



# Consolidated Half-Year Report as of 30 June 2010

Board of Directors  
30 July 2010

Banca Generali S.p.A.  
Authorised share capital 116,878,836.00 euros, underwritten and paid-up share capital 111,313,176.00 euros  
Registered offices at Trieste, Via Machiavelli 4 - Italy  
Trieste Register of Companies, Tax Code and VAT No. 00833240328  
Member of the Interbank Deposit Protection Fund  
Bank Register No. 5358  
Parent Company of the Banca Generali banking group registered in the Banking Group Register  
Company managed and coordinated by Assicurazioni Generali S.p.A.

## Company Boards

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Perissinotto Giovanni

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Camerini Luca (Alternate)  
Bruno Anna (Alternate)

GENERAL MANAGER

Motta Piermario

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## Group Economic and Financial Highlights

Consolidated figures	30/06/2010	30/06/2009	Change %
(€million)			
Net interest income	22.4	28.6	-21.8
Net commissions	106.9	86.6	23.4
Dividends and net profit from banking activities	13.4	13.3	+0.2
<b>Net banking income</b>	<b>142.6</b>	<b>128.5</b>	<b>11.0</b>
Staff expenses	-33.8	-32.6	3.8
Other general and administrative expense	-43.3	-43.9	-1.4
Amortisation and depreciation	-2.0	-2.7	-25.4
Other operating income	6.0	4.0	47.5
<b>Net operating expense</b>	<b>-73.2</b>	<b>-75.1</b>	<b>-2.6</b>
<b>Operating profit</b>	<b>69.5</b>	<b>53.4</b>	<b>30.1</b>
Provisions	-20.9	-17.1	22.4
Adjustments	-2.2	-6.1	-64.2
<b>Profit before taxation</b>	<b>46.4</b>	<b>30.3</b>	<b>53.4</b>
<b>Net profit</b>	<b>43.7</b>	<b>23.9</b>	<b>82.8</b>
Cost / income ratio	49.9%	56.4%	-11.5
EBITDA	71.5	56.1	27.5
ROE	21.58%	12.70%	69.9
EPS - Earnings per Share (euro)	0.394	0.216	82.3

Net Inflows	30/06/2010	30/06/2009	Change %
(€million) (Assoreti data)			
Mutual Funds and SICAVs	217	99	119
Asset management	290	-2	14.600
Insurance / Pension funds	746	269	177
Securities / Current accounts	-607	-128	374
<b>Total</b>	<b>646</b>	<b>238</b>	<b>171</b>

Asset Under Management & Custody (AUM/C)	30/06/2010	31/12/2009	Change %
(€billion) (Assoreti data)			
Mutual Funds and SICAVs	6.1	5.8	4.0
Asset management	3.3	3.0	8.7
Insurance / Pension funds	6.5	5.9	11.7
Securities / Current accounts	6.8	7.5	-9.2
<b>Total</b>	<b>22.7</b>	<b>22.2</b>	<b>2.2</b>

Net equity	30/06/2010	31/12/2009	Change %
(€million)			
Net equity	252.3	268.5	-6.0
Total capital for regulatory purposes	224.0	205.7	8.9
Excess capital	99.6	69.5	43.3
Solvency margin	14.41%	12.08%	19.2

# Interim Report on Operations

## 1. Summary of Half-Year Operations

The Banca Generali Group closed the first six months of 2010 with net profit of 43.7 million euros — an increase of 19.8 million euros compared to the same period of 2009 (+82.8%) — and net equity of 252.3 million euros.

As known, as of 1 October 2009 the subsidiary company BG Investment Luxembourg (now Generali Fund Management), merged with Generali Investment Luxembourg, a company belonging to the Generali Group, therefore, the accounting data for the first half of 2010 and 2009 cannot be compared. For comparison purposes, the Consolidated Half-year Report at 30 June 2010 also presents the changes in the main items of the Profit & Loss Account (P&L) on a comparable consolidation basis.

EBITDA for the first six months of 2010, calculated as profit before taxes, net of provisions, adjustments on loans, property, equipment and intangible assets, amounted to 71.5 million euros, up 27.5% (+24.2% on a like-for-like consolidation basis) compared to 56.1 million euros in the same period of 2009.

Net banking income rose compared to 30 June 2009 by 14.1 million euros, or 11% (+7.8% on a like-for-like consolidation basis), from 128.5 million euros at 30 June 2009 to 142.6 million euros in the first six months of 2010. Net interest income slightly decreased, in line with the trend in market interest rates (-6.2 million euros), while net commissions showed particularly significant growth of 20.3 million euros (+23.4%, or +18.4% on a like-for-like basis). The dividends and net profit from trading segment posted results substantially in line with the same period of 2009.

Total operating expenses at 30 June 2010 amounted to 73.2 million euros, down 2.6% (-5.6% on a like-for-like consolidation basis) compared to the first half of 2009, with staff expenses increasing from 32.6 million euros in the first six months of 2009 to 33.8 million euros in the same period of 2010 (+3.8%; 1.5% on a like-for-like consolidation basis).

Net provisions amounted to 20.9 million euros at 30 June 2010, up 22.4% compared to the first half of 2009, mainly due to provisions in connection with the development of the distribution network.

Precisely, this item includes the incentives to the networks for an amount equal to 11 million euros, that will be paid in the third quarter of 2010 since the goals of net inflows for the first half of the year were reached.

The total value of the assets managed by the Group for its customers amounted to 22.7 billion euros at 30 June 2010, which is the figure used for communications to Assoreti (Italy's National Association of Financial Products and Investment Services Placing Firms). In addition, at 30 June 2010, assets under administration and custody of the Generali Group companies totalled approximately 1.5 billion euros, and 7.7 billion euros were held in mutual funds and discretionary accounts (GPF and GPM) distributed directly by management companies or parties outside the banking group, for an overall total of 31.9 billion euros.

With 22.7 billion euros in assets under management and 646 million euros in net inflows for the period from 1 January to 30 June 2010, the Banca Generali Group continues to hold a leading position among institutions specialising in the distribution of financial products through financial advisor networks.

In the first half of 2010, the banking group focussed the brunt of its efforts on developing new products aiming at the optimisation of assets in customer portfolios, as an answer to the uncertainties and the volatility of the financial market.

To this end, the development of additional new sub-funds of BG Selection Sicav, which is directly managed by the subsidiary Generali Fund Management SA, was completed and new insurance products were also placed.

The group further expanded the offer of products provided by third-party product companies (over 60 new SICAV sub-funds), consistent with the stronger multi-brand concept the banking group has adopted in parallel with the advisory services provided by its financial advisor network, aimed at providing them with instruments and products that are increasingly capable of responding to growing financial and pension demands among Italian households.

From an organisational standpoint we would like to recall that, in the first six months of 2010 with effective date of January 1, 2010, the merger of the subsidiary Banca BSI Italia in the parent company Banca Generali took place, upon the separation, on the same date and as the first transaction of the day, of the business division "portfolio management" on behalf of the subsidiary company BG Sgr.

The above mentioned transactions, which did not have any accounting effects at group level, from the point of view of information technology integration were successfully completed in the first week of January, and did not cause any inconvenience to the clients.

Before analysing the Banca Generali sales and financial results for the first half of 2010, macroeconomic information for the main economic regions of the world is reported, to provide a better understanding of the factors that influenced the results of the banking group.

## **2. Macroeconomic Context**

In the first half of 2010 the improvement in the economic situation and of the companies' results allowed the equity markets to reach in the month of April the same levels of September 2008 (failure of Lehman Brothers). But the markets started to increasingly focus on the situation of the public finances, particularly of the peripheral countries of the Euro Area, which at the end of April led to a crisis of the sovereign debt and, more in general, to an increased distrust towards the European Monetary Union. The urgency of the situation on one side pushed the international organisations (EU, Ecofin and FMI) and the monetary authority (ECB) to create a fund of 750 billion euros (ESFM) and a number of measures aimed at contrasting the tensions on the monetary and financial markets; on the other side the national governments of the European Union countries approved tighter fiscal measures. On this background, the stock markets weakened again and closed the half-year period with negative performance. The bond yields continued on an opposite course: those of the main countries (USA and Germany) lowered, those of the peripheral countries of the Euro Area increased. For the whole six-months period the Euro/Dollar exchange rate continued on a decreasing trend, reflecting the sharpening of the political risk in the Euro Area, and finally stabilized in June to around 1.20.

From a macroeconomic viewpoint, both the economic data and the main leading indicators confirmed that the global growth remains solid in all the geographical areas and in latest months, in some emerging countries, even accelerated. The international trade continued to increase and, in several cases, returned at pre-crisis levels. Nevertheless the increasing spread, which had begun during 2009, between the growth of the economies continued. In a lot of emerging countries, the rhythm of the growth pushed the monetary authorities to raise the interest rates to fight the pressures on prices that began to appear. On the contrary, in developed countries, the growth rate remains under the level of potential due to the phase of massive reduction of debt and the persistent difficulties with credit supply. In such context, the Central Banks kept the official rates to the minimum and only with extreme caution reduced the exceptional measures of monetary policy implemented during the crisis of 2008. Fiscal policies became restrictive. In the United States the fiscal incentives came to an end and the government spending is also near the end. In Europe, the crisis of the sovereign credit pushed a lot of countries to adopt very severe measures to restore the public deficits with greater swiftness.

In the first part of the 2010 half-year the rates of the interbank market of the Euro Area decreased, pushed by the large liquidity and the expectation that the ECB would leave the refinancing rates unchanged for still several months: the 3 month Euribor rate went from 0.66% to 0.58%. Subsequently, due to the worsening of the sovereign credit crisis, the 3 month Euribor rate rapidly rose again reaching 0.71% at the end of June. In this context, the ECB, that from the end of 2009 had recalled several of the exceptional sources of financing, quickly approved a series of measures (purchase "sterilized" of governmental securities, restore of some auctions with unlimited liquidity offer, etc.) aimed at contrasting the tensions in the monetary market. The effectiveness of these measures translated into a stabilisation of the financing conditions: the spread between the swap rate and the Euribor, that had increased from the end of April, came down again in the second half of June (21 bps on June 30), not too far from the minimum (16bps on 27 April) and however largely under the level of the beginning of the year (28 bps).

The bond markets were marked by the crisis of the sovereign credit in the peripheral countries of the Euro Area. The yields of the countries considered at low risk (Germany and USA) progressively decreased during the semester, reflecting the preference of the investors with the increase of the political risk in Europe: the 10-year rates, which were 3.39% (Germany) and 3.83 (USA) at the beginning of the year, were down respectively 80 and 90 basis points at the end of June, reaching 2.58% and 2.93%. On the other hand, the bond yields of the countries at risk of default increased significantly, carrying the spread to the highest levels ever seen since the birth of the Monetary Union and, also in this case, their volatility increased. In this context, the spread of the

corporate bonds of non-financial companies appeared to be very resistant and continued to decrease, thanks to solid fundamentals (improvement of cash flows, low interest rates and progressive decrease in the default rate).

After a phase of relative strength which lasted until April, the stock markets subsequently showed large volatility, and closed the half-year at the minimum: the S&P500 that at the end of April posted a performance of +9.2% closed the half-year to -7.6%, the Stoxx Europe 600 went from +7.2% to -4.2%, the FTSE MIB from +1.2% to -16.9%; the Topix from +9.1% to -8.1%. The emerging markets also showed the same dynamics, with large oscillations in all the main areas (East Europe, Asia, Latin America): the MSCI Emerging Markets index, that in mid-April had a positive performance of +3.7%, at the end of June closed with a performance of -5.4%. Overall, the sectors that overperformed the market were consumer goods, goods and services for the industry and travel, while the energy, banks and utilities sectors reported a very negative performance.

On foreign exchange markets, the progressive weakening of the Euro reflected the progressive deepening of the sovereign credit crisis in the Euro Area. The exchange rate, that at the beginning of the year was around 1.45 vs. USD, touched a minimum of 1.1925 at the beginning of June, and then stabilised between 1.20-1.23 following the approval of the very restrictive fiscal measures in almost all the countries of the European Union. The rate dollar/yen fluctuated in a range between 88.5 and 94.5 and closed the half-year period at minimum levels.

Finally, commodity prices for raw materials were on the rise until April and then weakened, reflecting the growing uncertainties on the growth prospects. The price of the crude oil went from 82.5 dollars per barrel at the end of December to 90.8 in mid-April, and then closed the half-year to 75.6 dollars.

## Outlook

**The leading forecasting institutes confirm that the framework of global growth remains solid but in the second half of the year a slowdown of growth is possible with growth rates lower than those experienced in the first half of 2010. International trade should continue to be an element of support and, for the countries of the Euro Area, the weakening of the Euro should favor the exports. The international institutions underline the fragility of the economical recovery and high level of uncertainty tied to the end of the fiscal stimulus packages, the need to strengthen the capital ratios of the banks and to change the regulatory framework of the financial system. The Monetary Union (UME), in the second half of the year, should give concrete signals on the reinforcement of the "Agreement of Stability and of Growth" and find an agreement on the mechanisms that regulate its operations.**

## 3. Performance of Group Companies

### 3.1 Performance of BG SGR

BG sgr, a company specialising in mutual funds, SICAVs, and GPF portfolios, reported 1.2 million euros in net income in the first half 2010. At the end of the period, net equity amounted to approximately 28.4 million euros (19.6 million euros in the first half of 2009) and total balance sheet assets to 36.7 million euros.

The growth in net equity compared to the previous year is due mainly to a capital increase and share premium reserves for a total of 9.5 million euros, which followed the sale transaction of the "Portfolio Management" business division from Banca BSI Italia.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA), amounted to 2.4 million euros.

Net banking income amounted to 8.0 million euros, whereas general and administrative expense was 6.0 million euros, including about 3.6 million euros for staff expenses.

On the whole, the assets of promoted and/or managed funds and discretionary accounts amounted to 4,152 million euros as of 30 June 2010, marking an increase of 85% from the 2,244 million euros as of 31 December 2009, tied to the abovementioned transfer transaction which contributed to the assets under management for 1,471 million euros.

### 3.2 Performance of Bg Fiduciaria SIM

BG Fiduciaria, a company specialising in individual managed funds and securities portfolios, mainly in a custodian capacity, reported 680 thousand euros in net profit in the first half of 2010. Total assets under management amounted to 980 million euros, slightly up compared to 729 million euros in 2009, and net equity was 7.9 million euros.

Operating result before taxes, net provisions, value adjustments and depreciation and amortisation (EBTDA), totalled 1.1 million euros, compared to 169 thousand euros in the same period of the previous year. Net banking income amounted to 2.1 million euros, whereas general and administrative expense was 1.1 million euros, including 0.6 million euros for staff expenses.

### 3.3 Performance of S. Alessandro Fiduciaria S.p.A. (now re-named Generfid S.p.A.)

Sant'Alessandro Fiduciaria, a company specialising in custodial capacity of assets, closed the first six months of 2010 with net profit equal to 56 thousand euros and net equity amounting to about 239 thousand euros. Operating result before taxes, net provisions, value adjustments and depreciation and amortisation (EBTDA), totalled 92 thousand euros, compared to 13 thousand euros posted in the same period of the previous year. Net banking income amounted to 232 thousand euros, whereas general and administrative expense was 126 thousand euros.

### 3.4 Performance of Generali Fund Management Sa

Generali Fund Management Sa (previously known as BG Investment Luxembourg Sa), now re-named following the merger of Generali Investments Luxembourg Sa which took place in the second half of 2009, is a Luxembourg based company specialised in the administration and management of Sicav.

Following the abovementioned merger transaction, Banca Generali holds 51% of the share capital, while the remaining 49% is held by Generali Investments, a company of the Generali Group; the two shareholdings differ in terms of profit allocation foreseen for 2010 with 95% of net profit attributable to Banca Generali.

As of 30 June 2010 the company posted a net profit equal to 45.1 million euros and net equity equal to 59.7 million euros.

Operating result before taxes, net provisions, value adjustments and depreciation and amortisation (EBTDA), totalled 50 million euros.

Net banking income amounted to 52.3 million euros, whereas operating expense amounted to 2.6 million euros, including 2.0 million euros for staff expenses.

Total assets under management at 30 June 2010 amounted to 10.9 billion euros.

### 3.5 Performance of the parent company Banca Generali

Effective 1 January 2010, Banca Generali incorporated the subsidiary Banca Bsi Italia upon the separation of the business division "Portfolio Management" on behalf of the subsidiary company BG Sgr, with the same effective date and as first transaction of the day. Therefore, as of January 1, 2010, the private banking activities carried out by Banca BSI Italia were grouped into a division of Banca Generali named "Banca Generali Private Banking", which now operates along the side with the division of the bank specialised in the distribution of financial and banking products to the so-called "affluent" clients through a network of financial advisors.

Banca Generali closed the first six months of 2010 with a net profit of 53.8 million euros, an increase compared to the 36 million euros of the same period last year, due primarily to the intra-group dividend effect. On a like-for-like basis, the net profit for the first six months of 2009 would have totalled 24.3 million euros.

Total assets under management placed by advisors amounted to 22.7 billion euros at the end of the period, against 13 billion euros of the end of 2009 (22.2 billion euros on a like-for-like basis). Net inflows for the period amounted to 646 million euros.

Net equity is equal to 191.3 million euros vs. 249.9 million euros of the same period in 2009. This decrease is due mainly to the goodwill write-off charged to net equity.

Operating result before taxes, net provisions, value adjustments and depreciation and amortisation (EBTDA), totalled 73.4 million euros, up compared to 54.7 million euros posted in the same period of 2009.

Net banking income amounted to 135.6 million euros, whereas general and administrative expense was 63.9 million euros, including 27.5 million euros for staff expenses.

## **4. Net Inflows, Assets Under Management, and Market Positioning in Distribution Through Financial Advisor Networks**

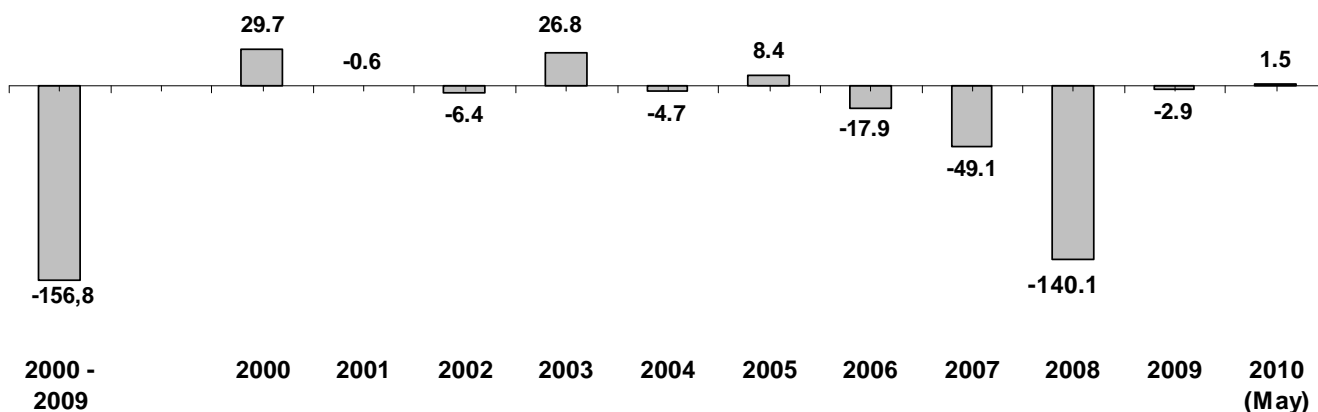
### ***4.1 The Asset Management Market***



On the whole, the Italian UCITS market in the first half of 2010 posted a strong recovery compared to the first half of 2009 (+2.5 billion euros vs. -13.4 billion euros).

Nevertheless, the positive trend started in the second half of 2009 is stabilizing with values slightly above break-even, in correspondence with a rather uncertain situation of the financial markets, marked by high volatility. It is important to point out that the negative trend of Italian UCITS continues in favour of foreign UCITS (-10.1 billion euros vs. 12.6 billion euros) and that the weakness attributable to the banking industry (-4 billion euros) continues, while financial advisor networks reported once again some positive results (+7.7 billion euros, figures as of May 2010).

### **The Italian collective investment undertakings (UCITS) Market**



Source: Assogestioni. Reclassification of UCITS distribution figures

#### **4.2 The Assoreti Market**

Also the total net inflows on the "Assoreti" market (distribution through financial advisors) in the first 5 months of 2010 reported figures much higher than those of first quarter 2009 (+6.5 billion euros vs. 3.5 billion euros of 2009). Moreover, the period's most salient characteristic was the internal composition of net inflows. Contrary to the same period in 2009, net inflows in the assets under management segment were very strong (6.2 billion euros in 2010 vs. 1.5 billion euros in 2009), while the inflows in insurance products posted a positive figure of 1.4 billion euros. On the other hand, assets under administration and custody recorded net outflows for a similar amount (-1.1 billion euros vs. 1.4 billion euros in 2009).

Therefore, a recovery is taking place, characterized by a comeback of the typical products of the Financial Advisors market.

#### **4.3 The Banca Generali Group**

In this positive context, Banca Generali is positioned again among market leaders with a market share in May of more than 8% and with net inflows equal to 646 million euros by the end of June.

Specifically, net inflows were gathered mainly in asset management products (507 million euros) and insurance (746 million euros), with a significant transfer from administered assets (-607 million euros), emphasizing the trend experienced by the market as a whole.

### **ASSORETI TOTAL NET INFLOWS – €6,544 Million**

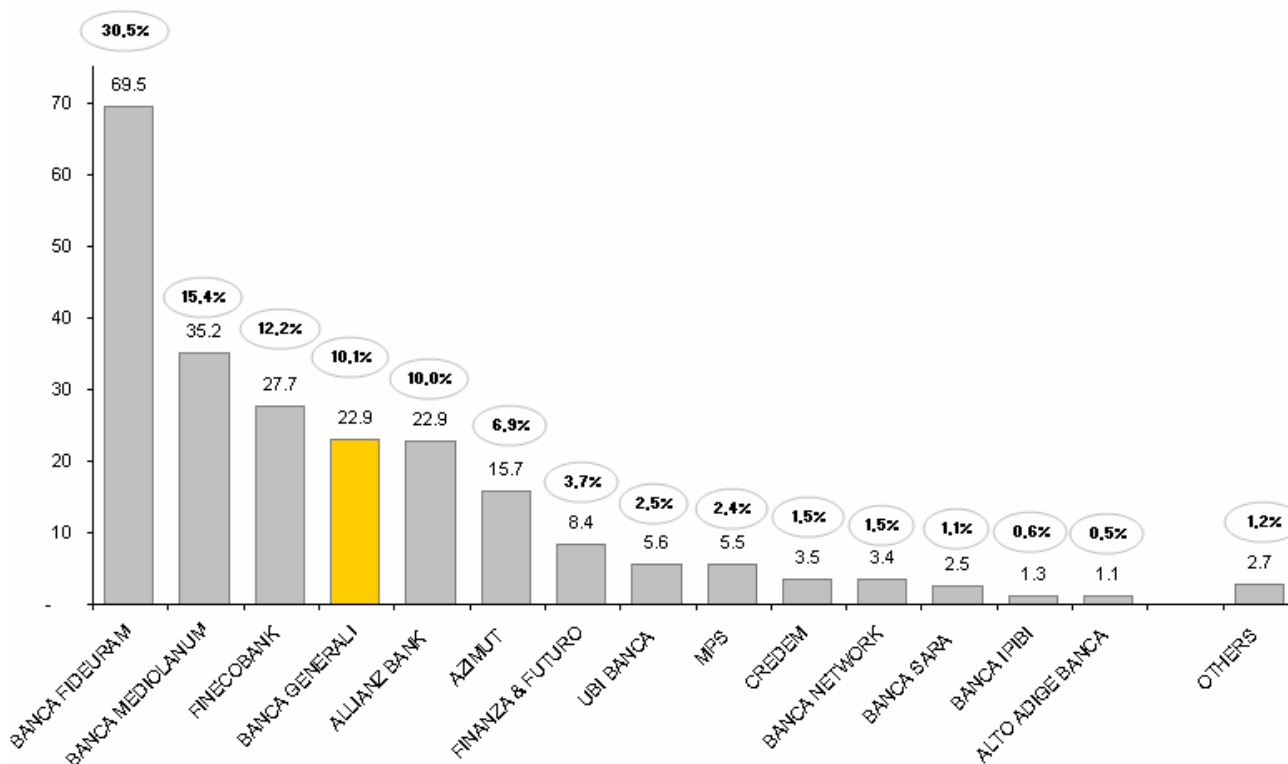
May 2010, in Euro Mln

Source: Assoreti

Also in terms of AUM, Assets Under Management, Banca Generali is again amongst the first 5 market players.

## ASSORETI TOTAL AUM - €227.8 Billion

March 2010, in Euro Bln



Source: Assoreti

The following table provides a summary of assets, updated through June 2010, illustrating their composition by macro-aggregate and furnishing a comparison with the figures as of December 2009. The assets in question refer to the Assoreti market, and therefore to the Financial Advisor operating area.

Assets rose by 2.2% during the six-month period.

The asset management sector posted a significant growth (+5.6%), led by both Funds/Sicav and individual portfolio management.

Such increases were driven by both new inflows and by the switch of the assets held by the customer base in administered assets towards managed assets.

(€ million)	BG GROUP 30/06/2010	BG GROUP 31/12/2009	Changes vs 31/12/2009	
			Amount	%
Funds and SICAVs	12,545	11,254	1,291	11.5%
- attributable to the banking group GPF	768	813	-45	-5.5%
GPF/GPM	3,492	3,190	302	9.5%
<b>Total assets managed by the banking group, net of discretionary accounts included in the GPF of the banking group</b>	<b>15,268</b>	<b>13,631</b>	<b>1,638</b>	<b>12.0%</b>

## 5. Group Indirect Inflows

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

## 5.1 Asset management and insurance products

### Banking Group Asset Management Products

In the asset management sector, during the first half of 2010, the banking group carried out wealth management operations through BG Sgr, Generali Fund Management and BG Fiduciaria.

(€ million)	BG GROUP 30/06/2010	BG GROUP 31/12/2009	Changes vs 31/12/2009	
			Amount	%
Funds and SICAVs	12,545	11,254	1,291	11.5%
- attributable to the banking group GPF	768	813	-45	-5.5%
GPF/GPM	3,492	3,190	302	9.5%
<b>Total assets managed by the banking group, net of discretionary accounts included in the GPF of the banking group</b>	<b>15,268</b>	<b>13,631</b>	<b>1,638</b>	<b>12.0%</b>

Total assets in mutual funds managed by the banking group amounted to 12,545 million euros, including the management mandate received on funds and SICAVs formed by third parties and the total of the Luxembourg SICAV of which Generali Fund Management is the management company (also in the case where the management mandate is given to third parties). About 768 million euros are included in the banking group's discretionary accounts.

The considerable increase recorded particularly in Funds and Sicavs is due to both the significant growth of the assets invested by the clients in Sicav, of which Generali Fund Management is the management company (for about 800 million euros), and the extension of the BG Sgr's role of manager (for about 600 million euros) by third-parties.

### Third-party Asset Management Products

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

In further detail, in the Italian mutual funds segment, the banking group places the products of the Generali Group and of several other companies, amongst them Eurizon Capital SGR and Anima SGR.

In the area of foreign UCITS, the banking group places the products of more than 20 international investment managers, of which those with the highest concentration of investment are Black Rock, JP Morgan, Julius Baer, Morgan Stanley, Pictet, Invesco, Schroeder and Fidelity.

Assets invested in third-party asset management products amounted to 1,635 million euros at the end of June, down by 13.5% compared to 31 December 2009.

In order to correctly evaluate the asset diversified in third-party, it is also necessary to note that in the course of the period, to continue on a trend already started in 2009, the investments directed towards the Lux-based multi-brand Sicav BG Selection have developed remarkably (4.2 billion euros), which mostly invests in third-party products. In the second part of 2009 and in first half of 2010, the placing of 12 new sub-funds (out of a total of 28) of BG Selection took place, whose management is carried out directly by some of the leading international asset managers, significantly widening of the managed assets portfolios held by the bank's clients.

(€ million)	BG Group 30/06/2010	BG Group 31/12/2009	Changes vs/ 31.12.2009	
			Importo	%
Funds and SICAVs	1,607	1,860	-253	-13.6%
GPF/GPM	28	31	-3	-9.6%
<b>Total third-party product asset management</b>	<b>1,635</b>	<b>1,891</b>	<b>-256</b>	<b>-13.5%</b>

### Third-party Insurance Products

Investments in insurance products and pension assets mainly came through life products, unit-linked policies, and index-linked policies of Genertellife (formerly "La Venezia Assicurazioni"). At 30 June 2010, assets amounted to 6,541 million euros, up 11.7% compared to December 2009.

After an excellent 2009, the growth of this important sector, tied to the sale of specific policies with especially attractive features.

(€ million)	BG GROUP 30/06/2010	BG GROUP 31/12/2009	Changes vs 31/12/2009	
			Amount	%
Insurance products (unit linked, policies, etc)	6,541	5,855	686	11.7%
<b>Total third-party insurance products</b>	<b>6,541</b>	<b>5,855</b>	<b>686</b>	<b>11.7%</b>

### 5.2 Assets Under Administration and Custody

Indirect inflows of assets under administration and custody consist of securities deposited by customers for custody and administration in portfolios opened with the Parent Company Banca Generali. At 30 June 2010, the market value was 5,882 million euros, against 6,595 million euros at year-end 2009 (-10.8%).

The overall volume of indirect inflows is influenced by the securities portfolio held by the Parent Company Assicurazioni Generali and by other Group companies. This amount decrease in the period by approximately 0.5 billion euros.

Net of inflows associated with Captive and Corporate clients, indirect inflows at market value decreased by about 200 million euros due to the portfolio diversification carried out by the customers towards asset management products, after the significant inflows collected during the so-called "tax shield".

(€ million)	BG GROUP 30/06/2010	BG GROUP 31/12/2009	Changes vs 31/12/2009	
			Amount	%
<b>Indirect inflows of assets under administration and custody of the banking group (market value)</b>	<b>5,882</b>	<b>6,595</b>	<b>-713</b>	<b>-10.8%</b>
<i>of which securities portfolios of the Generali group's clients</i>	859	1,360	-501	-36.8%
<i>of which other customer's securities portfolios</i>	5,023	5,235	-212	-4.1%

## 6. Human Resources and the Group's Distribution Network

### 6.1 Employees

	30/06/2010	30/06/2009
Managers	50	52
3rd and 4th level executives	125	110
Other employees	604	586
<b>Total</b>	<b>779</b>	<b>748</b>

The total human resources employed by the banking group amounted to 779, up by 31 on 30 June 2009.

The staff increase at the Group level is mainly due to the merger of BG Investment Luxembourg S.A. with Generali Investment Luxembourg S.A., which took place on 9/09/09, establishing Generali Fund Management S.A., and to the strengthening of the risk management organisation of the same company for a total of for 15 employees. The rest of the staff increase is tied to a temporary increase of staff due to work increase for extraordinary activities among which the repatriation of assets from the tax shield and to replace personnel on maternity leave.

During the first half of 2010 the Group's annual employee performance evaluation process for all the company's employees took place.

In this occasion the survey of the entire company population's training needs took place, which in turn served as the foundation for the training plan for the second half of 2010 and part of 2011.

Technical and information technology courses were held with the support of Generali Group Innovation Academy to ensure the best management of specific aspects of various company functions.

Legislative refresher courses were also provided in e-learning format to the entire company population on MiFID, Legislative Decree 231/07 and the prevention of money laundering, a subject which was also the topic of an in-depth course held internally.

Training courses were also held to support the development of managerial skills also through training at international level. Training was also provided on the topic of effective communication through e-mail which was provided to the entire staff through both classroom meetings and the e-learning platform.

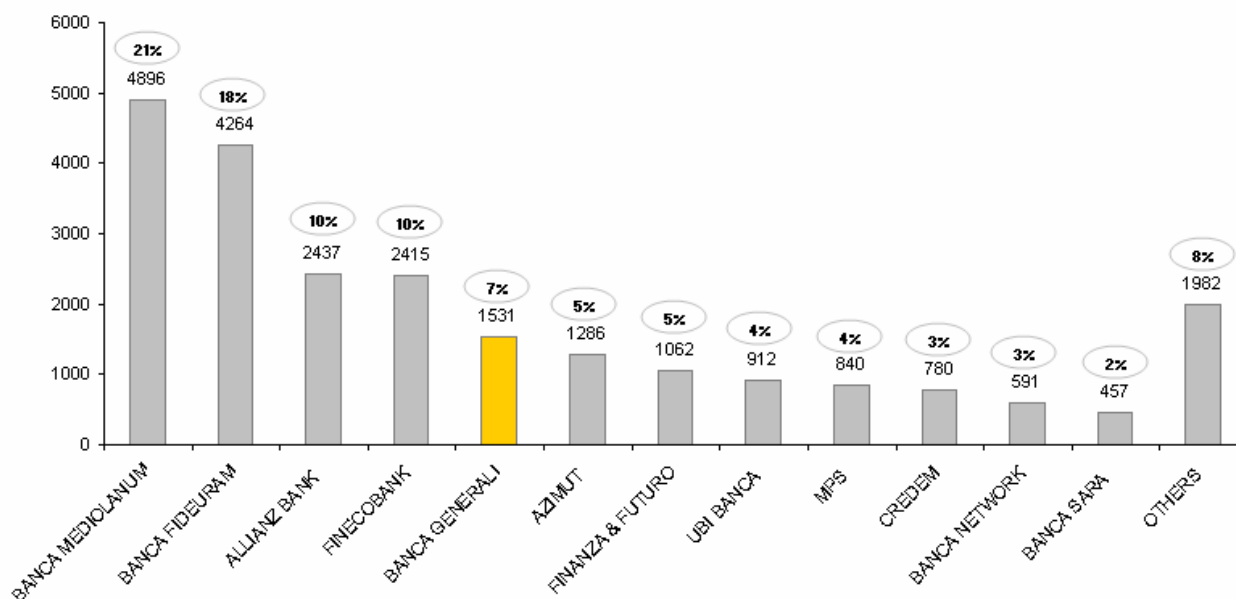
## 6.2 Financial Advisors

### Financial Advisors

The Banca Generali Group owns one of the largest Financial Advisor-based distribution networks in the Italian market: as of 30 June 2010, Banca Generali had 1,531 advisors, of which 299 in the Private Banking Division.

### Assoreti Financial Advisors: 23,453

May 2010



The following table provides a summary of the primary figures for the Banca Generali Group's distribution networks, updated through 30 June:

	No. of FAs/ Bank./Rel.Man.	Assets (€mln)	Assets per Advisor (€mln)
<b>BG Affluent Division</b>	1,220	13,257	10.9
<b>BG Private Division</b>	306	9.460	31.0

It is important to point out that in the course of the years the average portfolio of the Financial Advisors constantly increased. This is due to both the excellent collection of inflows results, and the continuous work of advisors selection which has been privileging a professional and qualitative development.

The Group's financial advisors cover an extensive area in Italy and are supported by a total of 177 bank branches and Advisor Offices.

Region	Branches			Offices			Total
	Banca Generali	Private Division	Total Branches	Banca Generali	Private Division	Total Offices	
Abruzzo	1		1	1		1	2
Calabria	1		1	3	1	4	5
Campania	3	1	4	10	2	12	16
Emilia	4	1	5	15	3	18	23
Friuli	2		2	3	1	4	6
Lazio	2	1	3	3	1	4	7
Liguria	3	1	4	8	4	12	18
Lombardia	4	2	6	15	4	19	23
Marche				3		3	4
Piemonte	3	1	4	6	7	13	17
Puglia	2		2	6	2	8	10
Sardegna				1		1	1
Sicilia	1		1	4		4	6
Toscana	2	1	3	10	1	11	16
Trentino				2		2	2
Umbria	1		1	2		2	3
Valle d'Aosta					1	1	1
Veneto	5	1	6	13	2	15	21
<b>Total</b>	<b>34</b>	<b>9</b>	<b>43</b>	<b>105</b>	<b>29</b>	<b>134</b>	<b>177</b>

## 7. Products and Marketing

The existing product line underwent significant updating in the first six months of 2010 as consequence of the new regulatory framework (in particular the PSD regulations for bank products).

Product innovation also continued, in confirmation of the strategy of open architecture and product segmentation according to clients categories; in the scenario of high market volatility, particular focus was placed on investment solutions with protection or guarantee of capital.

### **Asset Management**

In the first half of 2010 the development activity of the asset management products was focussed mainly on the range of the of Luxembourg products, in line with the multi-brand approach of the Bank.

Supported by the success of BG Selection Sicav and of the FoF managed by important international asset managers which provided their best asset management skills and the most innovative investment solutions of investment, 3 new funds of funds (2 flexible and 1 equity) under management mandate to third parties (Kairos, Lemanik, HSBC) and one flexible FoF managed by Generali Fund Management were launched on April 2010.

At the end of the first half of 2010 BG Selection Sicav, launched in February 2008, included 27 sub-funds for retail clients: besides the 13 sub-funds managed by the team of Generali Fund Management, there are 14 sub-funds managed by leading international asset managers.

The activities tied to the introduction of new regulations in the subject of money-laundering for the Italian SGR companies, which provides for, besides the change in the information flow, the dispatch of specific communications by the companies involved, as well as the consequent updating of the placement covenants where applied, continued during the first half of 2010.

Finally, also with regard to the offer reserved to the retail multibrand customer base, a continuous broadening of the offer of third-party products available for customers continues: the placement of about 60 new Sicav funds was started in the period.

## ***Insurance Products***

At the beginning of the year the policy Valore Plus was launched, which using the Segregated Accounts N. P. Auris, invested its funds in a greater equity component with respect to other Segregated Accounts and defined a diversification of the assets also on the real estate market.

This management policy, with a greater equity share even with the guarantee of the capital invested, allowed therefore to concentrate on "high yield" shares characterized by high dividends, and to report a gross annual yield equal to 5.11% in February (compared to a market average, for 2009, of 4.20% gross).

The trend towards traditional life policies continued with start of the sale of Pensione Concreta, a product with a recurring premium with a medium-long term time-frame, and the restyling of the product Security, a whole life single premium policy.

The Investment Pack, a quarterly report focussed on the segregated accounts underlying the insurance products distributed by Banca Generali, was created, as confirmation of the increasing activities to support the Financial Advisors and Private Bankers. This report, on one side, periodically supplies general information on the mechanism of operation of the Segregated Accounts, and on the other side brings focus on the special aspects of each Segregated Account, going in detail on specific information of asset allocation.

Activities in the first six months of 2010 were concentrated on traditional life insurance policies which invest in segregated accounts.

## ***Assets Under Administration and Custody***

In the scenario of high volatility of the markets and of low yields of the fixed income securities, at the beginning of 2010, the product offer of administered assets was concentrated on the placement of a structured fixed income product with protected capital at maturity and annual coupons (fixed the first year, variable the successive years depending on certain conditions).

During the half-year period the new normative PSD (Payment Services Directive) was introduced, which led to the implementation of normative adjustments and to the consequent updating of the contractual documentation of all of the bank products distributed by Banca Generali.

After the launch of the new Internet site and of two new "online" accounts at the end of 2009, in the second quarter 2010 two new online products were presented, dedicated to two specific target of customers and prospects, on the occasion of specific commercials initiatives:

- the savings account BG10+, tied to the event "Un campione per Amico", along with the offer of a prepaid credit card, dedicated to families and in particular to kids saving plans;
- the online bank account BG Ducati, launched during World Ducati Week 2010 (organised in June by Ducati, with Banca Generali as main sponsor), dedicated to the fans of Ducati, with special conditions and all the payment instruments (cards and checks) personalised with pictures of the Ducati motorbikes.

Finally the bank account Assieme, dedicated to the employees of the Assicurazioni Generali Group, was revised with further enhancement of some economical conditions.

## ***IT systems***

In the first half of 2010 with the introduction of the normative PSD changes to the Home Banking in the reserved area of the customers Internet site (Front End Customers) were made.

The operating area of the Front End Customers was developed and integrated with new services to support the activities of Home Banking and Online Trading. New reports of clients portfolios are now available, with the integration of the data with the insurance policies, with the chance to visualize the personal financial profile and to

plan periodic credit transfer transactions; finally the feature of re-charging the pre-paid cards through the Internet was introduced.

The operating area of the Front End Advisors was focused on the implementation of the tools for the client protection like the transactions in especially risky securities, realized through the operating restrictions introduced in case of negotiation of securities part of a "black-list".

In the area of online safety, it is now mandatory to operate using only the random number combinations by the system; moreover, at the information level, in both the public and the reserved sections, ample space was given to communications dedicated to the awareness of Internet users with regard of the topic "Information Security".

Finally, regarding the project "GIC – Contracts Integrated Management" a support feature to the daily dispatch of paper orders from the agencies was released, as well as some changes aimed at the optimisation of the search and recognition of the numerous products of the multibrand offer.

### ***Distribution Network Training***

The training of the distribution network in the first half of the year was characterised by compulsory training on ISVAP regulations given through a "cascade" approach, with training passed from District Managers down to the network. The training course focused on both commercial and technical aspects of the range of insurance products distributed by Banca Generali.

The project "Office–Network", started in 2009, continued also in the first half of 2010. This project involves sending financial advisors to the Milan and Trieste offices and office employees to selected points of operation in order to foster greater integration and mutual awareness between office and network

Also this year a number of scholarships aimed at supporting the acquisition of EFA certification by the banking group's financial advisors were promoted.

### ***Trade Marketing***

During the first three months of the year, an advertising campaign was realized on the extension of the Tax Shield 2010 and on the dedicated conventions for professionals and accountants. The advertising campaign appeared on the main financial newspapers and magazines.

## **8. Auditing**

The Banca Generali Group's internal audits are performed by its Internal Audit Service, which is responsible for the ongoing independent evaluation of the Group's internal control system to guarantee that it is adequate, fully operational and in correct working order. The Internal Audit Service is furthermore responsible for working with the bank's operating units in implementing control and risk management mechanisms and notifying the Board of Directors, the Board of Statutory Auditors, the Internal Control Committee, and Top Managers with possible improvements to the entire internal control system.

The audit methodology governing the control of the Internal Audit function follows specific guidelines:

- CoSo Report, Italian adaptation of the report of the Committee of Sponsoring Organisation, approved by the Consob by the Ministry of Treasury. In the international field it is indicated as reference for the architecture of an system of internal control from the Cadbury Committee, that defined best practices for the corporate governance of the companies listed on the London Stock Exchange and from the ECB, whose reference is made for the definition of the guidelines of the internal control systems of European Banks;
- ERM model (Enterprise Risk Management), widens the scope of internal audit defined in the CoSo Report, focussing on the topic of company risk management;
- Supervisory Directions of Bank of Italy, with regard to the objectives and information requirements on the quality of controls;
- Joint regulations Consob-Banca d'Italia of 29 October 2007;



- Definition of internal auditing;
- International Standards of the internal auditing profession, interpretative guides and position papers, published by the Italian Association of Internal Auditors.

In the period under review, assurance action was conducted in accordance with the Supervisory Model and the annual audit plan. Internal Audit was particularly involved in providing assurance with respect to the adequacy of controls and their ability to effectively and efficiently identify risk situations. Attention was focused on verifying the presence of adequate line controls and the effective mitigation of risk factors brought to light in previous periods. The evaluation of the quality of the internal control system for operational processes primarily involved the functioning of the sales network of Financial Advisors and had the aim of identifying and removing any irregular conduct and mitigating the risk of fraud. Assurance activities also included planned audits of financial and banking processes. Audits were carried out also in the areas of back office, branches, administrative/accounting processes and information systems. The purpose of the audit activities was to determine the quality and effectiveness of controls and, where possible, propose solutions for improving risk management. Finally, the Service focused on monitoring improvements implemented as a result of previous audits.

In accordance with internal regulations, the Internal Audit Service constantly monitored the risk of money laundering by assessing the presence of suspect transactions and oversaw the assessment process for transactions analysed for the purposes of market abuse legislation.

The risks identified by the Internal Audit Service in the course of its activities were then thoroughly surveyed. This analysis, periodically submitted to the management, allows for the creation of an action plan and timeline for the achievement of the improvement goals identified.

## 9. Organisation and ICT

The main projects brought to completion or in progress in the first six months of 2010 primarily involved the consolidation of the organisational activities relating to the company transaction which took place at the end of 2009, and precisely:

- stabilisation of the operational activities of the new Division Private in Banca Generali;
- making fully operational the integration into BG SGR of portfolio management operations acquired from Banca BSI Italia.

The organisation and information operations related to the following issues were also completed within the deadlines required by sector regulations:

- new anti money laundering requirements ex provisions from Bank of Italy;
- European directive on payment services (PSD);
- new banking transparency;
- independence of asset management companies belonging to Banking Groups.

The development activities of the WEB based platforms made available to the financial advisors networks and the clients with the goal to support new commercial initiatives or to broaden the information and operational features continue. In this same area, initiatives are taking place to guarantee even higher levels of security with regard to potential information technology frauds (phishing and malware).

Initiatives to increase the efficiency in the area of operating processes of the branches and in the processes order acquisition in the finance area are also taking place.

Moreover it is highlighted that the use of the information technology platform ARIS is now fully operational. It represents the company repository of the organisational procedures, allowing for the integration with risks and accounting audits (FARG) and with the risks and operating controls (ORM).

## 10. Main Risks and Uncertainties

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

- The banking group exposure to **market risk** derives mainly from the trading activities of the Parent company Banca Generali own securities portfolio, while the subsidiary companies present a limited and residual exposure. Such risk is defined as the possibility to undergo losses, corresponding to changes in the value of a security or a portfolio of financial securities, tied to unexpected variations in market conditions (shares trends, interest rates, exchange rates, prices of goods, volatility of the risk factor).

In detail, the securities valued at fair value and classified to the portfolios HFT and AFS, whose price changes are charged to the group's profit and loss account and net equity are primarily exposed to market risk. Risk management takes place within appropriate operating limits, monitored by Risk Management, aimed at keeping the riskiness coherent with the strategy and the risk profiles defined by the Board of Directors.

The bank's exposure to **credit/counterparty risk** mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost, AFS and loans to customers (both corporate and retail). Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated credit exposure. Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management department and established with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors. Loans to customers are characterised by a low risk of losses inasmuch as they are almost entirely secured by collateral (chiefly pledges of securities) and/or personal guarantees, in some cases provided by a leading financial institution.

The bank's exposure to **operating risks** across the various legal entities in the Group is closely linked to the type and volume of business conducted as well as the operating procedures implemented. Specifically, the Group's operations (primarily asset management for third parties and the sale of its own and third-party financial investment products), the use of information systems, the definition of operating procedures, interactions with parties protected by law, the direct involvement of all employees in operations and the sales structure used (mainly composed of financial advisors for distribution purposes) pose multiple and varied operating risks that may arise from inadequacies in and/or malfunctions of procedures and systems or unauthorised and/or incorrect, involuntary (human error) or voluntary (fraud) behaviours. Operating risks include risks associated with environmental events (contingent or catastrophic) and external fraud, as well as legal risks.

The *Organisation and Regulations* department is responsible for preparing and updating the procedures of the Bank, being in charge of the management of the entire legislation body and the processes reference library.

The *Development and IT Management* department guarantees – for the entire Group – the efficient functioning of application procedures and information systems that support organisational processes.

*Risk Management* identifies and evaluates the operating risks inherent in company processes (risk assessment, scoring and analysis of operating losses) and monitors action plans aimed at mitigating major risks.

The *internal audit* department evaluates the effectiveness and efficiency of the company processes and of the overall internal control system used by the Group, to ensure that they are adequate and fully operational. Moreover, the Banca Generali group has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

- The banking Group has an adequate level of **capitalisation**, with a Tier 1 ratio equal to 11.86% and a total capital ratio of 14.41%.
- The *Legal and Compliance* department of the Group controls and evaluates the adequacy and effectiveness of the organisational processes, verifying the coherence with existing Regulations, to guarantee the respect of the regulations relevant to the service offered by the Group (banking and investment services) and to prevent the risk of **non conformity**; such function also controls the activity of the distribution Network of Financial Advisors/ Private Bankers/ Relationship Managers, to ascertain, also with regard to specific irregularities, anomalous behaviours, violations of the organisational processes and of the regulation in force.

## 11. Outlook for the Second Half of 2010

In the second half of 2010, during which we expect a market still characterised by uncertainty and volatility, the banking group will continue to pursue its goals of containing costs and enhancing revenue through the measures and steps planned and partially launched in the first six months of the year.

In further detail, efforts in the second half of 2010 will be more closely focussed on and aimed at containing costs through the following measures:

- completion of the reorganisation and integration activities following the company transactions with effective date January 1, 2010;
- outsourcing of low value-added activities.

The banking group's concurrent efforts on the revenue front during the second half of 2010 will continue to follow the guidelines set out below:

- improvement of the asset mix;
- consolidation of the asset management product offerings;
- increase of the share of wallet of the banking group's existing clients;
- development of market share, to be achieved through the acquisition of new clients.

## **12. Transactions with Related Parties**

The transactions undertaken with related parties, including intra-Group transactions, may not be considered atypical or unusual inasmuch as they fell within the scope of the normal operations of Group companies. Such transactions are settled at arm's-length conditions considering the characteristics of the services rendered.

On 1 January 2010 two transactions of internal reorganisation within the group were completed:

1) transfer of the business division constituted by the activities of asset management services from Banca BSI Italia to BG SGR;

2) merger by incorporation of Banca BSI Italia in the parent company Banca Generali.

Both transactions qualify as operations "under common control".

Information on related-party transactions, including that required by the CONSOB Communication of 28 July 2006, is presented in the Condensed Half-Year Financial Statements as of 30 June 2010.

Trieste, 30 July 2010

THE BOARD OF DIRECTORS

# Condensed Consolidated Financial Statements

## Consolidated Accounting Statements

### Consolidated Balance Sheet

<b>Assets</b>		<b>30/06/2010</b>	<b>31/12/2009</b>
<b>(€ thousand)</b>			
10	Cash and deposits	6,296	8,015
20	Financial assets held for trading	299,958	219,029
40	Financial assets available for sale	1,389,236	1,482,281
50	Financial assets held to maturity	606,797	666,074
60	Loans to banks	455,346	641,697
70	Loans to customers	774,520	783,170
120	Property and equipment	5,129	5,815
130	Intangible assets	49,001	50,099
	of which:		
	- goodwill	38,632	38,632
140	Tax receivables	63,019	50,209
	a) current	23,608	27,405
	b) prepaid	39,410	22,804
160	Other assets	109,922	81,727
<b>Total assets</b>		<b>3,759,224</b>	<b>3,988,116</b>

<b>Net Equity and Liabilities</b>		<b>30/06/2010</b>	<b>31/12/2009</b>
<b>(€ thousand)</b>			
10	Due to banks	454,627	148,114
20	Due to customers	2,790,485	3,367,644
30	Securities issued	457	757
40	Financial liabilities held for trading	6,941	494
80	Tax payables	19,138	16,203
	a) current	17,609	11,369
	b) deferred	1,529	4,834
100	Other liabilities	172,095	136,138
110	Employee termination Indemnities	4,354	4,285
120	Provisions for liabilities and contingencies	58,856	46,000
	b) other provisions	58,856	46,000
140	Valuation reserves	- 11,188	- 1,602
170	Reserves	86,299	73,245
180	Additional paid-in capital	22,309	22,309
190	Share capital	111,313	111,313
200	Treasury shares (-)	- 4,471	- 4,471
210	Minority interests (+/-)	4,313	4,476
220	Net income (loss) for the period (+/-)	43,696	63,211
<b>Total Net Equity and Liabilities</b>		<b>3,759,224</b>	<b>3,988,116</b>

## Consolidated Profit and Loss Account

	30/06/2010	30/06/2009
(€ thousand)		
10. Interest income and similar revenues	27,341	48,331
20. Interest expense and similar charges	- 4,987 -	19,740
<b>30. Net interest income</b>	<b>22,354</b>	<b>28,591</b>
40. Commission income	183,080	137,887
50. Commission expense	- 76,175 -	51,287
<b>60. Net commissions</b>	<b>106,905</b>	<b>86,600</b>
70. Dividends and similar income	44,412	46,689
80. Net income (loss) from trading activities	- 42,317 -	43,709
90. Net income from hedging	-	-
100. Gain (loss) from sales or repurchase of:	11,281	10,363
a) receivables	1,671	-
b) financial assets available for sale	9,191	10,363
c) held-to-maturity financial assets	419	-
d) financial liabilities	-	-
110. Net result of financial assets and liabilities measured at fair value	-	-
<b>120. Net banking income</b>	<b>142,635</b>	<b>128,534</b>
130. Net adjustments/reversal due to impairment of:	- 2,176 -	6,073
a) receivables	- 1,509 -	3,179
b) financial assets available for sale	- 667 -	2,894
c) held-to-maturity financial assets	-	-
d) other financial transactions	-	-
<b>140. Net result from banking operations</b>	<b>140,459</b>	<b>122,461</b>
150. Net premiums		
160. Balance of other income/charges of insurance operations		
<b>170. Net income from banking and insurance operations</b>	<b>140,459</b>	<b>122,461</b>
180. General and administrative expense:	- 77,119 -	76,501
a) staff expenses	- 33,808 -	32,576
b) other general and administrative expense	- 43,311 -	43,925
190. Net provisions for liabilities and contingencies	- 20,892 -	17,062
200. Net adjustments/reversal of property and equipment	- 870 -	1,020
210. Net adjustments of intangible assets	- 1,132 -	1,663
220. Other operating expense/income	5,955	4,038
<b>230. Operating expense</b>	<b>- 94,058 -</b>	<b>92,208</b>
240. Gain (loss) of equity investments	-	-
250. Net result of measurement at fair value of property, equipment and intangible assets	-	-
260. Adjustments of goodwill	-	-
270. Gains (loss) from disposal of investments	-	-
<b>280. Profit from operating activities before income taxes</b>	<b>46,401</b>	<b>30,253</b>
290. Income taxes for the year on operating activities	- 869 -	4,442
<b>300. Profit from operating activities net of income taxes</b>	<b>45,532</b>	<b>25,811</b>
310. Income of disposal groups, net of taxes	- -	1,912
<b>320. Net profit for the period</b>	<b>45,532</b>	<b>23,899</b>
330. Net profit (loss) for the period of minority interests	- 1,836	-
<b>340. Net profit (loss) for the period of the Parent Company</b>	<b>43,696</b>	<b>23,899</b>

## Statement of Other Comprehensive Income

items		30/06/2010	30/06/2009
(€ thousand)			
<b>10</b>	<b>Net profit for the period</b>	<b>45,532</b>	<b>23,899</b>
	<b>Other income net of income taxes</b>		
20	Financial assets available for sale	- 9,586	2,079
30	Property and equipment	-	-
40	Intangible assets	-	-
50	Hedges of foreign investments	-	-
60	Cash flow hedges	-	-
70	Exchange differences	-	-
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	-	-
<b>110</b>	<b>Total other income net of income taxes</b>	<b>- 9,586</b>	<b>2,079</b>
<b>120</b>	<b>Comprehensive income</b>	<b>35,946</b>	<b>25,978</b>
130	Comprehensive income attributable to minority interests	- 1,836	-
<b>140</b>	<b>Consolidated comprehensive income attributable to the Parent Company</b>	<b>34,110</b>	<b>25,978</b>

## Statement of Changes in Consolidated Net Equity

(€ thousand)	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the period	Net equity
	a) ordinary shares	b) other		a) retained earnings	b) other					
	<b>Group's net equity at 31/12/2009</b>	111,313	-	22,309	73,245	-	1,602	-	4,471	63,211
<b>Minority interests at 31/12/2009</b>	1,921	-	-	208	-	-	-	-	2,347	4,476
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amounts at 01/01/2010	111,313	-	22,309	73,245	-	1,602	-	4,471	63,211	264,005
Allocation of net income of the previous year	-	-	-	13,327	-	-	-	-	63,211	49,884
- Reserves	-	-	-	13,516	-	-	-	-	13,516	-
- Dividends and other allocations	-	-	-	189	-	-	-	-	49,695	49,884
Change in reserves	-	-	-	-	-	-	-	-	-	-
Transactions on net equity	-	-	-	273	-	-	-	-	-	273
- Issue of new shares	-	-	-	-	-	-	-	-	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	273	-	-	-	-	-	273
Comprehensive income	-	-	-	-	-	9,586	-	-	43,696	34,110
<b>Group's net equity at 30/06/2010</b>	111,313	-	22,309	86,299	-	11,188	-	4,471	43,696	247,958
<b>Minority interests at 30/06/2010</b>	1,921	-	-	556	-	-	-	-	1,836	4,313

(€ thousand)	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the period	Net equity
	a) ordinary shares	b) other		a) retained earnings	b) other					
	<b>Net equity at 31/12/2008</b>	111,313	-	22,804	61,051	-	6,754	-	7,424	7,935
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amounts at 01/01/2009	111,313	-	22,804	61,051	-	6,754	-	7,424	7,935	188,925
Allocation of net income of the previous year	-	-	-	1,302	-	-	-	-	7,935	6,633
- Reserves	-	-	-	1,302	-	-	-	-	1,302	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	6,633	6,633
Change in reserves	-	-	-	8,972	-	-	-	-	-	8,972
Transactions on net equity	-	-	495	1,546	-	-	-	2,783	-	742
- Issue of new shares	-	-	495	2,288	-	-	-	2,783	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	742	-	-	-	-	-	742
Comprehensive income	-	-	-	-	-	2,079	-	-	23,899	25,978
<b>Group's net equity at 30/06/2009</b>	111,313	-	22,309	69,779	-	4,675	-	4,641	23,899	217,984
<b>Minority interests at 30/06/2009</b>	-	-	-	-	-	-	-	-	-	-

## Consolidated Cash Flow Statement

Indirect method (€ thousand)	30/06/2010	30/06/2009

<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>67,959</b>	<b>69,735</b>
- Net profit (loss) for the year	45,532	23,899
- Gain/loss on financial assets and liabilities held for trading	1,689	1,285
- Gain/loss on hedging assets	-	-
- Net adjustments due to impairment	2,176	6,073
- Net adjustments of property, equipment and intangible assets	2,002	2,683
- Net provisions for liabilities and contingencies and other costs/revenues	12,856	14,176
- Taxes included in taxes not paid	- 5,691	7,307
- Adjustments of discontinued operations	-	-
- Other adjustments	9,395	14,312
<b>2. Liquidity generated by/used for financial assets (+/-)</b>	<b>175,444</b>	<b>608,737</b>
- Financial assets held for trading	- 78,147	318,838
- Financial assets measured at fair value	-	-
- Financial assets available for sale	79,192	36,465
- Loans to banks: repayable on demand	- 132,891	51,514
- Loans to banks: other receivables	319,588	304,513
- Loans to customers	3,288	53,205
- Other assets	- 15,586	52,770
<b>3. Net liquidity generated by/used for financial liabilities (+/-)</b>	<b>- 253,859</b>	<b>- 682,168</b>
- Due to banks: repayable on demand	23,354	- 12,562
- Due to banks: other payables	283,386	9,670
- Due to customers	- 577,829	- 533,467
- Securities issued	- 300	- 161,583
- Financial liabilities held for trading	5,140	-
- Financial liabilities measured at fair value	-	-
- Other liabilities	12,390	15,774
<b>Net liquidity generated by/used for operating activities</b>	<b>- 10,456</b>	<b>- 3,696</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Liquidity generated by</b>	<b>170,451</b>	<b>9,420</b>
- Disposal of equity investments	-	-
- Dividends received	-	-
- Disposal of held-to-maturity financial assets	170,451	-
- Disposal of property and equipment	-	-
- Disposal of intangible assets	-	-
- Disposal of business units	-	9,420
<b>1. Liquidity used for</b>	<b>- 109,831</b>	<b>- 185</b>
- Purchase of equity investments	-	-
- Purchase of held-to-maturity financial assets	- 109,613	-
- Purchase of property and equipment	- 184	185
- Purchase of intangible assets	- 34	-
- Purchase of business units and equity investments in subsidiaries	-	-
<b>Liquidity generated by/used for investing activities</b>	<b>60,620</b>	<b>9,235</b>
<b>C. FUNDING ACTIVITIES</b>		
- Issue/purchase of treasury shares	-	-
- Issue/purchase of equity instruments	-	-
- Distribution of dividends and other	- 51,883	6,633
<b>Liquidity generated by/used for funding activities</b>	<b>- 51,883</b>	<b>- 6,633</b>
<b>NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR</b>	<b>- 1,719</b>	<b>- 1,094</b>
<b>Reconciliation</b>		
Cash and cash equivalents at period-start	<b>8,015</b>	<b>8,315</b>
Liquidity generated by/used for in the year	- 1,719	- 1,094
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at period-end	<b>6,296</b>	<b>7,221</b>

## Notes and Comments



## Part A Accounting Policies

### A.1 – General

The interim consolidated financial statements are prepared according to article 154 *ter* of the Italian Legislative Decree 58/98, introduced by Legislative Decree 195/07 of the “transparency” Directive.

In detail, paragraphs 2, 3 and 4 of the article require that, within 60 days from the end of the first half of the financial year, listed companies having Italy as their member state of origin publish a half-year financial report including:

- **condensed half-year financial statements** prepared in a consolidated format if the listed company is required to prepare consolidated financial statements and in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) No. 1606/2002;
- **an interim report on operations**, including a description of important events occurring during the half-year period and their impact on the condensed half-year financial statements, the main risks and uncertainties for the remaining six months of the year and information on related parties;
- **an attestation by the Manager responsible** for the accounting documents as per paragraph 5 of Article 154-*bis*;
- **a report by the independent auditing firm** on the condensed half-year report, to be published, if prepared, within the same 60-day time limit.

#### A.1.1 - Declaration of Compliance with International Accounting Standards

This consolidated half-year financial report has 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 interpretation of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

In preparing the consolidated interim report, Banca Generali adopted the IAS/IFRS in force at the reference date of the report (including SIC and IFRIC interpretations), as endorsed by the European Union.

#### A.1.2 Preparation Criteria

This consolidated half-year report includes:

- **a condensed Balance Sheet** as of the end of the interim period under review (30/06/2010) and a comparative balance sheet as of the end of the preceding financial year (31/12/2009);
- **a condensed Profit and Loss Account** for the interim reporting period (first half 2010), with a comparative profit and loss account for the same interim period of the preceding financial year (first half 2009);
- **a Statement of Other Comprehensive Income (OCI)**, introduced by the new version of IAS 1, which includes the profit and loss items recognised directly through net equity, with reference to the period under examination (first half 2010), compared with the corresponding period of the previous year (first half 2009);
- **a Statement of Changes in Equity** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the preceding year;
- **a Cash Flow Statement** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the preceding year;
- **Notes** containing references to the accounting standards used and other notes explaining transactions carried out during the period.

The interim condensed consolidated financial report is prepared with the enforcement of the general principles contained in IAS 1 and of the specific accounting principles approved by the European Commission and

illustrated in Part A. 2 of these explanatory Notes, as well as in accordance with the general assumptions of the IASB Frame Work for the Preparation and Presentation of Financial Statements  
No exceptions were made in the application of the IAS/IFRS accounting principles.

In particular, the IAS 34 relative to the interim reports provides that, due to information timeliness requirements, more limited information can be provided in the interim report compared to the annual report ("condensed statements") and essentially finalised to supply an updating with respect with the latest annual financial statements. In application of such principle, we prepared the financial statements for the period in a condensed form, in place of the complete financial statements prepared for the year.

Pursuant to art. 5 of the 38/2005 Legislative Decree, the condensed consolidated six-month financial statements were prepared using the Euro as currency. The amounts included in the financial tables and figures reported in the Notes are expressed in thousands of euros. The figures indicated in the Management report on operations are expressed in thousands of euro, unless otherwise indicated.

### **A.1.3 Scope of Consolidation and Business Combinations**

The companies consolidated by the Group in accordance with IAS 27 include the Parent Company, Banca Generali S.p.A. and the following subsidiaries:

Company name	Registered office	Type of control	Shareholding relationship		% of votes abs. ord.
			Investor	% of ownership interest	
Fully consolidated companies					
- BG Fiduciaria SIM S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
- BG SGR S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
- Generali Fund Management S.A.	Luxemb.	1	Banca Generali	51.00%	51.00%
- S. Alessandro Fiduciaria S.p.A.	Milan	1	Banca Generali	100.00%	100.00%

*Legend: type of control:*

(1) control pursuant to Section 2359, paragraph 1, No. 1 of the Italian Civil Code (majority voting rights at general shareholders' meeting)

On date 1 January 2010 two internal organisation transactions were completed within the banking Group:

- 1) transfer of the business division "portfolio managements" by Banca BSI Italia to BG Sgr.
- 2) merger by incorporation of Banca BSI Italia in the parent company Banca Generali.

Both of these transactions qualify as business combinations between entities "under common control" and from an accounting standpoint were treated on the basis of the principle of continuity of assets and liabilities transferred based on the accounting values resulting from the books of the consolidated financial report of Banca Generali for 2009.

Therefore the above-mentioned transactions only changed the legal organisation of the Group without producing substantial effects nor on the perimeter of consolidation or on the valuation of the consolidated assets and liabilities.

It is emphasised moreover that the consolidated financial position of comparison at 30 June 2009 does not include the contribution of Generali Investments Luxembourg SA ("GIL"), incorporated in Generali Fund Management SA ("GFM", former BG Investment Luxembourg SA) on 1 October 2009 but with effective date of January 1, 2009.

To facilitate a greater understanding of the results we will also include comparison balance sheet and profit and loss items restated to take into account the above-mentioned effects and, for the most significant profit and loss items, also the appropriate indications on changes on a like-for-like basis.

For consolidation purposes the accounts of the Parent Company and the subsidiaries at 30 June 2010, reclassified and adjusted where necessary to take account of consolidation requirements were used.

The most important intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised respectively in other assets/liabilities and other revenues/expenses

#### **A.1.4 Events Occurred After the Reporting Date**

No events occurred after 30 June 2010 that would make it necessary to adjust the results presented in the consolidated half-year report at that date.

This six-months consolidated financial statements report is submitted to the approval of the Board of Directors of Banca Generali on 30 July 2010 and its release and publication has been authorised on that date.

#### **A.1.5 Other information**

##### *Estimates procedures*

The preparation of the interim report requires the use of estimates and assumptions that could influence the amounts reported in the balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.

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

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

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

- the quantification of the financial advisor network's remuneration (pay out) for June 2010 and commission-based incentive measures for the first six months of the year;
- the quantification of provisions for personnel-related incentives;
- the quantification of provisions for liabilities and contingencies;
- the determination of the fair value of financial instruments and derivatives used for reporting purposes;
- the determination of value adjustments of non-performing loans and the provision for performing loans;
- estimates and assumptions used to determine current and deferred taxation.

##### *Measurement of Goodwill*

With the preparation of the 2009 Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate. Since all required information is only available when drafting the annual report and there currently are no significant indicators of impairment that would require an immediate assessment of loss, it was decided not to conduct an impairment test as of 30 June 2010. For further information on this subject, the reader is referred to the 2009 Financial Statements.

##### *Non-recurring Significant Events and Transactions*

During the half year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account (CONSOB Communication No. DEM/6064293 of 28 July 2006), with the exception of the transaction described in section A.1.3.

##### *Audit*

Reconta Ernst & Young carried out a limited audit of the consolidated half-year financial statements.

#### **A.2 Accounting Standards**

The accounting standards and measurement criteria used are the same as those used to prepare the consolidated financial statements at 31 December 2009. The financial statements presented herein must therefore be read in conjunction with those documents.

However, it should be noted that, following the completion of the ratification procedure, new international accounting standards (IASs/IFRSs), numerous amendments to existing standards, and new IFRIC interpretative documents entered into force on 1 January 2010

International Accounting Standards endorsed in 2009 and effective as of 2010	Endorsment regulations	Effective date
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

International Accounting Standards endorsed in 2010 and effective	Endorsment regulations	Effective date
Amendments to IFRS1, further exemptions for first time adopters	550/2010	01/01/2010
Amendments to IFRS2 for cash-settled share-based payments at group level (annulment of IFRIC 8 and IFRIC 11)	244/2010	01/01/2010
Amendments to IAS/IFRS in relation to the 2009 yearly improvement plan (IFRS 2, 5, 8 ; IAS 1, 7, 17, 36, 38, 39; IFRIC 9,16)	243/2010	01/01/2010

The new standards and interpretations that have entered into force do not have a significant impact on the operations of Banca Generali.

### **1° Update of Circular No. 262 of 2005**

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.

This update includes the new accounting principles and amendments to existing accounting principles approved after the issue of these Circulars (IAS 1 revised, informative IFRS 7, IFRS 8, amendments to IAS 39 relative to the reclassification of financial instruments) as well as some comments aimed at rationalising the financial statements information and to provide clarifications to specific interpretative questions.

The interpretative aspects of greater impact for the banking group are the following:

- changes to the classification of operating receivables;
- changes to the classification of productivity bonus for the employees;
- changes to the classification of current account expenses, reclassified from other management income and expenses into commission income.

The financial statements at 30 June 2009 presented for comparative purposes and the other information supplied for this period are therefore reclassified with the new classification in use starting from the annual report for the year ended 31 December 2009.

### **Redemption of goodwill and of intangible assets deriving from the acquisition of Banca Del Gottardo – fiscal and accounting aspects**

The fiscal treatment of the reorganisation transaction in recent years experienced some important innovations aimed at allowing the recognition, also for taxes on incomes, of the surpluses recorded in the accounting statements (for example goodwill) following an extraordinary transaction of transfer, merger or split, through the payment of a substitute tax.

Law No. 244 dated 24.12.2007 (Finance Act 2008) introduced a provision, contained in paragraph 2-ter of article 176 of the TUIR, based on which it is possible to recognize on a fiscal basis the greater values registered in the accounting books following a reorganisation transaction related to intangible assets, including goodwill, and to tangible assets.

Such provisions provides for the payment of a substitute tax, determined on the base of three brackets of income, with reference to the amount of some realigned values (respectively 12% until 5 millions; 14% until 10 million and 16% on the surpluses of this bracket), instead of the ordinary taxes of 27.5% (IRES) and 3.9% (IRAP).

The substitute tax instead should be paid in 3 annual instalments starting from the date of payment of the balance relative to the taxes on the income for the period in which the extraordinary operation took place, while the surplus values are recognised for fiscal purposes of the deductibility of the amortisation starting from the fiscal period during which the option for the redemption is exercised, that is from the period in which the first instalment is paid.

The Legislative Decree dated 29 November 2008, No. 185 (so-called Decreto Anticrisi), which became Law dated 28 January 2009, No. 2, later introduced more chances to realign the fiscal values to the financial statement values.

The rule, included in article 15, paragraph 10, of such decree establishes that, as an exception to the redemption treatment introduced by the 2008 Finance Act, the taxpayers have the power of to obtain the fiscal recognition of the greater values attributed in the books to goodwill, brands and other intangible assets with a definite useful life through the payment of a substitute tax of the IRES and IRAP with a fixed tax of 16%, therefore without income brackets and the possibility of make instalment payments.

The surplus values recognized in relation to goodwill and brands can nevertheless be recovered, through the procedure of extra-accounting amortisation in nine yearly rates instead of the eighteen usually provided for by art. 103 of the TUIR, starting from the tax period subsequent to that of the tax payment.

Also such measure provides for the exercise of the option to be carried out by means of payment of the substitute tax within the time limit of income tax payments relative to the period during which the extraordinary transactions were completed.

The new rule which grants the possibility to redeem the misalignments between book values and financial statement values in the event of extraordinary operations can be applied to the merger by incorporation of Banca del Gottardo Italia in Bank BSI S.p.A., completed on January 1, 2009 and for which the terms for the exercise of the option coincide with the limits of the payment of the income taxes for 2009 (16.06.2010).

These transactions being of fiscal nature, reference should be made to the financial statements of Banca Generali S.p.A. and of the other companies of the Group and, only accordingly, to the consolidated financial statements of the Group.

In this regard, it is recalled that the merger transaction of Banca Del Gottardo Italia (BDGI) took place in two phases:

- on date 01.10.2008 the total participation in BDGI was acquired by BSI SA, within the scope of the broader acquisition transaction carried out by the Generali Group.
- on date 01.01.2009, Banca BSI Italia incorporated Banca Del Gottardo Italia.

With regards to the first transaction, it determined the recognition of the asset subject to realignment only at consolidated level basis.

Since this was a transaction among entities *under common control*, from an accounting point of view therefore it was treated with continuity with the values of the consolidated statements of the controlling company Assicurazioni Generali S.p.A. recognising the goodwill part and of intangible assets attributed to the Italian subsidiary in the *Purchase Price Allocation* (PPA), elaborated at the time of the acquisition of the Swiss group.

The following values were therefore recorded:

- Goodwill of 31,252 thousand euros;
- Intangible assets relative to clients relationships acquired for 9,535 euros, amortised in 10 years.

With the subsequent merger transaction of Banca del Gottardo Italia into Banca BSI Italia, the above mentioned values of goodwill and intangible assets were recorded in the statutory financial statements of the surviving company.

Also this merger between entities under common control was carried out under continuity of values with the consolidated financial statements of at 31.12.2008, recognising the goodwill and the residual value of the intangibles posted in the consolidated financial statements as of 31.12.2008.

Banca Generali, as the acquiring company of Banca BSI Italia S.p.A. has therefore decided to proceed with the redemption of the residual differences between book values and fiscal values at 31 December 2009 for the following items:

- Goodwill: 31,252 thousand euros;
- Intangible assets: 7,628 thousand euros to be amortised in the following 8 years with equal instalments of 953 thousand euro each.

In detail, Banca Generali exercised the option for the redemption of goodwill pursuant to the new regulation introduced by article 15 paragraph 10 of Legislative Decree 185/2008 through the payment of the substitute tax, for an amount equal to 5,016 thousand euros and the of the residual intangible assets recorded by Banca BSI Italia on 31.12.2009, according to the ordinary procedure defined by article 176 paragraph 2-ter of the TUIR, through the payment of an amount equal to 323 thousand euros, corresponding to the first yearly payment of the total tax due of 968 thousand euros, determined on the basis of a tax rate of 12% for the bracket up to 5 million euros and of 14% for the next bracket up to 10 million euros.

With respect to accounting effects, the redemption of goodwill, is subject to different interpretations, since a specific rule within the scope of IAS 12 does not exist with reference to the fiscal recognition of goodwill in a time subsequent that of the initial recording.

IAS 12 in fact only forbids the reporting as deferred taxes of goodwill deriving from acquisition transactions not recognised on a taxable basis.

The analyses conducted by the OIC — the Italian Accounting Standard Setter — summarised in application document No. 1 of 27 February 2009 entitled “*Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Law Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IASs/IFRSs*” have led to three different accounting treatments being considered compatible with IFRSs:

1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over nine years to coincide with the tax deduction.

Under the first method, substitute tax is recognised in full through profit and loss during the year in which it accrues. In subsequent years, the company will thus benefit from a reduction in its current IRES (corporate income tax) and IRAP (regional production tax) due to the non-accounting deductibility of the amortisation of goodwill, while concurrently recognising deferred tax liabilities to be reversed to profit and loss in the event of impairment losses not recognised for tax purposes or the transfer of the goodwill.

Conversely, under the second method, both the tax benefit of redemption and the cost of the substitute tax are recognised immediately through profit and loss.

This second method allows the entire tax benefit, which is equal to the difference between the 16% substitute tax paid and the respective deferred tax assets recognised (IRES 27.5% and IRAP 3.90%), to be recognised during the year in which the redemption transaction is undertaken.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate of one-ninth per year, thereby neutralising the decrease in current taxes. Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be believed to be recoverable on the basis of future taxable income.

Conversely, the third method calls for the substitute tax to be treated as an advance against current taxes and then for it to be recognised through profit and loss during the years in which the tax benefit will be enjoyed. Accordingly, no positive or negative effects on profit and loss will be recognised during the year in which the tax is paid, whereas the following years, when the goodwill becomes eligible for non-accounting deduction, will benefit from a lighter tax position as a result of the difference between the substitute tax charged to profit and loss and the lower current taxes due.

Banca Generali has decided to apply the second of these three solutions, which calls for the recognition of both the substitute tax and the tax asset corresponding to future benefits derived from the tax deductibility of goodwill at the standard rate. The financial statements thus immediately and fully reflect the benefit deriving from redemption.

Conversely, with respect to the redemption of the intangible asset, Banca Generali has reversed the deferred taxes allocated in conjunction with the recognition of that asset to account for the non-tax deductibility of amortisation to be charged to profit and loss in future years in the residual amount of 2,395 thousand euros.

Accordingly, the overall net benefit attributable to 2010 amounted to 6.3 million euros.

(in thousands of euro)	Recorded value	Tax value	Redeemable value	Substitute tax	Recognition of deferred tax assets	Reversal of deferred tax liabilities	Net economic benefit
Goodwill	31,352	-	31,352	- 5,016	9,845	-	4,828
Client relationships	7,628	-	7,628	- 968	-	2,395	1,427
<b>Total</b>	<b>38,980</b>	<b>-</b>	<b>38,980</b>	<b>- 5,984</b>	<b>9,845</b>	<b>2,395</b>	<b>6,256</b>

### **Measurement of the extension of share-based payment plans**

As previously disclosed in the 2009 financial statements (refer to Part I of the Notes to those financial statements for further details), on 9 October 2009 Banca Generali's Board of Directors authorised an amendment to the rules governing the two stock-option plans for the Group's financial advisors and managers implemented in 2006 following the listing of Banca Generali to extend the exercise window of the options granted by three years. This extension was formally approved by the shareholders' meeting called to approve the financial statements on 21 April 2010.

As allowed under paragraph IG4 of the Guidance on Implementing IFRS 2 Share-Based Payment, when the employee services begin to be received before the plan is formally approved, the entity is required to estimate the fair value of those 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.

In this respect, we report that the definitive measurement conducted at the date of official approval of the three-year extension of the stock-option plans in question by the shareholders' meeting resulted in the partial re-absorption of the cost as estimated in the 2009 financial statements.

The total value of the extension, measured as the difference between the fair value of the options with the original expiry and as extended, fell from 3.6 to 2.6 million euros, marking a decrease of 1.0 million euros, primarily owing to the decrease in implied volatility as estimated in the first half of 2010.

Conversely, the value of the re-allocation to profit and loss of the higher IFRS 2 costs accrued in the first half of 2010 amounted to 0.8 million euros.

### **Effects of business combinations and reclassifications**

The following table presents a summary of the adjustments applied to consolidated profit and loss at 30 June 2009 in order to determine the restated situation presented in these Notes.

	30/06/2009	GIL	accounting	personnel	30/06/2009
		HY09	expenses	expenses	restated
Interest income	48,331	50	-	-	48,381
Interest expense	-19,740	-	-	-	-19,740
<b>Net interest</b>	<b>28,591</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>28,641</b>
Commission income	137,887	8,497	1,283	-	147,667
Commission expense	-51,287	-6,065	-	-	-57,352
<b>Net commissions</b>	<b>86,600</b>	<b>2,432</b>	<b>1,283</b>	<b>-</b>	<b>90,315</b>
Dividends	46,689	-	-	-	46,689
Net result from banking operations	-33,346	-	-	-	-33,346
<b>Net operating income</b>	<b>128,534</b>	<b>2,482</b>	<b>1,283</b>	<b>-</b>	<b>132,299</b>

Staff expenses	-32,576	-643	-	-92	-33,311
Other general and administrative expense	-43,925	-458	-	-	-44,383
Net adjustments of property, equipment and intangible assets	-2,683	-23	-	-	-2,706
Other operating expense/income	4,038	-2	-1,283	166	2,919
<b>Net operating expense</b>	<b>-75,146</b>	<b>-1,126</b>	<b>-1,283</b>	<b>74</b>	<b>-77,481</b>
<b>Operating profit</b>	<b>53,388</b>	<b>1,356</b>	<b>-</b>	<b>74</b>	<b>54,818</b>
Net adjustments for non-performing loans	-3,179	-	-	-	-3,179
Net adjustments of other assets	-2,894	-	-	-	-2,894
Net provisions	-17,062	-	-	-74	-17,136
Gain (loss) from equity investments	-	-	-	-	-
<b>Operating profit/ before taxation</b>	<b>30,253</b>	<b>1,356</b>	<b>-</b>	<b>-</b>	<b>31,609</b>
Income taxes for the period on current operations	-4,442	-89	-	-	-4,531
Profit (loss) from non-current discontinued operations net of taxes	-1,912	-	-	-	-1,912
		-1,267	-	-	-1,267
Profit (loss) for the year attributable to minority interests	-	-	-	-	-
<b>Net profit</b>	<b>23,899</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,899</b>

### A.3 Information on fair value

The criteria and procedures for determining fair value used to measure portfolios of financial assets and liabilities in this Consolidated Half-Year Financial Report are the same as those applied in the preparation of the Consolidated Financial Statements at 31 December 2009 and illustrated in Part A, Section 3, of the Notes to those Financial Statements.

#### A.3.1 Transfers between portfolios

As known, following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standard Board) on 13 October 2008 and included in the European Regulation (EC) No. 1004/2008 of 15 October 2008, in financial year 2008 the parent company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at amortised cost, assets held to maturity (HTM) and loans to banks and customers (Loans & Receivables), while equity securities held for trading were transferred to the AFS portfolio.

For further details of the conditions of this transaction, refer to the contents of the corresponding Section A.3 of the Notes to the 2009 Consolidated Financial Statements and Part A of the 2008 Consolidated Financial Statements.

During the first six months of 2010, the reclassified securities were partially liquidated due to redemptions and sales and came to 610.9 million euros at the reporting date, marking a decrease of 242.6 million euros compared to the situation as of 31 December 2009 (853.5 million euros). Such amount includes increases for the gradual maturity of their amortised costs.

The net negative differences between the carrying amounts of the transferred assets and the fair values of those assets, gross of the associated tax effect increased from 18.5 million euros at 31 December 2009 to 20.6 million euros, a net deterioration of 2.1 million euros.

##### A.3.1.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

Type of financial instrument	from	to	date of	30/06/2010	30/06/2010
(€ thousand)			transf.	Book value	Fair value
Equity securities	TRA	AFS	1/7/08	3,161	3,161
Debt securities	TRA	HTM	1/7/08	368,391	361,447
Debt securities	AFS	HTM	30/9/08	77,880	77,981





3. Financial assets available for sale	1,183,183	192,689	10,127	3,237	1,179,565	294,576	5,116	3,024
4. Hedging derivatives								
<b>Total</b>	<b>1,434,984</b>	<b>224,159</b>	<b>26,814</b>	<b>3,237</b>	<b>1,311,252</b>	<b>363,671</b>	<b>23,363</b>	<b>3,024</b>
1. Financial liabilities held for trading		6,941				494		
2. Financial Liabilities measured at fair value								
3. Hedging derivatives								
<b>Total</b>	<b>-</b>	<b>6,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>494</b>	<b>-</b>	<b>-</b>

## Part B - Changes in the Balance Sheet and Net Equity

At 30 June 2010, total consolidated assets amounted to almost 3.8 billion euros, down compared to year-end 2009 (-5.7%).

Similar decreases were also recorded for inflows from customers and banks (-7.7%) and core loans (-7.0%).

Assets (€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Financial assets held for trading	299,958	219,029	80,929	36.9%
Financial assets available for sale	1,389,236	1,482,281	- 93,045	-6.3%
Financial assets held to maturity	606,797	666,074	- 59,277	-8.9%
Loans to banks	455,346	641,697	- 186,351	-29.0%
Loans to customers	774,520	783,170	- 8,650	-1.1%
Equity investments	-	0	-	0.0%
Property, equipment and intangible assets	54,130	55,914	- 1,784	-3.2%
Tax receivables	63,019	50,209	12,810	25.5%
Other assets	116,218	89,742	26,476	29.5%
<b>Total assets</b>	<b>3,759,224</b>	<b>3,988,116</b>	<b>-228,892</b>	<b>-5.7%</b>

Net Equity and Liabilities (€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Due to banks	454,627	148,114	306,513	206.9%
Due to customers	2,790,942	3,368,401	-577,459	-17.1%
Financial liabilities held for trading	6,941	494	6,447	1305.1%
Tax payables	19,138	16,203	2,935	18.1%
Other liabilities	172,095	136,138	35,957	26.4%
Special purpose provisions	63,210	50,285	12,925	25.7%
Valuation reserves	- 11,188	-1,602	-9,586	598.4%
Reserves	86,299	73,245	13,054	17.8%
Additional paid-in capital	22,309	22,309	0	0.0%
Share capital	111,313	111,313	0	0.0%
Treasury shares (-)	- 4,471	-4,471	0	0.0%
Minority interests	4,313	4,476	-163	-3.6%
Net profit (loss) for the year (+/-)	43,696	63,211	-19,515	-30.9%
<b>Total Net Equity and Liabilities</b>	<b>3,759,224</b>	<b>3,988,116</b>	<b>-228,892</b>	<b>-5.7%</b>

## B.1 Core Loans

Core loans totalled to 3.5 billion euros and decreased by 266.4 million euros compared to 31 December 2009.

In detail, net loans on the interbank market declined by 195.4 million euros (-37.0%), the investments allocated to the various IAS portfolios decreased by 97.1 million euros (-3.66%) whereas loans to customers and operating loans bucked the trend.

(€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Financial assets held for trading	299.958	219.029	80.929	36.9%
Assets available for sale (AFS)	1.389.236	1.482.281	- 93.045	-6.3%
Financial assets - held to maturity (HTM)	606.797	666.074	- 59.277	-8.9%
Loans to banks	455.346	641.697	- 186.351	-29.0%
Financing	332.291	527.708	- 195.417	-37.0%
Operating loans	1.569	1.284	285	22.2%
Debt securities	121.486	112.705	8.781	7.8%
Loans to customers	774.520	783.170	- 8.650	-1.1%
Financing	519.936	517.027	2.909	0.6%
Operating loans	117.299	94.375	22.924	24.3%
Debt securities	137.285	171.768	- 34.483	-20.1%
<b>Total core loans</b>	<b>3.525.857</b>	<b>3.792.251</b>	<b>- 266.394</b>	<b>-7.0%</b>

### B.1.1 Trading Portfolio

Financial assets and liabilities held for trading reached 293.0 million euros, including debt securities for almost 282.9 million euros, or 94.3% of total cash, UCITs for 9.9 million euros, equity securities for 6.9 million euros and positive/negative amounts on outstanding derivative contracts transacted for the same purpose (-6.6 million euros).

The bond portfolio consists largely of securities issued by government entities (81.5% of total on-balance sheet assets) and bonds issued by leading Italian and international financial institutions (7.4%) with high credit ratings (93.6% have ratings between AAA and A+/A-).

As of 2009, the portfolio was partially diversified through the purchase of shares of foreign UCITS with a very short holding period, the return on which exceeded money-market rates.

The portfolio contains a single non-performing position consisting of a bond issued by the Icelandic bank Landebanki, currently subject to a winding-up procedure by the national authorities and written down to zero.

### Breakdown of trading portfolio

(€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Government securities	244.172	124.034	120.138	96.9%
Debt securities issued by banks	22.030	30.019	-7.989	-26.6%
Bonds of other issuers	16.713	30.312	-13.599	-44.9%
Equity securities – shares	6.858	1.400	5.458	389.9%
Equity securities – UCITs	9.869	33.154	-23.285	-70.2%
<b>Total cash assets held for trading</b>	<b>299.642</b>	<b>218.919</b>	<b>80.723</b>	<b>36.9%</b>
Trading derivatives – positive fair value	316	110	206	187.3%
<b>Total trading portfolio</b>	<b>299.958</b>	<b>219.029</b>	<b>80.929</b>	<b>36.9%</b>
Trading derivatives – negative fair value	-6.941	-494	-6.447	1305.1%
<b>Total assets/liabilities held for trading</b>	<b>293.017</b>	<b>218.535</b>	<b>74.482</b>	<b>34.1%</b>

Several swaps on equity securities were entered into during the period; this caused changes in the equities portfolio as well due to purchases and sales of the underlying securities. Details on the effects of these transactions are provided in section C.4.

### B.1.2 Financial assets available for sale

The portfolio of assets available for sale at 30 June 2010 amounted to 1,389.2 million euros, down by 93.0 million euros compared to the previous year.

(€thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
<b>Debt securities</b>				
Government securities	1,143,889	1,109,468	34,421	3.1%
Debt securities issued by banks	189,683	300,300	- 110,617	-36.8%
Bonds of other issuers	40,295	55,401	- 15,106	-27.3%
<b>Total debt securities</b>	<b>1,373,867</b>	<b>1,465,169</b>	<b>- 91,302</b>	<b>-6.2%</b>
<b>Equity investments</b>				
- CSE – 5.00%	1,930	1,930	-	0.0%
- GBS	246	246	-	0.0%
- Other minor securities (Caricese, Swift, Eu-ra etc)	95	95	-	0.0%
<b>Private-equity investments</b>	<b>5,117</b>	<b>5,117</b>	<b>-</b>	<b>0.0%</b>
- Athena Private Equity S.A. - 4,66%	5,117	5,117	-	0.0%
<b>Other securities available for sale</b>				
- Assicurazioni Generali	662	868	- 206	-23.7%
- Simgenia	967	752	215	28.6%
- Enel S.p.A	3,191	3,699	- 508	-13.7%
- Other equity securities	3,161	4,405	- 1,244	-28.2%
<b>Total equity securities</b>	<b>15,369</b>	<b>17,112</b>	<b>- 1,743</b>	<b>-10.2%</b>
<b>Total AFS financial assets</b>	<b>1,389,236</b>	<b>1,482,281</b>	<b>- 93,045</b>	<b>-6.3%</b>

The portfolio of debt securities consists primarily of government securities (83.3%) and corporate bonds issued by Italian and international banks (13.8%) and financial institutions with high credit ratings (99% have investment grade ratings between AAA and A+/A-) having maturities falling primarily between 2010 and 2014 and an average residual life of slightly less than 2.9 years.

The portfolio includes two default positions consisting of debt securities issued by Lehman Brothers Holding with an amortised cost of 8.4 million euros, written down by 7.1 million euros in the previous years.

Equity securities available for sale consist of equity securities that are not held for trading, including 3.2 million euro securities reclassified from the trading portfolio.

During the year, the impairment procedure detected impairment of 0.7 million euros.

### B.1.3 Assets Held to Maturity (HTM assets)

The portfolio of assets held to maturity amounted to 606.8 million euros at the end of the first half of 2010, marking a decrease of 59.3 million euros compared to the situation at 31 December 2009.

The HTM portfolio mainly derives from securities reclassified from other portfolios (73.5%) and mainly consists of corporate bonds issued by Italian and international banks and financial institutions with high credit ratings (91% have ratings between AAA and A+/A-) having maturities falling between 2010 and 2020 and an average residual life of slightly less than 3 years.

(€thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Government securities	77,190	-	77,190	n.a.
Debt securities issued by banks	443,036	548,016	- 104,980	-19.2%

Bonds of other issuers	86,571	118,058	-	31,487	-26.7%
<b>Total debt securities</b>	<b>606,797</b>	<b>666,074</b>	<b>-</b>	<b>59,277</b>	<b>-8.9%</b>

The decrease in the caption's balance is primarily attributable to the redemptions undertaken during the half-year and sales of securities for which credit ratings were downgraded.

#### **B.1.4 Debt Securities Allocated to Loans**

The debt securities allocated to the portfolio of loans to banks and customers totalled 258.8 million euros, almost half of which (47%) consisted of securities issued by financial institutions.

(€thousand)	30/06/2010	31/12/2009	Change		
			Amount	%	
Debt securities issued by banks	121,486	112,705	8,781	7.8%	
Bonds of other issuers	137,285	171,768	-	34,483	-20.1%
<b>Total debt securities</b>	<b>258,771</b>	<b>284,473</b>	<b>-</b>	<b>25,702</b>	<b>-9.0%</b>

During the half year, the aggregate showed a net decrease of 25.7 million euros due to the redemption of securities and sales and new purchases. Accordingly, at 30 June 2010 only 62% of securities were attributable to the reclassification undertaken in 2008.

The securities portfolio included amongst loans to banks and customers continues to enjoy a high credit rating (96% have ratings between AAA and A+/A-) and is periodically monitored in order to identify individual positions that become impaired.

During the period, impairment of 0.6 million euros was detected on four positions allocated to the portfolio of loans to customers due to the occurrence of triggers indicating possible capital losses.

On a prudential basis, a securities portfolio impairment provision has nonetheless been allocated for said bond portfolio in order to account for possible latent losses of 0.8 million euros, determined on the basis of market statistics constructed on the segmentation of the portfolio by rating class.

#### **B.1.5 Interbank Position**

Net interbank position was substantially neutral at the end of the half-year, coming to a net exposure of 0.7 million euros, down by euro 492.9 million euros compared to the situation at the end of 2009.

This result may be attributed in the decrease in the loan position (-186.4 million euros or -29.0%), which primarily affected the term component, and the increase in the debt position (+306.5 million euros), chiefly owing to the undertaking of repurchase agreement transactions.

(€thousand)	30/06/2010	31/12/2009	Change		
			Amount	%	
<b>Repayable on demand</b>	<b>259,600</b>	<b>126,709</b>	<b>132,891</b>	<b>104.9%</b>	
Demand deposits with banks	182,500	35,000	147,500	421.4%	
Transfer accounts	77,100	91,709	-	14,609	-15.9%
<b>Time deposits</b>	<b>72,691</b>	<b>400,999</b>	<b>-</b>	<b>328,308</b>	<b>-81.9%</b>
Deposits with central banks	6,922	23,161	-	16,239	-70.1%
Term deposit with ECB	-	165,045	-	165,045	-100.0%
Term deposits	65,769	212,793	-	147,024	-69.1%
Repurchase agreements	-	-	-	-	n.a.
<b>Debt securities</b>	<b>121,486</b>	<b>112,705</b>	<b>8,781</b>	<b>7.8%</b>	
<b>Other operating receivables</b>	<b>1,569</b>	<b>1,284</b>	<b>285</b>	<b>22.2%</b>	
<b>Total due to banks</b>	<b>455,346</b>	<b>641,697</b>	<b>-</b>	<b>186,351</b>	<b>-29.0%</b>
Running accounts and free deposits	4,988	64,874	-	59,886	-92.3%
Term current accounts	9,377	42,739	-	33,362	-78.1%
Repurchase agreements	440,067	40,074	399,993	998.1%	
Subordinated loan	-	-	-	-	n.a.
Other operating debts	195	427	-	232	-54.3%

Total due to banks	454,627	148,114	306,513	206.9%
Net interbank position	719	493,583	- 492,864	-99.9%

### B.1.6 Loans to Customers

Loans to customers stood at 774.5 million euros, down slightly compared to the previous year's levels (-1.1%), essentially owing to the decrease in the portfolio of debt securities classified to that caption (-20.1%).

Conversely, financing transactions expanded moderately as a result of the growth in the financing segment (+32.3 million euros or 6.6%), specifically current account facilities (+9.9%) and long-term mortgages and loans (+7.3%), whereas several pool transactions were unwound.

(€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
<b>Financing</b>	<b>519,851</b>	<b>487,503</b>	<b>32,348</b>	<b>6.6%</b>
Current accounts	358,134	325,772	32,362	9.9%
Medium-/long-term loans	105,310	98,179	7,131	7.3%
Pooled financing	15,213	22,568	-7,355	-32.6%
Other short term grant in aid receivables	23,188	24,832	-1,644	-6.6%
Short-term loans	10,863	10,921	-58	-0.5%
Interest-bearing daily margin, Borsa Italiana	7,143	5,231	1,912	36.6%
<b>Life insurance participating policy</b>	<b>30,061</b>	<b>29,439</b>	<b>622</b>	<b>2.1%</b>
<b>Reclassified debt securities</b>	<b>137,285</b>	<b>171,768</b>	<b>-34,483</b>	<b>-20.1%</b>
<b>Other</b>	<b>87,323</b>	<b>94,460</b>	<b>-7,137</b>	<b>-7.6%</b>
Receivables from product companies	45,870	40,504	5,366	13.2%
Sums advanced to financial advisors	31,797	31,879	-82	-0.3%
Changes to be debited and other loans	9,656	22,077	-12,421	-56.3%
<b>Total</b>	<b>774,520</b>	<b>783,170</b>	<b>-8,650</b>	<b>-1.1%</b>

### Doubtful Loans

The net exposure to doubtful loans amounted to 40.9 million euros, representing 5.3% of loans to customers in the financing segment, and was down by 8.8 million euros on the end of the previous year, due to the repayment of several expired positions or past due from over 180 days.

It should be noted that most non-performing exposures inherited from the merged Banca del Gottardo were covered by the guarantee granted by BSI SA in connection with the sale of that company.

(€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Bad loans	12,248	12,246	2	0.0%
Substandard loans	28,422	28,190	232	0.8%
Expired loans/outstanding over 180 days	238	9,263	- 9,025	-97.4%
<b>Total non-performing loans</b>	<b>40,908</b>	<b>49,699</b>	<b>- 8,791</b>	<b>-17.7%</b>
Performing loans	733,612	733,471	141	0.0%
<b>Loans to customers</b>	<b>774,520</b>	<b>783,170</b>	<b>- 8,650</b>	<b>-1.1%</b>

### B.1.7 Other Assets and Liabilities

The aggregates other assets and other liabilities amounted to 109.9 million euros and 172.1 million euros, respectively.

Other assets increased by 28.2 million euros on the end of the previous year (+34.5%) and other liabilities increased by 36.0 million euros (+26.4%).

The increase in other liabilities was largely due to the increase in the Bank's payables to tax authorities by way of substitute tax and taxes collected through the filing of F23 and F24 forms to be paid on, which amounted to 48.0 million euros as of 30 June.

(€thousand)	30/06/2010	31/12/2009	Change		
			Amount	%	
<b>Fiscal items</b>	<b>17,202</b>	<b>20,459</b>	-	3,257	-15.9%
Advances paid to fiscal authorities – current account withholdings	12,246	12,267	-	21	-0.2%
Advances paid to fiscal authorities - stamp duty	4,476	7,875	-	3,399	-43.2%
Advances paid to fiscal authorities -VAT	17	25	-	8	-32.0%
Sums due from fiscal authorities for taxes to be refunded - other	177	177	-	-	0.0%
Other sums due from fiscal authorities	286	115	-	171	148.7%
<b>Leasehold improvements</b>	<b>1,243</b>	<b>1,546</b>	-	303	-19.6%
<b>Sundry advances to suppliers and employees</b>	<b>8,683</b>	<b>7,383</b>	-	1,300	17.6%
Amounts receivable for legal disputes related to non-credit transactions	5,696	5,242	-	454	8.7%
<b>Amounts to be debited under processing</b>	<b>44,643</b>	<b>24,980</b>	-	19,663	78.7%
C/a cheques drawn on third parties under processing	1,350	2,926	-	1,576	-53.9%
Our c/a cheques under processing c/o service	12,897	10,840	-	2,057	19.0%
Amounts to be settled in the clearing house (debits)	2,757	2,293	-	464	20.2%
Other amounts to be debited under processing	27,639	8,921	-	18,718	209.8%
<b>Other amounts</b>	<b>32,455</b>	<b>22,117</b>	-	10,338	46.7%
Due from Assicurazioni Generali for claims to be settled	39	4,984	-	4,945	-99.2%
Amounts to be debited	2,638	3,103	-	465	-15.0%
Other accrued income and deferred charges	28,271	13,290	-	14,981	112.7%
Amounts due from product companies and financial advisors not attributable to specific items	491	612	-	121	-19.8%
Sundry amounts	997	124	-	873	704.0%
Consolidation adjustments	19	4	-	15	375.0%
<b>Total</b>	<b>109,922</b>	<b>81,727</b>	-	28,195	34.5%



(€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
<b>Trade payables</b>	<b>31,480</b>	<b>25,230</b>	<b>6,250</b>	<b>24.8%</b>
<b>Due to staff and social security institutions</b>	<b>13,795</b>	<b>18,171</b>	<b>-4,376</b>	<b>-24.1%</b>
Due to staff for accrued holidays etc.	4,299	2,991	1,308	43.7%
Due to staff for productivity bonuses to be paid out	6,101	11,468	-5,367	-46.8%
Contributions to be paid to social security institutions	1,949	2,102	-153	-7.3%
Contributions to advisors to be paid to Enasarco	1,446	1,610	-164	-10.2%
<b>Tax authorities</b>	<b>55,218</b>	<b>13,257</b>	<b>41,961</b>	<b>316.5%</b>
Withholdings due to fiscal authorities	6,010	11,112	-5,102	-45.9%
Current account withholdings	934	-	934	0.0%
Notes to be paid in to collection services	48,038	2,002	46,036	2299.5%
VAT payable	126	143	-17	-11.9%
Other	110	-	110	0.0%
<b>Third-party assets available for customers</b>	<b>5,880</b>	<b>6,622</b>	<b>-742</b>	<b>-11.2%</b>
<b>Amounts to be debited under processing</b>	<b>62,173</b>	<b>71,197</b>	<b>-9,024</b>	<b>-12.7%</b>
Bank transfers, cheques and other sums payable	4,398	13,716	-9,318	-67.9%
Amounts to be settled in the clearing house (credits)	17,363	27,876	-10,513	-37.7%
Liabilities from reclassification of portfolio subject to collection (SBF)	5,748	6,006	-258	-4.3%
Other amounts to be debited under processing	34,664	23,599	11,065	46.9%
<b>Sundry items</b>	<b>3,549</b>	<b>1,661</b>	<b>1,888</b>	<b>113.7%</b>
Accrued expenses and deferred income that cannot be traced back to specific items	2,452	113	2,339	2069.9%
Amounts to be paid not attributable to specific items	97	657	-560	-85.2%
Sundry items	1,000	871	129	14.8%
Consolidation adjustments	-	20	-20	-100.0%
<b>Total</b>	<b>172,095</b>	<b>136,138</b>	<b>35,957</b>	<b>26.41%</b>

## B.2 Net Equity and Liabilities

### B.2.1 Direct inflows

Total direct inflows from customers amounted to about 2.8 billion euros, marking a decrease of 577.5 million euros compared to 31 December 2009.

The decline affected both funding from the parent company, Assicurazioni Generali, and the other sister companies belonging to that group (-97.5 million euros), and, to a greater extent, inflows from other entities (-479.9 million euros), while investments in asset management products increased.

(€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Transfer accounts	2,603,870	3,107,103	- 503,233	-16.2%
Repurchase agreements	66,812	106,703	- 39,891	-37.4%
Debit balance AUM current accounts	-	41,626	- 41,626	-100.0%
Term deposits	31,400	-	31,400	n.a.
Generali Versicherung subordinated loan	41,158	40,387	771	1.9%
Other payables (self-drawn)	26,473	49,016	- 22,543	-46.0%
Operating debts to sales network	20,772	22,809	- 2,037	-8.9%
<b>Debt securities</b>				
Certificates of deposit	457	757	- 300	-39.6%
<b>Total direct inflows</b>	<b>2,790,942</b>	<b>3,368,401</b>	<b>- 577,459</b>	<b>-17.1%</b>

Inflows from customers include a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung AG under the contractual form known as *Schuldschein* (loan), with a repayment schedule that calls for five annual instalments beginning on 1 October 2011 and an

interest rate equal to the 12-month Euribor plus 225 basis points. The loan is subordinated in the event of a default by the bank.

Operating debts refer primarily to fees accrued by Italian sales networks.

The other debts component largely consists of the stock of bank drafts issued by the parent company, Banca Generali, in relation to claims adjustment operations of Generali Group insurance companies.

## B.2.2 Special Purpose Provisions

At 30 June 2010, provisions to special purpose funds amounted to 63.2 million euros, including 4.3 million euros for commitments for termination indemnities and 58.9 million euros for provisions for other liabilities and contingencies.

(€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Provision for termination indemnity	4,354	4,285	69	1.6%
Other provisions for liabilities and contingencies	58,856	46,000	12,856	27.9%
- provisions for staff expenses	5,876	4,054	1,822	44.9%
- provision for legal disputes	7,713	8,768	-1,055	-12.0%
- other provisions for liabilities and contingencies	45,267	33,178	12,089	36.4%
<b>Total provisions</b>	<b>63,210</b>	<b>50,285</b>	<b>12,925</b>	<b>25.7%</b>

The latter consist of 5.9 million euros in provisions allocated to account for the variable component of the management's salaries and employee bonuses, 7.7 million euros in provisions allocated to account for legal disputes and 45.3 million euros in provisions allocated to account for expenses benefiting the financial advisors network.

In further detail, these latter allocations include 38.0 million euros in commitments assumed by the bank in connection with recruitment plans aimed at expanding portfolios in the medium term.

The aggregate also includes allocations for performance-based incentive programmes for the network during the period and the estimate of incentives for the first half of the year, which customarily extends to the end of July, in the total amount of 11.0 million euros.

(€ thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Provision for staff expenses	5,876	4,054	1,822	44.9%
Provisions for legal disputes	7,713	8,768	-1,055	-12.0%
Provision for risks related to litigations connected with advisors' embezzlements	4,008	5,395	-1,387	-25.7%
Provision for risks related to legal disputes with advisors	866	813	53	6.5%
Provision for risks related to legal disputes with employees	903	893	10	1.1%
Provision for other legal disputes	1,936	1,667	269	16.1%
Provision for termination indemnity of advisors	7,304	6,820	484	7.1%
Provision for termination indemnity	7,284	6,473	811	12.5%
Provision for portfolio overcommission indemnities	20	347	-327	-94.2%
Provision for commissions to be paid out	37,963	26,358	11,605	44.0%
Provision for network development incentives	20,492	10,035	10,457	104.2%
Provision for deferred bonus	15,489	14,882	607	4.1%
Provision for commissions - travel incentives and tenders	612	947	-335	-35.4%
Provision for commissions - commission plans	1,251	390	861	220.8%
Provision for loyalty bonuses	119	104	15	14.4%
Other provisions for risks and charges	-	-	0	n.a.
<b>Total</b>	<b>58,856</b>	<b>46,000</b>	<b>12,856</b>	<b>27.95%</b>

## Tax Dispute

The tax audit of the parent company, Banca Generali, regarding fiscal year 2007 and launched in late 2009 under

the new “tax tutoring” measure for large enterprises was completed in May 2010.

In response to the remarks formulated by the Revenue Service, primarily in relation to the substitute tax for prize competitions, the Parent Company opted for the assessment settlement procedure.

The total costs of this procedure, net of the allocation of deferred tax assets due to recoveries deductible in future years, amounted to 609 thousand euros, of which 531 thousand euros consisted of substitute tax and the associated penalties and 78 thousand euros of income tax.

### **B.2.3 Net Equity and Treasury Shares**

The Group’s net equity amounted to 248.0 million euros at 30 June 2010, down by 16.0 million euros compared to the previous year, owing to the combined effect of the dividend distributed, the contribution of the net profit at the end of the half-year, the change in provisions for stock-option plans and net decreases in valuation reserves.

On April 21, 2010, the General Shareholders’ Meeting of Banca Generali called to approve the 2009 financial statements resolved to distribute a dividend of 49.9 million euros.

(€thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Share capital	111,313	111,313	-	0.0%
Additional paid-in capital	22,309	22,309	-	0.0%
Reserves	86,299	73,245	13,054	17.8%
(Treasury shares)	- 4,471	- 4,471	-	0.0%
Valuation reserves	- 11,188	- 1,602	- 9,586	598.4%
Equity instruments	-	-	-	n.a.
Net profit (loss) for the period	43,696	63,211	- 19,515	-30.9%
<b>Group net equity</b>	<b>247,958</b>	<b>264,005</b>	<b>- 16,047</b>	<b>-6.1%</b>
Minority interests	4,313	4,476	- 163	-3.6%
<b>Consolidated net equity</b>	<b>252,271</b>	<b>268,481</b>	<b>- 16,210</b>	<b>-6.0%</b>

### **B.2.4 Treasury Shares and Stock-option Plans**

At the end of the first six months of 2010, the parent company, Banca Generali had 459,667 treasury shares held in portfolio having a total carrying value of 4,471 thousand euros to the following beneficiaries:

- 389,596 shares allocated to the stock-granting plan for Chief Executive Officer Giorgio Girelli in application of the stock-granting plan for the Group’s management approved by the Company on 26 May 2006 and linked to the Company’s listing on the MTA market;
- 60,000 shares arising from the merger of Banca BSI Italia S.p.A. allocated in service of the stock-option plan for the subsidiary’s former chairman;
- 10,071 shares referring to residual grants under the stock-granting plan for the financial advisors of the former Prime Consult network, originally launched in 2001.

The amounts of treasury shares held by the banking group did not change during the half-year.

Conversely, reserves related to stock-option plans showed a net decrease of 0.3 million euros attributable to the definitive measurement at the official date of authorisation by the shareholders’ meeting on 21 April of the three-year extension of the stock-option plans launched in 2006 reserved for the Group’s financial advisors and managers following the listing of the parent company.

This measurement, examined in greater detail in Section A.2, resulted in the re-allocation to profit and loss of 0.8 million euros in greater IFRS 2 costs allocated in 2009, in excess of the total share of IFRS 2 costs accrued in the first half of 2010.

The same shareholders’ meeting also approved a new overall stock-option plan reserved solely for the distribution networks. The overall plan calls 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 options may be exercised between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

Accordingly, a share capital increase in one or more instalments, excluding option rights pursuant to Article 2441, paragraphs 5 and 8, of the Italian Civil Code, was approved in service of the two new stock-option plans indicated above for the issue of a maximum of 2.5 million new ordinary shares, in addition to the 5.5 million new shares already approved in relation to the extended plans.

### B.2.5 Valuation reserves

Valuation reserves refer primarily to positive or negative fair value adjustments to financial assets available for sale, net of the associated tax effect.

At period-end, such reserves had a total negative value of 11.2 million euros and were broken down as follows.

(€ thousand)	30/06/2010			
	Positive reserve		Negative reserve	Net provision
1. Debt securities	900	-	9,642	8,741
2. Equity securities	14	-	2,499	2,486
<b>Total</b>	<b>914</b>	<b>-</b>	<b>12,141</b>	<b>11,227</b>

The reserve associated with debt securities also includes 1.0 million euros in decreases in fair value that were recognised due to the transfer of securities from the AFS portfolio to the portfolios held to maturity and loans and receivables (net of the relative tax effect). According to IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

The debt securities classified to the AFS portfolio proper consequently showed a negative fair value reserve of 7.7 million euros, wholly attributable to government securities of the euro area.

These reserves also include 39 thousand euros attributable to a residual reserve established under former monetary revaluation laws.

The decrease in negative reserves measured at the end of the half-year was primarily attributable to the significant increase in the net negative reserve for the debt securities segment as a result of both the negative market performance and the reversal to profit and loss of part of the negative reserves carried at the end of the previous year.

(€ thousand)	30/06/2010			
	Debt securities		Equities	Total
	AFS	forsearly AFS		
1. Amount at year-start	1,733	-	1,726	1,639
2. Increases	6,443	1,092	862	8,397
2.1 Fair value increases	1,422		15	1,437
2.2 Transfer to profit and loss of negative reserves				
due to impairment	-		666	666
due to disposal	701	1,072	-	1,773
2.3 Other changes	4,320	20	181	4,521
3. Decreases	15,881	402	1,702	17,985
3.1 Fair value decreases	12,921	-	1,619	14,540
3.2 Adjustments due to impairment	-	-	-	-
3.3 Transfer to profit and loss of pos. reserves: due to disposal	2,960	65	83	3,108
3.4 Other changes	-	337	-	337
<b>4. Amount at year-end</b>	<b>-7,705</b>	<b>-1,036</b>	<b>-2,486</b>	<b>-11,227</b>

## B.2.6 Capital for regulatory purposes

Consolidated capital for regulatory purposes is estimated to amount to 224.0 million euros at 30 June 2010, net of the expected distribution of dividends.

The regulatory aggregate was up by 18.2 million euros compared to the end of 2009 owing not only to the development of the capital aggregates examined above but also to a decrease in the capital requirements to account for credit and market risk (-11.9 million euros).

At the end of the half year, there were 99.6 million euros in excess of the amount required by the Supervisory Authority to cover credit, market, and operating risks. The solvency ratio was 14.41%, compared to the minimum requirement of 8%.

(€thousand)	30/06/2010	31/12/2009	Change	
			Amount	%
Tier 1 capital	184,297	166,078	18,219	10.97%
Tier 2 capital	39,663	39,666	- 3	-0.01%
Tier 3 capital	-	-	-	n.a.
<b>Total capital for regulatory purposes</b>	<b>223,960</b>	<b>205,744</b>	<b>18,216</b>	<b>8.85%</b>
B.1 CREDIT RISK	86,638	92,836	- 6,198	-6.68%
B.2 MARKET RISKS	7,709	13,375	- 5,666	-42.36%
B.3 OPERATING RISK	30,006	30,006	-	0.00%
B.4 OTHER PRUDENTIAL REQUIREMENTS	-	-	-	n.a.
B.4 TOTAL PRUDENTIAL REQUIREMENTS	124,353	136,217	- 11,864	-8.71%
EXCESS OVER PRUDENTIAL REQUIREMENTS	99,607	69,527	30,080	43.26%
Non-committed capital	44,48%	33,79%	10.68%	31.61%
Capital committed to credit risk	38,7%	45,1%	-6.44%	-14.27%
Capital committed for market risk	3,4%	6,5%	-3.06%	-47.05%
Capital committed for operating risk	13,4%	14,6%	n.a.	n.a.
Risk-weighted assets	1,554,413	1,702,713	-148.300	-8.71%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	11.86%	9.75%	2.10%	21.56%
<b>Regulatory capital/Risk-weighted assets (Total capital ratio)</b>	<b>14.41%</b>	<b>12.08%</b>		

The following instructions issued by the Bank of Italy were also taken into account when determining consolidated capital for regulatory purposes at 30 June 2010:

- the **Instruction of 15 May 2010** regarding the possibility of adopting the approach calling for the full “neutralisation” of capital gains and losses to net equity on AFS securities in alternative to the “asymmetrical” approach provided for in applicable supervisory regulations;
- the **Note of 11 March 2009** concerning the ways in which prudential filters are calculated in the event of the tax redemption of goodwill in accordance with Article 15 of Law Decree No. 185/2008.

As is common knowledge, supervisory regulations require that some components of an equity nature recognised by banking and financial intermediaries in accordance with international accounting standards be considered when computing capital for regulatory purposes, up to certain limits, according to rules set at the international level (known as “prudential filters”).

The method previously adopted by the Bank of Italy (“asymmetrical filter”) called solely for the full deduction of capital losses from tier-1 capital and the partial inclusion of capital gains (50%) in tier-2 capital.

The new instructions, issued in relation to the recent turbulence on Eurozone government bond markets, now afford banks the option of adopting the alternative method of full exclusion from the calculation of capital for regulatory purposes of both capital gains and capital losses, as limited to securities issued by the central governments of EU Member States that are allocated to the portfolio of available-for-sale (AFS) financial assets.

However, notice of the election of this method must be given by 30 June and the method must apply to all securities of this kind held in the aforementioned portfolio at the level of the banking group and maintained constantly over time.

Banca Generali has opted for the full neutralisation method.

Turning to the problem involving the redemption of goodwill in accordance with Article 15, paragraph 10, of Law Decree 185/08, discussed in further detail in Section A.2 of these Notes, the Bank of Italy has clarified that where the bank immediately recognises through profit and loss both the substitute tax and the tax benefit – represented by the tax savings achieved through the amortisation of goodwill for tax purposes – thus moving the benefit expected over a period of nine years forward to the first year, a specific negative prudential filter must be applied when calculating capital for regulatory purposes:

- during the first year, the net tax benefit recognised in profit and loss is to be calculated as reduced by 50%;
- in the following eight years, the amount of the net tax benefit to be computed is to be increased gradually by one-eighth each year, thereby reducing the foregoing prudential filter accordingly.

In accordance with these instructions, Banca Generali, when calculating its capital for regulatory purposes at 30 June 2010, introduced a negative filter in the amount of 2,414 thousand euros, equal to 50% of the net tax benefit obtained by redeeming goodwill in accordance with the cited provision of law.

**Reconciliation statement between parent company net equity and net profit and the consolidated net equity and net profit**

(€ thousand)	30 June 2010		
	Capital and reserves	Net profit	Net equity
<b>Net equity of Banca Generali</b>	<b>137,439</b>	<b>53,837</b>	<b>191,276</b>
Differences between net equity and book value of companies consolidated using the line-by-line method	20,783	-	20,783
- <i>Goodwill</i>	9,222	-	9,222
- <i>Income carried forward of subsidiary companies</i>	11,102	-	11,102
- <i>Stock granting reserve for 175th anniversary</i>	76	-	76
- <i>Disposal of Simgenia</i>	383	-	383
- <i>Acquisition of BSI and Banca del Gottardo</i>	-	-	-
Dividends from consolidated companies	55,454	- 55,454	-
Consolidated companies result for the year	-	47,109	47,109
Minority interests	-	- 1,836	- 1,836
Consolidation adjustments	- 9,414	40	- 9,374
- <i>Goodwill</i>	- 9,222	-	- 9,222
- <i>Amortisation of intangible asset BDG</i>	-	-	-
- <i>Treasury shares cancelled</i>	-	-	-
- <i>GIL incorporation expenses</i>	- 192	40	- 152
- <i>BSI Stock Option Plans</i>	-	-	-
<b>Net equity of the Banca Generali Group</b>	<b>204,262</b>	<b>43,696</b>	<b>247,958</b>

## Part C - Profit and Loss Account

The following tables and notes provide an analysis of the operating results for first half of 2010 compared to those for the same period of 2009.

However, it should be noted that the comparative consolidated profit and loss account at 30 June 2009 does not include the financial aggregates of Generali Investment Luxembourg SA ("GIL"), which was merged into Generali Fund Management Sa ("GFM", formerly BG Investment Luxembourg SA) on 1 October 2009 effective for accounting purposes 1 January 2009.

In addition, following the release on 18 November 2009 of the first update to Circular No. 262 of 22 December 2005, the Bank of Italy has made some changes to the basis of presentation and preparation of bank financial statements and the following reclassifications became necessary:

- account-keeping expenses representing commissions, and not the mere reimbursement of costs, were reclassified from the aggregate other operating expense/income to net commissions; and
- staff incentive expenses other than productivity bonuses were classified from staff expenses to net provisions.

For a better understanding of results, a comparative profit and loss situation is also presented in restated form to account for the foregoing effects and the necessary indications concerning changes on a like-for-like basis are provided for the main profit and loss account items.

(€ thousand)	30/06/2010		30/06/2009		Change		30/06/2009		Change	
					Amount	%	Restated		Amount	%
Net interest		22,354		28,591	-6,237	-21.8%	28,641		-6,287	-22.0%
Net commissions		106,905		86,600	20,305	23.4%	90,315		16,590	18.4%
Dividends		44,412		46,689	-2,277	-4.9%	46,689		-2,277	-4.9%
Net result from banking operations	-	31,036	-	33,346	2,310	-6.9%	33,346	-	2,310	-6.9%
<b>Net operating income</b>		<b>142,635</b>		<b>128,534</b>	<b>14,101</b>	<b>11.0%</b>	<b>132,299</b>		<b>10,336</b>	<b>7.8%</b>
Staff expenses	-	33,808	-	32,576	1,232	3.8%	33,311	-	497	1.5%
Other general and administrative expense	-	43,311	-	43,925	614	-1.4%	44,383	-	1,072	-2.4%
Net adjustments of property, equipment and intangible assets	-	2,002	-	2,683	681	-25.4%	2,706	-	704	-26.0%
Other operating expense/income	-	5,955	-	4,038	1,917	47.5%	2,919	-	3,036	104.0%
<b>Net operating expense</b>	-	<b>73,166</b>	-	<b>75,146</b>	<b>1,980</b>	<b>-2.6%</b>	<b>77,481</b>	-	<b>4,315</b>	<b>-5.6%</b>
<b>Operating profit</b>		<b>69,469</b>		<b>53,388</b>	<b>16,081</b>	<b>30.1%</b>	<b>54,818</b>		<b>14,651</b>	<b>26.7%</b>
Net adjustments for non-performing loans	-	1,509	-	3,179	1,670	-52.5%	3,179	-	1,670	-52.5%
Net adjustments of other assets	-	667	-	2,894	2,227	-77.0%	2,894	-	2,227	-77.0%
Net provisions	-	20,892	-	17,062	3,830	22.4%	17,136	-	3,756	21.9%
Gain (loss) from equity investments	-	-	-	-	-	n.a.	-	-	-	n.a.
<b>Operating profit/ before taxation</b>		<b>46,401</b>		<b>30,253</b>	<b>16,148</b>	<b>53.4%</b>	<b>31,609</b>		<b>14,792</b>	<b>46.8%</b>
Income taxes for the period on current operations	-	869	-	4,442	3,573	-80.4%	4,531	-	3,662	-80.8%
Profit (loss) from non-current discontinued operations, net of tax	-	-	-	1,912	1,912	-100.0%	1,912	-	1,912	-100.0%
Profit (loss) for the year attributable to minority interests	-	1,836	-	-	1,836	n.a.	1,267	-	569	44.9%
<b>Net profit</b>		<b>43,696</b>		<b>23,899</b>	<b>19,797</b>	<b>82.8%</b>	<b>23,899</b>		<b>19,797</b>	<b>82.8%</b>

Consolidated operating profit stood at 69.5 million euros, up by 16.1 million euros compared to the same period of the previous year (+30.1%) due to the positive performance of net operating income (+11.0%), which benefited from the significant contribution of the commissions aggregate (+20.3 million euros or +23.4%) and the substantial stability of the net result from banking operations, including dividends, as a result of the contraction in net interest income (-21.8%) and the moderate decline in operating expenses (-2.6%).

On a like-for-like basis, operating profit would have risen by 26.7%.

Consolidated net profit for the first six months of the year consequently amounted to 43.7 million euros, up consistently compared to 23.9 million euros at the end of the same period of 2009 (+82.8%).



## C.1 Net Interest

**Net interest** amounted to 22.4 million euros, a 6.2 million euro decrease (-21.8%), compared to the same period of the previous year.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009	Change			
			Amount	%		Restated	Amount	%	
Financial assets held for trading	2,195	6,638	-	4,443	-66.9%	6,638	-	4,443	-66.9%
Financial assets available for sale	10,181	12,532	-	2,351	-18.8%	12,532	-	2,351	-18.8%
Financial assets held to maturity	6,368	10,152	-	3,784	-37.3%	10,152	-	3,784	-37.3%
Financial assets classified among loans	2,137	5,404	-	3,267	-60.5%	5,404	-	3,267	-60.5%
<b>Total financial assets</b>	<b>20,881</b>	<b>34,726</b>	<b>-</b>	<b>13,845</b>	<b>-39.9%</b>	<b>34,726</b>	<b>-</b>	<b>13,845</b>	<b>-39.9%</b>
Loans to banks	1,320	4,853	-	3,533	-72.8%	4,903	-	3,583	-73.1%
Loans to customers	5,134	8,643	-	3,509	-40.6%	8,643	-	3,509	-40.6%
Other assets	6	109	-	103	-94.5%	109	-	103	-94.5%
<b>Total interest income</b>	<b>27,341</b>	<b>48,331</b>	<b>-</b>	<b>20,990</b>	<b>-43.4%</b>	<b>48,381</b>	<b>-</b>	<b>21,040</b>	<b>-43.5%</b>
Due to banks	77	544	-	467	-85.8%	544	-	467	-85.8%
Due to customers and securities issued	4,193	16,877	-	12,684	-75.2%	16,877	-	12,684	-75.2%
Repurchase agreements - banks	412	43		369	858.1%	43		369	858.1%
Repurchase agreements - customers	305	2,276	-	1,971	-86.6%	2,276	-	1,971	-86.6%
Hedging derivatives	-	-	-	-	n.a.	-	-	-	n.a.
<b>Total interest expense</b>	<b>4,987</b>	<b>19,740</b>	<b>-</b>	<b>14,753</b>	<b>-74.7%</b>	<b>19,740</b>	<b>-</b>	<b>14,753</b>	<b>-74.7%</b>
<b>Net interest</b>	<b>22,354</b>	<b>28,591</b>	<b>-</b>	<b>6,237</b>	<b>-21.8%</b>	<b>28,641</b>	<b>-</b>	<b>6,287</b>	<b>-22.0%</b>

The performance of net interest was influenced by the considerable decrease in market interest rates that began in the first half of 2009.

In further detail, interest income was down by 21.0 million euro or 43.4% compared to the same period of the previous year, whereas the cost of funding from customers and banks decreased by 14.8 million euros (-74.7%), resulting in a sharp contraction in net interest.

## C.2 Net commissions

Aggregated commissions amounted at 106.9 million euros, a net increase of 20.3 million euros (+23.4%) compared to the same period of the previous year.

On a like-for-like basis, net commissions increased by 16.6 million euros, or 18.4%.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009	Change			
			Amount	%		Restated	Amount	%	
Asset management	114,756	80,771		33,985	42.1%	88,120		26,636	30.2%
Placement of securities	20,314	26,074	-	5,760	-22.1%	27,128	-	6,814	-25.1%
Distribution of third-party fin. products	27,520	19,368		8,152	42.1%	19,368		8,152	42.1%
Dealing in securities and currencies	3,805	2,381		1,424	59.8%	2,381		1,424	59.8%
Order collection, custody, and securities administration	13,549	7,574		5,975	78.9%	7,574		5,975	78.9%
Collection and payment services	890	1,064	-	174	-16.4%	1,064	-	174	-16.4%
Other services	2,246	655		1,591	242.9%	2,032		214	10.5%
<b>Total commission income</b>	<b>183,080</b>	<b>137,887</b>		<b>45,193</b>	<b>32.8%</b>	<b>147,667</b>		<b>35,413</b>	<b>24.0%</b>
Commissions for external offer	65,621	45,774		19,847	43.4%	51,839		13,782	26.6%
Collection and payment services	145	331	-	186	-56.2%	331	-	186	-56.2%
Dealing in securities and custody	4,425	1,875		2,550	136.0%	1,875		2,550	136.0%
Asset management	4,110	2,265		1,845	81.5%	2,265		1,845	81.5%
Other commissions	1,874	1,042		832	79.8%	1,042		832	79.8%
<b>Total commission expense</b>	<b>76,175</b>	<b>51,287</b>		<b>24,888</b>	<b>48.5%</b>	<b>57,352</b>		<b>18,823</b>	<b>32.8%</b>
<b>Net commissions</b>	<b>106,905</b>	<b>86,600</b>		<b>20,305</b>	<b>23.4%</b>	<b>90,315</b>		<b>16,590</b>	<b>18.4%</b>

Commission income rose by 45.2 million euros or 32.8% (+24.0% on a like-for-like basis) and is consistently tied to the solicitation and management of investments by households, which were up by 36.4 million euros (+28.8% and +20.8% on a like-for-like basis).

Overall, the contribution of the Group's collective asset management operations, which consist of the Luxembourg SICAVs and mutual funds of BG SGR, expanded by 24.4% or 16.6 million euros, whereas the individual asset management segment, fully conferred to BG SGR, reported a growth in revenue of 47.7% or 6.0 million euros.

The contribution of management commissions for the Generali Group's funds, primarily arising from the operations of the merged GIL, came to 11.4 million euros (+34.1% on a like-for-like basis).

The placement and distribution of third-party services showed moderate 5.3% growth compared to the corresponding period of the previous year (2.9% on a like-for-like basis) with revenues of 47.8 million euros.

In that segment, the decline in commissions on the placement of bonds was offset by greater revenues deriving from the distribution of insurance products (+46.0%) and the placement of third-party UCITS (+30.4% on a like-for-like basis).

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Change	
			Amount	%		Amount	%
Asset management, own							
1. Collective asset management (UCITs, pension funds)	84,909	68,280	16,629	24,4%	67,136	17,773	26,5%
2. Collective asset management of the Generali Group	11,392	-	11,392	n.a.	8,493	2,899	34,1%
3. Individual asset management	18,455	12,491	5,964	47,7%	12,491	5,964	47,7%
<b>Commissions on asset management</b>	<b>114,756</b>	<b>80,771</b>	<b>33,985</b>	<b>42,1%</b>	<b>88,120</b>	<b>26,636</b>	<b>30,2%</b>
1. Placement of third-party UCITs	15,771	11,037	4,734	42,9%	12,091	3,680	30,4%
2. Bond placement	4,093	15,037	-10,944	-72,8%	15,037	-10,944	-72,8%
3. Other placement operations	450	-	450	n.a.	-	450	0,0%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	169	195	-26	-13,3%	195	-26	-13,3%
5. Distribution of third-party insurance products	26,202	17,949	8,253	46,0%	17,949	8,253	46,0%
6. Distribution of other third-party financial products	1,149	1,224	-75	-6,1%	1,224	-75	-6,1%
<b>Placement and distribution of third-party products</b>	<b>47,834</b>	<b>45,442</b>	<b>2,392</b>	<b>5,3%</b>	<b>46,496</b>	<b>1,338</b>	<b>2,9%</b>
<b>Total</b>	<b>162,590</b>	<b>126,213</b>	<b>36,377</b>	<b>28,8%</b>	<b>134,616</b>	<b>27,974</b>	<b>20,8%</b>

The revenues arising from the other banking services offered to customers include trading, order receipt and custody and administration commissions and commissions charged to customers for account-keeping expenses and other services. The aggregate was up sharply compared to the previous year (+75.5%), including on a like-for-like basis (+57.0%), due to the increase in international order receipt, primarily on behalf of the banking and insurance group's UCITS. This performance was reflected in symmetrical growth of order receipt commission expenses.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Change	
			Amount	%		Amount	%
Trading services	17,354	9,955	7,399	74,3%	9,955	7,399	74,3%
Other services	3,136	1,719	1,417	82,4%	3,096	40	1,3%
<b>Total traditional banking operations</b>	<b>20,490</b>	<b>11,674</b>	<b>8,816</b>	<b>75,5%</b>	<b>13,051</b>	<b>7,439</b>	<b>57,0%</b>

The commission structure showed a sharp rise in management commissions (respectively +44.5 million euros or +57.6% and +36.1 million euros or +42.1% on a like-for-like basis) and in banking service commissions (+8.8 million euros).

Incentive commissions, attributable to the management activity of GFM's SICAVs, were substantially stable compared to the outstanding result achieved in the first half of 2009 (-1.7 million euros or -7.1%), whereas underwriting commissions were down (-6.4 million euros or -25.7%), owing in part to the lesser contribution of the bond placements undertaken.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Change	
			Amount	%		Amount	%
Underwriting commissions	18,541	24,943	-6,402	-25,7%	24,968	-6,427	-25,7%

Management commissions	121,678	77,213	44,465	57.6%	85,621	36,057	42.1%
Incentive commissions	22,313	24,022	- 1,709	-7.1%	24,022	- 1,709	-7.1%
Other commissions (other banking and financial services)	20,548	11,709	8,839	75.5%	13,056	7,492	57.4%
<b>Total</b>	<b>183,080</b>	<b>137,887</b>	<b>45,193</b>	<b>32.8%</b>	<b>147,667</b>	<b>35,413</b>	<b>24.0%</b>

Lastly, the commissions aggregate witnessed an increase in commission expenses by 24.9 million euros (+48.5%), partly attributable to the contribution of the activity of the merged GIL (+32.8% on a like-for-like basis). Growth is primarily attributable to the significant rise in the commissions paid to the banking group's financial advisors distribution networks (+26.6% on a like-for-like basis), in addition to the aforementioned cost of the rise in trading commission expenses (+136.0%).

### C.3 Dividends

Total dividends amounted to 44.4 million euros, mostly attributable to equity securities traded as part of equity swap transactions executed during the period, illustrated in detail in the next section.

Net of said component, dividends include 0.4 million euros in profits distributed by equity investments classified among financial assets available for sale, whereas the remainder referred to other trading operations.

(€thousand)	30/06/2010	30/06/2009	Change	
			Amount	%
Dividends of financial assets available for sale	431	570	- 139	-24.4%
Dividends from trading	36	85	- 49	-57.6%
Dividends from equity swaps	43,945	46,034	- 2,089	-4.5%
<b>Total dividends</b>	<b>44,412</b>	<b>46,689</b>	<b>- 2,277</b>	<b>-4.9%</b>

### C.4 Net Profit from Trading and Financial Operations

Net profit from trading includes profits and losses on sales and capital gains/loss on the fair-value measurement of financial assets and liabilities held for trading or available for sale, as well as profits and losses on the sale of financial assets available for sale and any result of hedging operations.

At the end of the first half of 2010, financial operations, as defined above, contributed a negative 31.0 million euros, marking an improvement of 2.3 million euros on the loss reported in the first half of 2009.

The net loss on assets classified as HFT amounted to 42.3 million euros, whereas the net profit on the sale of securities classified as AFS and in other portfolios valued at amortised cost amounted to 11.3 million euros. Trading operations also included currency activity, which generated 1.9 million euros in profits, clear progress compared to the corresponding period of 2009 (+1.5 million euros).

However, if the contribution of the dividends collected as part of the equity swap transactions undertaken during the half-year in the amount of 43.9 million euros is also considered, the overall net profit on trading amounted to 1.6 million euros, down from the 2.3 million euros reported at the end of the first half of 2009. Accordingly, financial operations generated an overall profit of 12.9 million euros in the first six months of 2010 compared to 12.7 million euros at the end of the first six months of 2009.

(€thousand)	30/06/2010	30/06/2009	Change	
			Amount	%
Net income (loss) on financial assets	- 81,171	- 30,817	- 50,354	163.4%
Gain (loss) on financial assets	- 1,205	- 1,330	125	-9.4%
Income (loss) on derivatives	39,430	- 11,619	51,049	-439.4%
Gain (loss) on derivatives	- 1,307	- 382	- 925	242.1%
Securities transactions	- 44,253	- 44,148	- 105	0.2%
Currency transactions	1,936	439	1,497	341.0%
<b>Result from trading</b>	<b>- 42,317</b>	<b>- 43,709</b>	<b>1,392</b>	<b>-3.2%</b>
Net profit from hedging	-	-	-	0.0%

Income (loss) from repurchases	11,281	10,363	918	8.9%
<b>Profit (loss) of financial operations</b>	<b>- 31,036</b>	<b>- 33,346</b>	<b>2,310</b>	<b>-6.9%</b>

As stated above, trading activity consisted substantially of equity swap transactions undertaken with the aim of turning a profit on the purchase and sale of equity securities in correlation with the ex-dividend date.

The foregoing equity swap operations were conducted in the form of both over-the-counter total return swap contracts with leading international banking counterparties and of the trading of futures contracts on regulated markets.

Trading operations also include the acquisition of structured par asset swap transactions intended as arbitrage of projected inflation rate trends and the interbank rate and the continuation of IRSs started in the previous year.

(€ thousand)									
	Gains from trading	Capital gains	Losses	Minus		Net result 30/06/2010	Net result 30/06/2009	Change	
1. Debt securities transactions	838	332	- 308	- 723		139	- 201	340	
2. Equity securities transactions	220	1	- 125	- 489		393	- 104	289	
Equity securities	109	1	- 125	- 489		504	- 104	400	
Options on equity securities	111	-	-	-		111	-	111	
3. Par Asset Swaps	770	-	- 899	- 585		714	484	1,198	
Debt securities	659	-	-	- 219		440	1,173	733	
Asset swaps	111	-	- 899	- 366		1,154	689	465	
4. Total Return Swaps (TRS)	107,637	-	- 106,018	-		1,619	1,996	377	
Equity securities (TRS transactions)	9,870	-	- 92,409	-		82,539	32,977	49,562	
Dividends	43,945	-	-	-		43,945	46,034	2,089	
Equity swaps	6,401	-	- 2,965	-		3,436	11,061	14,497	
Futures	47,421	-	- 10,644	-		36,777	-	36,777	
5. UCITS unit quota transactions	268	79	- 73	- 186		88	- 37	125	
6. Interest Rate Swaps (IRS)	234	-	- 230	- 941		937	- 245	692	
7. Currency transactions	1,936	-	- 110	-		1,826	432	1,394	
Derivatives	-	-	- 110	-		110	- 6	104	
Exchange gains and losses	1,936	-	-	-		1,936	438	1,498	
<b>Result from trading</b>	<b>111,903</b>	<b>412</b>	<b>-107,763</b>	<b>-2,924</b>		<b>1,628</b>	<b>2,325</b>	<b>-697</b>	

Net profits earned on the trading of securities not classified to the trading portfolio consist of 9.1 million euros in profits on the portfolio of available-for-sale (AFS) assets deriving from the unwinding of positions held at the end of the previous year with the reversal of 2.3 million euros in net positive reserves to profit and loss and of new purchases during the period.

(€ thousand)						
	Gains	Losses	Transfer of reserves	30/06/2010	30/06/2009	
AFS financial assets						
Equity securities	7	- 20	83	70	- 336	
Debt securities	7,216	- 354	2,259	9,121	10,699	
Financial assets classified among loans	1,671	-		1,671	-	
Financial assets held to maturity	733	- 314		419	-	
	<b>9,627</b>	<b>- 688</b>	<b>2,342</b>	<b>11,281</b>	<b>10,363</b>	

Despite this result, the first half of 2010 continued to witness the consequences of the financial market crisis of 2008, which resulted in the recognition of impairment losses on a limited number of debt securities classified among loans and equity securities classified to the AFS portfolio in the total amount of 1.3 million euros, of which 0.6 million euros related to the equity securities segment and 0.7 million euros to the debt securities segment.

## C.5 Operating Expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses decreased slightly compared to the same period of the previous year of 2.0 million euros, or -2.6% (-5.6% like for like).

The cost-income ratio, i.e. the ratio of expenses, before adjustments to property, equipment and intangible assets, to net banking income, thus was 49.9%, marking an improvement over the figure for the same period of 2008 (56.4%), due to the improvement in consolidated operating revenues.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Change	
			Amount	%		Amount	%
Staff expenses	33,808	32,576	1,232	3.8%	33,311	497	1.5%
Other general and administrative expense	43,311	43,925	- 614	-1.4%	44,383	- 1,072	-2.4%
Net adjustments of property, equipment and intangible assets	2,002	2,683	- 681	-25.4%	2,706	- 704	-26.0%
Other income and expenses	- 5,955	- 4,038	- 1,917	47.5%	- 2,919	- 3,036	104.0%
<b>Operating expense</b>	<b>73,166</b>	<b>75,146</b>	<b>- 1,980</b>	<b>-2.6%</b>	<b>77,481</b>	<b>- 4,315</b>	<b>-5.6%</b>

The number of the Group's staff members under salaried employment contracts came to 779, up by 6 compared to the end of 2009 and 31 compared to the same period of the previous year (+21 on a like-for-like basis), primarily as a result of the activities associated with the reorganisation of the banking group.

	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Average 2010	Average 2009
			Amount	%			
Managers	50	52	- 2	-3.85%	54	52	54
3rd and 4th level executives	125	110	15	13.64%	113	123	114
Other employees	604	586	18	3.07%	591	602	617
<b>Total</b>	<b>779</b>	<b>748</b>	<b>31</b>	<b>4.14%</b>	<b>758</b>	<b>776</b>	<b>784</b>

Staff expenses, including full-time employees, interim staff, and directors increased a net 1.2 million euros (+3.8%) compared to the same period of the previous year.

On a like-for-like basis, staff expenses increased by 0.5 million euros, or 1.5%.

This performance was significantly influenced by the redetermination of the expense associated with the three-year extension of the stock-option plans implemented in 2006 for the banking group's financial advisors and managers, analysed in further detail in Section A.2 of these Notes.

In particular, the measurement on the date of approval by the shareholders' meeting, 21 April, resulted in the recognition of 0.8 million euros in lower costs than had been taken to profit and loss in 2009.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Change	
			Amount	%		Amount	%
<b>1) Employees</b>	<b>32,709</b>	<b>31,619</b>	<b>1,090</b>	<b>3.4%</b>	<b>32,259</b>	<b>450</b>	<b>1.4%</b>
Wages and salaries	18,733	18,037	696	3.9%	18,382	351	1.9%
Social security charges	4,760	4,667	93	2.0%	4,730	30	0.6%
Provision for termination indemnity	543	318	225	70.8%	318	225	70.8%
Contributions to outside supplemental pension funds	1,642	1,422	220	15.5%	1,422	220	15.5%
Costs related to payment agreements based on own financial instruments	- 123	282	- 405	-143.6%	282	- 405	-143.6%
Productivity premiums	5,434	4,934	500	10.1%	4,939	495	10.0%
Other employee benefits	1,720	1,959	- 239	-12.2%	2,186	- 466	-21.3%
<b>2) Other staff</b>	<b>- 104</b>	<b>23</b>	<b>- 127</b>	<b>-552.2%</b>	<b>78</b>	<b>- 182</b>	<b>-233.3%</b>
<b>3) Directors and Auditors</b>	<b>1,203</b>	<b>934</b>	<b>269</b>	<b>28.8%</b>	<b>974</b>	<b>229</b>	<b>23.5%</b>
<i>of which costs related to payment agreements based on own financial instruments</i>	-	-	-	n.a.	-	-	n.a.
<b>Total</b>	<b>33,808</b>	<b>32,576</b>	<b>1,232</b>	<b>3.8%</b>	<b>33,311</b>	<b>497</b>	<b>1.5%</b>

Other general and administrative expense amounted to 43.3 million euros, a decrease of 0.6 million euros, or -1.4%, compared to the same period in the previous year, and 1.1 million euros on a like-for-like basis (-2.4%).

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Change	
			Amount	%		Amount	%
<b>Administration</b>	<b>6,345</b>	<b>7,647</b>	<b>-1,302</b>	<b>-17.0%</b>	<b>7,914</b>	<b>-1,569</b>	<b>-19.8%</b>
Advertising	2,045	2,930	-885	-30.2%	3,028	-983	-32.5%
Consultancy and professional advice expense	2,354	2,612	-258	-9.9%	2,665	-311	-11.7%
Audit	361	546	-185	-33.9%	553	-192	-34.7%
Other general costs (insur.; T&E)	1,585	1,559	26	1.7%	1,668	-83	-5.0%
<b>Operations</b>	<b>15,962</b>	<b>15,565</b>	<b>397</b>	<b>2.6%</b>	<b>15,730</b>	<b>232</b>	<b>1.5%</b>
Rent and usage of premises	8,116	7,776	340	4.4%	7,867	249	3.2%
Outsourced services	2,468	2,745	-277	-10.1%	2,745	-277	-10.1%
Post and telephone	1,384	1,606	-222	-13.8%	1,625	-241	-14.8%
Print material and contracts	618	601	17	2.8%	601	17	2.8%
Other operating expenses	3,376	2,837	539	19.0%	2,892	484	16.7%
<b>Information system and equipment</b>	<b>16,783</b>	<b>16,284</b>	<b>499</b>	<b>3.1%</b>	<b>16,310</b>	<b>473</b>	<b>2.9%</b>
Outsourced IT services	11,761	11,353	408	3.6%	11,379	382	3.4%
Fees for financial databases and other IT services	2,288	3,103	-815	-26.3%	3,103	-815	-26.3%
Software maintenance and servicing	1,839	1,000	839	83.9%	1,000	839	83.9%
Other expenses (equipment rental, maintenance, etc.)	895	828	67	8.1%	828	67	8.1%
<b>Taxes and duties</b>	<b>4,221</b>	<b>4,429</b>	<b>-208</b>	<b>-4.7%</b>	<b>4,429</b>	<b>-208</b>	<b>-4.7%</b>
<b>Total other general and administrative expense</b>	<b>43,311</b>	<b>43,925</b>	<b>-614</b>	<b>-1.4%</b>	<b>44,383</b>	<b>-1,072</b>	<b>-2.4%</b>

**Other net operating income and charges** includes items previously classified among extraordinary income and expense components, as well as miscellaneous income and expense. Recurring income mainly includes the reimbursement of expenses from customers for taxes and the management of their current accounts, allowances and repayments from financial advisors. Other charges include reclassified depreciation on leasehold improvements that are classified among other assets and no longer among intangible assets, in accordance with Bank of Italy regulations.

At the end of the half-year, this aggregate came to 6.0 million euros, up by 3.0 million euros, on a like-for-like basis, compared to the same period of the previous year.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Change	
			Amount	%		Amount	%
Recovery of expenses from customers	372	1,530	-1,158	-75.7%	247	125	50.6%
Recovery of taxation from customers	3,201	3,145	56	1.8%	3,145	56	1.8%
Indemnities and recovery of costs from advisors	472	629	-157	-25.0%	629	-157	-25.0%
Indemnities and compensation	40	254	-214	-84.3%	254	-214	-84.3%
Other income	3,208	1,547	1,661	107.4%	1,547	1,661	107.4%
<b>Total</b>	<b>7,293</b>	<b>7,105</b>	<b>188</b>	<b>2.6%</b>	<b>5,822</b>	<b>1,471</b>	<b>25.3%</b>
Adjustments of leasehold improvements	353	540	-187	-34.6%	540	-187	-34.6%
Charges from accounting adjustments with customers	194	352	-158	-44.9%	352	-158	-44.9%
Charges for staff leaving incentives	-	166	-166	-100.0%	-	0	n.a.
Tax litigation charges	185	-	185	n.a.	-	185	n.a.
Indemnities and compensation	32	40	-8	-20.0%	40	-8	-20.0%
Other charges	574	1,969	-1,395	-70.8%	1,971	-1,397	-70.9%
<b>Total</b>	<b>1,338</b>	<b>3,067</b>	<b>-1,729</b>	<b>-56.4%</b>	<b>2,903</b>	<b>-1,565</b>	<b>-53.9%</b>
<b>Other net operating income</b>	<b>5,955</b>	<b>4,038</b>	<b>1,917</b>	<b>47.5%</b>	<b>2,919</b>	<b>3,036</b>	<b>104.0%</b>

## C.6 Net provisions

Net provisions amounted to 20.9 million euros and increased by 3.8 million euros compared to 2008 (+22.4%). Provisions of 16.7 million euros (+20.6%) mainly include commission charges mainly related to incentives

underway and short- and medium-term incentive programs connected to the expansion of the sales network. Allocations to the provision for staff expenses of 2.0 million euros refer to the estimate of some types of non-contractual personnel incentives that have yet to vest, which it is believed do not currently meet the requirements laid down in IAS 19 for consideration among staff expenses, and to the estimate of the expenses of redundancy incentives associated with the process of rationalising the Group initiated after the merger of Banca BSI Italia.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	Change	
			Amount	%		Amount	%
Provision for staff expenses	1,980	0	1,980	0.0%	74	1,906	2575.7%
Provisions for risks related to commissions to be assigned	16,683	13,837	2,846	20.6%	13,837	2,846	20.6%
Provisions for risks related to legal disputes	1,239	2,720	-1,481	-54.4%	2,720	-1,481	-54.4%
Provisions for termination indemnity and overfees	990	505	485	96.0%	505	485	96.0%
Other provisions for risks and charges	-	-	-	n.a.	-	0	n.a.
<b>Total</b>	<b>20,892</b>	<b>17,062</b>	<b>3,830</b>	<b>22.4%</b>	<b>17,136</b>	<b>3,756</b>	<b>21.9%</b>

## C.7 Impairment

Adjustments to account for the impairment of financial assets amounted to 2.2 million euros, down from 6.1 million euros in the same period of the previous year.

Specifically adjustments due to non-performance was recognised in connection with financial assets classified to the AFS portfolio, attributable to the equity securities segment for 0.7 million euros.

Certain minor positions reallocated to the loans portfolio also became impaired in the amount of 0.6 million euros due to the occurrence of triggers indicating principal losses or prospects of an extension of the schedule of repayment flows.

In addition to the impairment of financial instruments, net impairments were recognised on receivables not arising from lending transactions, consisting primarily of commission advances disbursed to former financial advisors and other operating receivables of 0.9 million euros.

(€ thousand)	Adjustments	Reversals	30/06/2010		30/06/2009	
			Net		Net	
<b>Specific adjustments/reversals</b>	-	-	-	-	-	-
Impairment of equity securities	- 667	-	667	-	2,847	-
Impairment of AFS debt securities	-	-	-	-	47	-
Impairment of debt securities (loans)	- 560	-	560	-	2,008	-
Impairment of fun. receivables (FAs, product companies)	- 960	11	949	-	1,158	-
Banking portfolio	-	-	-	-	13	-
<b>Portfolio adjustments/reversals</b>	-	-	-	-	-	-
<b>Total</b>	- <b>2,187</b>	<b>11</b>	- <b>2,176</b>	-	<b>6,073</b>	-

## C.8 Taxes

Direct taxes for the Group's companies at the end of the period amounted to 0.9 million euros, down sharply compared to the same period of 2009.

(€ thousand)	30/06/2010	30/06/2009	Change		30/06/2009 Restated	31/12/2009
			Amount	%		
Current taxation	- 16,066	- 9,822	6,244	63.6%	- 9,911	- 10,992
Prior period taxes	- 529	38	567	-1492.1%	38	600
Changes of prepaid taxation (+/-)	13,328	4,974	8,354	168.0%	4,974	- 4,664
Changes of deferred taxation (+/-)	2,398	368	2,030	551.6%	368	417
<b>Taxes for the period (-)</b>	- <b>869</b>	- <b>4,442</b>	<b>3,573</b>	<b>-80%</b>	- <b>4,531</b>	- <b>14,639</b>

The tax position for the half-year was primarily influenced by the non-recurring positive effect of 6.2 million euros deriving from the difference between the reversal to profit and loss of deferred tax assets and liabilities at full rates and the substitute tax at a soft rate owed for redemption, in accordance with Decree Law No. 185/2008 and Law No. 244/2008 (2008 Finance Act), respectively, goodwill (4.8 million euros) and intangible assets (1.4 million euros) arising from the merger of Banca del Gottardo Italia Spa.

The accounting and tax effects of this transaction are described in further detail in Section A.2 of these Notes.

In particular, the estimate of current taxes, 16.1 million euros, include the 6.0 million euros in substitute tax owed for that transaction.

Changes in deferred tax assets and liabilities, which resulted in net tax benefits of 15.7 million euros, consist of 12.2 million euros in the recognition of deferred tax assets representing the future tax benefit associated with the deductibility of goodwill and the reversal of deferred tax liabilities allocated in relation to other intangible assets. If these non-recurring components are excluded, the taxes for the period amounted to 7.1 million euros.

### C.9 Result for the Period and Earnings per Share

As stated in the introduction, consolidated operating profit amounted to 69.5 million euros at 30 June 2010, while operating profit before taxation stood at 46.4 million euros, after 20.9 million euros in provisions and 2.2 million euros in net adjustments.

**Profit for the year attributable to minority interests** amounted to 1.8 million euros and refers to the minority interest in GFM held by the Assicurazioni Generali insurance group.

Accordingly, the first six months of 2010 ended with a consolidated **net profit** of 43.7 million euros, up sharply compared to the net profit earned in the first half of 2009 (+82.8%).

(€ thousand)	30/06/2010		30/06/2009		Change		30/06/2009		Change	
	Amount	%	Amount	%	Amount	%	Restated	Amount	%	
Net operating income	142,635		128,534		14,101	11.0%	132,299	10,336	7.8%	
Operating expense	- 73,166		- 75,146		1,980	-2.6%	- 77,481	4,315	-5.6%	
<b>Operating profit</b>	<b>69,469</b>		<b>53,388</b>		<b>16,081</b>	<b>30.1%</b>	<b>54,818</b>	<b>14,651</b>	<b>26.7%</b>	
Net adjustments for non-performing loans	- 1,509		- 3,179		1,670	-52.5%	- 3,179	1,670	-52.5%	
Net adjustments of other assets	- 667		- 2,894		2,227	-77.0%	- 2,894	2,227	-77.0%	
Net provisions	- 20,892		- 17,062		- 3,830	22.4%	- 17,136	-3,756	21.9%	
Gain (loss) from the disposal of equity investments	-		-		-	n.a.	-	0	n.a.	
<b>Operating profit/ before taxation</b>	<b>46,401</b>		<b>30,253</b>		<b>16,148</b>	<b>53.4%</b>	<b>31,609</b>	<b>14,792</b>	<b>46.8%</b>	
Income taxes for the period on current operations	- 869		- 4,442		3,573	-80.4%	- 4,531	3,662	-80.8%	
Profit (loss) of groups of available for sale assets, net of taxes	-		- 1,912		1,912	-100.0%	- 1,912	1,912	-100.0%	
Profit (loss) for the year attributable to minority interests	- 1,836		-		1,836	n.a.	- 1,267	-569	44.9%	
<b>Net profit</b>	<b>43,696</b>		<b>23,899</b>		<b>19,797</b>	<b>82.8%</b>	<b>23,899</b>	<b>19,797</b>	<b>82.8%</b>	

Earnings per share was 0.394 euros at 30 June 2010.

	30/06/2010		30/06/2009		Change	
	Amount	%	Amount	%	Amount	%
Net profit for the year (€ thousand)	43,696		23,899		19,797	82.8%
Net profit attributable to ordinary shares	43,696		23,899		19,797	82.8%
Average number of outstanding shares	110,853,509		110,624,395		229,114	0.2%
<b>EPS - Earnings per Share (euro)</b>	<b>0,394</b>		<b>0,216</b>		<b>0,1781</b>	<b>82.5%</b>
Average number of outstanding shares	-		-		-	0.0%
Diluted capital	115,946,875		111,424,539		4,522,337	4.1%
<b>EPS - Diluted earnings per share (euro)</b>	<b>0,377</b>		<b>0,214</b>		<b>0,1624</b>	<b>75.7%</b>



## Part D – Comprehensive Income

The Group's comprehensive income consists of the net profit and all other components that contribute to the Company's performance, particularly the changes in the value of assets allocated directly to net equity reserves.

This value stood at 34.1 million euros at 30 June 2010 due to the effect of net negative components of 9.6 million euros, attributable to fair value adjustments to available-for-sale financial assets.

In further detail, during the first six months of 2010, this item was determined by negative changes in fair value of -13.1 million euros, which were recognised to net equity, -1.3 million euros was transferred to the profit and loss account from the net positive reserves due to the realisation of losses and amortisation, and +0.6 million euros was transferred from negative reserves due to impairment. The tax effect of the above amounted to +4.2 million euros.

(€ thousand)	30/06/2010	30/06/2009	Change	
			Amount	%
Net profit (loss)	43,696	23,899	19,797	82.8%
Other income net of income taxes				
Assets available for sale	-9,586	2,079	-11,665	-561.1%
Total other income before income taxes	-9,586	2,079	-11,665	-561.1%
Comprehensive income	34,110	25,978	8,132	31.3%

## Part E - 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 (Provisions on Issuers) and the recommendations contained in the Code of Conduct for listed companies, on 18 July 2006, 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 implementing the principles set out in the aforementioned Code, the banking group follows specific procedures to allow the regular flow of information regarding related-party transactions from subsidiaries to the Parent Company and from the Parent Company to its control boards.

In compliance with CONSOB Resolution No. 15232 of 29 November 2005, "related parties" includes parties defined as such by IAS 24 — Related Party Disclosures.

In compliance with this standard, the following are defined as related parties of the banking group:

- the Parent Company, Assicurazioni Generali S.p.A.;
- companies that are either directly or indirectly controlled by Assicurazioni Generali (subsidiaries);
- companies belonging to the banking group (BG Sgr, Generali Fund Management SA, BG Fiduciaria, S. Alessandro Fiduciaria).

For the purpose of IAS 24, related parties also include managers of the Group and the Parent Company Assicurazioni Generali with strategic responsibilities.

Transactions with parties that have powers of management, administration and control over the bank are governed by Article 2391 of the Italian Civil Code and by the rules pertaining to the obligations of banking representatives set out in Article 136 of Italian Legislative Decree No. 385/1993 (Italy's Banking Law) and the Regulatory Instructions, which, in relation to such transactions, require a unanimous resolution by the Board of Directors and the favourable vote of all members of the Board of Statutory Auditors, without prejudice to abstention requirements set forth by law.

### ***Disclosure of Transactions with Related Parties***

As part of its normal business operations, the Group's companies have numerous financial and commercial relationships with the companies previously defined as "related parties".

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

As regards the distribution and sale of financial services, a number of agreements were established regarding the placement by the financial advisors of asset-management and insurance products and banking products and services.

Finally, as part of its normal operations, the Group also has relationships pertaining to outsourcing, IT and administration, insurance, leasing as well as other minor relationships with Generali Group companies.

No transactions other than those completed as part of normal banking relationships with private and corporate customers were carried out during the first half of 2010.

Specifically, no related-party transactions were carried out that could be defined as atypical or unusual or as having an "impact on the safety of the company's assets or the completeness or accuracy of accounting and other information related to the issuer", which would therefore require disclosure to the market pursuant to Article 71-*bis* of CONSOB Regulation No. 11971/99 (and subsequent amendments), except the following ones.

As broadly commented on above, 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;

The foregoing transactions qualify as combinations between entities under the common control of the Banca Generali Banking Group.

With reference to these transactions, the main balance sheet and profit and loss account aggregates that are separately identifiable with unconsolidated related parties are summarised below.

### E.1. Balance Sheet Data

(€thousand)	Parent Company	Other associate companies	Other related	30/06/2010	31/12/2009	Change	
	Assicurazioni Generali	Generali Group	parties			Amount	%
Financial assets held for trading	242	-	-	242	298	- 56	-18.8%
Financial assets available for sale	662	1,279	-	1,941	1,932	9	0.5%
Loans to customers	30,107	9,465	505	40,077	35,696	4,381	12.3%
Loans to banks	-	48,238	-	48,238	-	48,238	0.0%
Tax assets (AG tax consolidation)	21,313	-	-	21,313	28,996	- 7,683	-26.5%
Other assets	1,020	500	-	1,520	5,692	- 4,172	-73.3%
<b>Total assets</b>	<b>53,344</b>	<b>59,482</b>	<b>505</b>	<b>113,331</b>	<b>72,614</b>	<b>40,717</b>	<b>56.1%</b>
Due to banks	-	9,495	-	9,495	7,906	1,589	20.1%
Due to customers	131,588	444,839	1,717	578,144	671,594	- 93,450	-13.9%
Financial liabilities held for trading	-	-	-	-	-	-	n.a.
Other liabilities	132	2,215	-	2,347	1,452	895	61.6%
<b>Total liabilities</b>	<b>131,720</b>	<b>456,549</b>	<b>1,717</b>	<b>589,986</b>	<b>680,952</b>	<b>- 92,555</b>	<b>-13.4%</b>
<b>Guarantees issued</b>		<b>529</b>	<b>-</b>	<b>529</b>	<b>529</b>	<b>-</b>	<b>0.0%</b>

HFT and AFS financial assets claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolios of the parent company, Banca Generali.

Amounts due to customers attributable to related-party transactions involving current accounts, term deposits and repurchase agreements totalled 578.1 million euros. Of this amount, 131.6 million was due to the Group's Parent Company (-93.4 million euros from the year-end 2009 balance). The above item also includes the subordinated loan granted by Generali Versicherung in the amount of 41.2 million euros, gross of the interest accrued.

Sums due to banks owed to sister companies in the insurance group stood at 9.5 million euros and refer almost exclusively to time deposits held by Banca BSI BA.

Amounts due to customers amounted to 40.1 million euros and consist of a Gesav capital redemption policy of 30.1 million euros, 3.4 million euros in current accounts held by the Group and 6.1 million euros in receivables for financial services rendered to the Generali Group's associate product companies.

### E.2. Profit and Loss Account Data

(€thousand)	Parent Company	Other associate companies	30/06/2010	30/06/2009	Change		
	Assicurazioni Generali	Generali Group	0	9	Amount	%	
Interest income	623	132	755	580	175	30.2%	
Interest expense	-	569	2,030	2,599	4,781	-64.8%	
<b>Net interest</b>	<b>54</b>	<b>1,898</b>	<b>1,844</b>	<b>6,800</b>	<b>4,956</b>	<b>-72.9%</b>	
Commission income	84	37,482	37,566	21,333	16,233	76.1%	
Commission expense	-	-	3,524	317	3,207	1011.7%	
<b>Net commissions</b>	<b>84</b>	<b>33,958</b>	<b>34,042</b>	<b>21,016</b>	<b>13,026</b>	<b>62.0%</b>	
Dividends	16	-	16	92	76	-82.6%	
Gain (loss) on trading	-	-	-	-	-	n.a.	
<b>Operating income</b>	<b>154</b>	<b>32,060</b>	<b>32,214</b>	<b>14,308</b>	<b>17,906</b>	<b>125.1%</b>	
General and administrative expense	-	1,374	5,165	6,539	7,165	626	-8.7%
Staff expenses	-	124	218	94	183	89	-48.6%
Other net operating profit	-	-	136	136	-	136	0.0%
<b>Net operating expense</b>	<b>-</b>	<b>1,498</b>	<b>4,811</b>	<b>6,309</b>	<b>6,982</b>	<b>673</b>	<b>-9.6%</b>

<b>Operating profit</b>	-	1,344	27,249	25,905	7,326	18,579	253.6%
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Significant items in the statement of operations included interest paid to the Generali Group companies (2.0 million euros) and, to a greater extent, commission income (37.6 million euros), which was mainly attributable to the placement of funds and policies of Genertellife.

This item also refers to commissions on trading on behalf of third parties and order collection.

The expenses incurred by the bank towards related parties of the Generali Group refer primarily to 6.3 million euros in overhead associated with charges for leasing services, outsourced administrative and information technology services and insurance premiums.

## Part F – Segment Reporting

At the end of the previous year, in application of IFRS 8, specifically the difference with respect to IAS 14 regarding the need to identify operating segments according to the “management approach” used by management to evaluate results, the Group revised its basis for delineating segments and identified the following three main areas of business:

- the Private Channel, which refers to the total earnings generated for the Group by the network of private bankers and relationship managers, and their respective clients;
- the Retail Channel, which refers to the total earnings generated for the Group by the network of other financial advisors and their clients;
- the Corporate Channel, which refers to the total earnings generated for the Group on the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

The following table shows the consolidated profit and loss results of each of the three operating segments, stated net of intra-segment eliminations.

The income components associated with the activity of the merged GIL have been separated for 2010.

With respect to the requirement of IFRS 8 that the “internal revenue” between operating segments be disclosed separately from the “external revenue” generated by each, it should be noted that this circumstance only applies to net interest income. Since net commissions are generated directly by the gross inflows and assets under management of the various segments, they are entirely external in nature.

CONTO ECONOMICO	30.06.2010					30.06.2009						
	Canale Retail	Canale Private	Canale Corp.	Totale	GIL	riesposto	Canale Retail	Canale Private	Canale Corp.	Totale	GIL	riesposto
Interessi attivi e proventi assimilati	1.095	2.751	23.487	27.333	8	27.341	1.218	5.101	42.012	48.331	50	48.381
Interessi figurativi	3.581	2.350	5.931	0	-	0	5.790	4.256	10.046	-	-	-
Interessi passivi e oneri assimilati	887	989	3.111	4.987	-	4.987	4.049	5.838	9.853	19.740	-	19.740
<b>MARGINE DI INTERESSE</b>	<b>3.789</b>	<b>4.111</b>	<b>14.445</b>	<b>22.346</b>	<b>8</b>	<b>22.354</b>	<b>2.959</b>	<b>3.519</b>	<b>22.113</b>	<b>28.591</b>	<b>50</b>	<b>28.641</b>
Commissioni attive	83.465	46.712	40.292	170.469	12.611	183.080	70.411	35.429	33.330	139.170	8.497	147.667
di cui sottoscrizioni	15.747	2.634	160	18.541	-	18.541	19.678	5.242	16	24.936	-	24.936
di cui gestione	60.526	38.194	5.900	104.620	12.108	116.728	44.969	24.907	3.433	73.309	8.403	81.712
di cui performance	-	-	22.313	22.313	-	22.313	0	0	24.022	24.022	-	24.022
di cui altro	7.192	5.884	11.919	24.995	503	25.498	5.764	5.280	5.859	16.903	94	16.997
Commissioni passive	38.751	20.041	8.036	66.829	9.346	76.175	34.462	14.308	2.517	51.287	6.065	57.352
<b>COMMISSIONI NETTE</b>	<b>44.714</b>	<b>26.670</b>	<b>32.255</b>	<b>103.640</b>	<b>3.265</b>	<b>106.905</b>	<b>35.949</b>	<b>21.121</b>	<b>30.813</b>	<b>87.883</b>	<b>2.432</b>	<b>90.315</b>
Profitti (perdite) da oper. finanziarie	-	-	31.036	31.036	-	31.036	-	-	33.346	33.346	-	33.346
Dividendi e proventi simili	-	-	44.412	44.412	-	44.412	-	-	46.689	46.689	-	46.689
<b>MARGINE DI INTERMEDIAZIONE</b>	<b>48.503</b>	<b>30.782</b>	<b>60.076</b>	<b>139.362</b>	<b>3.273</b>	<b>142.635</b>	<b>38.908</b>	<b>24.640</b>	<b>66.269</b>	<b>129.817</b>	<b>2.482</b>	<b>132.299</b>
Spese per il personale	-	-	-	-	-	33.808	-	-	-	-	-	33.311
Altre spese amministrative	-	-	-	-	-	43.311	-	-	-	-	-	44.383
Rettifiche di valore attività mat. e immat.	-	-	-	-	-	2.002	-	-	-	-	-	2.706
Altri oneri/proventi di gestione	-	-	-	-	-	5.955	-	-	-	-	-	2.919
Costi operativi netti	-	-	-	-	-	73.166	-	-	-	-	-	77.481
<b>Risultato operativo</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69.469</b>	<b>-</b>	<b>69.469</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54.818</b>
Rettifiche di valore det. Crediti	-	-	-	-	-	1.509	-	-	-	-	-	3.179
Rettifiche di valore altre attività	-	-	-	-	-	667	-	-	-	-	-	2.894
Accantonamenti netti	-	-	-	-	-	20.892	-	-	-	-	-	17.136
Utili (perdite) da investimenti e part.	-	-	-	-	-	-	-	-	-	-	-	-
<b>Utile operativo ante imposte</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46.401</b>	<b>-</b>	<b>46.401</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31.609</b>
Imposte sul reddito	-	-	-	-	-	869	-	-	-	-	-	4.531
Utile (perdita) attività non correnti	-	-	-	-	-	-	-	-	-	-	-	1.912
Utile (perdita) di pertinenza di terzi	-	-	-	-	-	1.836	-	-	-	-	-	1.267
<b>Utile netto</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43.696</b>	<b>-</b>	<b>43.696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23.899</b>

The interest expense incurred by the Retail and Private segments was determined on the basis of the actual interest paid on each segment's direct inflows. Interest income for the two segments includes, in addition to the

actual interest accrued on the loans issued to customers in each segment, a share of the "notional interest" paid by the Corporate segment at the internal transfer rate.

For the first half of 2010, this method resulted in interest expense (internal costs) for the Corporate segment of a total of 5.9 million euros and interest income (internal revenue) of 3.6 million euros for the Retail segment and of 2.3 million euros for the Private segment.

A comparison of the three segments' net interest income at 30 June 2010 with the figure for the previous year shows that there has been a significant decrease in the Corporate segment's contribution to earnings and a slight increase in those of the Retail and Private channels.

The commission aggregate shows significant progress compared to the first half of 2009 affecting both the Retail (24.3%) and Private (+26.3%) segments to equal degrees. However, commission income and expense in the Private segment showed a much sharper dynamic.

Conversely, net commissions for the Corporate segment were substantially in line with the figure reported at the end of the first half of 2009 (+4.5%).

It should be noted that the performance fees collected by the Group in 2010, 22.3 million euros, down slightly compared to the first half of 2009, have been allocated to this segment.

The following table, presented by way of additional quantitative information analysed by the management to evaluate the Group's performance, breaks down assets under management at year-end and net inflows for the year ended 31 December 2009, along with the comparative figures, by operating segment.

	30/06/2010					30/06/2009				
	Retail Channel	Private Channel	Corp. Channel	Total	GIL	Total	Retail Channel	Private Channel	Corp. Channel	Total
<i>(€ million)</i>										
Assets Under Management	13,257	9,460	3,276	25,993	5,898	31,891	11,615	7,903	4,715	24,233
Net Inflows	403	243		646		646	227	11	-	238

With respect to the information about assets and liabilities required by IFRS 8, it should be noted that the Group's management does not present or analyse the data in question in a format that differs from that as approved in the consolidated and separate financial statements.

Lastly, since the Group's business is substantially spread evenly throughout Italy the management is not presented with any reports on the performances achieved broken down by geographical areas. In addition, the Group does not have clients to which more than 10% of consolidated revenues may be attributed.

Trieste, 30 July 2010

THE BOARD OF DIRECTORS

# **Attestation to the Condensed Half-year Financial Statements Pursuant to Article 81-ter of Consob Regulation 11971 Dated 14 May 1999, as Amended**

- 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 accounting documents of Banca Generali S.p.A., hereby declare, taking into account the provisions set out in article 154-bis, paragraphs 3 and 4 of the legislative decree dated 24 February 1998, No. 58, that the administrative and accounting procedures adopted to prepare the condensed half-year report for the first half of 2010
  - are appropriate in light of the features of the company, and
  - have been applied.
- The appropriateness of administrative and accounting procedures for preparing the condensed half-year financial statements at 30 June 2009 was assessed using a process established by Banca Generali S.p.A. based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is generally accepted as a reference framework worldwide.
- The undersigned further declare that:
- the condensed half-year financial statements at 30 June 2010:
  - were prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of Legislative Decree No. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
  - reflect the accounting books and records;
  - provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and all consolidated companies.
- The interim report includes a reliable analysis of references to important events occurred in the first six months of the year, and to their impact on the condensed half-year financial statements; it also includes a description of the main risks and uncertainties regarding the coming six months of the year. The interim report also includes a reliable analysis of information on significant related-party transactions.

Trieste, 30 July 2010

Giorgio Angelo Girelli  
Chief Executive Officer

BANCA GENERALI S.p.A.

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Giancarlo Fancel  
Manager in charge of preparing  
the company's financial documents  
BANCA GENERALI S.p.A.

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**Auditors' review report on the interim condensed consolidated financial statements**  
(Translation from the original Italian text)

To the Shareholders of  
Banca Generali S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the profit and loss, the statement of other comprehensive income, the statement of changes in net equity, the cash flow statement and the related explanatory notes, of Banca Generali S.p.A. and its subsidiaries (the "Banca Generali Group") as of June 30, 2010. Management Board of Banca Generali S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on April 2, 2010 and on August 27, 2009, respectively.

The explanatory notes include supplementary income data as of June 30, 2009 restated to take into consideration the effects of the merger between Generali Investments Luxemburg S.A. into BG Investment Luxembourg S.A., then named Generali Fund Management S.A., which had the effective date on October 1, 2009. We have reviewed the methods adopted to restate the comparative income data and the information presented in the explanatory notes in this respect within the review of the interim condensed consolidated financial statements as of June 30, 2010.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Banca Generali Group as of June 30, 2010 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 27, 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*