-	-	-	-	-	-	2,995
Reserve from equity investment in Simgenia	-						8,588		8,588
Total	51,377	5,390	-	-	-	-79	12,758	-2,226	67,220

Contribution to stock grant AG reserve refers to the value of the shares alloted by Parent Company to the employees of the Banca Generali Group, according to the stock granting plan for employees of the Group launched upon the occasion of 175th annyversary.
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.

						Draw-downs 2007-2005	
	31/12/2008	Possible draw-downs (1)	Distributable portion	Distributable portion	Distributable portion	dividends	losses
Share capital	**111,313**		**-**	**-**	**-**		
Additional paid-in capital (3)	**22,309**	**ABC (3)**	**-**	**22,309**	**-**		
Reserves	**67,220**	**-**	**5,215**	**62,005**	**39,744**	**-11,996**	**-**
Legal reserve	17,472	B	-	17,472	-	-	-
Unavailable reserve for treasury shares	3,851	B	3,851	-	-	-	-
Reserve for shares of the Parent Company	1,364	B	1,364		-	-	-
Extraordinary reserve	5,197	ABC	-	5,197	5,197	-	-
Available reserve	-		-	-	-	-	-
Merger surplus - Prime S.p.A.	10,692	ABC	-	10,692	10,692	-6,656	-
Merger surplus - Altinia S.p.A.	65	ABC	-	65	65	-	-
Contribution to stock grant AG	648	ABC	-	648	648	-	-
Share-based payments reserve	11,559	ABC	-	11,559	11,559	-	-
Reserve from income (loss) carried forward	4,789		-	4,789	-	-5,340	-
Riserva cessione partecipazione Simgenia	8,588	ABC		8,588	8,588		
Reserve from first-time application	2,995	ABC	-	2,995	2,995	-	-
Valuation reserves	**-1,602**		**-1,641**	**39**	**39**		
Revaluation reserves	39	ABC	-	39	39	-	-
Negative fair value reserve for AFS debt securities (2)	6		6	-	-	-	-
Negative fair value reserve for AFS equity securities (2)	**-1,647**		**-1,647**	**-**	**-**	**-**	**-**
Net profit (loss) for the year	**54,485**	**ABC**		**54,485**	**51,761**		
Net equity for accounting purposes	**253,725**		**3,574**	**138,838**	**91,544**		

(1) Availability refers to possible draw-downs for:
A capital increases
B coverage of losses
C distribution to shareholders
(2) Restricted reserve pursuant to article 6 of Legislative Decree No. 38/2005
(3) May not be distributed until the legal reserve has reached 1/5th of share capital

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Part B – Information on the Balance Sheet – Other Information

1. Guarantees issued and commitments

Transaction	31/12/2009	31/12/2008
1) Financial guarantees issued	**8,425**	**3,790**
a) Banks	5,196	-
b) Customers	3,229	3,790
2) Commercial guarantees issued	**1,168**	**391**
a) Banks	-	-
b) Customers	1,168	391
3) Irrevocable commitment to dispense funds	**1,765**	**7,449**
a) Banks	1,570	4,717
i) of certain use	1,570	1,009
ii) of uncertain use	-	3,708
b) Customers	195	2,732
i) of certain use	-	14
ii) of uncertain use	195	2,718
4) Underlying commitments to credit derivatives: hedging sales	**-**	**-**
5) Assets pledged as collateral of thirdy-party obligations	**-**	**-**
6) Other commitments	**-**	**-**
of which securities receivable for put option issued	-	-
Total	**11,358**	**11,630**

Financial guarantees to banks includes the commitment to FITD (interbank deposit protection fund) amounting to 5,196 thousand euros. In 2008, this item (6,192 thousand euros at 31 December 2008) was classified in accordance with applicable regulations issued by the Supervisory Body, among irrevocable commitments with banks of uncertain use.
Committments to grant specific-use funds to banks and customers only refer to financial committments for securities receivable.
Commitments with customers for indefinite use refer to the margins of irrevocable credit lines granted.
The commitment to increase the equity investment (AFS) in Athena Private Equity, which was included in the same item in the 2008 balance sheet) has expired.

2. Assets pledged as collateral for own liabilities and commitments

Portfolio	31/12/2009	31/12/2008
1. Financial assets held for trading	-	179,690
2. Financial assets at fair value	-	-
3. Financial assets available for sale	218,323	295,722
4. Held-to-maturity financial assets	14,571	60,419
5. Loans to banks	-	1,874
6. Loans to customers	-	7,465
7. Property and equipment	-	-
8. Intangible Assets	-	-
Total	**232,894**	**545,170**

Finanical assets given as guarantee of own liabilities and commitments refer only to purchase agreements with binding repurchase with customers.

Other Information

4. Management and trading on behalf of third parties

Type of service	31/12/2009	31/12/2008
1. Execution of orders on behalf of clients		
a) Purchases	**4,338,102**	**4,374,452**
1. settled	4,315,186	4,347,354
2. to be settled	22,916	27,098
b) sales	**4,615,606**	**3,836,896**
1. settled	4,587,549	3,826,127
2. to be settled	28,057	10,769
2. Asset management	**-**	**-**
a) individual	**-**	**-**
b) collective	-	-
3. Custody and administration of securities	**9,176,392**	**7,578,906**
(Excluding asset management)		
a) third party securities held in deposit		
related to services provided as depository bank	**953,335**	**-**
1. issued by the bank that prepares the financial statements	-	-
2. Other securities	953,335	-
b) other third-party securities held in deposit: other	**2,294,038**	**2,580,227**
1. issued by the bank that prepares the financial statements	43,449	47,270
2. Other securities	2,250,589	2,532,957
c) third-party securities deposited with third parties	**3,202,300**	**2,557,596**
d) portfolio securities deposited with third parties	**2,726,719**	**2,441,083**
4. Other transactions		

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Part C – Information on the Profit and Loss Account

SECTION 1 - Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

Items/Technical types	Securities debt	Financing	Other	31/12/2009	31/12/2008
1. Financial assets held for trading	8,075	-	-	8,075	58,938
2. Financial assets available for sale	21,087	-	-	21,087	30,979
3. Held-to-maturity financial assets	16,641	-	-	16,641	14,918
4. Loans to banks	3,239	5,336	-	8,575	41,440
5. Loans to customers	5,098	5,820	-	10,918	19,262
6. Financial assets at fair value	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8.°Other assets	-	-	19	19	207
Total	**54,140**	**11,156**	**19**	**65,315**	**165,744**

1.3 Breakdown of interest income and similar charges: further information

	31/12/2009	31/12/2008
1.3.1 Interest income on financial assets in foreign currencies	1,270	3,478
1.3.2 Interest income on finance lease transactions	-	-
1.3.3 Interest income on third-party funds under administration	-	-
Total	**1,270**	**3,478**

1.4 Breakdown of interest expense and similar charges

Items/Technical types	Debts	Securities	Other	31/12/2009	31/12/2008
1. Due to central banks	-	-	-	-	-
2. Due to banks	5,227	-	-	5,227	39,018
3. Due to customers	15,012	-	-	15,012	78,551
4. Securities issued	-	-	-	-	-
5. Financial liabilities from trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**20,239**	**-**	**-**	**20,239**	**117,569**

1.6 Breakdown of interest expense and similar charges: further information

	31/12/2009	31/12/2008
1.6.1 Interest expense on financial assets in foreign currencies	91	496
1.6.2 Interest expense on finance lease liabilities	-	-
1.6.3 Interest expense on third-party funds under administration	-	-
Total	**91**	**496**

SECTION 2 - Commissions - Items 40 and 50

2.1 Breakdown of commission income

Type of service/Values	31/12/2009	31/12/2008
a) Guarantees issued	22	49
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	121,913	123,832
1. Trading of financial instruments	4,832	4,781
2. Currency trading	11	4
3. Asset management	-	-
3.1. Individual	-	-
3.2. Collective	-	-
4. Custody and administration of securities	691	816
5. Depositary bank	-	-
6. Placement of securities	60,402	60,987
7. Order collection	10,812	9,991
8. Consultancy activities	-	-
9. Distribution of third-party services	45,165	47,253
9.1. Asset management	9,900	15,075
9.1.1.Individual	9,721	14,893
9.1.2 Collective	179	182
9.2. Insurance products	32,516	27,167
9.3. Other products	2,749	5,011
d) Collection and payment services	1,974	2,865
e) Servicing related to securitisations	-	4
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral exchange systems		
i) Management of current accounts	2,151	-
h) Other services	757	835
Total	**126,817**	**127,585**

2.2 Commission income: distribution channels of products and services offered

Channels/Values	31/12/2009	31/12/2008
a) Group branches:	**2,393**	**-**
1.Asset management	-	-
2. Placement of securities	2,393	-
3.Third-party products and services	-	-
b) External offer:	**103,174**	**108,240**
1.Asset management	-	-
2. Placement of securities	58,009	60,987
3.Third-party products and services	45,165	47,253
c) Other distribution channels:	**-**	**-**
1.Asset management	-	-
2. Placement of securities	-	-
3.Third-party products and services	-	-
Total	**105,567**	**108,240**

2.3 Breakdown of commission expense

Services/Values	31/12/2009	31/12/2008
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	79,955	80,103
1. Trading of financial instruments	4,441	3,355
2. Currency trading	-	-
3. Asset management:	-	-
3.1 Own portfolio	-	-
3.2 Third.party portfolio	-	-
4. Custody and administration of securities	345	388
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	75,169	76,360
d) Collection and payment services	545	1,666
e) Other services	1,366	1,456
Total	**81,866**	**83,225**

SECTION 3 - Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

Items/Income	31/12/2009 Dividends	31/12/2009 OICR quotas	31/12/2008 Dividends	31/12/2008 UCIT units
A. Financial assets held for trading	73,257	49	32,969	-
B. Financial assets available for sale	538	-	2,247	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	**48,750**	**X**	**17,991**	**X**
Total	**122,545**	**49**	**53,207**	**-**

The dividends on financial assets held for trading refer to 73,064 thousand euros in total return swap transactions.

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 31/12/2009	Net result 31/12/2008
1. Financial assets	**723**	**21,015**	**1,314**	**67,480**	**-47,056**	**-76,866**
1.1 Debt securities	318	4,647	1,195	963	2,807	-12,692
1.2. Equity securities	52	16,134	23	66,514	-50,351	-64,515
1.3. UCIT units	353	234	96	3	488	350
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-9
2. Financial liabilities from trading	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other						
3. Other financial assets and liabilities: Exchange gains and losses	**-**	**-**	**-**	**-106**	**-106**	**143**
4. Derivatives	**-**	**64,234**	**384**	**85,681**	**-21,831**	**31,600**
4.1 Financial derivatives:	-	64,234	384	85,681	-21,831	31,600
- on debt securities and interest rates	-	103	384	915	-1,196	-119
- on equity securities and stock indexes	-	-	-	-	-	86
- on currency and gold (2)	-	-	-	4	-4	-60
- Other (1)	-	64,131	-	84,762	-20,631	31,693
4.2 Credit derivatives	-	-	-	-	-	-
Total	**723**	**85,249**	**1,698**	**153,055**	**-68,993**	**-45,123**

(1) Hybrid derivatives pertaining to total return swap transactions.
(2) includes currency options and currency outrights.

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SECTION 6 - Gain (loss) from transfer/repurchase - Item 100

6.1 Gain (loss) from transfer/repurchase - Item 100

	31/12/2009			31/12/2008		
Items/Income components	**Gains**	**Losses**	**Losses**	**Gains**	**Losses**	**Net result**
Financial assets						
1. Loans to banks	569	24	545	-	222	-222
2. Loans to customers	739	1,886	-1,147	49	-	49
3. Financial assets available for sale	19,060	2,927	16,133	2,890	1,198	1,692
3.1 Debt securities	19,006	2,537	16,469	2,890	1,198	1,692
3.2. Equity securities	54	390	-336	-	-	-
3.3. UCIT units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	-	-	-	-	-	-
Total assets	**20,368**	**4,837**	**15,531**	**2,939**	**1,420**	**1,519**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 8 - Net adjustments/reversal value for impairement - Item 130

8.1 Breakdown of net adjustments to non-performing loans

	Adjustments Specific			Reversal value Specific		Reversal value Portfolio			
Transactions/Income components	**Write-offs**	**Other**	**Portfolio**	**from interest**	**other reversals**	**from interest**	**other reversals**	**31/12/2009**	**31/12/2008**
A) Loans to banks	**-**	**-**	**-**				**28**	**28**	**-**
Loans							-	-	-
- Debt securities							28	28	
B. Loans to customers	**11**	**2,977**	**147**	**4**	**35**		**266**	**-2,830**	**-2,961**
Loans	1	29	147	4	35			-138	263
Operating loans	10	614		-			-	-624	-2,154
- Debt securities		2,334					266	-2,068	-1,070
C. Total	**11**	**2,977**	**147**	**4**	**35**	**-**	**294**	**-2,802**	**-2,961**

Specific adjustments on debt securities refer to impairment test of five positions of ABS debt securities allocated among "Loans to customers".

Specific adjustments refer primarily to write-downs of advanced commissions and operating receivables recognised under the item "Other assets".

8.2 Breakdown of net adjustments for impairement of available-for-sale financial assets

	Adjustments Specific			Reversal value Specific		Reversal value Portfolio			
Transactions/Income components	Write-offs	Other	Portfolio	from interest	other reversals	from interest	other reversals	31/12/2009	31/12/2008
A. Debt securities	-	859	-	-	-	-	-	-859	-7,065
B. Equity securities	-	3,363	-	-	-	-	-	-3,363	-
C. UCIT units									
D. Due from banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
F. Total	**-**	**4,222**	**-**	**-**	**-**	**-**	**-**	**-4,222**	**-7,065**

SECTION 9 - General and administrative expense - Item 150

Breakdown of general and administrative expense

	31/12/2009	31/12/2008
150 a) Staff expense	39,774	34,741
150 b) Other general and administrative expense	52,313	53,152
Total	**92,087**	**87,893**

9.1 Breakdown of staff expenses

Type of expenses/Values	31/12/2009	31/12/2008
1) Employees	**38,933**	**34,144**
a) Wages and salaries	22,306	20,287
b) Social security charges	5,901	5,379
c) Termination indemnity	-	-
d) Retirement benefit plans	-	-
e) Provisions for termination indemnity	129	119
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	2,424	2,320
- defined contribution	2,424	2,320
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	1,114	590
i) Other employee benefits	7,059	5,449
2) Other staff	**135**	**217**
3) Directors and Auditors	1,755	1,224
of which stock granting for directors	-	-329
4) Retired personnel		
5) Recovery of expenses for seconded staff to other companies	**-1,358**	**-990**
6) Repayments of expenses seconded staff from other companies	**309**	**146**
Total	**39,774**	**34,741**

9.2 Average number of employees by category

	31/12/2009	31/12/2008
Employees	**566**	**554**
a) Managers	24	21
b) Total executives	89	86
of which 3rd and 4th level	48	44
of which 1st and 2nd level	42	43
c) Employees at other levels	453	447
Other employees	**-13**	**-9**
Total	**553**	**545**

Details of headcount

	31/12/2009	31/12/2008
Employees	**582**	**548**
a) Managers	26	21
b) Total executives	95	83
of which 3rd and 4th level	53	42
of which 1st and 2nd level	42	41
c) Employees at other levels	461	444

(continues)

(continues)

	31/12/2009	31/12/2008
Other employees	**-15**	**-11**
Contract and temporary workers	1	-
Seconded staff from other companies	9	4
Seconded staff to other companies	-24	-15
Total	**567**	**537**

9.4 Other employee benefits

	31/12/2009	31/12/2008
Productivity bonuses to be paid (CIA and Managers bonus)	4,798	2,965
Charges for staff supplementary pensions	766	758
Expenses for missions - expense reimbursement and indemnities, and charges payable by the bank	731	1,017
Amounts replacing cafeteria indemnities	443	412
Training expenses	130	147
Transfer incentives and other indemnities	90	
Allowances and charitable gifts	56	94
Other expenses (clothes, medical costs, etc.)	45	56
Total	**7,059**	**5,449**

9.5 Breakdown of other general and administrative expenses

	31/12/2009	31/12/2008
Administration	**8,712**	**7,715**
- Advertising	895	500
- Consultancy and professional advice expenses	4,267	4,189
- Financial consultancy expenses	810	753
- Corporate boards and auditing firms	309	227
- Insurance	1,808	1,457
- Entertainment expenses	171	124
- Membership contributions	339	368
- Charity	113	97
Operations	**17,298**	**20,597**
- Rent and usage of premises and management of property	7,543	10,090
- Outsourced administrative services	3,505	5,481
- Post and telephone	1,945	1,243
- Print material	723	711
- Other expenses for sales network management	1,584	1,340
- Other expenses and purchases	1,998	1,732
Information system and equipment	**20,604**	**18,470**
- Expenses related to outsourced IT services	14,483	13,662
- Fees for IT services and databases	3,108	2,724
- Software maintenance and servicing	1,743	1,026
- Fees for equipment hired and software used	707	679
- Other maintenance	563	379
Indirect taxation	**5,699**	**6,370**
Total	**52,313**	**53,152**

SECTION 10 - Net provisions for liabilities and contingencies - Item 160

10.1 Breakdown of net provisions for liabilities and contingencies

	31/12/2009			31/12/2008		
	Provisions	Reversals	Net	Provisions	Reversals	Net
Staff expenses	**1,373**	**-1,418**	**-45**	**-**	**-**	**-**
Provision for staff expenses	1,373	-1,418	-45			
Litigation	**3,626**	**-325**	**3,301**	**1,144**	**-293**	**851**
Provision for risks related to legal disputes with subscribers	2,036	-80	1,956	252	-174	78
Provision for risks related to legal disputes with advisors	505	-2	503	95	-58	37
Provision for risks related to legal disputes with staff	74	-	74	380	-	380
Provisions for risks related to legal disputes with other parties	1,011	-243	768	417	-61	356
Other provisions for liabilities and contingencies	**4,755**	**-940**	**3,815**	**4,591**	**-1,410**	**3,181**
Provisions for risks related to commissions to be assigned	3,523	-811	2,712	4,152	-84	4,068
Provision for termination indemnity for financial instruments	1,044	-111	933	325	-1,192	-867
Provision for overcommission risks for financial instruments	188	-13	175	114	-	114
Provision for loyalty bonuses financial instruments	-	-5	-5	-	-134	-134
Total	**9,754**	**-2,683**	**7,071**	**5,735**	**-1,703**	**4,032**

SECTION 11 - Net adjustments/reversals value of property and equipment - Item 170

11.1 Breakdown of net adjustments of property and equipment

Assets/Income component	Amortisation	Adjustments for impairment	Reversal value	Net result 31/12/2009	Net result 31/12/2008
A. Property and equipment					
A.1 Owned	1,277	-	-	1,277	1,492
- operating	1,277			1,277	1,492
- investment				-	-
A.2 Leased	-	-	-	-	-
- operating				-	-
- investment				-	-
Total	**1,277**	**-**	**-**	**1,277**	**1,492**

SECTION 12 - Net adjustments/reversals value of property and equipment - Item 180

12.1 Breakdown of net adjustments of intangible assets

Assets/Income component	Amortisation	Adjustments for impairment	Reversal value	Net result 31/12/2009	Net result 31/12/2008
A. Intangible assets					
A.1 Owned	2,158	-	-	2,158	2,227
- generated in-house	-	-	-	-	-
- other	2,158	-		2,158	2,227
A.2 Leased	-	-	-	-	-
Total	**2,158**	**-**	**-**	**2,158**	**2,227**

Breakdown of value adjustments of intangible assets - amortisation

	31/12/2009	31/12/2008
Long-term no-load commissions	204	525
Charges associated with the implementation of legacy CSE procedures	1,691	1,515
Other intangible assets	263	187
Total	**2,158**	**2,227**

SECTION 13 - Other operating income and expenses - Item 190

13.1 Breakdown of other operating expenses

	31/12/2009	31/12/2008
Adjustments of leasehold improvements	627	752
Contingent liabilities and non-existent assets	1,285	1,717
Charges from accounting adjustments with customers	524	775
Indemnities and compensation for litigation and claims	385	466
Other operating expenses	-	9
Total	**2,821**	**3,719**

13.2 Breakdown of other operating income

	31/12/2009	31/12/2008
Fees for outsourcing services	7,500	7,978
Recovery of expenses and inflow from customers	5,440	8,009
Redebit of overfees for portfolio valorisation	46	94
Indemnities for advisors'notices	89	176
Recovery of costs from advisors	455	552
Contingent assets and non-existent liabilities	514	1,017
Insurance compensation and indemnities	259	599
Other income	54	391
Total	**14,357**	**18,816**
Total other net income	**11,536**	**15,097**

SECTION 14 - Gain (loss) on equity investments - Item 210

14.1 Gain (loss) of equity investments

Income components/Values	31/12/2009	31/12/2008
A. Gain	-	-
1. Revaluations	-	-
2. Gains from sale	-	-
3. Reversal value	-	-
4. Other positive changes	-	-
B. Charges	-	-27
1. Write-downs	-	-
2. Adjustments due to impairment		
3. Losses from sale	-	-27
4. Other negative changes	-	-
Net result	**-**	**-27**

SECTION 18 - Income tax for the year for current operations - Item 260

18.1 Breakdown of income tax for the period for current operations

Income components/Values	31/12/2009	31/12/2008
1. Current taxation (-)	-6,864	-334
2. Change in prior period current taxes	383	150
3. Reduction of current taxes for the period (+)	-	-
4. Changes of prepaid taxation (+/-)	-254	-2,714
5. Changes of deferred taxation (+/-)	143	2,398
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**-6,592**	**-500**

Current taxation includes IRES, IRAP and foreign taxation on dividends received, as detailed in the following table.

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.

	31/12/2009	31/12/2008
Current taxation	**-6,864**	**-334**
IRES	-5,386	493
IRAP	-1,467	-735
other (withholding taxes on dividends; substitute tax under section EC)	-11	-92
Prepaid and deferred taxation	**-111**	**-316**
IRES	-167	-189
IRAP	56	-127

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	31/12/2009	31/12/2008
Prior period taxes	**383**	**150**
IRES	434	132
IRAP	-51	18
Income taxes	**-6,592**	**-500**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**61,078**	**11,538**
Theoretical taxation	**-16,796**	**-3,173**
Tax income (+) expense (-):		
Non-taxable income (dividends)	12,961	5,301
Interest expense (net of the sum recovered under the tax consolidation programme)	-158	-477
Charges for stock option plans IFRS2	-171	-970
Impairment of equity securities PEX	-595	-
Other non-deductible costs	-842	-562
IRAP	-1,462	-844
Prior period taxes	434	132
Other - foreign taxation	-11	-92
Reversal of deferred taxes under section EC	-	136
Changes in deferred taxes without offsetting entry	49	-
Other adjustments	-	49
Actual tax expense	**-6,592**	**-500**
Total actual tax rate	**10.8%**	**4.3%**
IRES actual tax rate	**9.1%**	**-2.6%**

SECTION 19 - Profit (loss) of groups of available for sale assets, net of taxes - Item 310

19.1 Breakdown of profit (loss) of groups of available for sale assets, net of taxes

Income components/Values	31/12/2009	31/12/2008
1. Income	-	990
2. Charges	-	-
3. Measurement of groups of assets available for sale and associated liabilities	-	-
4. Gains (losses) on disposal	-	-
5 Taxes and duties	-	-
Net profit (Loss)	**-**	**990**

Income consists of dividends distributed by the subsidiary Simgenia in 2008.

SECTION 21 - Earnings per Share

21.1 Average number of ordinary shares, diluted capital

	31/12/2009	31/12/2008
Net profit for the period (€ thousand)	54,485	12,028
Net profit attributable to ordinary shares	54,485	12,028
Average number of outstanding shares	110,808,808	110,316,240

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	31/12/2009	31/12/2008
EPS - Earnings per share (euro)	**0.492**	**0.109**
Average number of outstanding shares, diluted capital	111,747,651	110,316,240
EPS - Diluted earnings per share (euro)	**0.488**	**0.109**

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**	**54,485**
	Other income			
20	AFS financial assets	7,413	-2,261	5,152
	a) Fair value increases	4,580	-1,371	3,209
	b) Transfer to profit and loss	2,833	-890	1,943
	- Adjustments due to impairment	2,563	-806	1,757
	- Gains (losses) on disposal	270	-84	186
	c) Other changes	-	-	-
30	Property and equipment			
40	Intangible assets			
50	Hedges of foreign investments:	-	-	-
	a) Fair value increases			
	b) Transfer to profit and loss			
	c) Other changes			
60	Cash-flow hedges	-	-	-
	a) Fair value increases			
	b) transfer to profit and loss			
	c) other changes			
70	Exchange differences:	-	-	-
	a) Fair value increases			
	b) transfer to profit and loss			
	c) other changes			
80	Non-current assets held for sale:	-	-	-
	a) Fair value increases			
	b) Transfer to profit and loss			
	c) Other changes			
90	Actuarial gains (losses) from defined benefit plans			
100	Share of valuation reserves of investments valued at equity:	-	-	-
	a) Fair value increases			
	b) Transfer to profit and loss	-	-	-
	- Adjustments due to impairment			
	- Gains (losses) on disposal			
	c) Other changes			
110	**Total other income**	**7,413**	**-2,261**	**5,152**
120	**Comprehensive income (Item 10+110)**	**7,413**	**-2,261**	**59,637**

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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.
In detail, loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to which select loans were issued in 2008, backed by adequate guarantees. 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 households.

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 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 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.
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

The Bank has a lending department which is responsible for lending activities and managing the credit lines granted in accordance with the Lending Rules.
The lending department manages and monitors credit, with a particular focus on doubtful loans.

With reference to adoption of IAS/IFRS, 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.

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 funds portfolios. 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.

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.
Total doubtful loans include current account overruns due to credit card use.
Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc..

QUANTITATIVE INFORMATION

A. Credit Quality

A.1 Exposure to non-performing and performing loans: balances, adjustments, performance, income and geographical breakdown

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	18	-	-	-	184,283	184,301
2. AFS financial assets	1,300	-	-	-	1,463,869	1,465,169
3. Financial assets held to maturity	-	-	-	-	666,074	666,074
4. Loans to banks	-	-	-	-	619,719	619,719
5. Loans to customers	193	628	-	1,104	424,132	426,057
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total at 31 December 2009	**1,511**	**628**		**1,104**	**3,358,077**	**3,361,320**
Total at 31 December 2008	**1,614**	**474**		**23**	**3,453,016**	**3,455,127**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

	Non-performing assets			Performing loans			
Portfolios/Quality	Gross exposure	Special adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	Total (net exposure)
1. Financial assets held for trading	1,956	1,938	18	X	X	184,283	184,301
2. AFS financial assets	8,415	7,115	1,300	1,463,869	-	1,463,869	1,465,169
3. Financial assets held to maturity			-	666,074	-	666,074	666,074
4. Loans to banks			-	619,719	-	619,719	619,719
5. Loans to customers	2,967	1,042	1,925	424,862	730	424,132	426,057
6. Financial assets at fair value			-	X	X	-	-
7. Financial assets held for sale			-	-	-	-	-
8. Hedging derivatives			-	X	X	-	-
Total at 31 December 2009	**13,338**	**10,095**	**3,243**	**3,174,524**	**730**	**3,358,077**	**3,361,320**
Total at 31 December 2008	**12,116**	**474**	**2,111**	**2,792,233**	**1,246**	**3,453,016**	**3,455,127**

A.1.3 Cash and off-balance sheet exposure with banks: gross and net amounts

Exposure/values	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Bad loans	10,371	9,053	-	1,318
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
b) Other Assets	1,496,933	X	252	1,496,681
TOTAL A	**1,507,304**	**9,053**	**252**	**1,497,999**
B. OFF-BALANCE SHEET EXPOSURE				
a) Non-performing loans	-	-	-	-
b) Other	5,551	X	-	5,551
TOTAL B	**5,551**	**-**	**-**	**5,551**

A.1.4 Cash exposure with banks: changes in gross non-performing loans subject to "country risk"

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
A. Gross exposure at year-start	**10,371**	**-**	**-**	**-**
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	-	-	-	-
Gross exposure at year-end	**10,371**	**-**	**-**	**-**
of which: positions transferred but not written off	-	-	-	-

A.1.5 Credit cash exposure with banks: change in total adjustments

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
A. Total adjustments at year-start	**8,961**	**-**	**-**	**-**
- of which: positions transferred but not written off	-	-	-	-
B. Increases	**92**	**-**	**-**	**-**
B.1. Adjustments	92	-	-	-
B.2 Transfers from other categories of non-performing loans	-			
B.3. Other increases	-	-	-	-

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Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
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	**9,053**			

A.1.6 Cash and off-balance sheet credit exposure with customers: gross and net amounts

Exposure/values	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURE				
a) Bad loans	1,226	1,032	-	194
b) Substandard loans	637	9	-	628
c) Restructured loans	-	-	-	-
d) Expired loans	1,104	-	-	1,104
e) Other assets	1,862,016	-	731	1,861,285
TOTAL A	**1,864,983**	**1,041**	**731**	**1,863,211**
B. OFF-BALANCE SHEET EXPOSURE				
a) Non-performing loans	-	-	-	-
b) Other	5,918	-	-	5,918
TOTAL B	**5,918**	**-**	**-**	**5,918**

A.1.7 Credit cash exposure with customers: changes in gross non-performing loans subject to "country risk"

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
A. Gross exposure at year-start	1,240	482	-	23
- of which: positions transferred but not written off	-	-	-	-
B. Increases	73	494	-	1,913
B.1 Inflows from performing loans	-	3	-	1,850
B.2 Transfers from other categories of non-performing loans	-	229	-	-
B.3 Other increases	73	262	-	63
C. Decreases	87	339	-	**832**
C.1 Outflows to performing loans	-	304	-	560
C.2 Write-offs	67	-	-	-
C.3 Repayments	20	10	-	**44**
C.4 Gains from disposals	-	-	-	-
C.5. Transfer to other categories of non-performing loans	-	-	-	**228**
C.6. Other decreases	-	25	-	-
D. Gross exposure at year-end	**1.226**	**637**	**-**	**1.104**
- of which: positions transferred but not written off	-	-	-	-

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A.1.8 Credit cash exposure with customers: change in total adjustments

Causes/Categories	Bad loans	Substandard loans	Restructured loans	Expired loans
A. Total adjustments at year-start	1,036	9	-	-
- of which: positions transferred but not written off	-	-	-	-
B. Increases	35	-	-	-
B.1. Adjustments	35	-	-	-
B.2. Transfers from other categories of non-performing loans	-	-	-	-
B.3. Other increases	-		-	-
C. Decreases	39	-	-	-
C.1. Reversal of adjustments	39	-	-	-
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	**1,032**	**9**	**-**	**-**
- 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 Cash and off-balance sheet exposures broken down by external rating classes

Exposure	External rating classes						Without rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
Financial assets held for trading	29,036	121,969	-	-	15	-	33,171	184,191
Financial assets available for sale	528,213	914,837	317	-	-	-	21,802	1,465,169
Held-to-maturity assets (HTM assets)	261,941	338,431	47,154		8,986		9,562	666,074
Loans to customers	100,561	50,941	13,802	3,547	2,917		254,289,00	426,057
Loans to banks	69,849	34,960	7,896				553,369	666,074
A. Credit cash exposure	**989,600**	**1,461,138**	**69,169**	**3,547**	**11,918**	**-**	**872,193**	**3,407,565**
Financial derivatives	-	-	-	-	-	-	110	110
Credit derivatives	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**110**	**110**
C Guarantees issued	**-**	**-**	**-**	**-**	**-**	**-**	**4,937**	**4,937**
D. Commitment to dispense funds	**-**	**-**	**-**	**-**	**-**	**-**	**6,391**	**6,391**
Total	**989,600**	**1,461,138**	**69,169**	**3,547**	**11,918**	**-**	**883,631**	**3,419,003**

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.2 Guaranteed exposure with customers

Exposure	Loan amount	Collateralised guarantees (1)				Personal guarantees (2)					Total (1)+(2)
		Buildings	Securities	Other assets	Total	Governments	Other public institutions	Banks	Other entities	Total	
1. Guaranteed cash exposure:	166,306	43,650	73,999	20,486	138,135	-	-	-	28,048	28,048	166,183
1.1 totally guaranteed	156,088	43,650	73,974	20,467	138,091	-	-	-	17,997	17,997	156,088
- of which non performing:											
1.2 partially guaranteed	10,218	-	25	19	44	-	-	-	10,051	10,051	10,095
- of which non performing:	7								4	4	4
2. Guaranteed off-balance sheet exposures:	1,424	195	893	325	1,413	-	-	-	11	11	1,424
2.1 totally guaranteed	1,424	195	893	325	1,413	-	-	-	11	11	1,424
- of which non performing:	-								-	-	-
2.2 partially guaranteed	-	-	-	-	-	-	-	-	-	-	-
- of which non performing:											

B. Breakdown and concentration of credit exposure

B.1 Sector breakdown of credit cash and off-balance sheet exposure to customers (book value)

Exposure/Counter parties	Net exposure	Specific val. adjust.	Port. val. Adjust.
A. Cash exposure	-	-	-
1. Government and central banks	1,219,370	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	1,219,370	-	-
2. Other public institutions	14,031	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	14,031	-	-
3. Financial companies	406,669	-71	-388
a. Bad loans	8	-67	-
b. Substandard loans	234	-4	-
c. Restructured loans	-	-	-
d. Expired loans	12	-	-
e. Other loans	406,415	-	-388
4. Insurance companies	37,891	-	-28
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	37,891	-	-28
5. Non-financial companies	58,440	-54	-109
a. Bad loans	14	-54	-
b. Substandard loans	26	-	-
c. Restructured loans	-	-	-
d. Expired loans	951	-	-
e. Other loans	57,449	-	-109
6. Other entities	126,810	-916	-206
a. Bad loans	171	-911	-
b. Substandard loans	368	-5	-
c. Restructured loans	-	-	-
d. Expired loans	141	-	-
e. Other loans	126,130	-	-206
TOTAL CASH EXPOSURE	**1,863,211**	**-1,041**	**-731**

Exposure/Counter parties	Net exposure	Specific val. adjust.	Port. val. Adjust.
B. Off-balance sheet exposure			
1. Government and central banks	170	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	170	-	-
2. Other public institutions	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
3. Financial companies	1,372	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	1,372	-	-
4. Insurance companies	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
5. Non-financial companies	3,714	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	3,714	-	-
6. Other entities	662	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	662	-	-
TOTAL OFF-BALANCE SHEET EXPOSURE B	**5,918**	**-**	**-**

Summary

	Gross exposure	Specific val. adjust.	Port. val. Adjust.
Governments and central banks	1,219,540	-	-
Public institutions	14,031	-	-
Financial companies	408,041	-71	-388
Insurance companies	37,891	-	-28
Non-financial companies	62,154	-54	-109
Other entities	127,472	-916	-206
Overall total (A+B) at 31/12/2009	**1,869,129**	**-1,041**	**-731**

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	Compl. val. adjust.	Net exposure	Compl. val. adjust.	Net exposure	Compl. val. adjust.	Net exposure	Compl. val. adjust.	Net exposure	Compl. val. adjust.
A. Cash exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Bad loans	193	-1,034	-	-	-	-	-	-	-	-
A.2 Substandard loans	576	-9	53	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	1,104	-	-	-	-	-	-	-	-	-
A.5 Other exposure	1,295,430	-443	478,571	-157	77,026	-129	-	-	10,258	-
Total A	**1,297,303**	**-1,486**	**478,624**	**-157**	**77,026**	**-129**	**-**	**-**	**10,258**	**-**
B. Off-balance sheet exposure							**-**			
B.1 Bad loans	-	-		-		-	-	-	-	-
B.2 Substandard loans	-	-		-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-		-	-	-	-	-	-	-
B.4 Other exposure	5,918	-	-	-	-	-	-	-	-	-
Total B	**5,918**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31/12/2009	**1,303,221**	**-1,486**	**478,624**	**-157**	**77,026**	**-129**	**471**	**-**	**10,258**	**-**
Total at 31/12/2008	**997,013**	**1,220**	**703,074**	**-**	**75,978**	**-**		**-**	**-**	**-**

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	Compl. val. adjust.	Net exposure	Compl. val. adjust.	Net exposure	Compl. val. adjust.	Net exposure	Compl. val. adjust.	Net exposure	Compl. val. adjust.
A. Cash exposure	**-**	**-**	**-**	**-**						
A.1 Bad loans	-	-	18	-	1,300	-7,115	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	787,849	-	-	-	-	-	-	-	-	-
A.5 Other exposure	787,849	-	639,658	77,026	34,867	-	-	-	34,307	-
Total A	**-**	**-**	**639,676**	**77,026**	**36,167**	**-7,115**	**-**	**-**	**34,307**	**-**
B. Off-balance sheet exposure	**-**	**-**								
B.1 Bad loans	-	-	-		-	-	-	-	-	-
B.2 Substandard loans	-	-	-		-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-		-	-	-	-	-	-
B.4 Other exposure	5,452	-	99							
Total B	**5,452**	**-**	**99**		**-**	**-**	**-**	**-**	**-**	**-**
Total at 31 December 2009	**793,301**	**-**	**639,775**		**36,167**	**-7,115**	**-**	**-**	**34,307**	**-**
Total at 31 December 2008	**1,080,368**	**-**	**554,703**		**38,014**	**7,065**	**-**	**-**	**15,489**	**-**

B.4 Big risks (as per surveillance regulations)

Big Risks	31/12/2009	31/12/2008
a) Weighted amount	79,092	142,256
b) Number	3	6

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 with underlying residential and commercial mortgages (RMBS/CMBS).

C.1.1 Exposure resulting from securitisation, broken down by type of underlying assets

	Cash exposure						
	Senior		Mezzanine		Junior		
Type of underlying assets/Exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Total net exposure
Cash exposure							
A. With own underlying assets:	**-**	**-**	**-**	**-**	**-**	**-**	
a) Non-performing loans	-	-	-	-	-	-	
b) Other	-	-	-	-	-	-	
B. With third-party underlying assets:	**121,318**	**118,213**	**17,756**	**17,250**	**1,125**	**317**	**135,780**
a) Non-performing loans	-	-	-	-	-	-	
b) Other	121,318	118,213	17,756	17,250	1,125	317	135,780

C.1.3 Exposure resulting from the main third-party securitisation, broken down by type of secutised assets and by type of exposure

					Cash exposure					
					Senior		Mezzanine		Junior	
	portfolio	Type of underlying assets/Exposure	Isin code	underlying	Book value	Adj./Rev.	Book value	Adj./Rev.	Book value	Adj./Rev.
A.1	loans	AYT CAJAS N 10 FRN 30/06/2015	ES0312342001	mortgage	14,395	- 32				
A.2	loans	BANCAJA N6 TITULUZ FRN 20/02/2036	ES0312885017	RMBS	2,957	- 1				
A.3	loans	CAIXA D' ESTALVIS FRN 28/01/2043	ES0313252001	RMBS	1,287	- 2				
A.4	loans	ABS BBVA RMBS1 FRN 19/06/2050	ES0314147010	RMBS	-	-				
A.5	loans	ABS BBVA RMBS2 FRN 17/09/2050	ES0314148000	RMBS	-	-				
A.6	loans	ABS BBVA RMBS2 FRN 17/09/2050	ES0314148018	RMBS	1,767	-				
A.7	loans	BBVA AUTOS 1 FTA FRN 20/06/2016	ES0314204001	Loans (auto)	-	-				
A.8	loans	GC FTPYME SABDEL FRN 31/03/2039	ES0332234014	Loans	846	-				
A.9	loans	SANTANDER HIP3 FRN 18/01/2050	ES0338093018	RMBS	2,351	-6				

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					Cash exposure					
					Senior		Mezzanine		Junior	
	portfolio	Type of underlying assets/Exposure	Isin code	underlying	Book value	Adj./Rev.	Book value	Adj./Rev.	Book value	Adj./Rev.
A.10	loans	IM POP EMPRESAS 1 FRN 21/03/2033	ES0347843015	Loans	-	-				
A.11	loans	MBS BANCAJA FRN 23/07/2050	ES0361797014	RMBS/ CMBS	7,638	-4				
A.12	loans	AYT KUTXA HIPOTECARIO II FRN 15/10/2059	ES0370154009	RMBS	1,460	-3				
A.13	loans	BBVA HIPOTECARIO 3FND FRN 15/03/2039	ES0370459002	Loans	480	-				
A.14	loans	PYMES BANESTO FRN 31/12/2031	ES0372260002	Loans	-	-				
A.15	loans	PYMES BANESTO FRN 31/12/2031	ES0372260010	Mortgage, personal loans	763	-0				
A.16	loans	RURALPYME 2 FTA FRN 25/04/2030	ES0374352005	loans	437	-				
A.17	loans	AGRI SEC. FRN 14/12/2015 ABS	IT0003335897	Leasing	-	-				
A.18	loans	DOLOMITI FIN FRN 15/12/2017	IT0003399018	Leasing	1,319	-				
A.19	loans	BERICA 3 MB FRN 26/08/2031	IT0003422109	RMBS/ CMBS	-	-				
A.20	loans	LOCAT SEC VEHICLE FRN 12/12/2024 A	IT0003733083	Leasing	1,149	-				
A.21	loans	ABF FINANCE FRN 21/11/2019	IT0003755623	Leasing	813	-1				
A.22	trading	FIP FUND FRN 10/01/2023	IT0003872717	CMBS	13,040	-1,002				
A.23	loans	FIP FUND FRN 10/01/2023	IT0003872774	CMBS	4,629	-28				
A.24	loans	VELA MORT CL A FRN 30/07/2040	IT0003933998	RMBS	1,261	-				
A.25	loans	ASTI FINANCE FRN 27/09/2041	IT0003966477	RMBS	1,818	-				
A.26	loans	ITALF VEHIC CL A FRN 21/10/2022	IT0004010085	Leasing	-	-				
A.27	loans	FE GOLD FRN 30/07/2025 ABS	IT0004068612	Leasing	966	-				
A.28	loans	ATLANTE FINANCE FRN 28/07/2047	IT0004069032	RMBS/ CMBS	-	-				
A.29	loans	CORDUSIO FRM 30/06/2035	IT0004087174	RMBS	2,048	-1				
A.30	loans	ARCOBALENO FRN 28/10/2030	IT0004095672	Loans (Italian pharmacies)	845	-				
A.31	loans	VELA HOME FRN 25/10/2042	IT0004101991	RMBS	-	-				
A.32	loans	VELA HOME FRN 25/10/2042	IT0004102007	RMBS	-	-				
A.33	loans	LEASIMPRESA FRN 22/12/2025	IT0004123722	Leasing	1,007	-				
A.34	loans	MARCHE MUTUI 2 ABS FRN 25/11/2038	IT0004124977	RMBS	-	-				
A.35	loans	APULIA FINA FRN 20/07/2044	IT0004127574	RMBS/CMBS	1,263	-1				
A.36	loans	AGRI FRN 08/12/2023	IT0004137417	Leasing	-	-				
A.37	loans	CORDUSIO RM FRN 31/12/2042 ABS	IT0004144892	RMBS	1,495	-3				
A.38	loans	ABS VOBA FIN FRN 28/06/2043	IT0004153216	RMBS	276	-0				
A.39	loans	LOCAT SV FRN 12/12/2028	IT0004153661	Leasing	-	-				
A.40	loans	LOCAT SV FRN 12/12/2028 A2	IT0004153679	Leasing	-	-				
A.41	loans	SESTANTE FRN 23/04/2046 CL A1	IT0004158124	RMBS	944	-				
A.42	loans	ABS INTESA MTG FRN A1 30/10/2033	IT0004180250	RMBS	-	-				
A.43	loans	ABS INTESA SEC MTG FRN A2 30/10/2033	IT0004180268	RMBS	-	-				
A.44	loans	ABS CLARIS FIN FRN 21/11/2053	IT0004189160	RMBS	657	-1				
A.45	loans	BP MORT FRN 20/04/2043	IT0004215320	RMBS	4,849	-3				
A.46	loans	CREDICO FUND.3 FRN 10/03/2015	IT0004237696	Bonds	9,587	-				

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					Cash exposure					
					Senior		Mezzanine		Junior	
	portfolio	Type of underlying assets/Exposure	Isin code	underlying	Book value	Adj./Rev.	Book value	Adj./Rev.	Book value	Adj./Rev.
A.47	trading	QUARZO CL1 FRN 31/12/2019 ABS	IT0004284706	RMBS/ CMBS	18,248	-				
A.48	loans	HOLLAND EURO FRN 18/11/2037	XS0177871950	RMBS	312	-				
A.49	loans	MAGELLAN MORT N 2 FRN 18/07/2036	XS0177944690	RMBS	1,297	-1				
A.50	loans	LUSITANO MORT N 2 FRN 16/11/2036	XS0178545421	RMBS	2,157	-5				
A.51	loans	SAECURE 3 FRN 25/11/2051	XS0178551825	RMBS	-	-				
A.52	loans	DELPHINUS I FRN 25/01/2009	XS0185357265	RMBS	-	-				
A.53	loans	ABS THEMELEION MTG FRN 27/12/2036	XS0194393640	RMBS	606	-1				
A.54	loans	CARDS FRN 15/07/2013 FLOATING	XS0196806227	Cards	1,850	-56				
A.55	loans	EMAC MORTG CL A FRN 25/01/2037	XS0207208165	RMBS	1,573	-7				
A.56	loans	E-MAC MORTG FRN CL A 25/04/2038	XS0216513118	RMBS	2,024	-9				
A.57	loans	ESTIA MORTG FRN 27/10/2040 CL A	XS0220978737	RMBS	1,238	-				
A.58	loans	A BEST TWO FRN 01/10/2015	XS0232767631	Loans (auto)	-	-				
A.59	loans	DECO 7 FRN 27/01/2018	XS0244895073	CMBS	1,104	-458				
A.60	loans	BCC MORTGAGES FRN 08/03/2038	XS0256813048	RMBS	-	-				
A.61	loans	AIRE VALLEY MORTG FRN 20/09/2066	XS0264192989	RMBS	1,901	-				
A.62	loans	SC GERMANY AUTO FRN 10/07/2019	XS0266760700	Loans (auto)	-	-				
A.63	loans	ENTRY FNDG FRN 28/09/2013	XS0277614532	loans	1,772	-1				
A.64	loans	ABS BLUEBONNET FRN 20/12/2016	XS0279760184	Mortgage	1,043	-				
A.65	loans	STORM FRN 12/04/2049	XS0283474723	RMBS	-	-				
A.66	loans	VCL N.9 CLASS -A FRN 21/04/2012	XS0284056776	Leasing (auto)	-	-				
A.67	loans	SAGRES PELICAN FRN 15/09/2054	XS0293657416	RMBS	576	-2				
A.68	loans	WINDERM FRN 15/10/2019 CL A	XS0293895271	CMBS	1,625	-				
A.69	loans	ABS JUNO ECLIPSE FRN 24/11/2022	XS0299976836	CMBS	1,642	-1,476				
A.70	loans	OPERA FIN ABS FRN 15/02/2012 CL C	XS0218490653	CMBS	-	-	3,036	-119		
A.71	loans	OMEGA CAP FRN 05/07/2011	XS0257813682	Credit Linked Notes	-	-	-	-		
A.72	loans	PERMANENT FIN 3 FRN 10/06/2042	XS0179398580	RMBS	-	-	-	-		
A.73	loans	ABF FINANCE FRN 21/11/2019	IT0003755680	Leasing (private companies)	-	-	268	-1		
A.74	loans	VELA MORT CL B FRN 30/07/2040	IT0003934020	RMBS	-	-	1,266	-7		
A.75	loans	ABS LOCAT SEC V FRN CL B 12/12/2026	IT0003951123	Leasing	-	-	3,228	-11		
A.76	loans	ITALF VEHIC CL C FRN 14/03/2023	IT0003963433	Leasing	-	-	552	-3		
A.77	loans	ATLANTE FINANCE FRN 28/07/2047	IT0004069040	RMBS/ CMBS	-	-	767	-8		
A.78	loans	ABM LOCAT SEC FRN 12/09/2028 B	IT0004153687	Leasing	-	-	1,117	-13		
A.79	loans	ABS DELPHINUS FRN 25/11/2090	XS0206650417	RMBS	-	-	1,965	-		
A.80	loans	GRANITE MAS FRN 20/12/2054	XS0229615603	RMBS	-	-	1,213	-8		
A.81	loans	A BEST TWO FRN 01/10/2015 CLASS B	XS0232768365	Loans (auto)	-	-	-	-		
A.82	loans	LAMBDA FIN FRN 08/11/2029	XS0237016000	Loans	-	-	424	-		
A.83	loans	WINDERM FRN 15/10/2019 CL D	XS0293898457	CMBS	-	-	2,337	-281		

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	portfolio	Type of underlying assets/Exposure	Isin code	underlying	Cash exposure Senior Book value	Senior Adj./Rev.	Mezzanine Book value	Mezzanine Adj./Rev.	Junior Book value	Junior Adj./Rev.
A.84	loans	CORDUSIO SM FRN 30/06/2033	IT0003844963	RMBS	-	-	1,581	- 55		
A.85	loans	A BEST TWO FRN 01/10/2015 CLASS C	XS0232768878	Loans (auto)	-	-	-	-		
A.86	afs	BBVA HIPOTECARIO 3FND FRN 21/11/2038	ES0314227036	RMBS/ CMBS					1,125	- 808
					121,317	- 3,105	17,756	- 506	1,125	- 808

C.1.4 Exposure from securitisations broken down by portfolio and type

Exposure/Portfolio	Type of financial-asset portfolio: Fin. assets held for trading	Fin. assets at fair value	AFS financial assets	HTM financial assets	Loans	31/12/2009	31/12/2008
1. Cash exposure	**30,286**	**-**	**317**	**-**	**105,177**	**135,780**	**213,016**
- senior	30,286	-	-	-	87,927	118,213	177,523
- mezzanine	-	-	-	-	17,250	17,250	27,948
- junior	-	-	317	-	-	317	7,545
2. Off-balance sheet exposure	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- senior	-	-	-	-	-	-	-
- mezzanine	-	-	-	-	-	-	-
- junior	-	-	-	-	-	-	-

C.2 Transfer Operations

C.2.1 Transferred financial assets not written off

Technical type /Portfolio	Financial assets held for trading A	B	C	AFS financial assets A	B	C	HTM fin. assets A	B	C	Financial assets banks A	B	C	Financial assets customers A	B	C	Total A
A. Cash	**-**	**-**	**-**	**142,809**	**-**	**-**	**14,571**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**157,380**
1. Debt securities	-	-	-	142,809	-	-	14,571	-	-	-	-	-	-	-	-	157,380
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31 December 2009	**-**	**-**	**-**	**142,809**	**-**	**-**	**14,571**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**157,380**
Total at 31 December 2008	**179,690**			**295,723**			**60,419**			**1,874**			**7,465**			**545,170**

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	**-**		**25,538**	**-**			**25,538**
a) for fully recognised assets	-	-	25,538	-	-	-	25,538
b) for partially recognised assets	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**117,182**	**14,571**	**-**	**-**	**131,753**
a) for fully recognised assets	-	-	117,183	14,571	-	-	131,754
b) for partially recognised assets	-	-	-	-	-	-	-
Total at 31 December 2009	**-**	**-**	**142,721**	**14,571**	**-**	**-**	**157,292**
Total at 31 December 2008	**179,690**	**-**	**290,472**	**60,419**	**-**	**-**	**539,919**

SECTION 2 - Market Risk

Banca Generali's exposure to market risk is represented by the possibility that its own portfolios may 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).

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.
The Risk Management Service is responsible for second-tier controls.
The Internal Audit Service conducts independent controls (third-tier controls) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Bank'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 credit ratings from BBB to AAA and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.
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). VaR describes the maximum potential loss in value of a portfolio in the next ten working days 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

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 and asset-backed-securities (ABS);
- 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 corporate debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The average remaining duration of the securities portfolio is short as floating rate coupons outweigh fixed rate coupons.
This choice is aimed at reducing risk exposure and thus protecting the portfolio from unexpected changes in value caused by significant changes in interest rates.
The bank's investments in structured securities are negligible.

B. Management Processes and Interest Rate Risk Measurement Techniques

Trading risks are measured based on a daily analysis of VaR (Value at Risk) estimates.

VaR describes the maximum potential loss in value of a portfolio in the next ten working days in 99% of the cases. It is calculated based on the volatility of and past correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

	Fourth quarter 2009	Third quarter 2009	Second quarter 2009	First quarter 2009
Average VaR	1,773	2,865	1,934	3,437

BANCA GENERALI

Quantitative Information

1. Regulatory trading portfolio: broken down 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	**-**	**39,574**	**25,240**	**-**	**99,276**	**723**	**18,266**	**-**	**183,079**
1.1 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	39,574	25,240	-	99,276	723	18,266	-	183,079
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 PCT liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**210,188**	**7,046**	**-**	**242,284**	**-**	**122**	**-**	**459,640**
3.1 With underlying securities	-	2,786	-	-	2,284	-	122	-	5,192
- Options									
+ long-term positions	-	1,393	-	-	1,142	-	61	-	2,596
+ short-term positions	-	1,393	-	-	1,142	-	61	-	2,596
- other									
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	207,402	7,046	-	240,000	-	-	-	454,448
- Options									
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
- other									
+ long-term positions	-	103,701	3,523	-	120,000				227,224
+ short-term positions	-	103,701	3,523	-	120,000				227,224

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 Italy	Listed France	Listed Other	Non listed
A. Equity securities				
- long-term positions	370	716	11	-
- short-term positions	-	-	-	-
B. Equity security purchases/sales to be settled				
- long-term positions	-	-	-	-
- short-term positions	-	-	-	-
C. Other derivatives on equity securities				
- long-term positions	-	-	-	-
- short-term positions	-	-	-	-
D. Stock index derivatives				
- long-term positions	-	-	-	-
- short-term 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 OICR units held in the portfolio,
however, the Bank'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 primarily 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 basis points in the rate curve, deemed reasonably possible given the current market scenario.
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 deemed reasonable. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a +/- 10% shift in market prices would have an effect of +897/-897 thousand on the profit and loss account, gross of the tax effect on the trading portfolio of equity securities.
A shift of +100/-100 basis points would have a total net effect of -2836/+2896 thousand euros on the trading portfolio of securities in terms of fair value change, and +483/-486 thousand euros in terms of matured interest.

Values in €	HFT	AFS	HTM+loans	Total
Delta FV Equity (+10%)	897	527	-	1,424
Delta FV Equity (-10%)	-897	-527	-	-1,424
Delta FV (+1%)	-2,836	-16,735	-4,659	-24,230
Delta FV (-1%)	2,996	16,897	4,251	24,144
Delta MI (+1%)	486	5,749	16,804	23,039
Delta MI (-1%)	-486	-5,749	-12,684	-18,919

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 therefore 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 of 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.

Qualitative Information

1. Banking portfolio: broken down 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	**701,383**	**1,340,495**	**251,000**	**47,176**	**824,115**	**1,280**	**11,378**	**193**	**3,177,020**
1.1 Debt securities									
- with early repayment option	-	47,197	-	4,078	28,092	-	-	-	79,367
- other entities	-	1,264,415	251,000	43,098	795,837	882	10,557	-	2,365,789
1.2 Loans to banks	478,131	28,883	-	-	-	-	-	-	507,014
1.3 Loans to customers					-	-	-	-	-
- current accounts	115,041	-	-	-	-	-	-	193	115,234
- other loans	137,652	-	-	-	186	398	821	-	139,057
- with early repayment option	43,288	-	-	-	186	398	821	-	44,693
- other entities	64,923	-	-	-	-	-	-	-	64,923
2. Cash liabilities	**3,039,192**	**141,887**	**23,144**	**-**	**-**	**-**	**-**	**-**	**3,204,223**
2.1 Due to customers									-
- current accounts	2,144,324	-	-	-	-	-			2,144,324
- other payables	27	25,538		-	-	-	-	-	25,565
- with early repayment option		-	-	-	-	-	-		-
- other entities	27	25,538	-	-	-	-	-	-	25,565

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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
2.2 Due to banks									-
- current accounts	799,840	-	-	-	-	-	-	-	799,840
- other payables	95,001	116,349	23,144	-					234,494
2.3 Debt securities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									-
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**4,350**	**-**	**-**	**-**	**-**	**-**	**-**	**4,350**
3.1 With underlying securities									-
- Options									-
+ long-term positions									-
+ short-term positions									-
- other									-
+ long-term positions									-
+ short-term positions									-
3.2 Without underlying securities									-
- Options									-
+ long-term positions									-
+ short-term positions									-
- other		4,350							4,350
+ long-term positions		2,175							2,175
+ short-term positions		2,175							2,175

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) and the controlling interest investments of Banca Generali.
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.
Finally, there is a private equity minority interest in the Luxembourg-based Athena Private Equity SA.

2. Banking portfolio: Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph was also performed on the banking portfolio for both the portfolio of financial assets available for sale (both equities and debt securities) and the portfolio of loans to customers and banks.
For the portfolio of financial instruments available for sale the impact of the assumed changes in fair value on net equity was also calculated.

On the whole, a +10%-10% shift in market prices would have an effect of +527/-527 thousand on net equity, gross of the tax effect on the banking portfolio of equity securities.
A movement of +100/-100 basis points would have an effect of +22,553/-18,432 thousand euros on the banking portfolio of debt securities and loans in terms of net interest income and -16,735/-16,897 thousand euros in terms of net equity. In this regard, we believe that an impact on HTM and loan portfolio would have an effect of -4.658/+4.251, largely attributable to debt securities allocated to those portfolios. The impact on loans, which consist largely of loans to customers in the form of current account overdrafts, loans repayable on demand, or very short-term loans to banks, should not be material.

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 -11.2 million euros, gross of the tax effect in case of reduction of interest rates by 1% and -8.0 million euros in case of increase by the same amount.

Values in €	Assets	Liabilities	Total
Interest margin delta (+1%)	23,038	-31,054	-8,015
Interest margin delta (-1%)	-18,918	7,762	-11,155

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.

1. Breakdown by currency of denomination for assets, liabilities, and derivatives

Items	US dollar	Japanese yen	Currency Swiss franc	Pound sterling	NZ dollar	Other currencies	Total currencies
A. Financial assets	**35,050**	**7,793**	**4,301**	**9,869**	**138**	**479**	**57,630**
A.1. Debt securities	36	-	-	-	-	-	36
A.2 Equity securities	5	-	-	-	-	-	5
A.3 Loans to banks	35,008	7,793	4,301	9,869	138	479	57,588
A.4 Loans to customers	1	-	-	-	-	-	1
A.5 Other financial assets	-	-		-		-	-
B. Other assets	**-**			**-**		**-**	**-**
C. Financial liabilities	**34,519**	**7,759**	**4,340**	**5,136**	**145**	**778**	**52,677**
C.1 Due to banks	8,380	7,759	741	2,997	145	379	20,401
C.2 Due to customers	26,139	-	3,599	2,139	-	399	32,276
C.3 Debt securities	-			-		-	-

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Items	US dollar	Japanese yen	Currency Swiss franc	Pound sterling	NZ dollar	Other currencies	Total currencies
D. Other liabilities	-	-	-	-	-	-	-
E. Financial derivatives	**-69**	**-**	**-16**	**101**	**-**	**-17**	**-1**
Options							
- long-term positions	-	-	-	-	-	-	-
- short-term positions	-	-	-	-	-	-	-
Other derivatives	-69	-	-16	101	-	-17	-1
- long-term positions	54,010	1,026	-	131	303	251	55,721
- short-term positions	54,079	1,026	16	30	303	268	55,722
Total assets	**89,060**	**8,819**	**4,301**	**10,000**	**441**	**730**	**113,351**
Total liabilities	**88,598**	**8,785**	**4,356**	**5,166**	**448**	**1,046**	**108,399**
Excess	**462**	**34**	**-55**	**4,834**	**-7**	**-316**	**4,952**

2.4 Derivative Financial Instruments

A. Financial Derivatives

A.1 Regulatory and trading portfolio: notional amounts at period-end

Types of derivatives/Underlying assets	31/12/2009		31/12/2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**20,000**	**-**	**-**	**-**
a) Options				
b) Swaps	20,000		-	
c) Forwards				
d) Futures				
e) Other		-	-	-
2. Equity securities and equity indices	**-**	**-**	**28**	**-**
a) Options		-	28	
b) Swaps				
c) Forwards				
d) Futures				
e) Other			-	
3. Currencies and gold	**107,224**	**-**	**44,611**	**-**
a) Options				
b) Swaps				
c) Forwards	107,224		44,611	
d) Futures				
e) Other				
4. Goods	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**127,224**	**-**	**44,639**	**-**

A.2.2 Other derivatives

Types of derivatives/Underlying assets	31/12/2009 Over the counter	Central counterparties	31/12/2008 Over the counter	Central counterparties
A.2.1 Hedging derivatives				
1. Debt securities and interest rates	**-**	**-**	-	**-**
a) Options				
b) Swaps	-		-	
c) Forwards				
d) Futures				
e) Other			-	
2. Equity securities and equity indices	**-**	**40**	**28**	**-**
a) Options		40	28	
b) Swaps				
c) Forwards				
d) Futures				
e) Other			-	
3. Currencies and gold	**2,174**	**-**	**-**	**-**
a) Options				
b) Swaps				
c) Forwards	2,174		-	
d) Futures				
e) Other				
4. Goods				
5. Other underlying assets				
Total	**2,174**	**40**	**28**	**-**

A.3 Financial derivatives positive gross fair value: breakdown by products

Portfolio/Type of derivatives	Positive FV 2009 OTC	Central counterparties	Positive FV 2008 OTC	Central counterparties
A. Regulatory trading portfolio:	**-**	**110**	**854**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps Swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	110	854	
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	-	-	-	-

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Portfolio/Type of derivatives	Positive FV 2009 OTC	Positive FV 2009 Central counterparties	Positive FV 2008 OTC	Positive FV 2008 Central counterparties
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	**-**	**110**	**854**	**-**

A.4 Financial derivatives – negative fair value: breakdown by products

Portfolio/Type of derivatives	Negative FV 2009 OTC	Negative FV 2009 Central counterparties	Negative FV 2008 OTC	Negative FV 2008 Central counterparties
A. Regulatory trading portfolio:	**384**	**110**	**849**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	384	-	-	-
c) Cross currency swap Swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	110	849	
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	**384**	**110**	**849**	**-**

A.5 OTC financial derivatives – Regulatory Trading Book: notional values, positive and negative gross fair value by counterparts- contracts other than compensation agreements

Contracts 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	-	-	384	-	-	-	-
- future exposure	-	-	600	-	-	-	-
2) Equity securities and equity indices	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold	-	-	-	-	-	-	-
- notional value	-	-	3,343	-	-	-	-
- positive fair value	-	-	110	-	-	-	-
- negative fair value	-	-	110	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Other values	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

A.9 Time-to-Maturity of financial derivatives "over the counter": notional values

Liabilities/Assets portfolio	Up to 1 year	Over 1 year, up to 5 years	Over 5 years	Total
A. Regulatory trading portfolio	108,794	20,000	-	128,794
A.1 Financial derivatives on debt securities and interest rates	1,570	20,000	-	21,570
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	107,224	-	-	107,224
A.4 Financial derivatives on other valuables	-	-	-	-
B. Banking portfolio:	2,174	-	-	2,174
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	2,174	-	-	2,174
B.4 Financial derivatives on other valuables	-	-	-	-
Total at 31 December 2009	110,968	20,000	-	130,968
Total at 31 December 2008	46,659	-	-	46,659

BANCA GENERALI

SECTION 3 – Liquidity Risk

Liquidity risk is manifested in the form of the breach of payment obligations, which may be caused by an inability to procure funding (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk).
Liquidity risk also includes the risk of fulfilling payment obligations at above-market costs, incurring a high cost of funding, or (and, in some occasions, simultaneously) incurring capital losses on the divestment of 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 (more specifically, the Treasury and Corporate Finance Office) conducts first-tier controls and is responsible for managing liquidity risk for several Group companies and keeping it within the assigned limits in accordance with strategic goals. The transactions set out in the Parent Company's Finance Rules, as approved by the Board of Directors, are as follows:

- transactions on the interbank deposit market (MID and EXTRA-MID);
- extraordinary advance transactions with fixed maturities with the Bank of Italy;
- repurchase agreement transactions for securities or currencies with the Bank of Italy;
- repurchase agreement transactions for securities or currencies with market counterparties.

The Risk Management Service is responsible for second-tier controls.

The Internal Audit Service is responsible for third-tier controls of 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.

Banca Generali is primarily a supplier of funds to the market and has historically had surplus liquidity.
Liquidity management is aimed at optimising market cash flow and rates.
Part of cash on hand is allocated to interbank deposits in order to obtain the most efficient results in terms of treasury management.

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 asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.
The securities portfolio also featured a moderate residual average maturity and a prevalence of floating-rate securities over fixed-income securities aimed at avoiding exposure to the risk of mismatching against the interest rates on the bank's liabilities.

The Bank uses a maturity ladder to apply the guidelines set out in Annex D to the new prudential regulatory requirements[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 maturities 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".

1. Breakdown of assets and liabilities by remaining contractual maturity of financial assets and liabilities

Item /Time-to-Maturity	On demand	Over 1 day 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	Indefinite maturity.	Total
Cash assets											
A.1 Government securities	-	-	-	-	19,078	15,345	36,034	810,246	119,288	-	999,991
A.2 Other debt securities – listed	615	-	5,007	26,539	100,906	85,245	125,073	1,060,439	225,531	-	1,629,355
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.4 UCIT units	33,154	-	-	-	-	-	-	-	-	-	33,154
A.5 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	501,124	106	118	-	1,016	-	-	-	4,650	-	507,014
- to customers	144,101	214	1	426	11,009	748	9,714	29,567	29,069	-	224,849
Total	678,994	320	5,126	26,965	132,009	101,338	170,821	1,900,252	378,538	-	3,394,363
Cash liabilities											
B.1 Deposits	-	-	-	-	-	-	-	-	-		-
- from banks	859,844	35,000	-	-	413	7,322	-	-	-		902,579
- from customers	2,144,348	-	-	-	1	15	11	14	-		2,144,389
B.2 Debt securities	-	-	-	-	-	-	-	-	-		-
B0.3 Other liabilities	49	40,599	12,164	10,328	140,854	15,818	-	-	-		219,812
Total	3,004,241	75,599	12,164	10,328	141,268	23,155	11	14	-		3,266,780
Off-balance sheet transactions											
C.1 Financial Derivatives - With capital swap	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	-	105,178	-	-	1,087	2,784	-	1,170	157	-	110,376
- short-term positions	-	78,942	-	-	1,087	2,784	-	1,170	157	-	84,140
C.2 Financial derivatives to be collected	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	-	-	-	-	-	-	-	-	-	-	-
- short-term positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitment to dispense funds	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	-	-	-	-	-	-	-	-	-	-	-
- short-term positions	195	-	-	-	-	-	-	195	-	-	390
Total	195	184,120	-	-	2,174	5,568	-	2,535	314	-	194,906

SECTION 4 - Operating Risk

Operating risk can be defined as the possibility of loss resulting from the inadequacy or failure of processes, human resources or internal systems, or from external events. This category includes losses deriving from fraud, human error, interrupted operations, system breakdown, breaches of contract, and natural catastrophes. Operating risk includes legal risk, which may be defined as the risk of losses arising from breaches of laws or regulations, liability under contract or in tort, or other disputes.
Operating risk is intrinsically linked to all of the Bank's operations that involve the use of human resources, processes, systems and tangible and intangible assets.

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 Organisation and IT Department ensures the efficient operation of application procedures and IT systems in support of organisational processes within the context of the management of operating risk.
The Legal and Compliance Department is tasked with contributing to the management of operating risks, to the extent of its competence, through the management and monitoring of law suits. Particular attention is devoted to the control and monitoring of the risk of fraud, a risk of particular importance to the Bank, given its organisational configuration.
The Risk Management Service is responsible for third-tier controls of operating risk and is consequently tasked with identifying, measuring, controlling and managing operating risk.
The Internal Audit Service is responsible for third-tier controls of operating 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 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.

To reinforce the efficacy of the control process, the Bank's Board of Directors, in compliance with Bank of Italy circular No. 84001014 of 20 April 2004 and the subsequent Regulatory Provision No. 311014 of 23 March 2007, has approved a Business Continuity Plan.

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.

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. Lastly, when corporate actions are undertaken, capital adequacy is evaluated and any measures to be taken in relation to net equity and/or the balance sheet items that affect minimum capital requirements are identified.

B. Quantitative Information

Banca Generali's net equity at 31 December 2009 amounted to 249.9 million euros, a 65.8 million euro increase compared to 2008.
This increase is substantially attributable to the rise in net profit for the year (42.5 million euros) and the expansion of other reserves (15.9 million euros), due to the sale of Simgenia (8.6 million euros) and retained earnings from the previous year (5.4 million euros), as well as the reduction in the negative valuation reserve for securities in the AFS portfolio (5.1 million euros).

B.1 Breakdown of Net Equity Attributable to the Company

(€ thousand)	31/12/2009	31/12/2008
1. Share capital	111,313	111,313
2. Additional paid-in capital	22,309	22,804
3. Reserves	67,221	51,377
- retained earnings	67,221	51,377
a) legal reserve	17,472	16,871
b) statutory reserve	5,199	2,476
c) treasury shares	3,851	6,651
d) other	40,699	25,379
- other		
4. Equity instruments		
5. (Treasury shares)	-3,851	-6,652
6. Valuation reserves	-1,602	-6,754
- Financial assets available for sale	-1,641	-6,793
- Property and equipment		
- Intangible assets		
- Hedges of foreign investments		

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(€ thousand)	31/12/2009	31/12/2008
- Cash-flow hedges		
- Exchange gains/(losses)		
- 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	39	39
7. Net profit (loss) for the year	54,485	12,028
Total net equity	**249,875**	**184,116**

B.2 Breakdown of Reserves from Financial Assets Available for Sale

At year-end, valuation reserves for AFS assets were a negative 1.6 million euros, net of the associated tax effect, marking an improvement of 5.1 million euros compared to the end of 2008.
This amount is essentially attributable to the equity segment (-1.6 million euros).

	31/12/2009			31/12/2008		
Assets/Values	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
1. Debt securities	3,316	3,310	6	-	4,009	-4,009
2. Equity securities	356	2,003	-1,647	-	2,784	-2,784
3. Financing	-	-	-	-	-	-
Totale	3,672	5,313	-1,641	-	6,793	-6,793

B.3 Change in Reserves from Financial Assets Available for Sale

	31/12/2009				31/12/2008			
	Equity securities	Debt securities	Financing	Total	Equity securities	Debt securities	Financing	Total
1. Amount at year-start	**-2,784**	**-4,009**	**-**	**-6,793**	**1,013**	**-107**	**-**	**906**
2. Increases	**2,001**	**11,162**	**-**	**13,163**	**1,009**	**14,715**	**-**	**15,724**
2.1 Fair value increases	417	6,836	-	7,253	101	2,978	-	3,079
2.2 Transfer to profit and loss of negative reserves	1,584	4,293	-	5,877	-	7,519	-	7,519
due to impairment	1,199	1,364	-	2,563	-	7,065	-	7,065
due to disposal	385	2,929	-	3,314	-	454	-	454
2.3 Other changes	-	33	-	33	908	4,218	-	5,126
3. Decreases	**864**	**7,147**	**-**	**8,011**	**4,806**	**18,617**	**-**	**23,423**
3.1 Fair value decreases	440	2,234	-	2,674	4,774	16,184	-	20,958
3.2 Transfer to statement of operations of positive reserves	-	3,043	-	3,043	-	-	-	-
due to impairment	-	-	-	-	-	-	-	-
due to disposal	-	3,043	-	3,043	-	-	-	-
3.3 Other changes	**424**	**1,870**	**-**	**2,294**	**32**	**2,433**	**-**	**2,465**
4. Amount at year-end	**-1,647**	**6**	**-**	**-1,641**	**-2,784**	**-4,009**	**-**	**-6,793**

SECTION 2 - NET EQUITY AND BANK SURVEILLANCE COEFFICIENTS

2.1 Capital for regulatory purposes

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 IAS/IFRS, and bearing in mind the new 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 new 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 capital instruments, hybrid capital instruments and subordinated assets) issued by such entities 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 new 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 result is a negative balance, 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 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.

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 Tier 2 capital at year-end does not include any innovative or non-innovative equity instruments, nor does it include Tier 2 subordinated liabilities and hybrid equity instruments; no prudential filters have been recognised.

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

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.
Capital for regulatory purposes amounted to 193.0 million euros at 31 December 2009, net of the planned distribution of 49.9 million euros in dividends, marking an increase of 21.8 million euros with respect to the situation at the end of 2008.

Item/Value	31/12/2009	31/12/2008	Difference
Tier 1 capital	192,968	171,140	21,828
Tier 2 capital	-	39	- 39
Tier 3 capital	-	-	-
Total capital for regulatory purposes	**192,968**	**171,179**	**21,789**
Net equity for accounting purposes	**249,875**	**184,116**	**65,759**

Composition of Capital for Regulatory Purposes

Items/Values	31/12/2009	31/12/2008
TIER 1 CAPITAL		
Share capital	111,313	111,313
Additional paid-in capital	22,309	22,804
Reserves	67,221	51,377
Net profit (loss) for the year	54,485	12,028
Dividends for pay-out	-49,884	-6,637
Total positive items	205,444	190,885
Treasury shares	-3,851	-6,652
Goodwill	-2,991	-2,991
Intangible assets	-3,578	-3,309
Negative fair value reserve for AFS debt securities	-	-4,009
Negative fair value reserve for AFS equity securities	-1,647	-2,784
Total negative items	-12,067	-19,745
Total Tier 1 capital	**193,377**	**171,140**
Investment in Simgenia	-409	
Total deductions	-409	
Total Tier 1 capital	**192,968**	**171,140**
TIER 2 CAPITAL		
Valuation reserves	-	-
- revaluation reserve	39	39
Positive fair value reserve for AFS debt securities	6	-
Total positive items	45	39
Inapplicable portion of positive AFS reserve	-3	-
Other negative items	-	-
Total negative items	-3	-
Total Tier 2 Capital	**42**	**39**
Investment in Simgenia	-42	
Total deductions	-42	
Total Tier 2 Capital	**-**	**-**
Total capital for regulatory purposes	**192,968**	**171,179**

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.

	31/12/2009	31/12/2008
A. Tier 1 capital before application of prudential filters	195.024	177.933
B. Prudential Tier 1 capital filters:	-1.647	-6.793
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-1.647	-6.793
C. Tier 1 capital before deductions	193.377	171.140
D Deductions from Tier 1 capital	-409	-
E. TIER 1 capital (C - D)	**192.968**	**171.140**

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	31/12/2009	31/12/2008
F. Tier 2 capital before application of prudential filters	45	39
G. Prudential filters of Tier 2 capital:	-3	-
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-3	-
H. Tier 2 capital before deductions	42	39
Deductions from Tier 2 capital	-42	-
L. TIER 2 capital (H - I)	**-**	**39**
M. Items to deduct from total Tier 1 and Tier 2 capital	-	-
N. Capital for regulatory purposes	**192.968**	**171.179**
O.TIER 3 capital	-	-
P.Capital for regulatory purposes, including TIER 3	**192.968**	**171.179**

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 forfeit 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.
Banks are also required to set aside part of their regulatory capital to cover the operating risk, which, in the case of a Banking group, should be calculated using the basic method set forth by the Circular No. 263 of the Bank of Italy dated 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 at the end of the year amounted to 83.3 million euros, resulting in a surplus of capital for regulatory purposes of 109.7 million euros, net of the lump-sum reduction of 25% applicable to Italian groups.

	31/12/2009		31/12/2008	
	Non weighted amounts	Weighted amounts	Non weighted amounts	Weighted amounts
A. RISK ACTIVITY	3,287,206	987,624	3,702,510	1,035,639
A.1 Credit and counterparty risk				
1. standardised method	3,181,438	873,306	3,529,030	984,434
2. internal rating method	-	-	-	-
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. securitisation	105,768	114,318	173,481	51,205
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK		79,010		82,851
B.2 MARKET RISKS		13,420		5,502
1. Standard methodology	X	13,420	X	5,502
2. Internal models	X	-	X	-
3. Foreign exchange risk		-		-
B.3 OPERATING RISK	X	18,593	X	17,305
1. Basic method	X	18,593	X	17,305
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
B.4 OTHER PRUDENTIAL REQUIREMENTS	X	-	X	-
B.5 TOTAL PRUDENTIAL REQUIREMENTS (3)	X	83,267	X	79,244
C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS				
C.1 Risk-weighted assets	X	1,040,841	X	990,547
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	18.54%	X	17.28%
C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio)	X	18.54%	X	17.28%

BANCA GENERALI

Part G – Mergers 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 company's goodwill are also stated in the interest of consistency of presentation.

SECTION 1 - Transactions Undertaken During the Year

In 2009, only one business combination was carried out, i.e. the sale of the controlling stake (85% of share capital) of Simgenia SIM S.p.A. to other companies of the Assicurazioni Generali group, on 17 June 2009.
This transaction is deemed a business combination between entities under common control, as it was carried out between entities belonging to the Assicurazioni Generali insurance Group.

Disposal of Simgenia SIM S.p.A

As stated above, on 17 June 2009 Banca Generali closed the sale of 85% of the share capital of Simgenia SIM S.p.A. to other Assicurazioni Generali Group companies and, more specifically, 25% to Assicurazioni Generali S.p.A., 20% to Alleanza Assicurazioni S.p.A., 15% to INA Assitalia S.p.A., 15% to Toro Assicurazioni S.p.A. and 10% to FATA Assicurazioni S.p.A.
Banca Generali retained the remaining 15% interest in its portfolio and therefore deconsolidated the residual investment, which was then reallocated to available-for-sale assets, inasmuch as it did not satisfy the minimum ownership requirements for associated entities.
However, even after the sale, Simgenia, with its customer base assisted by the network of financial advisors and insurance brokers with which it collaborates, now a part of the Generali Group, continues to serve as a distribution channel for the Banca Generali Group's products. In further detail, Simgenia will continue to distribute Banca Generali's banking services (current accounts and related services) on an exclusive basis and to place the Italian funds and Luxembourg SICAVs managed directly by the Banca Generali Group.
Consideration for the sale was set at a total of 13.3 million euros. The transaction was settled in cash and generated a capital gain of 8.8 million euros, net of the IRES (corporate income tax) effect applicable to the sale of an exempt equity investment.

Accounting Treatment

The sale transaction may be considered a transaction between entities under common control within the Generali insurance group.
Consequently, the net capital gain on the sale has not been recognised on the profit and loss account according to IAS 27, paragraph 30, but rather entered directly to a net equity reserve, inasmuch as it represents in substance a capital contribution by the other companies of the insurance group.
The capital gain has been calculated as the difference between the consideration received and the share of the company's net assets on the consolidated financial statements at the date of sale, and thus including previously recognised goodwill.
The equity investment's residual value in the consolidated financial statements has therefore been remeasured in order to account for the lesser value of the share of such net assets with respect to their book value, attributable to the losses reported in the first half of the year.
Pursuant to IAS 27, the consolidated profit and loss account includes the subsidiary's profit and loss results through the date of sale, i.e. the loss registered in the first six months of 2009, stated in aggregate form under the item "Profit (loss) of discontinued operations, net of taxes".

It should be noted that, as required by IFRS 5, the comparative profit and loss account at 31 December 2008 has been restated on the same basis in order to permit comparison of the data. The company's assets and liabilities have been reclassified to the items assets held for sale and liabilities associated with assets held for sale.

SECTION 2 - Transactions After the Close of the Period

On 1 January 2010 two internal restructuring transactions were undertaken within the banking group:
1) the portfolio management business unit was contributed by Banca BSI Italia to BG SGR S.p.A.;
2) Banca BSI Italia S.p.A. was merged into its parent company, Banca Generali S.p.A.
The first of the two transactions was undertaken by Banca BSI Italia before it was merged into Banca Generali and thus is also presented in this chapter in order to provide a complete overview of the resulting situation. These transactions were approved by the Shareholders' Meeting on 23 November 2009.

Contribution of the portfolio management unit to BG SGR

The business in which the contributed unit engages involves entering into agreements to manage clients' assets by investing them in shares and/or units of mutual funds/SICAVs and equities/bonds, on both Italian markets and foreign markets denominated in foreign currencies, as well as by making spot and forward currency sales and purchases.
The following are included in the business unit on the effective date of the contribution:
- portfolio management agreements in force with clients;
- client assets included in portfolio management accounts;
- the current accounts used to manage the liquidity contained in individual portfolio positions;
- the employees devoted to managing the foregoing agreements;
- the outsourcing agreement with Banca Generali for back-office services for the securities included in portfolio management services;
- the portion of goodwill and intangible assets attributable to the Business Unit and arising from the acquisition of Banca del Gottardo Italia, recognised in function of the proportion of total assets under management subject to conferment.

From an accounting standpoint, the transaction was undertaken at the book value of the difference between the contributed unit's assets and liabilities, determined to amount to 9.5 million euros.
Following the contribution, Banca BSI Italia transferred its share of the goodwill and intangible assets associated with the business unit arising from the acquisition of the merged company Banca del Gottardo Italia, computed in proportion to the ratio of the contributed assets under management in discretionary accounts and the total assets under management in these accounts. In detail, the proportionate share of goodwill amounted to 4,933 million euros, while customer relationship intangible assets, net of accumulated amortisation, was 3,428 million euros, and the associated deferred taxes, disclosed among tax payables.
To account for the non-monetary contribution, BG SGR authorised a reserved share capital increase pursuant to Articles 2440 and 2441 of the Italian Civil Code.
In detail, on the basis of the exchange ratios, BG SGR issued 315,133 new shares to the transferee Banca BSI Italia, amounting to 19.6% of post-acquisition share capital, in the maximum total amount of 1,576 thousand euros. The remainder, 7,924 thousand euros, was allocated to the share premium reserve.

Merger of Banca BSI Italia S.p.A.

As mentioned above, Banca BSI Italia was merged into Banca Generali after the portfolio management unit had been contributed and effective the same date, 1 January 2010.
Since Banca Generali holds the entirety of the share capital of Banca BSI Italia, the transaction

was undertaken without any share capital increase by Banca Generali, pursuant to Article 2504-*quinquies* of the Italian Civil Code.
In accounting terms, the merger by absorption is considered a business combination between entities under common control, not within the scope of IFRS 3. Thus, the transaction was recognised on the basis of the carrying amount of the assets and liabilities of the merged subsidiary, whereas the difference between this amount and the carrying amount of the equity investment held by the parent company was recognised in the merging company's net equity.
In detail, at the effective date of the merger, the value of the equity investment in Banca BSI Italia amounted to 114,155 thousand euros, while the latter's net equity after the contribution of the portfolio management unit was 61,833 thousand euros. Accordingly, Banca Generali recognised a negative merger difference ("merger deficit") in the amount of 53,222 thousand euros, allocated as a decrease in net equity.

Assets (€ thousand)	Banca BSI	GPF	BSI after transfer	BG	Adjustments Cancellations	BG after merger
Financial assets held for trading	486	-	486	218,553	- 110	218,929
Financial assets available for sale	813	-	813	1,481,926	- 507	1,482,232
Financial assets held to maturity	-	-	-	666,074	-	666,074
Loans to banks	904,035	- 42,295	861,740	619,719	- 900,755	580,704
Loans to customers	331,033	- 4,654	326,379	426,057	-	752,436
Equity investments	-	9,500	9,500	143,992	- 114,155	39,337
Property and equipment and intangible assets	41,492	- 8,361	33,131	9,756	-	42,887
Tax receivables	31,319	-	31,342	14,023	6	45,371
Other assets	21,643	- 12	21,608	54,629	- 247	75,990
Total assets	**1,330,821**	**- 45,822**	**1,284,999**	**3,634,729**	**- 1,015,768**	**3,903,960**

Net Equity and Liabilities (€ thousand)	BSI	GPF	BSI after transfer	BG	Adjustments Cancellations	BG after merger
Due to banks	14,368	-	14,368	1,034,333	- 900,757	147,944
Due to customers	1,190,703	-41,611	1,149,092	2,232,942	110	3,381,924
Financial liabilities held for trading	110	-	110	-	-	110
Tax payables	2,769	-1,108	1,661	2,327	-	3,988
Other liabilities	34,074	- 2,868	31,206	93,477	-245	124,438
Employee termination indemnities	651	- 135	516	2,932	-	3,448
Special purpose provisions	26,964	- 235	26,729	21,775	-131	48,373
Valuation reserves	-78	-	-78	-1,602	78	-1,602
Reserves	18,324	-	18,324	121,706	-33,749	69,633
Additional paid-in capital	-	-	-	22,309	-	22,309
Share capital	80,235	-	80,235	111,313	-80,235	111,313
Treasury shares (-)	-	-	-	- 3,851	-619	-4,470
Net profit (loss) for the year (+/-)	-	-	-	-	-	-

SECTION 3 - Retrospective Adjustments

In 2009, no retrospective adjustments were recognised for business combination transactions carried out by Banca Generali in past years.
At 31 December 2009, goodwill included in the Bank's assets totalled 3.0 million euros, unchanged compared to 31 December 2008.

This goodwill refer to the merger of subsidiary SIMs Prime Consult S.p.A. and INA SIM S.p.A..

(€ thousand)	Goodwill
Net amount at year-start	2,991
Increases	-
Purchases	
Other changes	
Decreases	-
Sales	
Portfolio	
of which: a) depreciation and amortisation	
Other changes	
Amount at year-end	**2,991**

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for any 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.
Goodwill is monitored by Banca Generali's central functions. To test goodwill for impairment in accordance with IAS 36, the following CGU has been defined and is part of the Retail operating segment: **Prime Consult and INA Sim CGU**.
The CGU's scope and future cash flows have been identified on the basis of the assets under management managed by Financial Advisors included in the former merged networks.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered. Specifically, the following were used to determine value in use:
- the CGU's earnings and cash flow projections, extrapolated from the Banca Generali Group's 2010-2012 forecast data, supplemented by management analyses of specific aspects; the Group's forecast data are based on the 2010 Budget, 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;
- analytical valuation methods based on the discounting of expected future cash flows (cash flow method); a fixed cost of capital of 10%, constructed according to the Capital Asset Pricing Model; the terminal value determined according to the perpetual return method on the basis of growth rate of 1%.

The tests performed on the CGU did not detect any goodwill impairment.
Compared to the Prime Consult and INSA SIM CGU's carrying amount of 7.3 million euros, the value obtained by applying the analytical method described above amounts to a minimum of 39.8 million euros and a maximum of 42.3 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 9.5%-10.5% and 0%-2%, respectively.
The test performed using the control method also confirmed that the carrying amount remained applicable.

Part H – Transactions with Related Parties

1. DISCLOSURE OF DIRECTORS AND EXECUTIVES COMPENSATION

IAS 24 defines **key management personnel** as *"those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors (whether executive or otherwise)"* ***and*** establishes that key management personnel of an entity or an entity's parent are to be considered related parties.
In this regard, the governance code adopted by the bank, on the subject of dealings with related parties, identifies the following types of entities:

- the members of the Company's Board of Directors and Board of Auditors;
- the Company's General Manager and Managers invested with managerial powers and/or credit-approval powers directly by the Company's Board of Directors;
- executives with strategic responsibilities for the Company's Subsidiary Companies, as identified by the administrative organs of the latter from time to time and notified to the Company;
- executives with strategic responsibilities for the Company's parent company, as identified by the administrative organ of the latter from time to time and notified to the Company.

In the Financial Statements of Banca Generali, its Directors, Auditors, General Manager and Vice General Managers have been qualified as key management personnel.

Key management personnel were also considered to include those of the parent company, Assicurazioni Generali, as explicitly disclosed in the latter's financial statements (i.e., the parent company's directors, statutory auditors, and general managers).
Disclosure for persons not filling positions with Banca Generali (directors, auditors) concerned current financial dealings (mortgages, etc.) only.

As required by IAS 24, the total compensation recorded in the consolidated profit and loss account for the year is disclosed below, broken down by personnel category and type.

	31/12/2009				31/12/2008
	Directors	Auditors	Other key management personnel	Total	Total
Short-term benefits (current comp. and social security charges) (1)	1,461	119	1,677	3,257	3.290
Post-employment benefits (2)	175	-	253	428	438
Other long-term benefits	-	-	-	-	-
Severance indemnities (3)	-	-	-	-	-
Share-based payments (4)	-	-	120	120	- 329
Total	1,636	119	2,050	3,805	3.399

(1) The item includes current remuneration and the relevant social contributions paid by the company
(2) The item includes the company's contribution to pension funds and the provision for severance pay as provided for by the law and company regulations.
(3) The item includes charges paid for pension incentives
(4) The item includes stock option plans based on IFRS 2 and recognized in the financial statements

This table, differently from the following table prepared pursuant to article 78 of the Rules for Issuers, includes also the items excluded such as social charges payable by the company, the provision for severance pay, charges for stock option plans determined pursuant to IFRS2 despite the estimate of production bonuses for the year, which have yet to be approved by the Board of Directors.
Pursuant to article 78 of the Rules for Issuers (No. 11971), as amended by resolution No. 15520 of

27 July 2006, following the introduction of IASs/IFRSs, companies listed on regulated markets must include a table stating the compensation paid to members of their administrative and control bodies, general managers, and other key management personnel (data for the latter only in aggregated form).
Emoluments for positions held must include:
(i) emoluments pertinent to the period as authorised by the shareholders' meeting, or pursuant to article 2389, paragraph 2, of the Italian Civil Code, if not yet paid and (ii) any right to a share of profits, (iii) attendance bonuses, and (iv) lump-sum reimbursements of expenses.
The amount of the sums indicated under (ii) must be stated on an accruals basis even if the shareholders' meeting that is to approve the financial statements and the distribution of profits for the administrative body has yet to be held. If the shareholders' meeting resolves on a different allocation of the profits for the year, the table must be modified accordingly.
The column *non-monetary benefits* must include fringe benefits (according to whether these are considered taxable income) and any insurance policies.
Bonuses and other incentives include the share of remuneration that accrues on a one-off basis. Under no circumstances is this column to include the values of stock options granted or exercised.
Other compensation must include: (i) emoluments for positions held with listed and unlisted subsidiaries; (ii) salaries (gross of social-security contributions and taxes for which the employee is liable, excluding mandatory collective social-security expenses for which the company is liable and allocations to the provision for post-employment benefits); (iii) end-of-term indemnities; (iv) and any other additional remuneration arising from other services rendered.

Compensation paid to members of administrative and control bodies, general managers and key management personnel (Article 78 of CONSOB resolution No. 11971 of 14 May 1999, as amended – Annex 3C – Table 1)

Surname and name	Company	Office held	Period during which office was held	Term of office	Emoluments for the position held at the company drafting the financial statements	Non-monetary benefits (4)	Bonuses and other incentives	Other compensation (3)	Total	Notes
Perissinotto Giovanni	Banca Generali	Chairman	1.1.-31.12.09	Ap. of 2011 Fi. State.	25,000				25,000	(1)
Girelli Giorgio Angelo	Banca Generali	CEO	1.1.-31.12.09	Ap. of 2011 Fi. State.	700,000	-		175,000	875,000	(2) (7)
	Banca Generali	Director	1.1.-31.12.09	Ap. of 2011 Fi. State.	25,000	-	-	-	25,000	(1)
	Banca BSI Italia	Director	1.1- 31.12.09	31/12/2009	-			12,000	12,000	(1)
	Bg Sgr	Director	1.1.-31.12.09	Ap. of 2010 Fi. State.	-			10,000	10,000	(1)
	Generali Fund Management	Director	1.1.-31.12.09	Ap. of 2009 Fi. State.				4,000	4,000	(1)
Baessato Paolo	Banca Generali	Director	1.1.-31.12.09	Ap. of 2011 Fi. State.	25,000				25,000	
Borrini Amerigo	Banca Generali	Director	1.1.-31.12.09	Ap. of 2011 Fi. State.	25,000				25,000	(1) (7)
Buscarini Fabio	Banca Generali	Director	1.1 - 31.12.09	Ap. of 2011 Fi. State.	25,000				25,000	(1)
De Vido Andrea	Banca Generali	Director	1.1.-31.12.09	Ap. of 2011 Fi. State.	25,000				25,000	(6)
		Comp. Committee			6,000				6,000	(6)
Lentati Leonardo	Banca Generali	Director	1.1- 31.12.09	Ap. of 2011 Fi. State.	25,000				25,000	(6)
		Internal Control Committee.			18,000				18,000	(6)
		Comp. Committee			6,000				6,000	(6)
Miglietta Angelo	Banca Generali	Director	21.4.-31.12.09	Ap. of 2011 Fi. State.	17,292				17,292	(6)
		Internal Control Committee			12,450					
		Comp. Committee			4,150					

(continues)

(continues)

Surname and name	Company	Office held	Period during which office was held	Term of office	Emoluments for the position held at the company drafting the financial statements	Non-monetary benefits (4)	Bonuses and other incentives	Other compensation (3)	Total	Notes
Minucci Aldo	Banca Generali	Director	1.1.-31.12.09	Ap. of 2011 Fi. State.	25,000				25,000	(1)
Noto Alfio	Banca Generali	Director	1.1.- 21.4.09	....	7,400				7,400	(6)
		Internal Control Committee.		....	5,550				5,550	(6)
		Comp. Committee		....	1,850				1,850	(6)
	Banca BSI Italia	Director	1.1.- 31.03.09	....	-			2,959	2,959	
Riello Ettore	Banca Generali	Director	1.1.- 31.12.09	Ap. of 2011 Fi. State.	25,000				25,000	
		Internal Control Committee			18,000				18,000	
Motta Pier Mario	Banca Generali	General Manager	1.1.-31.12.09	....	-	149,016		915,277	1,064,293	(3)(4)
	Banca BSI Italia	CEO	1.1.-31.12.09	31/12/2009	-			12,000	12,000	(1)
	Bg Sgr	Director	1.1.-31.12.09	Ap. of 2010 Fi. State.	-			10,000	10,000	(1)
	Generali Fund Management	Director	1.1.-09.09.09	....	-			4,000	4,000	(1)
Alessio Vernì Giuseppe	Banca Generali	Chairman of the Board of Statutory Auditors.	1.1.-31.12.09	Ap. of 2011 Fi. State.	40,000			-	40,000	(5)
	Banca BSI Italia	Standing auditor	1.1. -31.12.09	31/12/2009	-			12,000	12,000	(5)
	S. Aless. Fid.	Chairman of the Board of Statutory Auditors.	1.1.-31.12.09	Ap. of 2011 Fi. State.	-			5,000	5,000	(5)
D'Agnolo Paolo	Banca Generali	Standing auditor	1.1.-21.04.09	Ap. of 2011 Fi. State.	9,000			-	9,000	(5)
Venchiarutti Angelo	Banca Generali	Standing auditor	21.4.-31.12.09	Ap. of 2011 Fi. State.	30,000			-	30,000	(6)
	BG Fiduciaria	Chairman of the Board of Statutory Auditors.	1.1.-31.12.09	Ap. of 2010 Fi. State.	-			6,780	6,780	(6)
	S. Aless. Fid.	Standing auditor	1.1.-15.06.09	Ap. of 2011 Fi. State.	-			1,356	1,356	(6)
Gambi Alessandro	Banca Generali	Standing auditor	8.5-31.12.09	Ap. of 2011 Fi. State.	21,000				21,000	
	Bg Sgr	Chairman of the Board of Statutory Auditors.	1.1-31.12.09	Ap. of 2010 Fi. State.				10,500	10,500	
	BG Fiduciaria	Standing auditor	1.1-19.04.09	....				1,493	1,493	
Key management personnel	Banca Generali	....	....	....		57,207	53,900	363,780	474,887	(1)(3)(4)
Total					**1,121,692**	**206,223**	**53,900**	**1,546,145**	**2,911,360**	

Notes:
(1) The party in question pays compensation back to the company in question;
(2) "Other compensation" includes the payment of premiums for the year under the end-of-term indemnity insurance policy taken out to benefit the CEO.
(3) The item "Other compensation" includes:
a) salaries, without considering social-security expenses for which the company is liable and the pertinent share of the allocation to the provision for post-employment benefits;
b) cancelled holiday and other leave, lump-sum reimbursement of travel expenses and other official expenses.
(4) The item "Non-monetary benefits" includes:
a) contributions for social security and supplementary pension plans and other company policies;
b) other company fringe benefits.
(5) The item "Emoluments for the position held" is net of VAT and social-security contributions and also includes travel indemnities and reimbursements.
(6) Under independent service contract coordinated by the employer;
(7) The party in question does not receive any compensation for participating in the BoD of BG Fiduciaria.

Stock options granted to members of the administrative body, general managers and key management personnel (Article 78 of CONSOB resolution No. 11971 of 14 May 1999, as amended – Annex 3C – Table 2)

Article 78 of the Rules for Issuers (No. 11971), as amended by resolution No. 15520 of 27 July 2006, also calls for the issuer to disclose stock-option plans in the form of the free granting of shares or the offer of options for the purchase or subscription of shares of the issuer or of a subsidiary of the issuer provided for members of the administrative body, general managers, and key management personnel (in aggregate form for the latter).

The options for the free allotment of shares in Banca Generali granted to the Chief Executive Officer and General Manager have not been exercised.
The survey excluded options granted to a key management personnel member transferred to another Assicurazioni Generali Group company, for whom the Steering Committee for the Stock-Option Plan reserved for the banking group's employees decided to maintain entitlement.

		Options held at year-start			Options granted during the year			Options exercised during the year			Options expired	Options held at year-end		
Name and surname	Office held	Number of options	Average strike price	Average maturity	Number of options	Average strike price	Average maturity	Number of options	Average strike price	Average market price for the year	Number of options	Number of options	Average strike price	Average maturity
Giorgio Girelli	Chief Executive Officer	389,596	-	2007 2011	-	-	-	-	-	-	-	389,596	-	2007 2011
Piermario Motta	General Manager	278,284	-	2007 2011	-	-		278,284	-	2,2909	-	-	-	2007 2011
Key management personnel (*)		80,000	9,599	2009 2012				-	-	-	-	80,000	9,5988	2009 2012
		747.880		-	-	-	-	278,284	-		-	469,596	-	-

(*) includes the Deputy General Manager transferred from Banca BSI Italia on 1 January 2010

Disclosure under article 79, paragraph 1, of the Rules for Issuers

In respect to the provision in question, we report that no transactions to encourage the purchase or subscription of shares in Banca Generali pursuant to article 2358, paragraph 3, of the Italian Civil Code were undertaken during the year.

2. Disclosure of Transactions with Related Parties

In compliance with Article 2391-bis of the Italian Civil Code, Article 71 of CONSOB (Italy's stock market regulator) Regulation No. 11971/99 (Rules for Issuers) and the recommendations contained in the Corporate Governance Code for listed companies, on 18 July 2006, the Banca Generali's Board of Directors approved the *Code of Conduct for Transactions with Related Parties*, with the objective of:
(i) governing the undertaking of transactions with related parties by Banca Generali or its subsidiaries by setting internal rules appropriate to ensuring the transparency and the substantial, and procedural propriety of such transactions and, in particular "significant" transactions, i.e. those of the greatest relevance in terms of earnings and financial position ("extraordinary" and "relevant" transactions);
(ii) establishing the procedures for complying with disclosure requirements, including those required under applicable laws and regulations.

In compliance with CONSOB Resolution No. 15232 of 29 November 2005, "related parties" includes parties defined as such by IAS 24 — Related Party Disclosures.
According to this standard, a party is related to an entity if:

a) directly or indirectly, through one or more intermediaries, the party:
   (i) controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and associates);
   (ii) has an interest in the entity that gives it significant influence over the entity;
   (iii) has joint control over the entity;
b) the party is an associate of the entity as defined in IAS 28;
c) the party is a joint-venture in which the entity is a venturer as per IAS 31;
d) the party is a member of the key management staff of the entity or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

The related parties are the Parent Company Assicurazioni Generali S.p.A. and its direct or indirect subsidiaries and the subsidiaries of the Bank (BG Fiduciaria, BG SGR, Banca BSI Italia, Sant'Alessandro Fiduciaria and Generali Fund Management SA).
With reference to these transactions, the main balance sheet and profit and loss account aggregates that are separately identifiable are summarised below.

2.1 Companies of the Banking Group and of the Assicurazioni Generali Group

2.1.1 Assets and liabilities

(€ thousand)	Parent Company Assicurazioni Generali	Subsidiary companies Banking Group	Other associate companies Generali Group	31/12/2009	31/12/2008	Change Amount	%
Financial assets held for trading	-	110	-	110	302	-192	-63.6%
Financial assets available for sale	868	-	928	1,796	849	947	111.5%
Loans to customers	29,563	13,425	4,260	47,248	39,067	8,181	20.9%
Loans to banks		12,495	-	12,495	52,176	-39,681	-76.1%
Tax assets (AG tax consolidation)	4,085	-	-	4,085	6,080	- 1,995	-32.8%
Other assets	134	237	292	663	759	-96	-12.6%
Total assets	**34,650**	**26,267**	**5,480**	**66,397**	**99,233**	**-32,836**	**-33.1%**
Due to customers	228,027	57,816	399,767	685,610	1,123,726	-438,116	-39.0%
Due to banks		888,256	7,739	895,995	884,301	11,694	1.3%
Financial liabilities held for trading		110	-	110	555	-445	-80.2%
Other liabilities	311	183	372	866	2,911	- 2,045	-70.3%
Total liabilities	**228,338**	**946,365**	**407,878**	**1,582,581**	**2,011,493**	**-428,912**	**-21.3%**
Guarantees issued		**-**	**529**	**529**	**1,290**	**-761**	**-59.0%**

2.1.2 Costs and revenues

(€ thousand)	Parent Company Assicurazioni Generali	Subsidiary companies Banking Group	Other associate companies Generali Group	31/12/2009	31/12/2008	Change Amount	%
Interest income	1,141	28	-	1,169	4,207	-3,038	-72.2%
Interest expense	-3,387	-4,940	-3,535	-11,862	-64,087	52,225	-81.5%
Net interest	**-2,246**	**-4,912**	**-3,535**	**-10,693**	**-59,880**	**49,187**	**-82.1%**
Commission income	68	35,261	42,182	77,511	72,985	4,526	6.2%
Commission expense	-	-1,385	-57	-1,442	-739	-703	95.1%
Net commissions	**68**	**33,876**	**42,125**	**76,069**	**72,246**	**3,823**	**5.3%**
Dividends	**34**	**48,750**	**-**	**48,784**	**19,020**	**29,764**	**156.5%**
Operating income	**-2,144**	**77,714**	**38,590**	**114,160**	**31,386**	**82,774**	**263.7%**
General and administrative expense	-2,057	-831	-10,917	-13,805	-12,043	-1,762	14.6%
Personnel expenses (secondment)	-67	784	365	1,082	845	237	28.0%
Other net operating profit	**-**	**7,357**	**148**	**7,505**	**7,998**	**-493**	**-6.2%**
Net operating expense	**-2,124**	**7,310**	**-10,404**	**-5,218**	**-3,200**	**-2,018**	**63.1%**
Operating income	**-4,268**	**85,024**	**28,186**	**108,942**	**28,186**	**80,756**	**286.5%**

2.2 Key management personnel and other related parties

(€ thousand)	Key management personnel	Other related parties	31/12/2009	31/12/2008	Change Amount	%
Loans to customers	218		218	228	-10	-4.4%
Due to customers	3,002		3.002	4,073	-1,071	-26.3%
Guarantees issued						
Guarantees received						

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 this company's latest Financial Statements is reported hereunder.

Highlights of Assicurazioni Generali S.p.A.

(€ million)	FY 2008
Net profit	**828.3**
Total net premiums	8,745.4
Total gross premiums	9,659.9
Total gross premiums from direct business	7,363.9
Change on equivalent (a)	-1.8%
Total gross premiums from indirect business	2,296.1
Change on equivalent terms (a)	2.7%
Acquisition and administration costs	1,308.5
Expense ratio (b)	15.0%
Life Segment	
Life net premiums	5,514.9
Life gross premiums	5,698.4
Change on equivalent terms (a)	-1.7%
Life gross premiums from direct business	3,967.6
Change on equivalent terms (a)	-2.8%
Life gross premiums from indirect business	1,730.8
Change on equivalent terms (a)	0.6%
Life acquisition and administration costs	572.6
Expense ratio (b)	10.4%
Non-life Segment	
Non-life net premiums	3,230.5
Non-life gross premiums	3,961.5
Change on equivalent terms (a)	0.7%
Non-life gross premiums from direct business	3.396.3
Change on equivalent terms (a)	-0.7%
Non-life gross premiums from indirect business	565.2
Change on equivalent terms (a)	9.8%
Non-life acquisition and administration costs	735.9
Expense ratio (b)	22.8%
Loss ratio (c)	
Combined ratio (d)	99.9%
Current financial result	**2,030.1**
Technical provisions	39,092.9
Life segment technical provisions	31,944.2
Non-life segment technical provisions	7,148.7
Investments	58,087.3
Capital and reserves	
	9,798.9

(a) At constant exchange rates.

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 2008. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures are not subject to audit performed by the auditing firm entrusted by Banca Generali pursuant to Article 156 of Legislative Decree No. 58/98.

BANCA GENERALI

Part I – Payment Agreements Based on Own Equity Instruments

A. Qualitative Information

Payment Agreements Based on Own Equity Instruments

At 31 December 2009, Bianca Generally activated share-based payment agreements consisting of two stock option plans reserved for financial advisors and some group managers, respectively, and a stock-granting plan in favour of top management.
With respect to the stock-granting plans for top management, the plan administration began granting shares reserved for Bianca General's General Manager during the year.

With respect to the stock-option plans for financial advisors and some group managers, on 9 October 2009 Bianca General's Board of Directors resolved upon a modification to the rules applicable to said plans by introducing a three-year extension of the strike period of the options granted.
The measure was aimed at overcoming the effects of the financial market crisis of recent years so as to allow the effective exercise of rights and extend the period of mutual interest in improving the Company's results for all those affected by the Plan.
Since the extension of the options' strike window implies a corresponding extension of the period of validity of the Board of Directors' authority to undertake the capital increase in service of the plans, said extension was approved by the Bank of Italy by January 2010.
The shareholders' meeting will approve the modifications to the rules when the 2009 financial statements are approved in April 2010.

The Board of Directors resolved to put a proposal before the ordinary Shareholders' Meeting to approve a new overall stock-option plan reserved exclusively for the distribution networks, financial advisors, private bankers, and relationship managers. The new plans will begin to affect profit and loss results during the year after the options are granted.

Conversely, the stock-granting plan for the financial advisors of the former Prime Consult network may now be considered fully concluded owing to the delayed grant of the final units for the third trance that vested on 15 December 2008.

The main features of the aforementioned plans are detailed below.

1. Stock Option Plans for Employees and Financial Advisors

On 24 May 2006, Bianca General's Board of Directors approved two stock option plans, both of which are conditional on the commencement of the trading of the company's stocks on the electronic share market (MTA) organised and managed by Boras Italian Spa.
- under the first plan, which is reserved for employees of companies belonging to Banca Generali Group, a maximum amount of 1,113,300 ordinary shares can be issued;
- under the second plan, which is reserved for Banca Generali's financial advisors, area managers and business managers and the private bankers in the BSI channel, a maximum of 4,452,530 shares can be issued.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting 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 nominal amount of 5,565,660 euros, through the issuance of a maximum of 5,565,660.00 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 electronic share market (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.

At the end of 2009, the options assigned under the plan for employees of banking group companies totalled **829,000**. During the year, **55,000** rights were cancelled for three executives who left the Group.

A total of **2,540,136** option rights had been granted to financial advisors at year-end, gross of employee turnover projections, down on the previous year due to the termination of dealings with certain beneficiaries.

In 2009 the vesting period for the entire plan for group managers and the first two tranches of the plan for financial advisors concluded.
Accordingly, there were 2,532,613 exercisable options at 31 December 2009.

1.1 Measurement of fair value

Valuation of the stock option plan is based on the fair value of the options assigned, calculated on the options assignment date.
The fair value of the options was computed using a standardised model available among the 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. Other peculiar features of the plan are considered, such as different dates and exercise conditions. The binomial pricing model also takes into account the possibility of early exercise.

To calculate the initial value of plans, in consideration of the recent Banca Generali listing and the lack of a significant historical series, the expected volatility was measured based on the prices of the most liquid 3-month options on the shares of listed issuers with similar structural features and 5-year options on the S&P MIB index. Interest rates are calculated using the interbank rate swap curve; the expected dividend is based on the bank's projections.
Therefore, the calculations for the plan reserved for employees were based on the option's fair value at 1.94 euros, while for the financial advisors' plan the fair value of 1.73 and 1.59 euros was used, based on the expected exercise date.

Effective market parameters drawn from the performance of the stock's list price and the most recent projections as to the development of company parameters shall be applied to subsequently granted options.
The new options assigned in the first few months of 2008 (January and April) have been measured at a fair value between 0.8 and 1.459 euros due to the severe volatility of the markets.

The impact on the profit and loss account is measured based on the maturity period of the options, 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.

2. Extension of the Stock-option Plan

The original rules for the stock-option plans reserved for financial advisors and employees, approved by the Board of Directors on 24 May 2006 and ratified by the extraordinary shareholders' meeting on 18 July 2006, stated that options would vest for advisors in three tranches 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.

	Grant date:	Check date	Vesting	Maturity date	Expiry
FA (**)	15/12/2006	31/03/2008	(10 months)	31/01/2009	31/03/2011
FA (**)	15/12/2006	31/03/2008	20 months	30/11/2009	31/03/2011
FA (**)	15/12/2006	31/03/2008	30 months	30/09/2010	31/03/2011
Manager (*)	15/12/2006	31/03/2007	3 years	15/12/2009	15/12/2012
Private Bankers	15/12/2006	31/03/2008	3 years	15/12/2009	15/12/2012

(*) For employees, the determination by the Board of Directors that approves the financial statements that the group targets have been met, i.e. 90% of the group's budgeted operating profit for 2006.
The three-year vesting period commences on the conditional grant date.

(**) For financial advisors, the determination whether the group's total net inflow targets for the 2005-2007 period was made by the Board of Directors by 31 March 2008; the determination of individual targets is to be made by the same date by the plan administration. Options vest in three tranches after 10, 20 and 30 months from the date of determination that the foregoing conditions have been met, respectively.

Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:
- for financial advisors - 31/03/2014;
- for employed managers - 15/12/2015.

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.

Accounting effects of the modification of the plan

The effects of modifications to share-based payment agreements are governed by paragraphs 26-29 of IFRS 2 and the specific instructions set forth in paragraphs B42-B44 of the application guidance (appendix B).
In particular, the Standard requires that an entity recognise the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee.
In the case at hand, the extension of the option strike period, without prejudice to the vesting period, certainly represents a benefit for the plan beneficiary that may be measured by an increase in the fair value of the options granted.

In this situation, the effects of the modifications to stock-option plans must be determined as follows:
a) the entity shall include the incremental fair value, measured as the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification;
b) this value shall be included in the measurement of the amount recognised for services received as consideration for the equity investments granted;
c) if the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification made until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period;
d) if the modification occurs after the vesting date, the incremental fair value granted is recognised immediately if the employee is not required to complete an additional period of service.

For shared-based payment transactions with employees and others providing similar services (financial advisors were considered to fall into this category), the measurement date of the fair value of the equity instruments granted coincides with the grant date.
The grant date is defined as "the date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date, the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained."
In the case at hand, the fair value measurement date coincides with the date of the Banca Generali shareholders' meeting to be called to ratify the plan in 2010.

However, a partial exception to this rule is indicated in the Application Guidance (Guidance on Implementing IFRS 2 Share-based Payment) for stock-option plans included in remuneration packages for certain categories of employees that are still subject to approval by shareholders. In this case, the employee's services begin to be received before the plan is formally approved. Accordingly, the entity estimates the fair value of such instruments at the provisional grant date. When the grant date has been determined by the shareholders' meeting, the entity revises its estimate on the basis of the definitive fair value determined with respect to the grant date.

It is believed that the situation presented in the Application Guidance to IFRS 2 may also be applied in the specific case of the extension of existing plans. Accordingly, the expense of extending the plans was measured provisionally on the basis of the date of the Board of Directors' resolution, 9 October 2009.
The expense of plans for which vesting conditions had been satisfied by year-end was charged to the profit and loss account in its entirety, whereas the expense of plans that will vest in the following year has been charged on a pro-rated basis.
The value of the plans will be re-measured at the date of the Shareholders' Meeting called to approve the extension and the resulting greater or lesser expenses will be charged to the profit and loss account in the coming year, regardless of whether the vesting conditions have been satisfied.

2.1 Measurement of fair value

The total cost of the plan was estimated to amount to 3.5 million euros, of which 2.8 million euros accrued during the reporting year.
At the plan modification date, the fair value of the options prior to the modifications was estimated at 1.47-2.25 euros depending on the vesting date, whereas the fair value subsequent to the modifications was estimated at 2.65-2.99 euros. The difference used to measure the effect of the modification was thus 0.741-1.177 euros.

	starting date	maturity date	strike price	original FV	original maturity	current FV	new maturity	changed FV	FV delta
FA (**)	09/10/2009	31/01/2009	9.0046	1.732414	31/03/2011	1.494891	31/03/2014	2.6500166	1.1551256
FA (**)	09/10/2009	30/11/2009	9.0046	1.682989	31/03/2011	1.494891	31/03/2014	2.6500166	1.1551256
FA (**)	09/10/2009	30/09/2010	9.0046	1.592081	31/03/2011	1.471449	31/03/2014	2.649068	1.177619
Manager (*)	09/10/2009	15/12/2009	9.0046	1.943036	15/12/2012	2.250949	15/12/2015	2.991697	0.740748
Private Bankers	09/10/2009	15/12/2009	9.0046	1.943036	15/12/2012	2.250949	15/12/2015	2.991697	0.740748

The calculation is based on the same model, available on the Bloomberg platform, whose inputs include the strike price, time-to-maturity, the exercise period, the shares' spot price, their implied volatility, expected dividends and the risk free interest rate.

3. Stock Granting Plan Reserved for the Chief Executive Officer and the General Manager

On 24 May 2006, the Board of Directors approved a Stock Granting Plan envisaging the granting of up to 667,880 Banca Generali ordinary shares, with a nominal value of 1,00 euro each, in favour of Chief Executive Officer Giorgio Girelli and General Manager Piermario Motta. Specifically:

(i) Chief Executive Officer Giorgio Girelli will be freely assigned up to 389,596 ordinary shares, with a par value of 1.00 euro each, or the least number of shares worth a total of not more than 4,000,000.00 euros, calculated based on the Offer Price;

(ii) General Manager Piermario Motta will be freely assigned up to 278,284 ordinary shares, with a par value of 1.00 euro each, or the least number of shares worth a total of not more than 3,000,000.00 euros, calculated based on the Offer Price.

The Banca Generali Shareholders' Meeting held on 18 July 2006 approved the plan, authorising the Board of Directors to buy back up to 667,880 Banca Generali ordinary shares to service it. The plan became operative with Banca Generali's admission to listing on the electronic share market.

The shares must be assigned within 5 years from the time the company's shares start trading on the electronic share market (MTA), provided that at the time of assignment the beneficiary maintains the mandate or employment with the company (or that the relationship has terminated on the Company's initiative not as the result of the beneficiary's fraud or negligence). There will be a one-year lock-up period from the assignment date on 50% of the shares assigned to each recipient. This period will end before the preset term if the mandate or employment terminates on the Company's initiative and for reasons other than the beneficiary's fraud or negligence.

On 1 April 2009 the plan administration resolved to grant 278,284 shares, effective said date, for a total carrying amount of 2,722 thousand euros.
For tax purposes, the grant was made at a strike price equal to the arithmetic mean of the market prices of Banca Generali shares surveyed from the grant date to the same date of the previous solar month (2.290913 euros).

3.1 Measurement of fair value

The stock granting plan in favour of the Chief Executive Officer and the General Manager changed from its original formulation: now the Chairman of the Board of Directors will assign the shares within a maximum period of five years.
This change is a modification of the vesting conditions that is not beneficial to the employee, which, in accordance with IFRS 2, section B44, requires that the "*entity shall nevertheless continue to account for the services received as consideration of the equity instruments granted as if that modification had not occurred*".
For this reason the charge arising from this stock granting plan was recognised as if the vesting conditions were satisfied at original grant date, coinciding with the suspension condition or Banca Generali's admission to trading on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A.
The full cost of the plan was consequently charged to financial year 2006.
The fair value of the shares was calculated according to the price set for the public offering on 11 November 2006, 8.0 euros. The plans consequently had a total value of 5,343 thousand euros, gross of the tax effect.

The carrying amount of the shares repurchased and granted to the General Manager during the reporting year was 2,722 thousand euros, compared to an IFRS 2 reserve of 2,226 thousand euros, resulting from the recognition of the plan in profit and loss in 2006.

The difference between the value of the allocated IFRS 2 reserve and the book value of the shares, 495 thousand euros, was thus deducted from the share premium reserve, inasmuch as it essentially constitutes a (positive or negative) premium on the issue of new shares (*Bankit Instruction 4.0 The statement of changes in net equity*).

4. Stock Granting Plan for Financial Advisors of former Prime Consult

During 2009, 19,195 shares were assigned, having a value of 79 thousand euros pertaining to residual assignments in execution of the third and final tranche of the stock-granting plan for the financial advisors of the former Prime Consult network, originally approved in 2001.

The resolution of the Board of Directors concerning the stock granting of ordinary shares of the Bank to financial advisors was completed prior to 14 November 2002 – the date established for the application of the new IFRS 2 (*Share-based payments*) – and was modified prior to 1 January 2005, the date the standard became effective. The transaction was fully recognised in the profit and loss account by the merged company Prime Consult, in 2002. Based on the transitory provisions contained in paragraphs 53 *et seq*. of IFRS 2, this transaction can therefore be exempted from the application of this standard but it will have an impact exclusively in the balance sheet once the rights mature.

5. New Stock Option Plans

The Board of Directors resolved to put a proposal before the Shareholders' Meeting concerning two new stock-option plans that call for the granting of a maximum of 2,500,000 option rights to subscribe for ordinary shares of Banca Generali and consists of two separate plans; the first is for 2.3 million rights to be granted to financial advisors and private bankers and the second is for 200,000 rights for relationship managers.
The option rights will be granted by 30 June 2011 on the basis of the achievement of consolidated and separate inflow growth targets by 31 December 2010.
The consolidated targets will be set by the Board of Directors, whereas the body charged by the plan will determine the separate targets. The options may be exercised between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

B. Quantitative Information

As previously indicated, the charges associated with the stock granting plans reserved for top management, which, based on IFRS 2, were calculated at 5,343 thousand euros (pre-tax), were recognised in the profit and loss account in 2006, with a contra-entry in a separate reserve under net equity for share-based payments. Deferred taxes on these plans were set aside according to the plans' method of execution, namely through the purchase of own shares on the market.

The charges recorded in the profit and loss account in 2009 in relation to the new stock option plans approved in 2006 for the Group's executives and financial advisors amounted to 4.2 million euros, of which 3.0 million euros to financial advisor plans and 1.1 million euros to executive plans. These values include the effect of the extension for a total amount of 2.8 million euros.

The total IFRS 2 equity reserve allocated at year-end thus was 11.7 million euros.
In accordance with IFRS 2, of which 3.1 million euros was in service of the residual stock-granting plan for the Chief Executive Officer.

The costs charged to the consolidated profit and loss account for the stock-option plan authorised by the subsidiary Banca BSI Italia totalled 56 thousand euros, based on the same procedures established for the employees of the parent company.

(€ thousand)	Top managers	Average prices	Financial Advisors	Average prices	Employed managers	Average prices	Total 2009	Average prices	Average maturity
A. Amount at year-start	667,880	-	2,617,940	9.00	884,000	8.80	4,169,820	7.52	2010-13
B. Increases	-	-	-	-	-	-	-	-	-
B.1 Newly issued shares					-	-	-	-	2010-13
B0.2 Other changes			-	9.00	-		-	-	
C. Decreases	- 278,284	-	- 77,804	9.00	- 55,000	9.00	-411,068	2.91	-
C.1 Cancelled			- 77,804	9.00	- 55,000	9.00	-132,784	9.00	2010-13
C.2 Exercised (*)	- 278,284	-					- 278,284	-	
C.3 Expired							-	-	
C.4 Other changes			-		-		-	-	
D. Amount at period-end	389,596	-	2,540,136	9.00	829,000	8.78	3,758,732	8.02	2010-13
E. Options that can be exercised at the end of the period		-	1,703,613	-	829,000	-	2,532,613	-	-
Strike price	-		3,057		1,114		4,171		
IFRS 2 reserve	3,117		6,203		2,279		11,599		

During 2009, the parent company Banca Generali assigned 297,479 treasury shares held in portfolio having a total carrying value of 2,801 thousand euros.

Trieste, 8 March 2010

THE BOARD OF DIRECTORS

ANNEXES

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

BANCA GENERALI

ANNEX 1

DISCLOSURE OF COMPENSATION FOR AUDITING PURSUANT TO ARTICLE 160, PARAGRAPH 1-*BIS*

The following table shows a breakdown of the compensation paid to the independent auditors engaged to audit the financial statements in accordance with legislative decree No. 58/98, as well as to the entities in the network to which the auditing firm belongs:

Type of service	Service provider	Compensation (€ thousand)
Audit	Reconta Ernst & Young S.p.A.	163
Certification	Reconta Ernst & Young S.p.A	75
	Studio Legale e Tributario Ernst & Young S.p.A	14
Tax consultancy	Studio Legale e Tributario Ernst & Young S.p.A	7
Other services	Ernst & Young Financial-Business Advisors S.p.A.	532

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS 2009

BANCA GENERALI

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

Independent auditors' report
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(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, 2009, comprising the balance sheet, the profit and loss, the statements of comprehensive income, changes in net equity and cash flows and the related notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38 of February 28, 2005 is the responsibility of the 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 made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, 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 our opinion on the financial statements of the prior year, which are presented for comparative purposes and restated in accordance with IAS 1, reference should be made to our report dated April 3, 2009.

3. In our opinion, the financial statements of Banca Generali as of and for the year ended December 31, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38 of February 28, 2005; 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 as of December 31, 2009 and for the year then ended.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
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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 of the Report on Operations and of the specific section on corporate governance and ownership structure, limited to the information reported in compliance with article 123-bis paragraph 1, letters c), d), f), l), m) and in paragraph 2, letter b) of the Legislative Decree n° 58 of February 24, 1998, with the financial statements as required by the law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations and the information reported in compliance with article 123-bis paragraph 1, letters c), d), f), l), m) and in paragraph 2, letter b) of the Legislative Decree n° 58 of February 24, 1998, included therein, are consistent with the financial statements of Banca Generali as of December 31, 2009.

Milan, April 2, 2010

Reconta Ernst & Young S.p.A.
signed by: Stefano Cattaneo, partner

This report has been translated into the English language solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

BANCA GENERALI

Report of the Board of Statutory Auditors to the Shareholders' Meeting called for the approval of the Financial Statements for the year ended 31 December 2009, pursuant to Article 153 of Legislative Decree 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 2009, which consists of:
- the Draft Separate and Consolidated Financial Statements of Banca Generali S.p.A. for the year ended 31 December 2009, including the notes and detail accounting statements;
- the Report on Operations, which includes the Annual Report on Corporate Governance and Company Ownership, in accordance with Article 123-*bis* of Legislative Decree 58/98; prepared by the Directors and duly forwarded to the Board of Statutory Auditors.

Among the significant events that occurred during 2009, we highlight:
- the completion of the merger of Banca del Gottardo Italia S.p.A. into the subsidiary Banca BSI Italia S.p.A. effective 1 January 2009;
- the sale of 85% of the interest in Simgenia SIM to several insurance companies belonging to the Assicurazioni Generali Group, resulting in the deconsolidation of the residual 15% investment;
- the merger of Generali Investment Luxembourg into the subsidiary BG Investment Luxembourg (subsequently renamed Generali Fund Management), with the ensuing decrease in the investment to 51%.

Significant events effective 1 January 2010 include:
- the de-merger of the portfolio management business unit from BSI Italia S.p.A. and transfer of said unit to the associate Bg Sgr S.p.A.;
- the subsequent merger of Banca BSI Italia S.p.A. into Banca Generali S.p.A.

The foregoing transactions are considered extraordinary as defined by the *Code of Conduct for Related-party Transactions*.

During the year, 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.
The oversight activity was conducted by the Board of Statutory Auditors in 2009, in compliance with the law and, specifically, of Section 149 of Legislative Decree 58/1998, and in accordance with the code of conduct recommended by the *Roll of Certified Public Accountants and Commercial Experts*, taking account of CONSOB and Bank of Italy recommendations.
The Board of Statutory Auditors herewith reports on the oversight activities it conducted in the course of 2009. The Board of Auditors:
- participated in 2 Shareholders' Meetings;
- participated in the 15 meetings of the Board of Directors, reviewing that the action resolved upon and implemented was compliant with the law and the Articles of Association, could not be considered imprudent and did not give rise to possible conflicts of interest; a meeting of non-executive Directors was held during the year;
- participated in the 8 meetings of the Internal Control Committee;
- participated in the 8 meetings of the Remuneration Committee;
- met periodically to conduct its audits, recording 25 meetings in its book;
- requested and obtained from the Chief Executive Officer, the General Manager, the Manager in charge of preparing the company's financial reports and the company's other Executives, information concerning the most significant transactions executed 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;
- verified the instructions given by the Company to its subsidiaries, pursuant to article 114,

paragraph 2 of Legislative Decree 58/98 and deems that they are adequate;

- during 2008, the Bank took up the right provided for by the amendment to IAS 39, approved by the IASB on 13 October 2008 and adopted in our legislation thereafter, which allowed certain financial instruments to be reclassified, in particular circumstances, and the respective differences in value to be treated differently. A detailed illustration of the effects of the application of this amendment on net equity and the profit and loss account for 2009, as compared with those from the previous year is provided in the Explanatory Notes;
- exchanged information with the Statutory Auditors of other companies of the Group;
- issued legal opinions during the year, the main ones of which are listed below:
  - assignment of remuneration to the Chief Executive Officer and the General Manager;
  - granting of powers to the Chief Executive Officer and the General Manager;
  - changes and institution of Company Rules and Policies;
  - transactions with Related Parties;
  - the plan to merge Banca BSI Italia;
  - amendments to the Organisation and Management Model pursuant to Legislative Decree No. 231 of 21 November 2007;
  - opinions pursuant to Section 136 of the Consolidated Law on Banking regarding obligations of banks' corporate officers;
  - ICAAP process;
- verified that its members and 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 Department, stating its observations on the Internal Audit annual report and the program to be implemented, and checking the implementation status of the audit plan and ensuing results. This function is organised into three services: Compliance; Risk Management and Internal Audit;
- verified investors' complaints, making observations thereon;
- verified the general compliance of the Banks with the requirement for correspondence with and communication to the Supervisory Bodies;
- acknowledges that the Company has discharged its obligations relating to the prevention of money laundering, with particular regard to Legislative Decree 231 of 21 November 2007 and the provisions of the Bank of Italy and its Financial Information Unit;
- acknowledges that during the year the oversight body monitored the operation and compliance of the Organisation and Management Model (MOG), approved by the Board of Directors in June 2006, which has been updated with the provisions for new crimes, and verified that it is 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 Legislative Decree 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 in charge of preparing the company's financial reports, by the Auditing Firm, by obtaining direct information from the heads of the respective departments, and from examination of company records. As part of the process implementing Law 262/2005 and subsequent amendments, the Bank continued its work on the Financial Accounting Risk Governance project which aims to provide ongoing appraisal of the adequacy of the administrative and accounting procedures;
- acquired information and monitored the adequacy of the Company's organisation structure;
- acknowledges that the company adopted the following codes:
  - internal dealing;
  - privileged information, and established the Insider Register;
  - transactions with related parties: the Report on Operations and Explanatory Notes present the details of transactions with related parties and the associated disclosure;
- acknowledges that the Company has adhered to the Corporate Governance Code of Listed Companies.
- 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 2009 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 and extraordinary transactions were made with streamlining and cost-cutting objectives;
- acknowledges that Banca Generali complies with the Fiscal Consolidation Tax of Assicurazioni Generali S.p.A.;
- acknowledges that the Report on Operations and the Explanatory Notes contain information concerning the ownership of treasury shares and shares of the Parent Company, in connection with which the associated unavailable reserves have been allocated;
  acknowledges that the Bank has complied with capital requirements (regulatory capital and solvency ratio) set by supervisory regulations at both the separate and consolidated levels;
- acknowledges that the Report on the Corporate Governance System includes the information pursuant to Art.123-bis of the Consolidated Finance Law;
- acknowledges that no complaints have been received during the year pursuant to article 2408 of the Italian Civil Code.

During the year, the Bank underwent an inspection conducted by the Bank of Italy that did not result in the imposition of penalties.

Acknowledges that the Company is managed and coordinated by the Parent Company "Assicurazioni Generali S.p.A." and that, in compliance with the Italian Civil Code, the Company provided complete information on its relations with the Parent Company.

The periodic auditing, the review of the Half-year Report, and the audit of the Company and Consolidated Financial Statements were entrusted to the Auditing Firm "Reconta Ernst & Young S.p.A."; therefore the Board of Directors periodically exchanged information with the Auditing Firm and the latter did not notify the Board of Auditors of any events, circumstances or irregularities requiring its attention. Therefore, during 2009, the Auditing Firm verified regular bookkeeping practices and correct assessment of operations in the accounting entries, and that the financial statements for the year ended 31 December 2009 coincided with accounting results.

The Board of Auditors reports that 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 detail in the Explanatory Notes: the certification of the pro-forma financial statements for the six months ended 30 June 2009, for the purposes of the preparation of the merger prospectus for Banca BSI Italia, and certification of compliance with the requirements of the Qualified Intermediaries procedure set by the Internal Revenue Service (IRS). The law and tax accountancy firm Ernst&Young also billed fees for the aforementioned QI procedure and tax advisory services, whereas Ernst&Young Financial-Business Advisors S.p.A. collected compensation for advisory services in connection with the ICAAP project and Operational Risk Management Framework project concerning the definition and surveying of operational risks. In relation to the foregoing, no indications or situations that would jeopardise the independent auditors' independence have come to light.

The manager in charge of preparing the company's financial reports and the Chief Executive Office 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 drawing up the financial statements as well as its compliance with the law and specific regulations regarding the preparation of financial statements of banking institutions.

The Separate Financial Statements have been prepared in accordance with Legislative Decree 38/2005, according to the accounting standards issued by the IASB and the interpretations of those standards provided by the IFRIC, and taking account of the indications contained in the joint Bank of Italy - CONSOB and ISVAP document No. 4 of 3 March 2010. Moreover, they were

based on “Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups” issued by the Bank of Italy. The notes on the accounts 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 in 2009.
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 38/2005 and in accordance with the accounting standards issued by IASB and IFRIC interpretations. Moreover, they were based on “Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups” issued by the Bank of Italy. The scope of consolidation, which has changed compared to the previous year, includes the Parent Company, Banca Generali S.p.A., and its subsidiaries, B.G. Fiduciaria Sim S.p.A., BG SGR S.p.A., Banca BSI Italia S.p.A.,
S.Alessandro Fiduciaria S.p.A. and Generali Fund Management SA. The scope of consolidation no longer includes Banca del Gottardo S.p.A. (due to its merger into Banca BSI Italia S.p.A.) or Simgenia S.p.A. (due to the sale of 85% of the investment and the retention of the residual 15%), whereas BG Investment Luxembourg SA was replaced by Generali Fund Management SA due to merger by absorption and name change.
In consideration of the foregoing, the Board of Statutory Auditors believes that you may approve the 2009 Financial Statements, as presented to you by the Board of Directors, and expresses a favourable opinion regarding the allocation of the profit of 54,485,482 euros as proposed by the Board of Directors.

Trieste, 26 March 2010

THE BOARD OF STATUTORY AUDITORS

Giuseppe Alessio Verni
Angelo Venchiarutti
Alessandro Gambi

BANCA GENERALI S.P.A.

List of the positions filled at the companies identified in Book V, chapters V, VI and VII of the Italian Civil Code at the date of publication of the Board of Auditors' Report to the Shareholders' Meeting for 2009.
(CONSOB Regulation No.11971/99)

Giuseppe Alessio Vernì

No.	Acting Auditorships *Company*		End of term at the approval of the	
1	Assicurazioni Generali S.p.A.		2010 Financial Statements	issuer
2	Banca Generali S.p.A.	Chairman	2011 Financial Statements	Issuer
3	Premuda S.p.A.		2010 Financial Statements	Issuer
4	Danieli & C. S.p.A.		2011 Financial Statements	issuer
5	Europ Assistance Italia S.p.A.	Chairman	2011 Financial Statements	
6	Genertellife S.p.A.	Chairman	2009 Financial Statements	
7	Genertel S.p.A.		2011 Financial Statements	
8	Europ Assistance Service S.p.A.		2011 Financial Statements	
9	Generali Horizon S.p.A.	Chairman	2011 Financial Statements	
10	S.Alessandro Fiduciaria S.p.A.	Chairman	2011 Financial Statements	
11	UMS Immobiliare Genova S.p.A.		2010 Financial Statements	
12	Grandi Iniziative S.p.A.		2010 Financial Statements	
13	Policlinico Triestino S.p.A. - Salus		2009 Financial Statements	

List of the positions filled at the companies identified in Book V, chapters V, VI and VII of the Italian Civil Code at the date of publication of the Board of Auditors' Report to the Shareholders' Meeting for 2009.
(CONSOB Regulation No.11971/99)

Alessandro Gambi

No.	Tax code	Company	Position	Term of office: approval of financial statements for the year ended	
1	00833240328	BANCA GENERALI SPA	Acting Auditor	31.12.2011	ISSUER
2	01092610326	BG SOCIETÀ DI GESTIONE DEL RISPARMIO S.P.A.	Chairman of the Board of Statutory Auditors	31.12.2010	
3	04205390265	GENERALI FACTORING S.P.A.	Acting Auditor	31.12.2010	
4	00220930234	D.A.S. DIFESA AUTOMOBILISTICA SINISTRI S.P.A.	Acting Auditor	31.12.2009	
5	00117120329	SOCIETÀ AGRICOLA GENAGRICOLA S.P.A.	Acting Auditor	31.12.2011	
6	00571940295	SOCIETÀ AGRICOLA SAN GIORGIO S.P.A.	Acting Auditor	31.12.2011	
7	00830700324	SOCIETÀ AGRICOLA CASALETTO S.R.L.	Acting Auditor	31.12.2011	
8	01066960327	SOCIETÀ AGRICOLA IL PINO S.R.L.	Acting Auditor	31.12.2010	
9	01390660585	INF SOCIETÀ AGRICOLA S.P.A.	Acting Auditor	31.12.2009	
10	00164260309	SEMENTI DOM DOTTO SPA	Acting Auditor	31.12.2011	
11	01009250323	ENOFILA SRL	Acting Auditor	31.12.2011	
12	01634740151	PRUNUS S.P.A.	Acting Auditor	31.12.2010	

No.	Tax code	Company	Position	Term of office: approval of financial statements for the year ended	
13	03349320964	IMMOBILIARE COMMERCIALE XXVI S.R.L.	Acting Auditor	31.12.2009	
14	03135660268	PREVINET SERVIZI PER LA PREVIDENZA S.P.A.	Chairman of the Board of Statutory Auditors	31.12.2010	
15	04258490269	PREVIMEDICAL SPA	Acting Auditor	31.12.2010	
16	02495120376	PROTOS S.P.A.	Chairman of the Board of Statutory Auditors	31.12.2011	
17	06089021007	PROTOS SOC. ORGAN. DI ATT.NE SPA	Acting Auditor	31.12.2011	
18	09052321008	FATA ASSICURAZIONI DANNI SPA	Acting Auditor	31.12.2011	
19	09052331007	FATA VITA SPA	Acting Auditor	31.12.2011	
20	07752681002	CONTINUUM SRL	Chairman of the Board of Statutory Auditors	31.12.2009	
21	07301771007	INITIUM SRL IN LIQUIDAZIONE	Chairman of the Board of Statutory Auditors	31.12.2011	
22	09022240155	SOLARIS SRL	Acting Auditor	31.12.2009	

Annex to the Report of the Board of Statutory Auditors of **Banca Generali S.p.A.**
pursuant to Section 153 of Legislative Decree 58/98
List of the positions filled at the companies identified in Book V, chapters V, VI and VII, of the Italian Civil Code, at the date of publication of the Report (Article 144-*quinquiedecies* of CONSOB Regulation No. 11971/99)

Angelo Venchiarutti Acting Auditor

On the date of issue of the Statutory Auditors' Report to the General Shareholders' Meeting convened to approve the Financial Statements for 2009

	Acting Auditorships		end of term approval.	
n.	***Commercial companies***			
1	Banca Generali S.p.A.		2011 financial statements	issuer
2	BG Fiduciaria S.p.A.	Chairman	2010 financial statements	
3	Fondi Alleanza SGR p.A.		2011 financial statements	
4	Generali Investments Italy SGR S.p.A.		2010 financial statements	
5	Generali Immobiliare Itali S.p.A.	Chairman	2011 financial statements	
	total number auditorships	5		
	number of auditorships with issuers	1		

Attestation to the Annual Financial Report in accordance with Art. 81-*ter* of Consob Regulation No. 11971 of 14 May 1999 and its following amendments and integrations

1. The undersigned, Giorgio Angelo Girelli, in his capacity as Chief Executive Officer, and Giancarlo Fancel, in his capacity as Manager in charge of preparing the financial reports of Banca Generali S.p.A. hereby confirm, taking also into account the provisions of Art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

   - the adequacy with respect to the Company's structure and
   - the effective application

   of the administrative and accounting procedures in place for preparing the Annual Financial Report during the exercise 2009.

2. The adequacy of the administrative and accounting procedures in place for preparing the Annual Financial Report at 31 December 2009 has been assessed through a process established by Banca Generali S.p.A. on the basis of the guidelines set out in the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, an internationally-accepted reference framework.

3. The undersigned further confirm that:

3.1 the Annual Financial Report at 31 December 2009:

a) are prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, with the provisions of the Italian Civil Code, and of Legislative Decree No. 38 of 28 February 2005, and with applicable provisions, regulations and circular letters issued by the Supervisory Authority;

b) correspond to the related books and accounting records;

c) provide a true and fair view of the asset, liabilities, profit or loss and financial position of the issuer and of the group of companies included in the scope of consolidation.

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 making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed.

Trieste March 8, 2010

Giorgio Angelo Girelli
Chief Executive Officer
preparing

BANCA GENERALI S.p.A.

Giancarlo Fancel
Manager charged with

the company's financial reports
BANCA GENERALI S.p.A