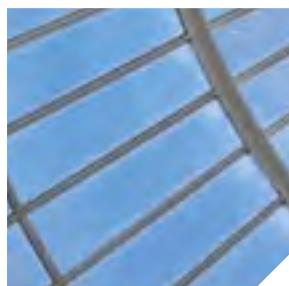


BANCA GENERALI SPA

ANNUAL FINANCIAL REPORT AS OF 31 DECEMBER 2011





BANCA GENERALI SPA

**ANNUAL
FINANCIAL REPORT
AS OF 31 DECEMBER 2011**



ANNUAL FINANCIAL REPORT AS OF 31 DECEMBER 2011

Board of Directors
13 March 2012

BANCA GENERALI SPA

REGISTERED OFFICES AT

34152 TRIESTE, VIA MACHIAVELLI 4 - ITALY

AUTHORISED SHARE CAPITAL

119,378,836 EUROS

UNDERWRITTEN AND PAID-UP SHARE CAPITAL

111,693,843 EUROS

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.

ABI 03075.9

COMPANY BOARDS

CHAIRMAN

PERISSINOTTO GIOVANNI

CHIEF EXECUTIVE OFFICER

GIRELLI GIORGIO ANGELO

BOARD OF DIRECTORS

BAESSATO PAOLO

BIANCHI LUIGI ARTURO

BORRINI AMERIGO

DE VIDO ANDREA

LENTATI ATTILIO LEONARDO

MINUCCI ALDO

MIGLIETTA ANGELO

RIELLO ETTORE

BOARD OF STATUTORY AUDITORS

ALESSIO VERNÌ GIUSEPPE (PRESIDENTE)

GAMBI ALESSANDRO

VENCHIARUTTI ANGELO

CAMERINI LUCA (SUPPLENTE)

BRUNO ANNA (SUPPLENTE)

GENERAL MANAGER

MOTTA PIERMARIO

MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS

FANCEL GIANCARLO

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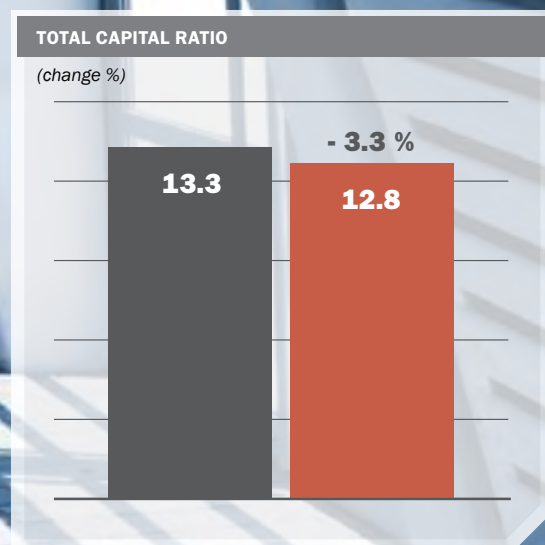
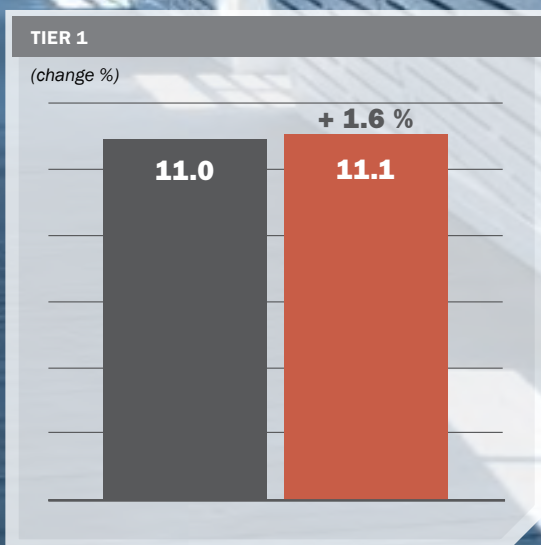
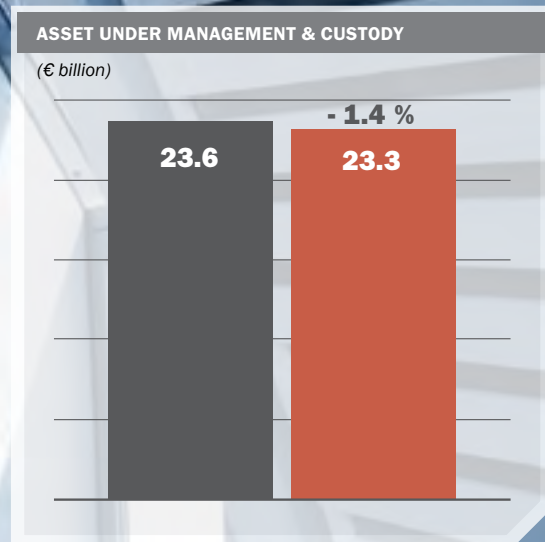
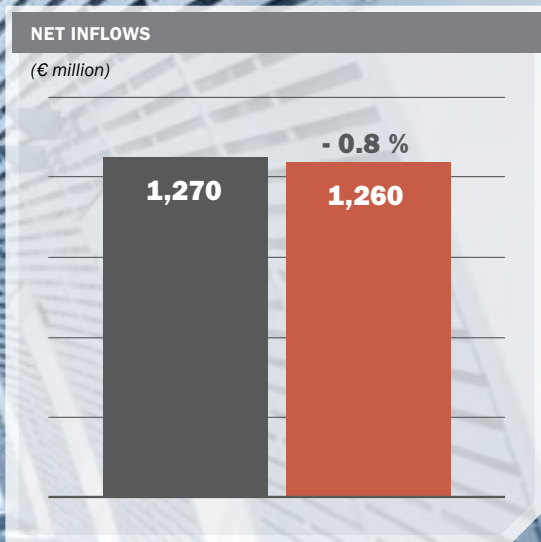
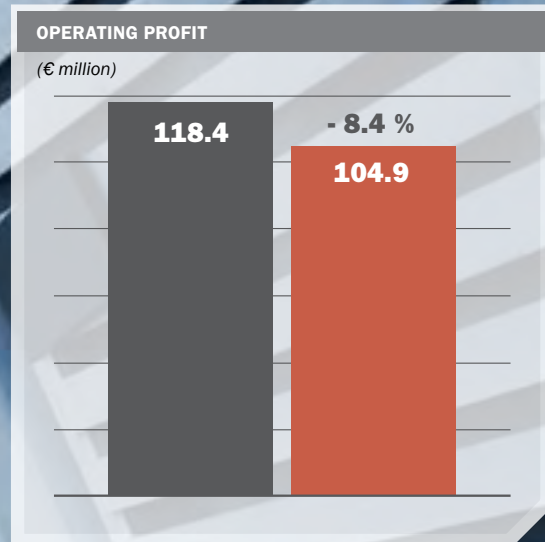
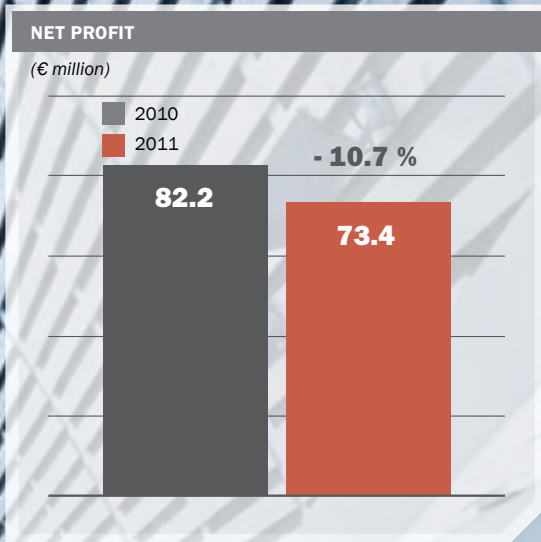
GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

| CONSOLIDATED FIGURES | 31.12.2011 | 31.12.2010 | CHANGE % |
|--|---------------|---------------|--------------|
| <i>(€ million)</i> | | | |
| Net interest | 49.1 | 43.2 | 13.4 |
| Net commissions | 188.0 | 193.4 | -2.8 |
| Dividends and net result of financing activities | 6.7 | 13.2 | -49.2 |
| Net banking income | 243.7 | 249.8 | -2.5 |
| Staff expenses | -64.8 | -62.5 | 3.6 |
| Other general and administrative expense | -78.6 | -77.5 | 1.4 |
| Amortisation and depreciation | -4.1 | -4.1 | 0.6 |
| Other operating income | 8.7 | 8.8 | -1.4 |
| Net operating expense | -138.8 | -135.3 | 2.6 |
| Operating profit | 104.9 | 114.6 | -8.4 |
| Provisions | -10.1 | -19.2 | -47.6 |
| Adjustments | -6.0 | -4.3 | 38.8 |
| Profit before taxation | 88.9 | 91.1 | -2.4 |
| Net profit | 73.4 | 82.2 | -10.7 |
| Cost / income ratio | 55.3% | 52.5% | 5.2 |
| EBITDA | 109.0 | 118.6 | -8.1 |
| ROE | 38.93% | 41.82% | -6.9 |
| EPS - Earnings per Share (euro) | 0.657 | 0.741 | -11.3 |

| NET INFLOWS | 31.12.2011 | 31.12.2010 | CHANGE % |
|------------------------------------|--------------|--------------|-------------|
| <i>(€ million) (Assoreti data)</i> | | | |
| Mutual funds and SICAVs | -11 | 451 | -102.4 |
| Asset management | -177 | 314 | -156.4 |
| Insurance / Pension funds | 713 | 1,171 | -39.19 |
| Securities / Current accounts | 735 | -666 | 210.4 |
| Total | 1,260 | 1,270 | -0.8 |

| ASSET UNDER MANAGEMENT & CUSTODY (AUM/C) | 31.12.2011 | 31.12.2010 | CHANGE % |
|--|-------------|-------------|-------------|
| <i>(€ billion) (Assoreti data)</i> | | | |
| Mutual funds and SICAVs | 5.9 | 6.6 | -11.2 |
| Asset management | 2.8 | 3.4 | -15.6 |
| Insurance / Pension funds | 7.3 | 6.8 | 7.3 |
| Securities / Current accounts | 7,2 | 6,8 | 6.3 |
| Total | 23,3 | 23,6 | -1.4 |

| NET EQUITY | 31.12.2011 | 31.12.2010 | CHANGE % |
|---------------------------------|------------|------------|----------|
| <i>(€ million)</i> | | | |
| Net equity | 262.4 | 281.2 | -6.7 |
| Capital for regulatory purposes | 236.5 | 225.3 | 5.0 |
| Excess capital | 89.1 | 89.6 | -0.5 |
| Solvency margin | 12.84% | 13.28% | -3.3 |



2011 HIGHLIGHTS

Net operating
expense

138.8

(Euro million)

+ 9.0%

Cost/income

55.3%

+ 5.2%

Net
inflows

1.260

(Euro million)

Net inflows
managed

525

(Euro million)

- 72.9%

Total assets

23.3

(Euro billion)

- 1.4%

Total AuM

16.0

(Euro billion)

- 4.5%

Tier 1

11.1%

+ 1.6%

Total capital ratio

12.8%

- 3.3%





LETTER TO THE SHAREHOLDERS

Shareholders,

In a challenging economic scenario at the international level, marked by the intensification of the debt crisis in various European countries, Banca Generali maintained strong fundamentals and continued to focus on managing household assets.

The financial results show positive profitability, almost entirely driven by recurring business, which is further proof of the solidity of the institution's strategy. The net inflow performance, at nearly 1.3 billion euros in 2011, represents a significant result and is the strongest indicator of the efficacy of the services offered by the Bank to its customers. The ability to act as partner to investors by offering a wide range of investment management solutions is what makes Banca Generali such a valid resource in planning one's future.

In harmony with a sustainable profitability policy, the distribution of a dividend of 61.4 million euros, or 55 euro cents per share, has been proposed to the Ordinary Shareholders' Meeting. We trust that shareholders will appreciate this proposal, made possible by Banca Generali's financial strength.

Giovanni Perissinotto

Chairman of Banca Generali SpA





REPORT ON OPERATIONS

AS OF 31 DECEMBER 2011

**BOARD OF DIRECTORS
13 MARCH 2012**





CONSOLIDATED REPORT ON OPERATIONS 2011

SUMMARY OF 2011 OPERATIONS

The Banca Generali Group closed 2011 with net profit of 73.4 million euros — a decrease of about 8.8 million euros compared to 2010 (-10.7%), which however had benefited from the redemption of goodwill — and net equity of 262.4 million euros.

During 2011, the subsidiary BG SGR authorised the sale of the business unit represented by the Italian established and/or managed mutual funds to the subsidiary Generali Investments Italy Sgr. In accordance with IASs/IFRSs, the 2010 financial statement figures have also been restated. Therefore, in the following commentary, the changes refer to the resulting restated profit and loss situation.

Net banking income declined slightly compared to 31 December 2010, falling from 249.8 million euros in 2010 to 243.7 million euros in 2011 (-2.5%) due to a slight reduction in net commissions (-2.8% or -5.5 million euros) and a significant increase in net interest of 5.8 million euros (+13.4%) as a result of the market interest rate performance, offset by a decrease in the net profit on investments in securities compared to the previous year of 6.5 million euros.

Administrative expense amounted to 143.3 million euros at 31 December 2011, up 2.4% compared to 2010, with staff expenses rising from 62.5 million euros in 2010 to 64.8 million euros in 2011 (+3.6%). However, it should be noted that, in comparison with 2010, staff expenses include a provision of 1.5 million euros relating to a long-term incentive plan for Banking Group managers.

Net provisions amounted to approximately 10.1 million euros, down 47.6% compared to the figure for 2010, and refer chiefly to provisions relating to the distribution network. The foregoing decrease may partially be attributed to a change in the portfolio development mechanism applicable to the Financial Advisors network.

At 31 December 2011, the total value of the assets managed by the Group for its customers, obtained through the Financial Advisor network, was 23.3 billion euros, compared to 23.6 billion euros in 2010. Moreover, in addition to this amount, at 31 December 2011, the assets under the administration or custody of the Generali Group companies totalled approximately 1.2 billion euros, while 7.1 billion euros were held in mutual funds/SICAVs and discretionary accounts (GPF/GPM) managed and distributed either directly by management companies or parties outside the Group, for an overall total of 31.5 billion euros compared to 33.1 billion euros at the end of 2010.

Based on Assoreti data, the Banca Generali Group is one of the market leaders in the distribution of financial products through its network of Financial Advisors, in terms of both assets under management, with 23.3 billion euros, and net inflows of approximately 1.3 billion euros in 2011.

In 2011 the Banking Group remained committed to improving the quality of client assets under management and developing its network in the direction of advanced advisory models, owing in part to the expansion of the line of offerings, achieved through a product innovation policy, and the implementation of tools in support of the advisory services provided by the sales network, such as BG Advisory.

During a year such as 2011, characterised by severe financial market volatility and the European sovereign debt crisis, the Banking Group's activity focused, on the one hand, on constantly improving customer service levels by launching new services such as those aimed at mobility and optimising account statements, and, on the other, achieving the greatest possible diversification of the investment solutions offered, from liquidity management (through the launch of a new deposit account and promotional repurchase agreements) to medium-/long-term investments with the protection of capital at maturity (protected-capital portfolio management and structured bonds) or the consolidation of the capital of life policies within the multi-manager framework that has always set the Group's offerings apart. In fact, the objective that the banking group has always pursued is to assist customers in optimising their portfolios with the aim of obtaining an asset mix that best responds to financial and pension needs, as well as generating returns that are consistent with a range of risk/return profiles. In this regard, the sales network continued to be enhanced and the number of new customers constantly increased.

Lastly, during the year work was also done on optimising processes and bringing the operating machine into line with new quality and efficiency standards, primarily in regards to the management tools provided to the sales network.

The reporting year also witnessed the launch of several corporate actions that involved reorganising the banking group's operations to create cost and skill synergies and enhance the operating structure's efficiency. In fact, on 27 September 2011 the subsidiary BG SGR authorised the sale of the business unit represented by the Italian established and/or managed mutual funds to the subsidiary Generali Investments Italy Sgr, whereas on 14 December 2011 the respective boards of directors approved the merger of the subsidiary BG SGR into the Parent Company, Banca Generali. Both corporate actions will enter into effect in 2012 following authorisation by the competent supervisory authorities.

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

Before analysing the sales and financial results for 2011, macroeconomic information for the main economic regions of the world is reported, to provide a better understanding of the factors that influenced the Banking Group's results.

1. Macroeconomic Context

In 2011 the global recovery underwent a phase of gradual slowdown due to the discontinuation of many economic policy stimulus measures and the proliferation of risks of a geopolitical nature. In advanced economies, growth peaked in the first quarter, and economic policy authorities began a gradual withdrawal of the highly expansionary policies implemented in previous years (Europe) or did not introduce new supporting measures (the United States). The internal components of demand – consumption and investment – weakened accordingly. In most emerging countries, monetary policies continued to be tightened in order to deal with rising inflation, thus resulting in an impact on the growth rates of their economies. This situation was complicated first by socio-political tensions in the Middle East and North Africa, then the earthquake in Japan and, finally, the spread of the sovereign debt crisis in the Euro Area, which affected France in addition to Italy and Spain. Italian government bonds were subject to exceptional tension and the spread compared to German bonds widened to 550 basis points for the ten-year maturity. Floating-rate bonds (CCT) also underwent severe price declines. The ECB intervened in support of Italy by making heavy government bond purchases after the presentation (in August) of an additional tax package that aimed to balance the budget by 2013, which was subsequently reinforced by additional austerity measures approved by the new administration (in December). In September the economic slowdown became widespread, as witnessed by the deterioration of international trade flows, and several central banks readopted a more expansionary stance. Among these was the ECB, which in December lowered official rates back to 1% following a period of moderate increase in the spring. In Europe, rising financial market tensions also drove governments to implement measures and agreements aimed at combating the crisis by laying the groundwork for a more effective union from a fiscal standpoint. On the microeconomic front, corporate results continued to hold up well in 2011 in terms of both profits and sales owing to cost control and the generation of strong cash flow. Results were especially positive for firms with diversified international operations. The financial markets reflected this scenario of increasing uncertainty. Stock exchanges remained in positive territory until the tragic events in Japan. The intensification of the debt crisis in the summer, with its implications for the solidity of the European banking system then drove an exit from the riskiest assets (shares and commodities) and increased demand for low-risk assets (United States and German government bonds): Treasury and Bund yields reached new historic lows in the autumn. Equity markets then fluctuated within broad trading

ranges, showing a high degree of volatility and guided more by the flow of information of a political nature than by fundamentals. The euro/dollar exchange rate, which had seen the euro appreciate following the increases in Euro Area rates in the first half of the year, resumed its downtrend, closing the year below the level witnessed at the beginning of 2011.

In 2011 Euro Area interbank market rates showed two distinct trends. In the first half of the year they moved upwards, driven initially by expectations of a less expansionary monetary policy and then the actual increase in rates, which were raised to 1.5% from April to July. They then showed a movement in the opposite direction due first to the expectation of a slowdown in Europe and then an actual decrease in rates by the ECB, which in November began gradually lowering them back to the 1% of the beginning of the year. However, in the second half of the year there was a significant increase in tension on the interbank market, as reflected in the spread between the three-month swap rate and interbank rate, which gradually widened back to the levels of late 2008, bearing witness to concerns regarding the solvency of European banks. In response, the ECB adopted new measures to ensure liquidity for the market (auctions for unlimited amounts at a fixed rate for a duration of three years).

Within this scenario, equity markets showed negative total returns, with the exception of U.S. markets, whose performances were also supported by the weakening of the euro. At the end of 2011, the MSCI World index in euro showed a negative performance of -4.7%, whereas in the United States the Standard & Poor's 500 increased 3% and the NASDAQ 1.1%. In Europe, the main index for the region (the DJ Stoxx 600) dropped 11.3%, while greater declines were posted by both the main index for the Euro Area (the DJ Euro Stoxx), which fell 17.7%, and the Italian exchange (the Ftse Mib), which declined 25.2%. Emerging markets also reported weak performances: -17.5% overall (the MSCI Emerging Markets index in euro), -17.8% in China and -34.6 in India. Within the European market, the sectors that outperformed the general index were pharmaceuticals, food, energy and fast-moving consumer goods, whereas the banking and financial services, commodities and automotive sectors underperformed the average.

Bond markets remained stable in the first few months of the year. The global slowdown and the intensification of the Euro Area sovereign debt crisis then led yields for the main markets (Treasuries and Bunds) to trend downwards, hitting historical lows in the autumn. Ten-year rates, which at the beginning of the year were at 2.95% (Germany) and 3.3% (USA) at the end of September, had declined to a low of 1.67% and 1.72% respectively and then closed the year at 1.83% and 1.88%. By contrast, spreads between the yields of Euro Area countries and Germany widened overall, even for the most fiscally virtuous countries (France, Holland and Finland), reaching the highest levels since the creation of the Monetary Union. The ECB's purchases of government bonds on the respective markets and the tax manoeuvres approved in Italy, Spain and France in the fourth quarter of the year contributed to halting further upwards pressure: nonetheless, yields and spreads fluctuated around the levels reached with a high degree of volatility. Yields on three- and ten-year Italian bonds (BTP) reached highs of 7.7% and 7.25%, respectively, in late November to then fall below 7%, while continuing to show high volatility.

Currency markets were also affected by economic expectations and the consequences of the sovereign debt crisis. The euro strengthened against all currencies until April: the exchange rate, which was around 1.34 to the dollar, reached a high of 1.494 at the end of April. The euro then depreciated once more, falling to a low of 1.296 to the dollar at year-end as the growth and political scenario deteriorated.

Commodities prices reflected expectations of global growth, rising until early May and then showing downturns differentiated by product. The price of oil (WTI), which in the first few months of the year had been subject to tension due to social disorder in various oil-producing countries in North Africa and the Middle East, rose from 95 dollars a barrel early in the year to a high of 115 at the end of April, to then decline to 75 in the summer and recover to slightly above the price at the beginning of the year (100) by the end of 2011. The price of gold also initially trended upwards from approximately 1,410 dollars an ounce to approximately 1,900 dollars an ounce in the summer, and then fell to close the year at 1,585 dollars an ounce, owing in part to the appreciation of the dollar.

Outlook

In the final months of 2011, the main international organisations reduced their growth forecasts for 2012: consensus estimates continue to call for solid growth rates overall in all emerging areas, whereas the pace of growth in advanced countries will remain below the potential level. In particular, attention continues to be drawn to the fragility of the Euro Area, which could continue to be conditioned by the sovereign debt crisis and the need to adopt restrictive fiscal policies.

2. Major Corporate Events

Financial year 2011 was characterised by the launch of several corporate actions aimed at reorganising and improving the efficiency of the banking group.

2.1 Sale of the Italian mutual fund business unit

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

In fact, from this latter standpoint, the strategic guidelines for the development of the asset management business of the subsidiary BG SGR in the medium term call for personalised individual portfolio management service to represent the company's main business and be required to meet high standards both in terms of management, where the aim is to offer direct or indirect access to the best management techniques and managers, and of customer relationships, with the aim of achieving the highest possible customer satisfaction levels.

The sale of the business unit will take place effective 1 April 2012 for a price of 5.5 million euros, of which 0.3 million in the excess of assets acquired over liabilities assumed.

Pursuant to the CONSOB Regulation and the Procedure approved by Banca Generali's Board of Directors, the proposed transaction qualifies as a Moderately Significant Related Party Transaction, inasmuch as it is undertaken, through BG SGR (a subsidiary of Banca Generali pursuant to Article 2359 of the Italian Civil Code), between related parties of the issuer, and the transaction's significance index does not exceed the threshold of 2.5% set out in Article 3 (a) of the Procedure. In fact, at 30 June 2011 the banking group's consolidated capital for regulatory purposes was 241.0 million euros. Accordingly, 2.5% of the index amounts to 6.0 million euros.

However, considering that the transaction's significance index is very close to the above threshold, it was nonetheless deemed appropriate, as permitted by the foregoing CONSOB Resolution and the Procedure approved by the Bank's Board of Directors, to initiate the

procedure applicable to Highly Significant Related Party Transactions, with the following consequences:

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

2.2 Merger of BG SGR into Banca Generali

On 14 December 2011 the merger of the subsidiary BG SGR into the parent Banca Generali was approved.

This transaction is part of the process of rationalising the Banca Generali banking group following the approved sale by BG SGR to Generali Investments Italy SGR S.p.A. of the collective asset management business unit discussed above.

The completion of the sale of the business unit – expected to enter into effect on 1 April 2012 – along with the termination (planned for the same date) of the management arrangements for the Alto family's funds, for which Generali Investments Italy SGR S.p.A. is currently responsible (and for which Fondi Alleanza SGR p.A. had been responsible until 1 October 2011) will entail, effective 1 October 2012, the loss by BG SGR of authorisation to provide collective asset management service, and will thus require a subsequent company reorganisation aimed at identifying the best possible positioning of individual portfolio management service within the banking group.

In addition to the foregoing justification of a legal nature, the decision to integrate the portfolio management service provided by BG SGR into Banca Generali is motivated, on the one hand, by the strategic importance of portfolio management service at the level of the banking group and, on the other, the expediency of increasing all administrative, financial, corporate and human resource management support and coordination services, which although rendered by the banking Parent Company under specific service contracts nonetheless entail the absorption of resources typical of a company with all of its own obligations.

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

The transaction, which did not impact the consolidated financial statements, will not involve an increase in the capital of Banca Generali, as the bank already owns 100% of the merged company. Once the required approval has been obtained from the competent supervisory authorities, the merger will enter into force on 1 September 2012, with effect for accounting and tax purposes retroactively from 1 January 2012.

3. Banca Generali's Competitive Positioning

3.1 Banca Generali's business model

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

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

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

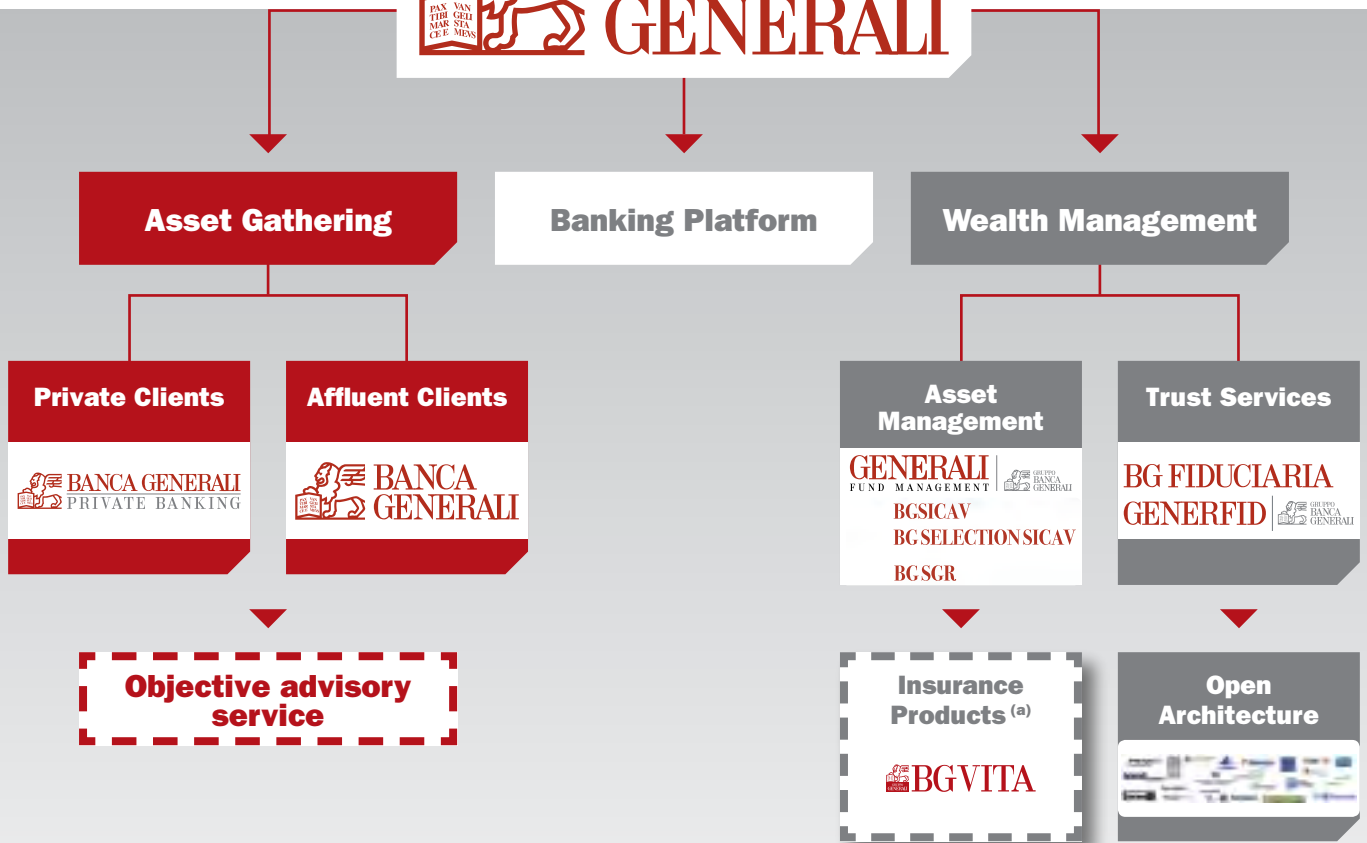
Within this general view, there are five key traits that identify the Banca Generali's approach to its business:

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

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

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

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



(a) BG Vita is the trademark of GenerteLife exclusively dedicated to Banca Generali's life insurance products

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

3.2 The Asset Management Market

The Italian asset management market (collective management, open-ended funds and portfolio management) recorded net outflows of 43 billion euros in 2011.

In detail, the UCIT market reported net outflows of over 33 billion euros. This is a highly negative trend that since 2006 – with the exception of 2010 – saw net outflows of over 230 billion euros, which contributed to make the total assets for the period go from 631 billion euros at the end of 2005 to 419 billion euros at the end of 2011 (-36%).

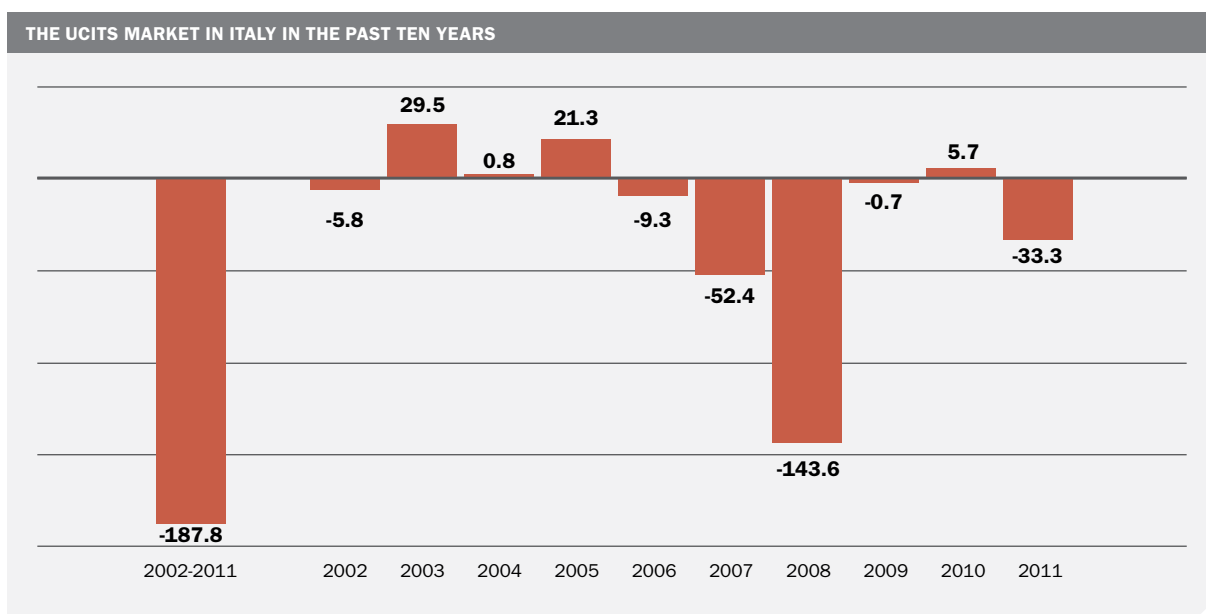
This evolution was affected by several factors: (i) a legislative and fiscal situation detrimental to products subject to Italian law, which only in 2011 finally saw changes aimed at equating rules for UCITS subject to Italian and foreign law; (ii) a market scenario that has seen repeated disturbances since 2007, with inevitable repercussions on performances; and (iii) the commercial policies of the traditional banking system, which privileged classic bank inflows instruments, thus diverting resources from asset management products.

One first consequence of the above was the gradual decline in Italian UCITS in favour of their foreign counterparts, chiefly those based in Luxembourg: from 62% at the beginning of 2006 to 36% at the end of 2011.

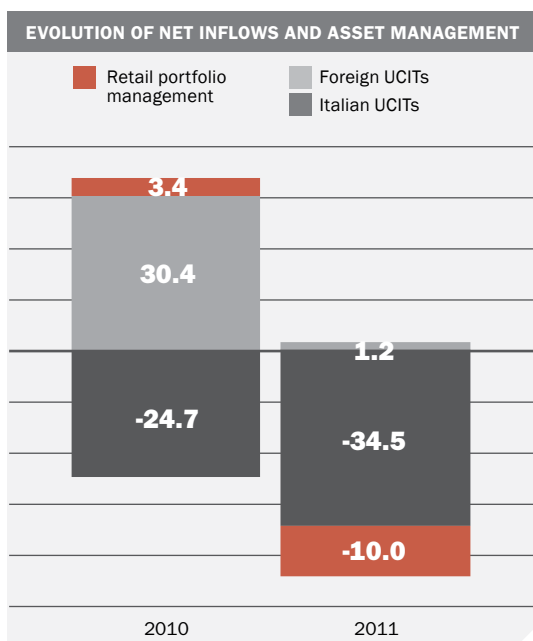
A second consequence may be inferred from the extrapolation of data provided by Assogestioni (an asset management trade association) conducted by As-

soreti (a Financial Advisor network trade association), which indicates that inflow data (since 2006) have shown consistently positive performances by advisors (with the sole exception of 2008), more than offset

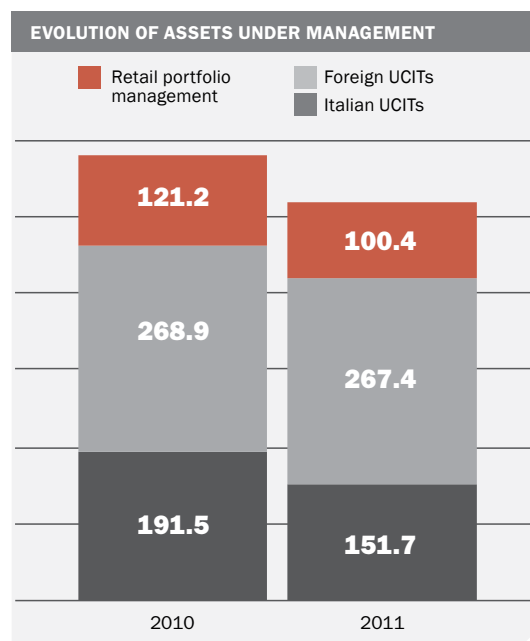
by net divestments by banks. Even in 2011, the traditional banking system reported outflows of 36.5 billion euros while networks reported net inflows of 3.5 billion euros.



Source: Assogestioni (€ billion)



Source: Assogestioni (€ billion)



3.3 The Assoreti Market

The net inflows reported by the Assoreti market (total distribution activity through Financial Advisors) in 2011 were lower than in 2010 (+10.7 billion euros compared

to 12.3 billion euros in 2010). The figure was affected by financial market performance both in absolute terms and composition.

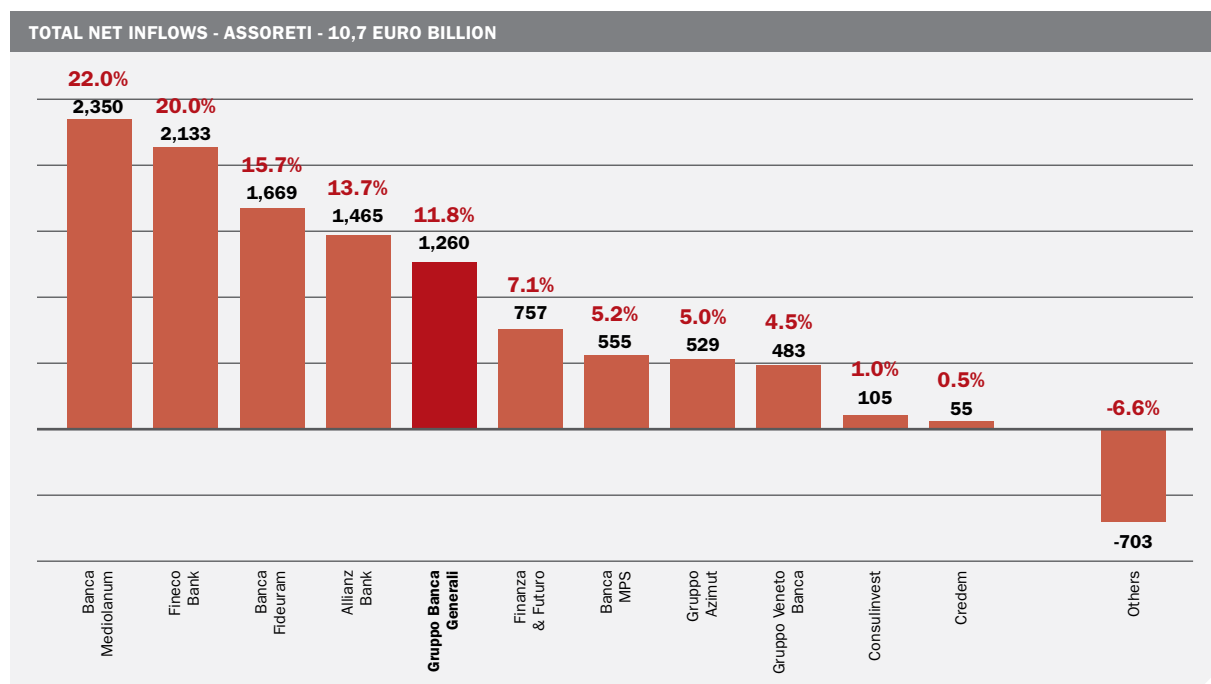
| (€ million) | DECEMBER 2011 | DECEMBER 2010 | DELTA |
|---|---------------|---------------|---------------|
| Asset management | 1,500 | 11,192 | -9,692 |
| Insurance products | 1,398 | 2,973 | -1,574 |
| Assets under administration and custody | 7,761 | -1,890 | 9,651 |
| Total | 10,659 | 12,274 | -1,615 |

Investment flows towards assets under administration and custody (approximately 80% was represented by money-market and bond products) and the modest inflows to asset management products point to a

strongly disturbed market situation, which privileged less risky assets serving as temporary safe havens pending further assessment of future rate and market trends.

3.4 Banca Generali

Within this scenario, Banca Generali remained among the market leaders by net inflows through Financial Advisors, with net inflows of 1,260 million euros, in line with the levels of 2010, and thus an increase in market share from 10.4% to 11.8%.



Source: Assoreti

In further detail, Banca Generali's net inflows were balanced between assets under administration (735 million euros), insurance products (713 million euros) and assets under management, especially discretionary accounts.

In addition to the highly significant absolute value, the data draw attention to certain continuing trends and peculiar factors with respect to the overall market:

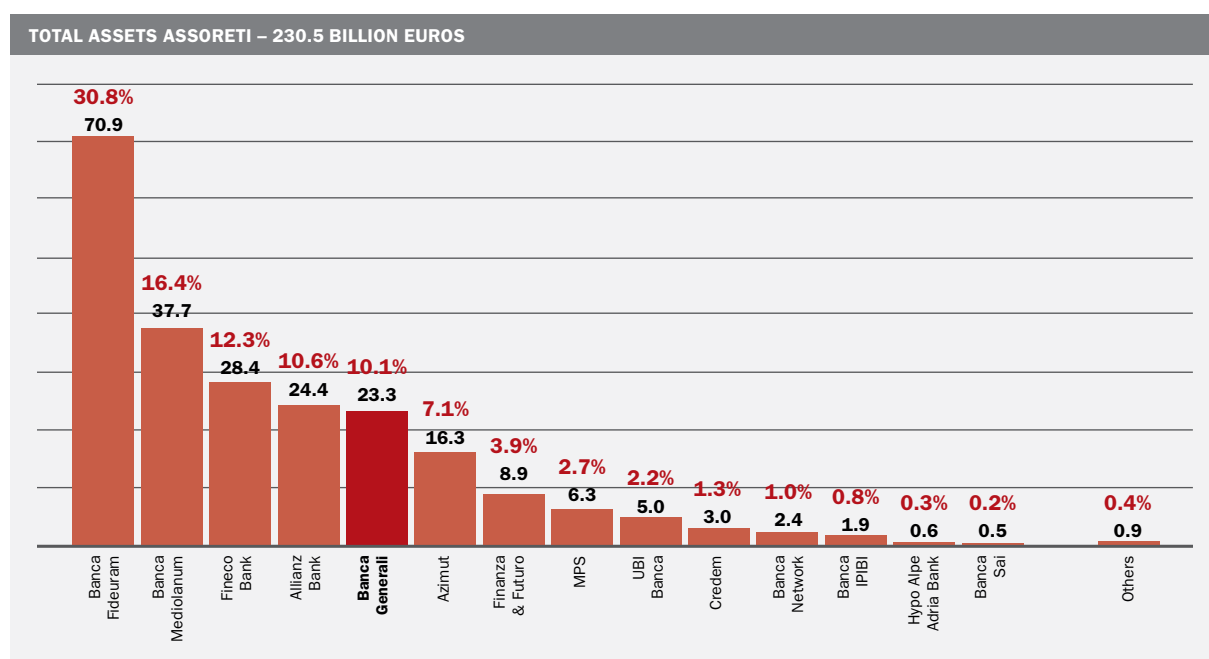
- the most critical factor in the area of asset management products is represented by discretionary portfolio management, in harmony with the market

at large (the Assoreti market shows a decrease of 1.9 billion euros), whereas collective management showed a virtual break-even, within which there continued to be significant inflows towards Banca Generali's most innovative product, Generali Fund Selection Sicav (+149 million euros);

- the particularly positive insurance figure was influenced by a product line that presents specific levels of excellence (almost one billion euros of life new business).

| NET INFLOWS OF BANCA GENERALI (€ million) | BG GROUP | | CHANGES VS. 31.12.2010 | |
|--|--------------|--------------|------------------------|----------------|
| | 31.12.2011 | 31.12.2010 | AMOUNT | % |
| Total assets under management | -188 | 765 | -953 | -124.6% |
| Funds and SICAVs | -11 | 451 | -462 | -102.4% |
| GPF/GPM | -177 | 314 | -491 | -156.4% |
| Total insurance products | 713 | 1,171 | -458 | -39.1% |
| Total assets under administration and custody | 735 | -666 | 1401 | 210.4% |
| Total assets placed by the network | 1,260 | 1,270 | -10 | -0.8% |

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



Source: Assoreti

The following table provides a summary of Banca Generali's assets, updated through 2011, illustrating their composition by macro-aggregate and providing a comparison with the figures as of December 2010. These assets refer to the Assoreti market, and therefore to the Financial Advisor operating area.

The value of total assets declined moderately during the year (-1.4%), although financial market performance entailed more significant reductions in asset values during the year. Overall, the asset management segment reflected the consequences of moderate net

outflows (-188 million euros) and, most significantly, the severe decline in financial markets both in terms of equity values (for example, the FTSE MIB showed a negative performance in excess of 25%) and bond values (due to the sovereign debt crisis).

By contrast, there was continued growth in the insurance segment (+7.3%) and administration and custody segment (+6.3%), owing chiefly to new inflows, given that the segments concerned were also affected by financial market volatility, although to a lesser extent.

| BANCA GENERALI'S TOTAL ASSETS (€ million) | BG GROUP | | CHANGES VS. 31.12.2010 | |
|--|---------------|---------------|------------------------|---------------|
| | 31.12.2011 | 31.12.2010 | AMOUNT | % |
| Total assets under management | 8,692 | 9,953 | -1,260 | -12.7% |
| Funds and SICAVs | 5,850 | 6,585 | -736 | -11.2% |
| GPF/GPM | 2,842 | 3,367 | -525 | -15.6% |
| Total insurance products | 7,319 | 6,820 | 498 | 7.3% |
| Total assets under administration and custody | 7,244 | 6,818 | 426 | 6.3% |
| Total assets placed by the network | 23,254 | 23,590 | -336 | -1.4% |

4. Indirect Inflows

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

4.1 Asset management and insurance products

Group asset management products

In the asset management sector, the banking group conducted in 2011 wealth management operations through BG SGR, Generali Fund Management and BG Fiduciaria.

| (€ million) | BG GROUP | | CHANGES VS. 31.12.2010 | |
|---|---------------|---------------|------------------------|---------------|
| | 31.12.2011 | 31.12.2010 | AMOUNT | % |
| Funds and SICAVs | 11,866 | 13,428 | -1,562 | -11.6% |
| - attributable to the banking group GPF | 704 | 1,045 | -341 | -32.6% |
| GPF/GPM | 3,016 | 3,558 | -543 | -15.2% |
| Total assets managed by the banking group, net of discretionary accounts, included in the GPF of the banking group | 14,178 | 15,942 | -1,764 | -11.1% |

Total assets of mutual funds and SICAVs managed by the Banking Group amounted to 11,866 million euros, including the role of fund manager of funds formed by third parties and total Luxembourg-based SICAVs managed under mandate, as well as the total assets of the SICAVs, of which Generali Fund Management is the management company, even if a management mandate has been granted to third parties. Of this amount, 704 million euros are included in the Banking Group's portfolio management operations.

The decrease recorded was primarily due to (i) the reduction in the assets of GFM representing the insurance positions of the Assicurazioni Generali Group, for which the firm acts as management company (-537 million euros); (ii) a reduction in the assets underlying GPF (-341 million euros); and (iii) net outflows associated with discretionary account management attributable to the Financial Advisor network (-177 million euros). The further reduction of 718 million euros (-5% compared to AUM at the end of 2010) is largely attributable to the negative financial market performance.

Third-party asset management products

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

In further detail, within its Italian mutual funds segment, Banca Generali distributes not only its own group's products, but also those of the Assicurazioni Generali Group and various third companies, in addition to the products of numerous international investment firms in the international UCITS segment.

During 2011, third-party assets decreased by 191 million euros, of which approximately 80 million euros was due to divestitures and the remainder to negative performances associated with the market crisis.

However, in order to arrive at an accurate assessment of the extent to which the assets under management of individual clients are diversified in third-party products, it bears noting that over the years, following a trend that began in 2009, investments in the Luxembourg umbrella fund-of-funds BG Selection have increased significantly. The SICAV is promoted directly by the Group but invests primarily in third-party UCITS. Moreover, and in confirmation of the product's multi-manager orientation, at the end of 2009 and during the following years marketing was launched for 22 of 40 total sub-funds, management of which is entrusted directly to several leading international investment companies, thereby significantly increasing the management diversification of the asset management portfolios held by the bank's customers. In fact, approximately 70% of BG Selection (approximately 3.1 billion euros) resorts respectively to third-party management or management support through both mandates and the use of advisory services.

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

| (€ million) | BG GROUP | | CHANGES VS. 31.12.2010 | |
|--|--------------|--------------|------------------------|---------------|
| | 31.12.2011 | 31.12.2010 | AMOUNT | % |
| Funds and SICAVs | 1,429 | 1,620 | -191 | -11.8% |
| GPF/GPM | 27 | 27 | 0 | 0.0% |
| Total third-party asset management products | 1,457 | 1,647 | -191 | -11.6% |

Third-party insurance products

Almost all assets invested in insurance and retirement products consist of traditional and unit-linked Genertellife policies. Such assets stood at 7,319 million euros at the end of 2011, up 7.3% compared to December 2010. This result was mainly due to the considerable new business written during the year, less expiring contracts.

| (€ million) | BG GROUP | | CHANGES VS. 31.12.2010 | |
|---|--------------|--------------|------------------------|-------------|
| | 31.12.2011 | 31.12.2010 | AMOUNT | % |
| Insurance products (unit linked, policies, etc) | 7,319 | 6,820 | 499 | 7.3% |
| Total third-party insurance products | 7,319 | 6,820 | 499 | 7.3% |

4.2 Assets under administration and custody

Indirect inflows of assets under administration and custody consist of securities deposited by retail and corporate customers for custody and administration in portfolios opened with the Parent Company Banca Generali. At 31 December 2011, the market value was 5,916 million euros, compared to 5,727 million euros at year-end 2010 (+3.3%).

The overall volume of indirect inflows was influenced by the security portfolios held by the Parent Company Assicurazioni Generali and by Group companies. In the year, deposits decreased by about 0.2 billion euros.

Net of the inflows associated with captive and corporate clients, indirect inflows increased by approximately 0.4 billion euros (+7.5%) by market values, despite the turbulence, following the significant inflows obtained from clients, in part through specific commercial initiatives.

| (€ million) | BG GROUP | | CHANGES VS. 31.12.2010 | |
|---|------------|------------|------------------------|--------|
| | 31.12.2011 | 31.12.2010 | AMOUNT | % |
| Indirect inflows of assets under administration and custody of the banking group (market value) | 5,916 | 5,727 | 189 | 3.3% |
| of which securities portfolios of the Generali group's clients | 482 | 669 | -188 | -28.0% |
| of which other customer's securities portfolios | 5,434 | 5,058 | 377 | 7.5% |

5. Operating Performance

The consolidated net profit reported by the banking group in 2011 amounted to 73.4 million euros, owing in part to the excellent results obtained in the fourth quarter of the year, proof of great resilience despite the increasingly uncertain market scenario.

Before proceeding with an analysis of the results achieved, it should be noted that, pursuant to IFRS 5,

income and expenses associated with the Italian mutual fund management business unit, the sale of which was authorised by the subsidiary BG SGR in September, have been classified to a separate item, as have profits and losses from discontinued operations. Accordingly, the profit and loss figures for the previous year have also been restated in the interest of greater comparability.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | | 31.12.2010 |
|--|-----------------|-----------------|---------------|---------------|-----------------|
| | | RESTATED | AMOUNT | % | OFFICIAL |
| Net interest | 49,059 | 43,249 | 5,810 | 13.4% | 43,249 |
| Net commissions | 187,962 | 193,425 | -5,463 | -2.8% | 197,979 |
| Dividends | 92,259 | 73,990 | 18,269 | 24.7% | 73,990 |
| Net result from banking operations | -85,571 | -60,830 | -24,741 | 40.7% | -60,830 |
| Net operating income | 243,709 | 249,834 | -6,125 | -2.5% | 254,388 |
| Staff expenses | -64,780 | -62,543 | -2,237 | 3.6% | -64,294 |
| Other general and administrative expense | -78,563 | -77,451 | -1,112 | 1.4% | -76,411 |
| Net adjustments of property, equipment and intangible assets | -4,091 | -4,067 | -24 | 0.6% | -4,102 |
| Other operating expense/income | 8,666 | 8,789 | -123 | -1.4% | 8,786 |
| Net operating expense | -138,768 | -135,272 | -3,496 | 2.6% | -136,021 |
| Operating profit | 104,941 | 114,562 | -9,621 | -8.4% | 118,367 |
| Net adjustments for non-performing loans | -2,163 | -1,919 | -244 | 12.7% | -1,919 |
| Net adjustments of other assets | -3,816 | -2,390 | -1,426 | 59.7% | -2,390 |
| Net provisions | -10,068 | -19,197 | 9,129 | -47.6% | -19,197 |
| Gain (loss) from equity investments | -1 | 0 | -1 | n.a. | 0 |
| Operating profit before taxation | 88,893 | 91,056 | -2,163 | -2.4% | 94,861 |
| Income taxes for the period | -13,354 | -7,278 | -6,076 | 83.5% | -8,510 |
| Profit from non-current discontinued operations | 1,835 | 2,573 | -738 | -28.7% | 0 |
| Profit attributable to minority interests | -3,955 | -4,144 | 189 | -4.6% | -4,144 |
| Net profit | 73,419 | 82,207 | -8,788 | -10.7% | 82,207 |

Net operating income amounted to 243.7 million euros, down 6.1 million euros (-2.5%) compared to the previous year.

However, the reduction only affected non-recurring components of this aggregate, which were mostly influenced by the high market volatility, i.e.:

- the result of banking operations, including dividends, showed a decrease by 6.5 million euros (-49.2%) compared to the high levels reached in 2010;
- performance fees received, which showed a sharp reduction of 30.6 million euros (-75.7%).

Within this scenario, the significant increase in management commissions received (+23.0 million euros) related to the increase over time in the volumes and quality of assets nonetheless allowed the decline in the commissions aggregate to be limited (-2.8%). In addition, the reversal of the net interest trend (+5.8 million euros), witnessed primarily in the fourth quarter of the year, allowed the commissions slowdown to be offset in its entirety.

Net operating expense stood at 138.8 million euros, up compared to the previous year (+2.6%), primarily due to the effect of the performance of staff expenses,

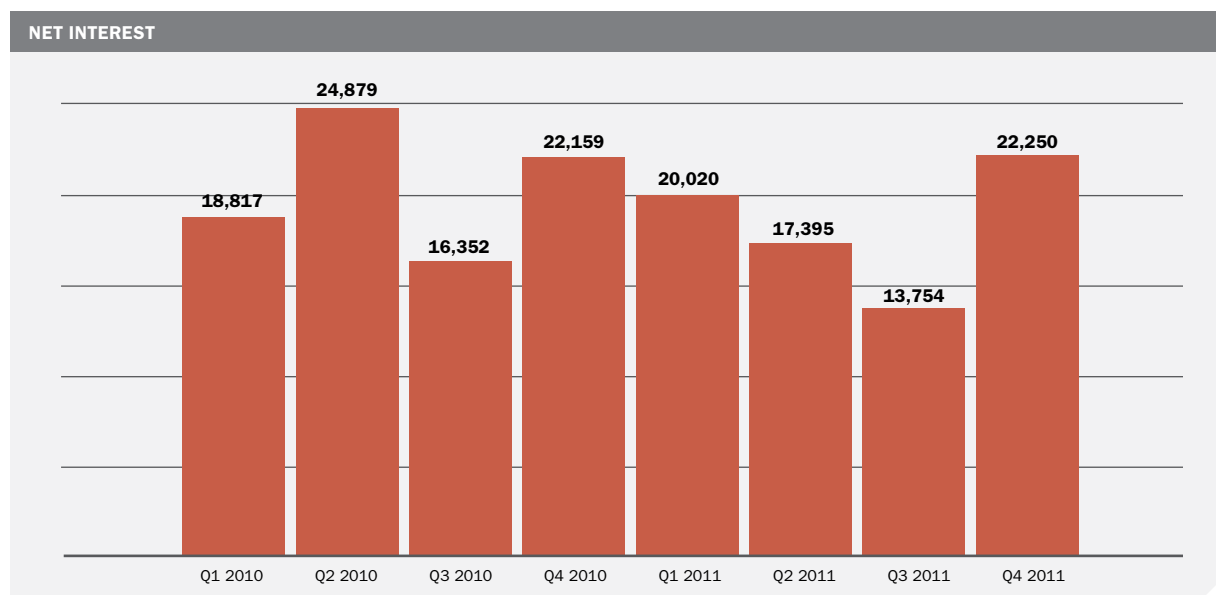
resulting in a consolidated operating profit of 104.9 million euros, marking a decrease of 9.6 million euros compared to 2010 (-8.4%).

The **cost/income ratio**, used to calculate the percentage weight of operating costs, gross of adjustments of property, equipment and intangible assets with respect to net operating income, slightly increased from 52.5% to 55.3%.

Adjustments and provisions decreased by 16.0 million euros (-31.7%) overall, primarily due to the release to profit and loss of provisions recognised in the previous year to account for contractual indemnities for Financial Advisors and employees, thus yielding an **operating profit before taxation** of 88.9 million euros, with a decline limited to 2.2 million euros (-2.4%) compared to the end of 2010.

Lastly, **net profit** was affected by a significant increase in the tax charge of 6.1 million euros (+83.5%), owing to the lesser incidence of realized tax benefits of a non-recurring nature associated with the redemption of intangibles arising from company reorganisation transactions undertaken in the previous two years.

| QUARTERLY EVOLUTION OF THE PROFIT & LOSS ACCOUNT | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (€ thousand) | Q4 2011 | Q3 2011 | Q2 2011 | Q1 2011 | Q4 2010 | Q3 2010 | Q2 2010 | Q1 2010 |
| Net interest | 15,741 | 11,824 | 10,424 | 11,070 | 10,525 | 10,370 | 11,439 | 10,915 |
| Net commissions | 47,087 | 42,567 | 47,816 | 50,491 | 45,827 | 42,971 | 54,636 | 49,993 |
| Dividends | 11,763 | 22,829 | 57,656 | 11 | 17,557 | 12,021 | 44,412 | 0 |
| Net result from financing activities | -10,356 | -23,362 | -54,338 | 2,485 | -15,082 | -14,712 | -40,478 | 9,442 |
| Net operating income | 64,235 | 53,858 | 61,558 | 64,057 | 58,827 | 50,650 | 70,009 | 70,350 |
| Staff expenses | -15,090 | -16,370 | -16,802 | -16,518 | -14,545 | -15,066 | -16,635 | -16,297 |
| Other general and administrative expense | -16,264 | -20,919 | -22,905 | -18,477 | -13,499 | -20,120 | -23,210 | -20,621 |
| Net adjustments of property, equipment and intangible assets | -1,017 | -1,181 | -950 | -943 | -1,077 | -1,005 | -1,097 | -887 |
| Other operating expense/income | 791 | 2,099 | 4,234 | 1,542 | 1,056 | 1,777 | 4,000 | 1,957 |
| Net operating expense | -31,580 | -36,371 | -36,423 | -34,396 | -28,066 | -34,415 | -36,943 | -35,849 |
| Operating profit | 32,656 | 17,488 | 25,136 | 29,662 | 30,761 | 16,235 | 33,066 | 34,501 |
| Net adjustments for non-performing loans | -1,152 | -563 | -458 | 10 | -765 | 355 | -637 | -872 |
| Net adjustments of other assets | -2,482 | -113 | -1,151 | -70 | -1,664 | -59 | -426 | -241 |
| Net provisions | 1,701 | -1,880 | -4,567 | -5,322 | -825 | 2,520 | -9,336 | -11,556 |
| Gain (loss) from equity investments | 0 | -1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating profit before taxation | 30,723 | 14,931 | 18,960 | 24,280 | 27,507 | 19,051 | 22,667 | 21,832 |
| Income taxes for the period | -7,956 | -816 | -1,069 | -3,515 | -4,710 | -2,315 | 2,767 | -3,020 |
| Profit from non-current discontinued operations | 459 | 459 | 459 | 459 | 643 | 643 | 643 | 643 |
| Profit attributable to minority interests | -976 | -820 | -955 | -1,204 | -1,281 | -1,027 | -1,198 | -638 |
| Net profit | 22,250 | 13,754 | 17,395 | 20,020 | 22,159 | 16,352 | 24,879 | 18,817 |



5.1 Net Interest

Net interest amounted to 49.1 million euros, up considerably compared to the previous year (+13.4%), owing in part to the significant contribution made in the fourth quarter of the year.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|---------------|---------------|---------------|---------------|
| | | RESTATED | AMOUNT | % |
| Financial assets held for trading | 492 | 4,273 | -3,781 | -88.5% |
| AFS financial assets | 32,945 | 20,066 | 12,879 | 64.2% |
| Financial assets held to maturity | 19,422 | 13,848 | 5,574 | 40.3% |
| Financial assets classified among loans | 6,402 | 5,007 | 1,395 | 27.9% |
| Total financial assets | 59,261 | 43,194 | 16,067 | 37.2% |
| Loans to banks | 3,708 | 1,973 | 1,735 | 87.9% |
| Loans to customers | 16,254 | 11,234 | 5,020 | 44.7% |
| Other assets | 8 | 5 | 3 | 60.0% |
| Total interest income | 79,231 | 56,406 | 22,825 | 40.5% |
| Due to banks | 1,736 | 849 | 887 | 104.5% |
| Due to customers and securities issued | 19,548 | 9,789 | 9,759 | 99.7% |
| Repurchase agreements - banks | 7,744 | 1,989 | 5,755 | 289.3% |
| Repurchase agreements - customers | 1,111 | 530 | 581 | 109.6% |
| Other liabilities | 33 | 0 | 33 | n.a. |
| Total interest expense | 30,172 | 13,157 | 17,015 | 129.3% |
| Net interest | 49,059 | 43,249 | 5,810 | 13.4% |

In fact, the first nine months of the year were marked by a situation of virtual stability of the average volume of interest-bearing loans and an inflows cost increased that outpaced the aforementioned trends of market interest rates, which slowed the recovery of net interest.

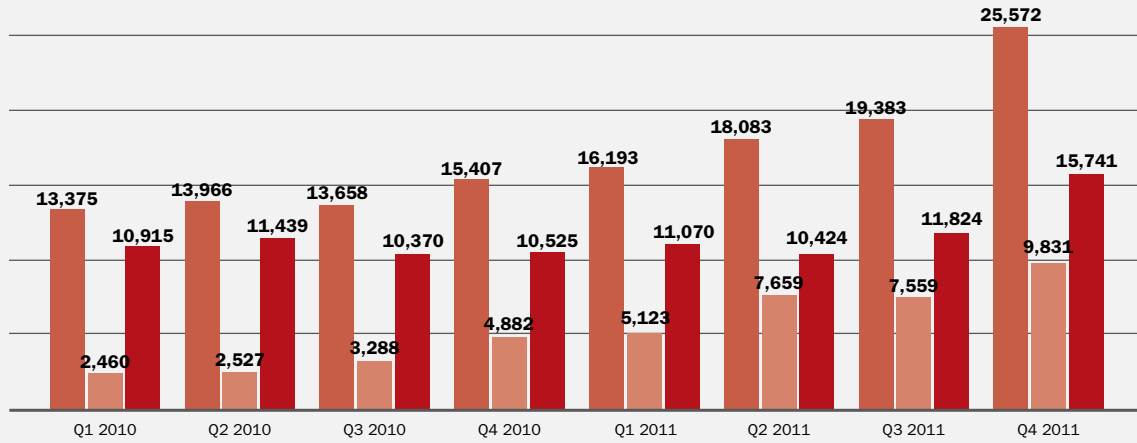
By contrast, the fourth quarter of the year was characterised by:

- an expansion of inflows volumes, partly at extremely favourable rates, due to Banca Generali's participation in the refinancing transactions promoted by the ECB;
- a peculiar market situation characterised by a peak in the yields offered by Italian government bonds, which offered excellent investment opportunities, while also acting as a further driver of growth in inflows.

Interest income thus showed growth of 22.8 million euros (40.5%) owing to the decisive contribution of the securities portfolio (+16.1 million euros or +37.2%) and, to a significant extent, loans to customers (+5.0 million euros or +44.7%).

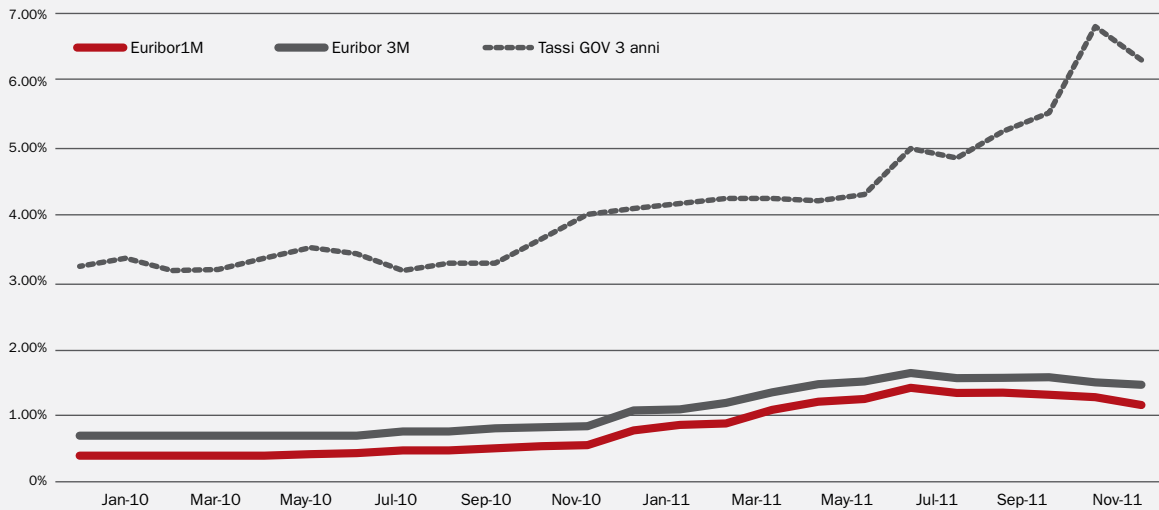
By contrast, the cost of inflows increased by 17.0 million euros (+129.3%) owing to the general rise in market rates and the greater incidence of interbank inflows, which is characterised by greater cost.

NET INTEREST



■ Interest income
 ■ Interest expense
 ■ Net interest

NET INTEREST

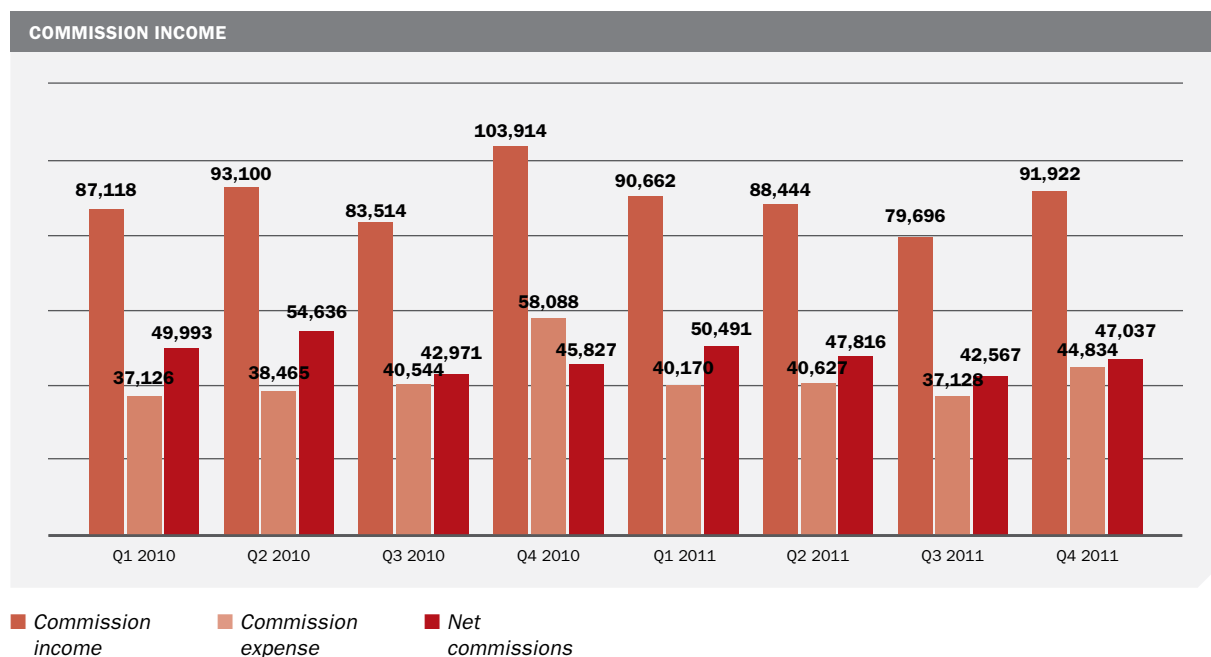


5.2 Net commissions

Net commissions amounted to 188.0 million euros, slightly down compared to 2010 (-2.8%).

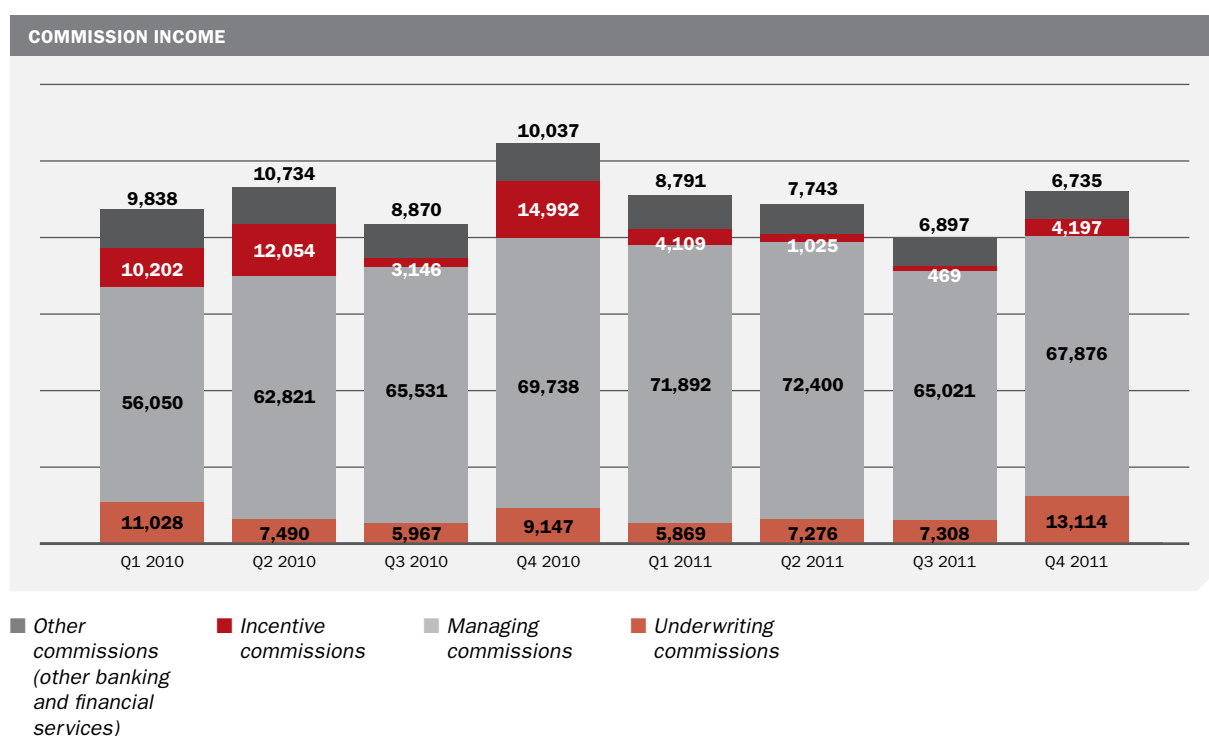
The net commissions earned by GFM on the management of the Generali Group's international funds amounted to 6.7 million euros and did not have a significant effect on the performance of the aggregate.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|----------------|-----------------|----------------|--------------|
| | | | AMOUNT | % |
| | | RESTATED | | |
| Asset management | 216,279 | 230,029 | -13,750 | -6.0% |
| Placement of securities | 41,048 | 39,525 | 1,523 | 3.9% |
| Distribution of third-party fin. products | 63,229 | 58,612 | 4,617 | 7.9% |
| Trading and securities custody commissions | 22,968 | 32,583 | -9,615 | -29.5% |
| Other services | 7,198 | 6,896 | 302 | 4.4% |
| Total commission income | 350,722 | 367,645 | -16,923 | -4.6% |
| Commissions for external offer | 141,310 | 150,977 | -9,667 | -6.4% |
| Dealing in securities and custody | 4,028 | 7,675 | -3,647 | -47.5% |
| Asset management | 15,301 | 13,195 | 2,106 | 16.0% |
| Other services | 2,121 | 2,373 | -252 | -10.6% |
| Total commission expense | 162,760 | 174,220 | -11,460 | -6.6% |
| Net commissions | 187,962 | 193,425 | -5,463 | -2.8% |



Commission income showed a slight decline from the levels reported in 2010 (-4.6%) due to the increase in management commissions (+9.1%), which allowed both the absence of non-recurring performance commissions (-75.7%) and the decline in other banking and financial services (-23.6%) to be offset.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|----------------|----------------|----------------|--------------|
| | | | AMOUNT | % |
| | | RESTATED | | |
| Underwriting commissions | 33,567 | 33,632 | -65 | -0.2% |
| Management commissions | 277,189 | 254,140 | 23,049 | 9.1% |
| Incentive commissions | 9,800 | 40,394 | -30,594 | -75.7% |
| Commissions (other banking and financial services) | 30,166 | 39,479 | -9,313 | -23.6% |
| Total | 350,722 | 367,645 | -16,923 | -4.6% |



Commission expense amounted to 162.8 million euros, marking a considerable decrease of 11.5 million euros (-6.6%) compared to the previous year, owing primarily to the reduction in distribution commissions paid to the distribution networks (-9.7 million euros or -6.4%).

Commissions from the **solicitation of investment and asset management** for households amounted to 320.6 million euros and proved highly resilient, despite the extremely uncertain market situation.

Growth in this segment slowed due to the erosion of assets under management and clients' increased propen-

sity to opt for more defensive asset classes, both phenomena caused by recent stock exchange performances.

However, even in this scenario, SICAVs promoted by the banking group were able to continue to achieve the high revenue levels reported at the end of 2010 (-0.6%), overcoming the absence of performance commissions.

The decrease in revenues generated by discretionary accounts (-13.4%) was offset in the distribution of third-party services by the growth of revenues earned on the distribution of the insurance products of Genertellife (+10.3%).

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|----------------|----------------|----------------|--------------|
| | | RESTATED | AMOUNT | % |
| Asset management, own | | | | |
| 1. Collective asset management (UCITs, pension funds) | 164,993 | 165,931 | -938 | -0.6% |
| 2. Collective assets management of the Generali group | 18,120 | 25,788 | -7,668 | -29.7% |
| 3. Individual asset management | 33,166 | 38,310 | -5,144 | -13.4% |
| Commissions on asset management | 216,279 | 230,029 | -13,750 | -6.0% |
| 1. Placement of third-party UCITs | 25,925 | 32,937 | -7,012 | -21.3% |
| 2. Bond placement | 15,123 | 6,138 | 8,985 | 146.4% |
| 3. Other placement operations | 0 | 450 | -450 | -100.0% |
| 4. Distribution of third-party asset management products (GPM/GPF, pension funds) | 358 | 345 | 13 | 3.8% |
| 5. Distribution of third-party insurance products | 62,270 | 56,432 | 5,838 | 10.3% |
| 6. Distribution of other third-party financial products | 601 | 1,835 | -1,234 | -67.2% |
| Placement and distribution of third-party products | 104,277 | 98,137 | 6,140 | 6.3% |
| Asset management commissions earned | 320,556 | 328,166 | -7,610 | -2.3% |

Distribution commission expenses amounted to 141.3 million euros, down compared to the previous year (-9.7 million euros), owing in part to the reduction in non-recurring costs incurred during the previous year in relation to the repatriation of capital held abroad.

The aggregate includes 19.4 million euros in management commissions paid to international distributors of

funds promoted by the Generali Group, up from 16.9 million euros at the end of 2010.

Net of those items, the Group's pay-out ratio, based on its asset management commission income, net of the performance component, therefore was 41.6%, down compared to the 46.2% reported at the end of 2010.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|------------------------|----------------|----------------|---------------|--------------|
| | | RESTATED | AMOUNT | % |
| Front-end commissions | 19,350 | 37,117 | -17,767 | -47.9% |
| Management commissions | 97,336 | 88,866 | 8,470 | 9.5% |
| Incentive commissions | 11,733 | 18,346 | -6,613 | -36.0% |
| Other commissions | 12,891 | 6,648 | 6,243 | 93.9% |
| Total | 141,310 | 150,977 | -9,667 | -6.4% |

Other net commissions from banking services offered to customers include trading, order receipt and custody and administration commissions, in addition to commissions charged to customers for account-keeping expenses and other services. This aggregate stood at 24.0 million euros, down 18.4% over last year, due to the slowdown in trading and order receipt.

The significant drop in order receipt, however, was mainly due to the activation of direct trading on behalf of third parties on all major international markets on which the bank institutional clients operate, which was completed at the end of the first half of 2010.

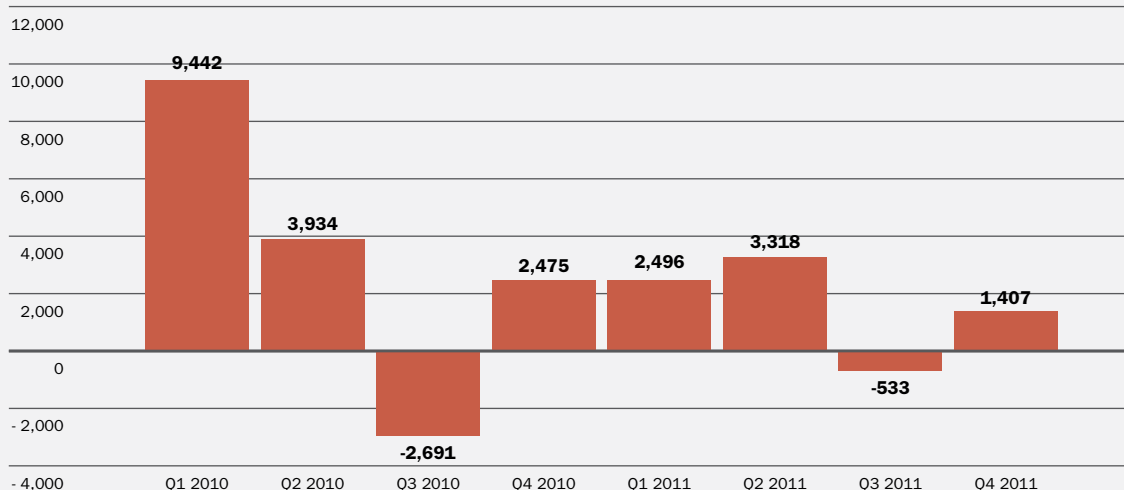
| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|---------------|----------------|---------------|---------------|
| | | RESTATED | AMOUNT | % |
| Dealing in securities and currencies | 15,240 | 17,048 | -1,808 | -10.6% |
| Order collection, custody of securities | 7,728 | 15,535 | -7,807 | -50.3% |
| Collection and payment services | 1,900 | 2,069 | -169 | -8.2% |
| Commission income | 2,952 | 3,032 | -80 | -2.6% |
| Commissions for other banking services | 2,346 | 1,795 | 551 | 30.7% |
| Total traditional banking operations | 30,166 | 39,479 | -9,313 | -23.6% |
| Trading and custody services | -4,028 | -7,675 | 3,647 | -47.5% |
| Collection and payment services | -889 | -853 | -36 | 4.2% |
| Commissions for other banking services | -1,232 | -1,542 | 288 | -18.9% |
| Total commission expense | -6,149 | -10,048 | 3,899 | -38.8% |
| Net commissions | 24,017 | 29,431 | -5,414 | -18.4% |

5.3 Net profit from trading and financial operations

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

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|--------------|---------------|---------------|---------------|
| | | RESTATED | AMOUNT | % |
| Dividends from trading | 91,609 | 73,468 | 18,141 | 24.7% |
| Trading of financial assets and equity derivatives | -86,925 | -70,927 | -15,998 | 22.6% |
| Trading of financial assets and derivatives on debt securities and interest rates | -142 | -2,628 | 2,486 | -94.6% |
| Trading of UCIT units | -1,456 | 569 | -2,025 | -355.9% |
| Securities transactions | 3,086 | 482 | 2,604 | 540.2% |
| Currency and currency derivative transactions | 930 | 1,968 | -1,038 | -52.7% |
| Net profit from trading operations | 4,016 | 2,450 | 1,566 | 63.9% |
| Dividends from AFS assets | 650 | 522 | 128 | 24.5% |
| Gains/(losses) on equity securities | 20 | 70 | -50 | -71.4% |
| Gains/(losses) on AFS and HTM debt securities and loans | 2,002 | 10,118 | -8,116 | -80.2% |
| Income (loss) of financial operations | 6,688 | 13,160 | -6,472 | -49.2% |

INCOME (LOSS) OF FINANCIAL OPERATIONS



At the end of 2011, the aggregate presented a positive contribution of 6.7 million euros, down from the 13.2 million euros reported at the end of the previous year.

Net profit on assets classified as HFT amounted to 4.0 million euros (+1.6 million euros), whereas the net profit on the sale of securities classified as AFS and in other portfolios valued at amortised cost decreased to 2.7 million euros, down compared to the high results recorded at the end of 2010 (10.7 million euros).

With regard to trading activity, 2011 was also marked by the execution of trading of equity securities listed on the domestic market, aimed at achieving margins through the purchase and sale of equities at the ex-dividend date.

On the whole, these transactions, which led to a gain of 4.4 million euros, were executed without assuming risk positions as equity positions in the portfolio were closely hedged by negotiating futures contracts on regulated markets.

| (€ thousand) | NET PROFIT AND DIVIDENDS | CAPITAL GAINS | LOSSES | CAPITAL LOSSES | NET RESULT 31.12.2011 | NET RESULT 31.12.2010 |
|---|--------------------------------|------------------|----------------|-------------------|--------------------------|--------------------------|
| 1. Debt securities transactions | 180 | 2 | 33 | 475 | -326 | -605 |
| 2. Equity securities transactions | 366 | 105 | 128 | 131 | 212 | -440 |
| Equity securities | 213 | 105 | 117 | 131 | 70 | 42 |
| Dividends | 69 | 0 | 0 | 0 | 69 | 93 |
| Options on equity securities | 84 | 0 | 11 | 0 | 73 | -575 |
| 3. Par asset swaps | 917 | 0 | 0 | 0 | 917 | -1,219 |
| Debt securities | 764 | 0 | 0 | 0 | 764 | 99 |
| Asset swaps | 153 | 0 | 0 | 0 | 153 | -1,318 |
| 4. Equities and futures transactions | 153,155 | 0 | 148,776 | 0 | 4,379 | 2,981 |
| Equity securities | 332 | 0 | 137,583 | 0 | -137,251 | -115,018 |
| Dividends | 91,447 | 0 | 0 | 0 | 91,447 | 73,375 |
| Futures | 61,376 | 0 | 11,193 | 0 | 50,183 | 44,624 |
| 5. UCITs unit transactions | 386 | 0 | 10 | 1,739 | -1,363 | 569 |
| 6. Interest rate swaps (IRS) | 443 | 0 | 750 | 426 | -733 | -804 |
| 7. Currency transactions | 1,421 | 0 | 491 | 0 | 930 | 1,968 |
| Derivatives | 496 | 0 | 491 | 0 | 5 | 262 |
| Exchange gains and losses | 925 | 0 | 0 | 0 | 925 | 1,706 |
| Result from trading | 156,868 | 107 | 150,188 | 2,771 | 4,016 | 2,450 |

The net profit from sales of securities not classified as held for trading refers primarily to the portfolio of available-for-sale (AFS) assets and includes profits deriving from the disposal of Lehman bonds, which became impaired in 2008.

| (€ thousand) | GAINS | LOSSES | TRANSFER OF RESERVES | 31.12.2011 | 31.12.2010 |
|---|--------------|-------------|-------------------------|--------------|---------------|
| Financial assets available for sale | 2,531 | -126 | -1,075 | 1,330 | 6,894 |
| Debt securities | 2,511 | -126 | -1,075 | 1,310 | 6,824 |
| Equity securities | 20 | 0 | 0 | 20 | 70 |
| Financial assets classified among loans | 943 | -50 | 0 | 893 | 3,339 |
| Financial assets held to maturity | 70 | -271 | 0 | -201 | -45 |
| Total | 3,544 | -447 | -1,075 | 2,022 | 10,188 |

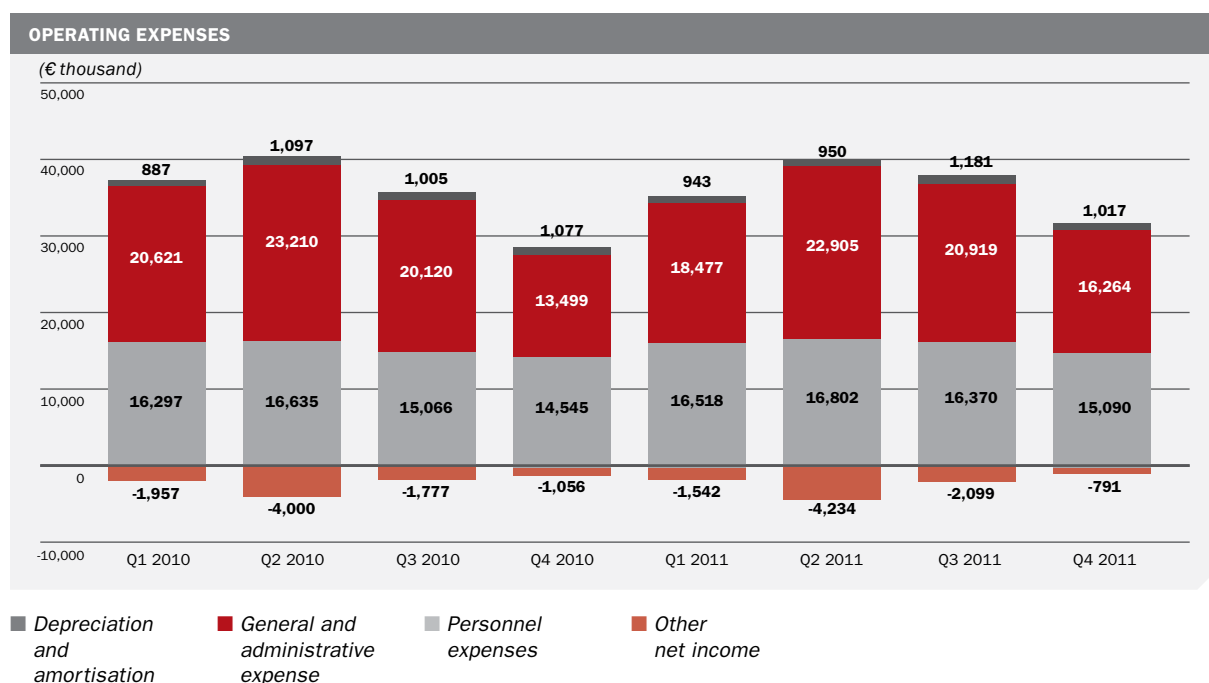
5.4 Operating Expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses amounted to 138.8 million euros, up by 3.5 million euros (+2.6%), mainly attributable to staff expenses (+3.6%).

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|----------------|----------------|--------------|--------------|
| | | RESTATED | AMOUNT | % |
| Staff expenses | 64,780 | 62,543 | 2,237 | 3.58% |
| Other general and administrative expense | 78,563 | 77,451 | 1,112 | 1.44% |
| Net adjustments of property, equipment and intangible assets | 4,091 | 4,067 | 24 | 0.59% |
| Other income and expenses | -8,666 | -8,789 | 123 | -1.40% |
| Operating expense | 138,768 | 135,272 | 3,496 | 2.58% |

It should be noted that in accordance with the clarification provided by the Bank of Italy in its recent bulletin of 13 February 2012, certain indirect staff expenses amounting to 1.8 million euros, primarily consisting of individual reimbursements of travel expenses incurred

by employees not constituting remuneration, were reclassified among administrative expenses. The same indirect expenses amounting to 1.6 million euros were also included in such item in the comparative situation for 2010.



Against the backdrop of a virtually stable average headcount, the increase in staff expense was chiefly a result of salary-related factors, including the full effects of the renewal of the supplementary company agreement, the estimate of short-term and long-term incentives and, to a lesser extent, the stock-option plans for sales staff.

In this respect, it may be remarked that during the year the banking group's remuneration policies saw the approval and incorporation of the new long-term incentive plan system for group managers based on multi-year cycles established by Assicurazioni Generali (the Long Term Incentive Plan), for which an accrued charge of 1.5 million euros has been estimated for the year.

| | 31.12.2011 | 31.12.2010 | CHANGE | | AVERAGE | AVERAGE |
|------------------------------|------------|------------|-----------|--------------|------------|------------|
| | RESTATED | RESTATED | AMOUNT | % | 2011 | 2010 |
| Managers | 51 | 50 | 1 | 2.0% | 51 | 52 |
| 3rd and 4th level executives | 119 | 123 | -4 | -3.3% | 121 | 122 |
| Other employees | 595 | 597 | -2 | -0.3% | 596 | 598 |
| Total | 765 | 770 | -5 | -0.6% | 768 | 771 |

Note: Headcount and average number of employees are net of the two resources associated with the business unit being disposed of.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|---------------|---------------|--------------|---------------|
| | RESTATED | RESTATED | AMOUNT | % |
| 1) Employees | 62,033 | 60,539 | 1,494 | 2.5% |
| Salaries and social security charges | 45,977 | 45,451 | 526 | 1.2% |
| Provision for termination indemnity and supplementary pension funds | 4,430 | 4,479 | -49 | -1.1% |
| Costs related to payment agreements based on own financial instruments | 162 | -123 | 285 | -231.7% |
| Short-term productivity bonuses | 7,849 | 7,762 | 87 | 1.1% |
| Other long-term incentives | 1,431 | 830 | 601 | 72.4% |
| Other employee benefits | 2,184 | 2,140 | 44 | 2.1% |
| 2) Other staff | -102 | -117 | 15 | -12.8% |
| 3) Directors and Auditors | 2,849 | 2,121 | 728 | 34.3% |
| Total | 64,780 | 62,543 | 2,237 | 3.6% |

Other **general and administrative expense** amounted to 78.6 million euros, a slight increase of 1.1 million euros (1.4%), compared to the previous year.

| (€ thousand) | 31.12.2011 | 31.12.2010 | | CHANGE | |
|---|---------------|---------------|---------------|---------------|---|
| | | | RESTATED | AMOUNT | % |
| Administration | 11,125 | 12,452 | -1,327 | -10.7% | |
| Advertising | 3,588 | 3,813 | -225 | -5.9% | |
| Consultancy and professional advice expense | 3,047 | 4,160 | -1,113 | -26.8% | |
| Audit | 504 | 742 | -238 | -32.1% | |
| Other general costs (insur.; T&E) | 3,986 | 3,737 | 249 | 6.7% | |
| Operations | 29,270 | 30,633 | -1,363 | -4.4% | |
| Rent and usage of premises | 14,707 | 14,821 | -114 | -0.8% | |
| Outsourced services | 3,502 | 3,918 | -416 | -10.6% | |
| Post and telephone | 2,064 | 2,832 | -768 | -27.1% | |
| Print material and contracts | 897 | 896 | 1 | 0.1% | |
| Other operating expenses | 8,100 | 8,166 | -66 | -0.8% | |
| Information system and equipment | 28,772 | 26,310 | 2,462 | 9.4% | |
| Outsourced IT services | 19,080 | 16,895 | 2,185 | 12.9% | |
| Fees for financial databases and other IT services | 4,740 | 5,033 | -293 | -5.8% | |
| Software maintenance and servicing | 3,960 | 3,397 | 563 | 16.6% | |
| Other expenses (equipment rental, maintenance, etc.) | 992 | 985 | 7 | 0.7% | |
| Taxes and duties | 9,396 | 8,056 | 1,340 | 16.6% | |
| Total other general and administrative expense | 78,563 | 77,451 | 1,112 | 1.4% | |

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

At year-end, the aggregate showed a balance of net income of 8.7 million, with a significant increase in taxes recovered from clients related to the new tax provisions governing stamp duty on securities portfolios introduced by the summer manoeuvre (Legislative Decree 98/2011), offset by the increase in indemnities related to disputes and the lower incidence of net adjustments of costs and revenues from previous years.

| (€ thousand) | 31.12.2011 | 31.12.2010 | | CHANGE | |
|--|--------------|--------------|-------------|--------------|---|
| | | | RESTATED | AMOUNT | % |
| Recovery of expenses from customers | 468 | 640 | -172 | -26.9% | |
| Recovery of taxation from customers | 8,110 | 6,475 | 1,635 | 25.3% | |
| Indemnities and recovery of costs from advisors | 912 | 1,011 | -99 | -9.8% | |
| Adjustments of leasehold improvements | -749 | -803 | 54 | -6.7% | |
| Charges from accounting adjustments with customers | -290 | -339 | 49 | -14.5% | |
| Indemnities and compensation | -1,015 | -343 | -672 | 195.9% | |
| Other net income and expenses | 1,230 | 2,148 | -918 | -42.7% | |
| Other net operating income | 8,666 | 8,789 | -123 | -1.4% | |

5.5 Provisions and adjustments

Net provisions amounted to 10.1 million euros, down by 9.1 million euros (-47.6%) compared to the previous year, largely due to the release to the profit and loss account of a share of provisions for staff expenses and provisions for the contractual indemnities of Financial Advisors recognised in previous years.

Gross provisions for staff expenses amounted to 2.6 million euros and relate to discretionary incentives and a reorganisation plan for the group's activities following the planned merger of BG SGR. However, a surplus of 3.3 million euros was also recognised, with 1.5 million euros attributable to the incentive provision known as the Long Term Incentive Plan, the cost of which has

been transferred to staff expense.

Net provisions for contractual indemnities for Financial Advisors were affected by the modifications made to the portfolio development scheme limiting the guarantee provided by the bank to cases of the death or permanent disability of the beneficiary only. Those modifications therefore resulted in the partial release from the specific pre-existing provision of 3.0 million euros, compared to the 3.6 million euros in provisions recognised in the previous year, when the provision was initially established pursuant to new guidelines from the supervisory authority.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|---------------|---------------|---------------|---------------|
| | | RESTATED | AMOUNT | % |
| Provision for staff expenses | -655 | 3,211 | -3,866 | -120.4% |
| Provisions for legal disputes | 3,509 | 3,223 | 286 | 8.9% |
| Provision for incentive fees | 9,144 | 6,896 | 2,248 | 32.6% |
| Provisions for termination indemnity and over fees | -1,839 | 5,546 | -7,385 | -133.2% |
| Other provisions for risks and charges | -91 | 321 | -412 | -128.3% |
| Total | 10,068 | 19,197 | -9,129 | -47.6% |

Adjustments for impairment amounted to 6.0 million euros, up from the 4.3 million euros reported at the end of 2010 owing to the greater impairment losses recognised on financial assets.

Financial assets adjustments amounted to 4.8 million euros (+1.5 million euros) of which 4.5 million euros refer to write-downs, primarily related to equity securities in the AFS portfolio already subject to impairment in prior years and 0.3 million euros refer to write-downs

to cover portfolios of debt securities classified as receivables (L&R) and held to maturity (HTM) and aimed at offsetting potential losses.

At year-end, 1.0 million euros in impairment was recognised on receivables not arising from lending operations, primarily relating to commission advances paid to former Financial Advisors who have left service, for which recovery actions had been initiated.

| (€ thousand) | ADJUSTMENTS | REVERSALS | 31.12.2011 | 31.12.2010 |
|--|---------------|------------|---------------|---------------|
| Specific adjustments/reversals | -5,745 | 41 | -5,704 | -2,881 |
| Debt securities (AFS, HTM, Loans) | -552 | 0 | -552 | -547 |
| Equity securities | -3,980 | 0 | -3,980 | -1,625 |
| Operating loans | -1,078 | 41 | -1,037 | -1,292 |
| Non-performing loans of the bank portfolio | -135 | 0 | -135 | 583 |
| Portfolio adjustments/reversals | -439 | 164 | -275 | -1,428 |
| Debt securities (Loans, HTM) | -439 | 164 | -275 | -1,095 |
| Performing loans of the banking portfolio | 0 | 0 | 0 | -333 |
| Total | -6,184 | 205 | -5,979 | -4,309 |

5.6 Income taxes

Current and deferred **income taxes** for the year were estimated in 13.3 million euros, increasing over the last year, which however had benefitted from the non-recurring accounting effects of the redemption of goodwill and intangibles resulting from the merger of Banca del Gottardo Italia.

In the first half of 2011, the share of goodwill transferred in 2010 to the subsidiary BG SGR SpA was also subject to redemption, with a positive impact on the overall tax burden of 1.0 million euros.

In the second half of the year, the Parent Company, Banca Generali, redeemed goodwill, carried at the consolidated level only, associated with the investee BG Fiduciaria SIM, on the basis of a specific provision set forth in the summer manoeuvre (the new Article 15,

paragraph 10-ter of Legislative Decree 185/08, introduced by Legislative Decree 98/11). The above transaction resulted in a net tax benefit of 0.7 million euros, deriving from the difference between the substitute tax paid and the recognition of deferred tax assets associated with amortisation eligible for deduction starting in 2013.

The tax burden for the year also took into account the 0.75% IRAP (Regional business tax) increase introduced for the banking sector by Legislative Decree 98/2011, which in the year resulted nonetheless in a net benefit of 0.4 million euros as a result of the write-up of deferred tax assets recognised in the financial statements.

Excluding these effects, the group's consolidated tax rate amounted to 17%, up compared to the adjusted item recognised for the previous year.

| | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|----------------|----------------|---------------|---------------|
| | | RESTATED | AMOUNT | % |
| Substitute tax for goodwill redemption | -1,278 | -5,984 | 4,706 | -78.6% |
| Prepaid taxes related to goodwill redemption | 3,009 | 9,845 | -6,836 | -69.4% |
| Deferred taxes related to intangibles redemption | 0 | 2,431 | -2,431 | -100.0% |
| Net effect of redemption | 1,731 | 6,292 | -4,561 | -72.5% |
| Current taxes for the year | -16,457 | -14,382 | -2,075 | 14.4% |
| Prior period taxes | 1,347 | -229 | 1,576 | -688.2% |
| Changes of prepaid taxation (+/-) | 102 | 1,100 | -998 | -90.7% |
| Changes of deferred taxation (+/-) | -77 | -59 | -18 | 30.5% |
| Other taxes for the year | -15,085 | -13,570 | -1,515 | 11.2% |
| Total | -13,354 | -7,278 | -6,076 | 83.5% |

5.7 Net result for the year and earnings per share

Financial year 2011 ended with a consolidated net result of 73.4 million euros. Net basic earnings per share therefore decreased from 74 eurocents to 66 eurocents.

| | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|--------------|--------------|---------------|---------------|
| | | RESTATED | AMOUNT | % |
| Net profit for the year (€ thousand) | 73,419 | 82,207 | -8,788 | -10.7% |
| Net profit attributable to ordinary shares | 73,419 | 82,207 | -8,788 | -10.7% |
| Average number of outstanding shares | 111,729 | 110,923 | 806 | 0.7% |
| EPS - Earnings per Share (euro) | 0.657 | 0.741 | -0.084 | -11.3% |
| Average number of outstanding shares | | | | |
| Diluted capital | 114,839 | 113,630 | 1,209 | 1.1% |
| EPS - Diluted earnings per share (euro) | 0.639 | 0.723 | -0.084 | -11.6% |

5.8 Statement of Comprehensive Income

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

At 31 December 2011, the aggregate concerned amounted to 40.8 million euros, down compared to the previous year (-32.2%).

The above decline was a result not only of the decrease in net profit, but also of unrealised losses pertaining to the portfolio of available-for-sale financial assets recognised through specific equity reserves (-10.6 million euros).

The net decrease in those reserves amounted to 32.6 million euros at 31 December 2011, up from the 22.1 million euros reported at the end of the previous year, and was due to the combined effects of:

- the mark to market of the carrying amount of the AFS portfolio (-54.7 million euros), largely attributable to the severe tension witnessed in the Italian sovereign debt segment in the fourth quarter;
- the reduction of pre-existing net negative reserves due to re-absorption in the profit and loss account through realisation and impairment (5.8 million euros);
- the positive tax effect associated with the above changes (+16.3 million euros).

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|----------------|----------------|----------------|---------------|
| | | | AMOUNT | % |
| Net profit (loss) | 73,419 | 82,207 | -8,788 | -10.7% |
| Other income net of income taxes: | | | | |
| AFS assets | -32,629 | -22,071 | -10,558 | 47.8% |
| Total other income, net of taxes | -32,629 | -22,071 | -10,558 | 47.8% |
| Comprehensive income | 40,790 | 60,136 | -19,346 | -32.2% |

6. Balance Sheet and Net Equity Aggregates

The schedules set forth below, along with the associated commentary, provide an analysis of the change in the main financial and economic aggregates for 2011 and a comparison with the figures at the end of the previous year.

In order to provide a more effective representation of results, a summary balance sheet is provided herein through appropriate reclassifications and in accordance with principles that better represent the content of the items in like-for-like manner.

At the end of 2011, total consolidated assets amounted to 4.6 billion euros, up by 19.5% compared to year-end 2010.

This increase was achieved mainly in the last quarter of the year, thanks to the significant growth of direct inflows from customers and banks (+22.4% compared to 2010), which overall brought new resources amounting to over 0.8 billion euros.

As a result, the volume of core loans amounted to 4.3 billion euros, up by 20.3% compared to 2010.

| ASSETS | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|-------------------|-------------------|----------------|--------------|
| <i>(€ thousand)</i> | | | AMOUNT | % |
| Financial assets held for trading | 35,323 | 119,952 | -84,629 | -70.6% |
| AFS financial assets | 1,318,992 | 1,533,275 | -214,283 | -14.0% |
| Financial assets held to maturity | 1,415,701 | 608,118 | 807,583 | 132.8% |
| Loans to banks (*) | 574,171 | 475,597 | 98,574 | 20.7% |
| Loans to customers | 971,648 | 852,038 | 119,610 | 14.0% |
| Property, equipment and intangible assets | 52,103 | 53,269 | -1,166 | -2.2% |
| Tax receivables | 77,046 | 71,040 | 6,006 | 8.5% |
| Other assets | 103,230 | 94,599 | 8,631 | 9.1% |
| Financial assets held for sale | 675 | 0 | 675 | n.a. |
| Total assets | 4,548,889 | 3,807,888 | 741,001 | 19.5% |

(*) including loans repayable on demand with central banks

| NET EQUITY AND LIABILITIES | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|-------------------|-------------------|----------------|--------------|
| <i>(€ thousand)</i> | | | AMOUNT | % |
| Due to banks | 1,070,909 | 450,431 | 620,478 | 137.8% |
| Due to customers | 3,042,371 | 2,910,878 | 131,493 | 4.5% |
| Financial liabilities held for trading | 1,737 | 6,502 | -4,765 | -73.3% |
| Tax payables | 21,019 | 18,336 | 2,683 | 14.6% |
| Other liabilities | 85,043 | 82,763 | 2,280 | 2.8% |
| Financial liabilities held for sale | 316 | 0 | 316 | n.a. |
| Special purpose provisions | 65,073 | 57,759 | 7,314 | 12.7% |
| Valuation reserves | -56,341 | -23,712 | -32,629 | 137.6% |
| Reserves | 126,508 | 105,400 | 21,108 | 20.0% |
| Additional paid-in capital | 3,231 | 0 | 3,231 | n.a. |
| Share capital | 111,676 | 111,363 | 313 | 0.3% |
| Treasury shares (-) | -248 | -660 | 412 | -62.4% |
| Minority interests | 4,176 | 6,621 | -2,445 | -36.9% |
| Net profit (loss) for the year (+/-) | 73,419 | 82,207 | -8,788 | -10.7% |
| Total Net Equity and Liabilities | 4,548,889 | 3,807,888 | 741,001 | 19.5% |

Quarterly Evolution of Consolidated Balance Sheet

| ASSETS | 31.12.2011 | 30.09.2011 | 30.06.2011 | 31.03.2011 | 31.12.2010 | 30.09.2010 | 30.06.2010 | 31.03.2010 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>(€ thousand)</i> | | | | | | | | |
| Financial assets held for trading | 35,323 | 35,818 | 61,000 | 163,384 | 119,952 | 231,614 | 299,958 | 234,252 |
| AFS financial assets | 1,318,992 | 1,449,068 | 1,640,036 | 1,606,598 | 1,533,275 | 1,505,018 | 1,389,236 | 1,348,260 |
| Financial assets held to maturity | 1,415,701 | 546,190 | 529,644 | 566,830 | 608,118 | 584,815 | 606,797 | 631,759 |
| Loans to banks | 574,171 | 533,089 | 519,638 | 464,427 | 475,597 | 512,647 | 455,346 | 583,155 |
| Loans to customers | 971,648 | 889,075 | 892,350 | 859,164 | 852,038 | 798,162 | 774,520 | 735,016 |
| Property, equipment and intangible assets | 52,103 | 53,094 | 53,020 | 52,665 | 53,269 | 53,217 | 54,130 | 55,050 |
| Tax receivables | 77,046 | 76,584 | 60,731 | 65,486 | 71,040 | 72,095 | 63,019 | 49,785 |
| Other assets | 103,230 | 84,721 | 96,684 | 100,439 | 94,599 | 105,120 | 116,218 | 110,416 |
| Financial assets held for sale | 675 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total assets | 4,548,889 | 3,667,639 | 3,853,103 | 3,878,993 | 3,807,888 | 3,862,688 | 3,759,224 | 3,747,693 |

| NET EQUITY AND LIABILITIES | 31.12.2011 | 30.09.2011 | 30.06.2011 | 31.03.2011 | 31.12.2010 | 30.09.2010 | 30.06.2010 | 31.03.2010 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>(€ thousand)</i> | | | | | | | | |
| Due to banks | 1,070,909 | 682,904 | 605,108 | 612,939 | 450,431 | 471,229 | 454,627 | 287,121 |
| Due to customers | 3,042,371 | 2,506,795 | 2,771,002 | 2,740,307 | 2,910,878 | 2,836,116 | 2,790,942 | 2,917,125 |
| Financial liabilities held for trading | 1,737 | 1,837 | 774 | 6,194 | 6,502 | 7,104 | 6,941 | 11,182 |
| Tax payables | 21,019 | 19,556 | 18,724 | 20,741 | 18,336 | 18,211 | 19,138 | 17,831 |
| Other liabilities | 85,043 | 144,599 | 129,771 | 119,962 | 82,763 | 201,378 | 172,095 | 169,416 |
| Financial liabilities held for sale | 316 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special purpose provisions | 65,073 | 63,208 | 62,386 | 61,791 | 57,759 | 57,938 | 63,210 | 57,329 |
| Valuation reserves | -56,341 | -49,056 | -17,634 | -10,889 | -23,712 | -10,465 | -11,188 | -2,055 |
| Reserves | 126,508 | 126,089 | 125,974 | 187,103 | 105,400 | 83,401 | 86,299 | 136,662 |
| Additional paid-in capital | 3,231 | 3,231 | 3,109 | 2,086 | 0 | 21,718 | 22,309 | 22,309 |
| Share capital | 111,676 | 111,676 | 111,662 | 111,574 | 111,363 | 111,329 | 111,313 | 111,313 |
| Treasury shares (-) | -248 | -248 | -248 | -660 | -660 | -660 | -4,471 | -4,471 |
| Minority interests | 4,176 | 5,879 | 5,060 | 7,825 | 6,621 | 5,341 | 4,313 | 5,114 |
| Net profit (loss) for the year (+/-) | 73,419 | 51,169 | 37,415 | 20,020 | 82,207 | 60,048 | 43,696 | 18,817 |
| Total Net Equity and Liabilities | 4,548,889 | 3,667,639 | 3,853,103 | 3,878,993 | 3,807,888 | 3,862,688 | 3,759,224 | 3,747,693 |

6.1 Direct inflows from customers

Direct inflows from customers amounted to 3,042.4 million euros, marking an increase of 131.5 million euros compared to 31 December 2010.

The increase occurred primarily in the fourth quarter of the year (+535.5 million euros), owing in part to the new commercial policy hinged on the offering of high-yield deposit accounts and repurchase agreements, which allowed outflows associated with traditional current accounts to be offset.

This trend affected both retail and captive inflows originating with the parent, Assicurazioni Generali, and the Italian and international subsidiaries of the Assicurazioni Generali Group.

The aggregate increased by approximately 312 million euros in the fourth quarter of 2011, reaching 851,5 million euros, up by about 45 million euros compared to the balance at the end of 2010 and accounting for 28.0% of total inflows from customers.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|------------------|------------------|----------------|----------------|
| | | | AMOUNT | % |
| 1. Current accounts and free deposits | 2,495,597 | 2,661,113 | -165,516 | -6.2% |
| 2. Term deposits | 344,262 | 78,400 | 265,862 | 339.1% |
| 3. Financing | 134,149 | 107,881 | 26,268 | 24.3% |
| Repurchase agreements | 101,764 | 67,469 | 34,295 | 50.8% |
| Other | 32,385 | 40,412 | -8,027 | -19.9% |
| Generali Versicherung subordinated loan | 32,385 | 40,412 | -8,027 | -19.9% |
| 4. Other debts | 68,363 | 63,295 | 5,068 | 8.0% |
| Operating debts to sales network | 28,696 | 23,351 | 5,345 | 22.9% |
| Other | 39,667 | 39,944 | -277 | -0.7% |
| Total due to customers (item 20) | 3,042,371 | 2,910,689 | 131,682 | 4.5% |
| Securities issued (certificates of deposit) | 0 | 189 | -189 | -100.0% |
| Total inflows from customers (Items 20 and 30) | 3,042,371 | 2,910,878 | 131,493 | 4.5% |

6.2 Core Loans

Core loans totalled 4.3 billion euros and were broken down as follows.

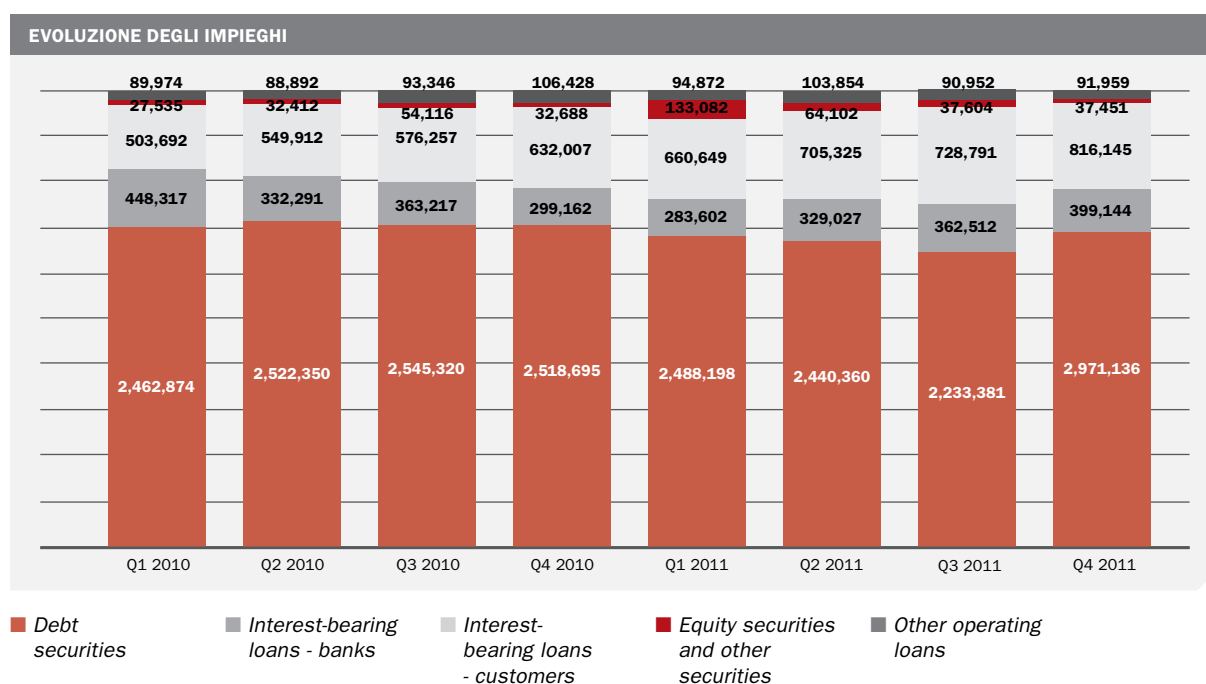
| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|------------------|------------------|----------------|--------------|
| | | | AMOUNT | % |
| Financial assets held for trading | 35,323 | 119,952 | -84,629 | -70.6% |
| AFS financial assets | 1,318,992 | 1,533,275 | -214,283 | -14.0% |
| Financial assets held to maturity (HTM) | 1,415,701 | 608,118 | 807,583 | 132.8% |
| Financial assets classified among loans | 238,571 | 290,039 | -51,468 | -17.7% |
| Financial assets | 3,008,587 | 2,551,384 | 457,203 | 17.9% |
| Loans to banks | 399,144 | 299,162 | 99,982 | 33.4% |
| Loans to customers | 816,145 | 627,604 | 188,541 | 30.0% |
| Operating receivables and other receivables | 91,959 | 110,830 | -18,871 | -17.0% |
| Total interest-bearing financial assets and loans | 4,315,835 | 3,588,980 | 726,855 | 20.3% |

The Group's financial assets held for treasury and investment needs and allocated to the various IAS portfolios accounted for 69.7% of the aggregate and totalled 3,008.6 million euros, marking an increase of 457 mil-

lion euros compared to the end of the previous year (+17.9%), involving solely the portfolio of financial assets held to maturity (HTM).

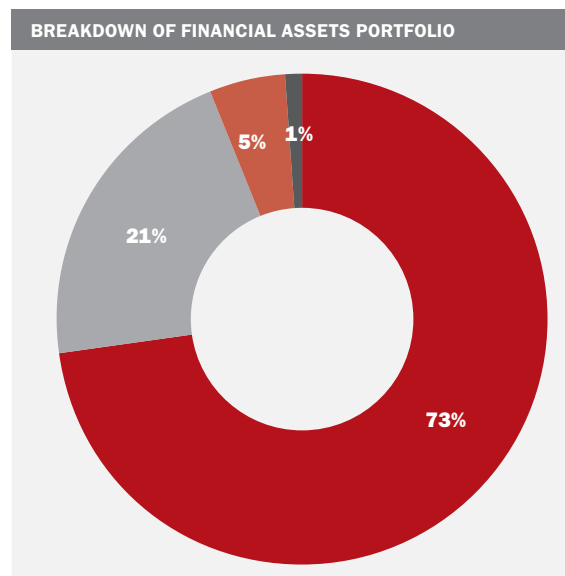
The new net investments primarily involved Italian government bonds, largely set to mature within two years and characterised by highly attractive yields, whereas there was a decrease in the exposure to other types of issues due to divestment activity and the redemption flow of securities reaching their natural maturities.

The loans to customers and banks aggregate also showed considerable growth, with loans to customers up 188.6 million euros (+30.0%) and loans to banks up by 100.0 million euros (+33.4%).



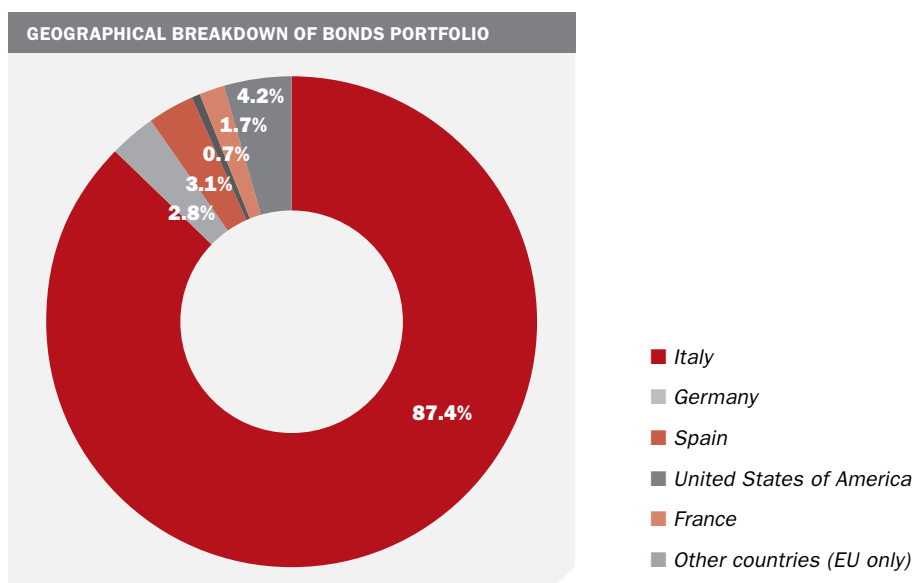
6.2.1 Financial assets

On the whole, the exposure to financial instruments classified to the various IAS portfolios was concentrated in government bonds (73%), and bonds issued by financial institutions (21%), whereas the share invested in equities was not material.



The portfolio of debt securities had an average residual life of about 2.5 years and 38.2% of it was made up of variable rate issues.

The credit rating is high, with issues rated higher than investment grade (AAA to A-) amounting to 90.2% of the total and a high concentration of investments linked to domestic issues (87.4%).



The sovereign debt exposure was 2.2 billion euros and consisted solely of bonds issued by the Italian government, with the sole exception of a single Spanish issue of 9.8 million euros, set to mature in 2012.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--------------|------------------|------------------|----------------|--------------|
| | | | AMOUNT | % |
| Trading | 455 | 79,956 | -79,501 | -99.4% |
| AFS | 1,130,509 | 1,352,479 | -221,970 | -16.4% |
| HTM | 1,064,025 | 113,223 | 950,802 | 839.8% |
| Total | 2,194,989 | 1,545,658 | 649,331 | 42.0% |

The portfolio of available-for-sale financial assets (AFS) represents the Bank's main container for treasury investments and amounted to 1,319 million euros at year-end, down compared to the end of the previous year.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|------------------------------------|------------------|------------------|-----------------|----------------|
| | | | AMOUNT | % |
| 1. Debt securities | 1,299,636 | 1,517,903 | -218,267 | -14.4% |
| a) Governments and central banks | 1,130,509 | 1,352,479 | -221,970 | -16.4% |
| b) Other public institutions | 0 | 0 | 0 | n.a. |
| c) Banks | 154,123 | 143,863 | 10,260 | 7.1% |
| d) Other issuers | 15,004 | 21,561 | -6,557 | -30.4% |
| 2. Equity securities | 18,314 | 15,341 | 2,973 | 19.4% |
| Shareholdings (Simgenia, CSE, GBS) | 3,207 | 3,207 | 0 | 0.0% |
| Private-equity investments | 4,823 | 5,117 | -294 | -5.7% |
| Other equities available for sale | 10,284 | 7,017 | 3,267 | 46.6% |
| 3. OICR units | 1,042 | 31 | 1,011 | 3261.3% |
| 4. Financing | 0 | 0 | 0 | n.a. |
| Total AFS financial assets | 1,318,992 | 1,533,275 | -214,283 | -14.0% |

The portfolio of debt securities consists primarily of government securities (87%) and corporate bonds (11.9%) issued by Italian and international banks and financial institutions with high credit ratings, having maturities falling primarily between 2012 and 2017 and an average residual life of slightly more than 1.3 years.

At year-end, the portfolio showed an overall decrease in fair value through equity, net of the tax effect, of 56.3 million euros, largely attributable to the bear performance of Italian government debt securities.

The portfolio of **financial assets held to maturity (HTM)** totalled 1,415.7 million euros at the end of

2011, marking an increase of 807.6 million euros compared to the balance at 31 December 2010, due to significant investments in government bonds (+950.8 million euros), which reached a percentage of 75.2% of the aggregate and more than replaced net redemptions of securities attributable to other types of issuers during the year (143.2 million euros).

The HTM portfolio consists of securities set to mature between 2012 and 2016 with residual average lives limited to approximately one year. The securities arising from the IAS 39 reclassification performed in 2008 now account for slightly more than 19% of the portfolio.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|----------------------------------|------------------|----------------|----------------|---------------|
| | | | AMOUNT | % |
| a) Governments and central banks | 1,064,025 | 113,223 | 950,802 | 839.8% |
| b) Other public institutions | 0 | 0 | 0 | n.a. |
| c) Banks | 295,239 | 411,604 | -116,365 | -28.3% |
| d) Other issuers | 56,437 | 83,291 | -26,854 | -32.2% |
| Total debt securities | 1,415,701 | 608,118 | 807,583 | 132.8% |

Financial assets classified among loans to banks and customers totalled 238.6 million euros, with a net decrease by 51.5 million euros, due to the effect of the exploitation of opportunities in relation to reclassified securities, only partly offset by the subscription for newly issued unlisted bank bonds.

Accordingly, at 31 December 2011 this portfolio consisted for almost three fourth of bonds issued by financial institutions (73.1%), whereas only 37.8% of the portfolio is now associated with the reclassification according to IAS 39 undertaken in 2008.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|------------------------------|----------------|----------------|----------------|---------------|
| | | | AMOUNT | % |
| a) Banks | 174,505 | 175,302 | -797 | -0.5% |
| b) Other issuers | 64,066 | 114,737 | -50,671 | -44.2% |
| Total debt securities | 238,571 | 290,039 | -51,468 | -17.7% |

Financial assets and liabilities held for trading amounted to 35.3 million euros (-70.6%) and have become entirely marginal with respect to the group's investment policies.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|---------------|----------------|----------------|---------------|
| | | | AMOUNT | % |
| Cash assets | | | | |
| 1. Debt securities | 17,228 | 102,636 | -85,408 | -83.2% |
| Government and central banks | 455 | 79,956 | -79,501 | -99.4% |
| Banks | 1,695 | 6,578 | -4,883 | -74.2% |
| Other issuers | 15,078 | 16,102 | -1,024 | -6.4% |
| Equity securities | 1,062 | 2,577 | -1,515 | -58.8% |
| UCIT UNITS | 16,336 | 14,540 | 1,796 | 12.4% |
| Total cash assets | 34,626 | 119,753 | -85,127 | -71.1% |
| Derivatives (positive FV) | 697 | 199 | 498 | 250.3% |
| Financial assets held for trading | 35,323 | 119,952 | -84,629 | -70.6% |
| Derivatives (negative FV) | -1,737 | -6,502 | 4,765 | -73.3% |
| Assets and liabilities held for trading | 33,586 | 113,450 | -79,864 | -70.4% |

6.2.2 Loans to customers and other operating receivables

Loans to customers amounted to 816.1 million euros, up by 188.6 million euros compared to the balance at the end of the previous year (+30.0%), essentially due to the increase in loans to customers (+126.1 million euros) and overdraft facilities (+66.6 million euros, equal to 15.0%).

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

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|----------------|----------------|----------------|---------------|
| | | | AMOUNT | % |
| Current accounts | 511,291 | 444,734 | 66,557 | 15.0% |
| Personal loans | 245,872 | 119,761 | 126,111 | 105.3% |
| Other short- and long-term loans | 38,398 | 32,551 | 5,847 | 18.0% |
| Financing | 795,561 | 597,046 | 198,515 | 33.2% |
| Gesav life insurance participating policy | 20,584 | 30,558 | -9,974 | -32.6% |
| Total loans | 816,145 | 627,604 | 188,541 | 30.04% |
| Receivables from product companies | 50,831 | 57,602 | -6,771 | -11.8% |
| Sums advanced to Financial Advisors | 26,733 | 31,020 | -4,287 | -13.8% |
| Interest-bearing daily margin, Borsa Italiana | 4,061 | 4,403 | -342 | -7.8% |
| Changes to be debited and other loans | 9,812 | 16,672 | -6,860 | -41.1% |
| Operating loans and other loans | 91,437 | 109,697 | -18,260 | -16.6% |
| Debt securities | 64,066 | 114,737 | -50,671 | -44.2% |
| Total loans to customers | 971,648 | 852,038 | 119,610 | 14.0% |

Within the loans to customers segment, net non-performing loans amounted to 31.6 million euros, accounting for 3.98% of the associated net exposure, and showing a limited increase of 2.0 million euros compared to the volume reported at the end of the previous year.

| (€ thousand) | GROSS EXPOSURE | ADJUSTMENTS | NET EXPOSURE 2011 | NET EXPOSURE 2010 | CHANGE | |
|---|----------------|----------------|-------------------|-------------------|--------------|-------------|
| | | | | | AMOUNT | % |
| Bad loans | 37,231 | -15,488 | 21,743 | 14,580 | 7,163 | 49.1% |
| Substandard loans | 3,087 | -37 | 3,050 | 14,457 | -11,407 | -78.9% |
| Restructured loans | 2,948 | 0 | 2,948 | 0 | 2,948 | 0.0% |
| Expired loans/outstanding over 180 days | 3,837 | 0 | 3,837 | 577 | 3,260 | 565.0% |
| Total non-performing loans | 47,103 | -15,525 | 31,578 | 29,614 | 1,964 | 6.6% |

Almost all non-performing loans derive from the portfolio of Banca del Gottardo Italia and are covered by the guarantee granted by BSI SA in connection with the sale of the company.

In detail, most bad loans and substandard loans are currently secured by 20.2 million euros in collateral deposits by BSI SA.

The analytical measurement of doubtful loans, support-

ed, where necessary, by the acquisition of adequate technical opinions (from attorneys and real-estate appraisers), did not result in significant adjustments to either bad or substandard positions.

Net non-performing loans related to operating loans amounted to 1.4 million euros and mainly refer to dispute and pre-dispute positions involving former financial advisors.

6.2.3 Interbank Position

The interbank position, net of the securities portfolio and operating loans showed a year-end balance of 671.8 million euros due, up by 520.5 million euros compared to the previous year, due to the significant expansion of inflows.

In this connection, it should be remarked that Banca Generali participated in two refinancing auctions held by the ECB in October and December, obtaining a total

of 500 million euros in funds set to mature in one year and three years, of which 60 million euros in overnight deposits with the ECB at the reporting date.

Amounts due to banks also increased (+119.8 million euros), primarily taking the form of repurchase agreements.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|------------------------------------|------------------|-----------------|-----------------|-----------------|
| | | | AMOUNT | % |
| 1. Repayable on demand | 329,460 | 216,139 | 113,321 | 52.4% |
| Demand deposit with ECB | 60,000 | 0 | 60,000 | n.a. |
| Demand deposits with instit. banks | 169,430 | 128,000 | 41,430 | 32.4% |
| Transfer accounts | 100,030 | 88,139 | 11,891 | 13.5% |
| 2. Time deposits | 69,684 | 83,023 | -13,339 | -16.1% |
| Mandatory reserve | 10,341 | 11,680 | -1,339 | -11.5% |
| Term deposits | 59,343 | 71,343 | -12,000 | -16.8% |
| Total due to banks | 399,144 | 299,162 | 99,982 | 33.4% |
| Term deposit with ECB | 500,696 | 0 | 500,696 | n.a. |
| Due to banks | 570,213 | 450,431 | 119,782 | 26.6% |
| Transfer accounts | 1,259 | 35,873 | -34,614 | -96.5% |
| Term deposits | 10,082 | 9,391 | 691 | 7.4% |
| Financing | 538,625 | 382,950 | 155,675 | 40.7% |
| - Repurchase agreements | 538,625 | 382,950 | 155,675 | 40.7% |
| - Other | 0 | 0 | | n.a. |
| Other debts | 20,247 | 22,217 | -1,970 | -8.9% |
| Total due to banks | 1,070,909 | 450,431 | 620,478 | 137.8% |
| Net interbank position | -671,765 | -151,269 | -520,496 | 344.1% |
| 3. Debt securities | 174,505 | 175,302 | -797 | -0.5% |
| 4. Other operating loans | 522 | 1,133 | -611 | -53.9% |
| Total interbank position | -496,738 | 25,166 | -521,904 | -2073.8% |

6.3 Special Purpose Provisions

Funds allocated to cover specific liabilities and contingencies totalled 65.1 million euros, up by 7.3 million euros (+12.7%) compared to the previous year, primarily owing to the greater obligations to personnel (+62.7%), for legal disputes (+21.0%) and network incentives (+16.6%).

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|---------------|---------------|--------------|--------------|
| | | | AMOUNT | % |
| Provision for termination indemnity | 4,003 | 4,345 | -342 | -7.9% |
| Other provisions for liabilities and contingencies | 61,070 | 53,414 | 7,656 | 14.3% |
| Provisions for staff expenses | 11,526 | 7,086 | 4,440 | 62.7% |
| Provisions for legal disputes | 11,489 | 9,496 | 1,993 | 21.0% |
| Provisions for advisors' end-of-service indemnities | 9,156 | 11,717 | -2,561 | -21.9% |
| Provisions for network incentives | 28,899 | 24,794 | 4,105 | 16.6% |
| Other provisions for risks and charges | 0 | 321 | -321 | -100.0% |
| Total provisions | 65,073 | 57,759 | 7,314 | 12.7% |

These provisions include the following amounts:

- management's variable compensation accrued during the year, payment of which is deferred beyond the following year by contract, contingent upon the satisfaction of certain conditions;
- short-term variable compensation conditional on the achievement of objectives the determination of which is deferred until a date after the authorisation of these financial statements for publication;
- other allocations intended to support a company reorganisation plan to be launched following the merger of BG SGR, informal incentives and other expenses associated with personnel classification.

The first aggregate includes:

- the share of the variable compensation of managers of the banking group deferred up to two years and conditional upon continuing satisfaction of the pre-determined quantitative levels of asset solidity and liquidity (access gates), established based on the banking group's remuneration policy;
- the estimate of the variable compensation provided for in the new long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali (the Long Term Incentive Plan).

Provisions for end-of-service indemnities for the distribution network were affected by the redefinition at year-end of the portfolio development mechanism, which resulted in the partial release of 3.0 million euros from the specific pre-existing provision.

Provisions for network incentives include 24.7 million euros in obligations assumed by the Bank in connection with recruitment plans aimed at expanding portfolios in the medium term, while the remainder refers to incentive plans based on the network's performance for the period and the share of incentives for non-employee network managers subject to the Group's new compensation policy (deferred incentives with access gates).

6.4 Net Equity

At 31 December 2011, consolidated net equity, including the net profit for the year, amounted to 262.4 million euros compared to the 281.2 million euros at the end of the previous year and underwent the following changes.

| (<i>€ thousand</i>) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--------------------------------|----------------|----------------|----------------|--------------|
| | | | AMOUNT | % |
| Share capital | 111,676 | 111,363 | 313 | 0.3% |
| Additional paid-in capital | 3,231 | 0 | 3,231 | n.a. |
| Reserves | 126,508 | 105,400 | 21,108 | 20.0% |
| (Treasury shares) | -248 | -660 | 412 | -62.4% |
| Valuation reserves | -56,341 | -23,712 | -32,629 | 137.6% |
| Equity instruments | 0 | 0 | 0 | n.a. |
| Net profit (loss) for the year | 73,419 | 82,207 | -8,788 | -10.7% |
| Group net equity | 258,245 | 274,598 | -16,353 | -6.0% |
| Minority interests | 4,176 | 6,621 | -2,445 | -36.9% |
| Consolidated net equity | 262,421 | 281,219 | -18,798 | -6.7% |

| | GROUP | THIRD PARTIES | OVERALL |
|--|----------------|---------------|----------------|
| Net equity at year-start | 274,598 | 6,621 | 281,219 |
| Dividend paid | -61,327 | -6,400 | -67,727 |
| Previous stock option plans: issue of new shares | 3,110 | 0 | 3,110 |
| New stock option plans | 1,097 | -2 | 1,095 |
| Other changes | -23 | 2 | -21 |
| Change in AFS reserves | -32,629 | 0 | -32,629 |
| Consolidated profit | 73,419 | 3,955 | 77,374 |
| Net equity at year-end | 258,245 | 4,176 | 262,421 |
| Changes | -16,353 | -2,445 | -18,798 |

The change in net equity was influenced by the distribution of the 2010 dividend, the performance of fair value reserves for the portfolio of financial assets available for sale and, to a lesser extent, by the effects of old and new stock option plans.

The fair value reserves for the portfolio of available for sale financial assets, which at the end of the year amounted to a negative balance of 56.3 million euros, mainly refer to the portfolio of government bonds.

| (<i>€ thousand</i>) | 31.12.2011 | | 31.12.2010 | | CHANGE |
|-----------------------|------------------|------------------|----------------|----------------|----------------|
| | POSITIVE RESERVE | NEGATIVE RESERVE | NET RESERVE | NET RESERVE | |
| 1. Debt securities | 143 | -56,411 | -56,268 | -21,951 | -34,317 |
| 2. Equity securities | 3 | -83 | -80 | -1,761 | 1,681 |
| 3. UCIT UNITS | 11 | -4 | 7 | 0 | 7 |
| Total | 157 | -56,498 | -56,341 | -23,712 | -32,629 |

6.4.1 Capital for regulatory purposes

At 31 December 2011, consolidated capital for regulatory purposes amounted to 236.5 million euros, net of the dividend expected to be paid, up by 11.2 million euros compared to the end of the previous year.

The aggregate capital for regulatory purposes recorded

89.1 million euros in excess of the amount required by the Supervisory Authority to cover credit, market, and operating risks, in line with the previous year.

The solvency ratio was 12.8%, compared to the minimum requirement of 8%.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|----------------|----------------|---------------|--------------|
| | | | AMOUNT | % |
| Tier 1 capital | 204,862 | 185,634 | 19,228 | 10.36% |
| Tier 2 capital | 31,624 | 39,624 | -8,000 | -20.19% |
| Tier 3 capital | 0 | 0 | 0 | n.a. |
| Total capital for regulatory purposes | 236,486 | 225,258 | 11,228 | 4.98% |
| B.1 CREDIT RISK | 101,830 | 92,561 | 9,269 | 10.01% |
| B.2 MARKET RISKS | 7,861 | 9,350 | -1,489 | -15.93% |
| B.3 OPERATING RISK | 37,655 | 33,759 | 3,896 | 11.54% |
| B.4 OTHER PRUDENTIAL REQUIREMENTS | 0 | 0 | 0 | n.a. |
| B.4 TOTAL PRUDENTIAL REQUIREMENTS | 147,346 | 135,670 | 11,676 | 8.61% |
| EXCESS OVER PRUDENTIAL REQUIREMENTS | 89,140 | 89,588 | -448 | -0.50% |
| Risk-weighted assets | 1,841,825 | 1,695,875 | 145,950 | 8.61% |
| Tier 1 capital/Risk-weighted assets | 11.12% | 10.95% | 0.18% | 1.61% |
| (Tier 1 capital ratio) | | | | |
| Regulatory capital/Risk-weighted assets | 12.84% | 13.28% | -0.44% | |
| (Total capital ratio) | | | | |

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

In its notice of 31 March 2011, the supervisory author-

ity also ordered the discontinuation of the use of the negative prudential filter introduced to achieve partial sterilisation of the long-term tax benefits deriving from the payment of substitute tax for goodwill pursuant to article 15 of Legislative Decree 185/2008.

The filter introduced in 2010 to neutralise the benefits deriving from the payment of substitute tax for the goodwill of Banca del Gottardo Italia was therefore deactivated.

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

| <i>(€ thousand)</i> | 31.12.2011 | | |
|--|---------------------------------|-------------------|-------------------|
| | CAPITAL AND RESERVES | NET PROFIT | NET EQUITY |
| Net equity of Banca Generali | 142,748 | 68,623 | 211,371 |
| Differences between net equity and | | | |
| book value of companies consolidated using the line-by-line method | 31,259 | - | 31,259 |
| - Goodwill | 9,222 | | 9,222 |
| - Income carried forward of subsidiary companies | 21,961 | - | 21,961 |
| - Stock granting reserve for 175th anniversary | 76 | | 76 |
| Dividends from consolidated companies | 20,159 | - 64,459 | - 44,300 |
| Consolidated companies result for the year | - | 73,130 | 73,130 |
| Minority interests | - | - 3,955 | - 3,955 |
| Valuation reserves - consolidated companies | - | - | - |
| Consolidation adjustments | - 9,340 | 80 | - 9,260 |
| - Goodwill | - 9,222 | - | - 9,222 |
| - GIL incorporation expenses | - 118 | 80 | - 38 |
| Net equity of the Banca Generali Group | 184,826 | 73,419 | 258,245 |

6.5 Cash Flows

At the end of 2011, operating activities had generated a total of 928.7 million euros in cash, in contrast with the cash outflows recorded in 2010 and the first half of 2011.

This performance was mainly due to the increase in net amounts due to banks by 576 million euros, chiefly due to the Bank's participation in the recent refinancing auctions held by the ECB, which allowed the Bank to obtain 500 million euros in new resources, of which 60 million euros were still held in overnight deposits with the European Central Bank at 31 December 2011.

Net of that effect, operating activities generated 119.9 million euros in cash, and net divestitures of securities from the portfolios HFT, AFS and L&R generated 242.4 million euros in cash, whereas the simultaneous decline in amounts due to customers and the increase in loans to customers resulted in a modest net outflow of 13.1 million euros.

The Liquidity thus generated was used in investing activities, which used 798 million euros in cash owing to the considerable investments in the portfolio of assets held to maturity (795.1 million euros).

The residual surplus also allowed the Bank to cover all of its all financing activity, which used 64.6 million euros, attributable to dividends paid.

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|------------------|-----------------|
| Cash flows generated by operations: | 119,947 | 105,424 |
| Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities | 242,397 | 16,547 |
| Cash flows generated by (+) used for (-) loans to banks | - 40,147 | 166,197 |
| Cash flows generated by (+) used for (-) loans to customers | - 138,228 | - 59,077 |
| Cash flows generated by (+) used for (-) amounts due to banks | 616,042 | 279,895 |
| Cash flows generated by (+) used for (-) amounts due to customers | 125,068 | - 458,114 |
| Cash flows generated by (+) used for (-) other operating assets and liabilities | 3,585 | - 58,103 |
| Liquidity generated by/used for operating activities | 928,664 | - 7,231 |
| Liquidity generated by/used for investing activities | - 798,040 | 58,725 |
| Liquidity generated by/used for financing activities | - 64,618 | - 51,556 |
| Net cash liquidity generated/used | 66,006 | - 62 |
| Cash and deposits | 73,959 | 7,953 |

7. Results by Line of Business

The banking Group identifies the following three main business areas:

- the **Affluent Channel**, which refers to the total earnings generated for the Group by the network of Financial Advisors employed by Banca Generali and their respective clients;
- the **Private Channel**, which refers to the total earnings generated for the Group by the network of Private Bankers and Relationship Managers, reporting to the “Banca Generali Private Banking Division” and by their respective clients;
- the **Corporate Channel**, which refers to the total earnings generated for the Group by the financing activities of the Finance Department and the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

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

Based on the periodical reports analysed by the Management, the Group assesses the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments.

The financial aggregates presented for each segment therefore consist of net interest, net commissions and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the group (“external revenues”), and those deriving from transactions with other segments (“internal revenues”), the latter being identifiable solely with reference to the interest margin.

The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations and not reclassified based on IFRS5.

| BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT | 31 DECEMBER 2011 | | | | | 31 DECEMBER 2010 | | | | |
|---|------------------|-----------------|-------------------|--------------|----------------|------------------|-----------------|-------------------|--------------|----------------|
| | AFFLUENT CHANNEL | PRIVATE CHANNEL | CORPORATE CHANNEL | GIL | TOTAL | AFFLUENT CHANNEL | PRIVATE CHANNEL | CORPORATE CHANNEL | GIL | TOTAL |
| <i>(€ thousand)</i> | | | | | | | | | | |
| NET INTEREST INCOME | 8,734 | 5,925 | 34,374 | 26 | 49,059 | 5,077 | 6,033 | 32,130 | 9 | 43,249 |
| Commission income | 175,208 | 109,116 | 42,307 | 28,512 | 355,144 | 169,078 | 103,651 | 73,532 | 27,108 | 373,369 |
| Commission expense | -84,978 | -37,556 | -19,339 | -21,782 | -163,655 | -84,431 | -41,227 | -29,779 | -19,953 | -175,390 |
| NET COMMISSIONS | 90,230 | 71,561 | 22,968 | 6,730 | 191,489 | 84,647 | 62,424 | 43,753 | 7,155 | 197,979 |
| Income (loss) of financial operations | 0 | 849 | -86,410 | -10 | -85,571 | 0 | 0 | -60,830 | | -60,830 |
| Dividends | 0 | 0 | 92,259 | | 92,259 | 0 | 0 | 73,990 | | 73,990 |
| NET BANKING INCOME | 98,964 | 78,334 | 63,192 | 6,746 | 247,236 | 89,724 | 68,457 | 89,043 | 7,164 | 254,388 |
| <i>(€ million)</i> | | | | | | | | | | |
| Assets under Management | 13,679 | 9,576 | 2,693 | 5,559 | 31,507 | 13,691 | 9,899 | 3,415 | 6,096 | 33,101 |
| Net inflows | 769 | 491 | n,a | n,a | 1,260 | 741 | 528 | n,a | n,a | 1,270 |
| Financial advisors/RMs | 1,154 | 317 | n,a | n,a | 1,471 | 1,192 | 307 | n,a | n,a | 1,499 |

Affluent Channel

| | 31.12.2011 | 31.12.2010 | CHANGE |
|---------------------------|---------------|---------------|--------------|
| Net interest | 8,734 | 5,077 | 72.0% |
| Net commissions | 90,230 | 84,647 | 6.6% |
| Net banking income | 98,964 | 89,724 | 10.3% |
| AUM | 13,679 | 13,691 | -0.1% |
| Net Inflows | 769 | 741 | 3.7% |
| Financial Advisors | 1,192 | 1,266 | -5.8% |
| AUM/FA | 11.48 | 10.81 | 6.1% |
| Inflows/FA | 0.65 | 0.59 | 10.2% |

At 31 December 2011, the AuM in this segment amounted to 13.7 billion euros, in line with the previous year, although net inflows, which stood at 0.8 billion euro, showed slight progress compared to 2010 (+3.7%).

During 2011, the net revenues generated by the segment reached 99.0 million euros (+10%), accounting for 40% of total consolidated net revenues.

The increase in net revenues, which amounted to approximately 10 million euros in absolute terms, was primarily due to the following:

- the increase in net interest (+3.7 million euros);
- the increase in net commissions (+6 million euros, owing in particular to the uptrend in management commissions).

Net revenues amounted to 0.72% of average AuM.

Private Channel

| | 31.12.2011 | 31.12.2010 | CHANGE |
|---------------------------|---------------|---------------|--------------|
| Net interest | 5,925 | 6,033 | -1.8% |
| Net commissions | 71,561 | 62,424 | 14.6% |
| Net banking income | 78,334 | 68,457 | 14.4% |
| AUM | 9,576 | 9,899 | -3.3% |
| Net Inflows | 491 | 528 | -7.1% |
| Financial Advisors | 307 | 298 | 3.0% |
| AUM/FA | 31.19 | 33.22 | -6.1% |
| Inflows/FA | 1.60 | 1.77 | -9.8% |

At 31 December 2011, the AuM in this segment amounted to 9.6 billion euros, down moderately compared to the previous year (-3.3%), with net inflows of 0.5 billion euros, also down compared to 2010 (-7.1%).

Despite the decrease in AuM at year-end, the average AuM for 2011, 9.7 billion euros, increased compared to the previous year by approximately 0.2 billion euros.

During 2011, the net revenues generated by the seg-

ment reached 78.3 million euros (+14.4%), owing to the increase in management commissions and the simultaneous decline in commission expense, due in particular to sale and recruitment incentives.

The contribution to total consolidated net revenues was 31.7%.

Net revenues totalled 0.8% of average AuM, up compared to 2010.

Corporate Channel

| | 31.12.2011 | 31.12.2010 | CHANGE |
|---------------------------|---------------|---------------|---------------|
| Net interest | 34,374 | 32,130 | 7.0% |
| Net commissions | 22,968 | 43,753 | -47.5% |
| Net banking income | 63,192 | 89,043 | -29.0% |
| AuM | 2,693 | 3,415 | -21.1% |
| Net Inflows | n.a. | n.a. | n.a. |
| Financial Advisors | n.a. | n.a. | n.a. |

At 31 December 2011, the AuM in this segment amounted to 2.7 billion euros, down compared to the previous year (-21.1%). The aggregate includes 1.2 billion euros in assets under administration (direct and indirect inflows) from Generali Group companies, whereas the remainder refers to Italian and international assets under management not attributable to the Banca Generali distribution network (e.g., the Simgenia network). It also includes profit and loss components not directly attributable to distribution network activity on the basis of the other two sectors, such as the performance commissions collected

by the Group in its asset management operations.

During 2011, the net revenues generated by this segment reached 63.2 million euros, marking a decline of 20.8 million euros compared to the previous year (-29.0%), chiefly attributable to the dramatic decline in performance commissions. In 2010, commission expense also included a non-recurring item of 11.3 million euros attributable to BSI S.A.

The contribution to total consolidated net revenues was 25.6%.

8. Comments on the Parent Company's Operations

Considering the Banca Generali Group's operating structure, the report on consolidated figures better meets the needs of valid representation of earnings and financial position performance than an analysis of the Bank's aggregates alone.

Accordingly, these comments complete the consolidated information to which primary reference should be made.

8.1 Profit and Loss Results

Net profit of Banca Generali for 2011 reached 68.6 million euros, down compared to 106.9 million euros recognised in the previous year, mainly due to lower dividends distributed by the subsidiaries.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|-----------------|-----------------|----------------|---------------|
| | | | AMOUNT | % |
| Interest income | 78,963 | 56,444 | 22,519 | 39.9% |
| Interest expense | -30,932 | -13,737 | -17,195 | 125.2% |
| Net interest | 48,031 | 42,707 | 5,324 | 12.5% |
| Commission income | 218,585 | 213,343 | 5,242 | 2.5% |
| Commission expense | -125,190 | -141,121 | 15,931 | -11.3% |
| Net commissions | 93,395 | 72,222 | 21,173 | 29.3% |
| Dividends | 92,259 | 73,990 | 18,269 | 24.7% |
| Net result from banking operations | -85,561 | -60,841 | -24,720 | -40.6% |
| Net operating income | 148,124 | 128,078 | 20,046 | 15.7% |
| Staff expenses | -53,764 | -51,722 | -2,042 | 3.9% |
| Other general and administrative expense | -72,728 | -70,804 | -1,924 | 2.7% |
| Net adjustments of property, equipment and intangible assets | -3,484 | -3,462 | -22 | 0.6% |
| Other operating expense/income | 8,967 | 8,271 | 696 | 8.4% |
| Net operating expense | -121,009 | -117,717 | -3,292 | 2.8% |
| Operating profit | 27,115 | 10,361 | 16,754 | 161.7% |
| Net adjustments for non-performing loans | -1,961 | -1,845 | -116 | 6.3% |
| Net adjustments of other assets | -3,816 | -2,390 | -1,426 | 59.7% |
| Net provisions | -10,267 | -18,473 | 8,206 | -44.4% |
| Gains (losses) of equity investments | 64,459 | 115,455 | -50,996 | -0.44 |
| Gains (losses) from the disposal of equity investments | -1 | 0 | -1 | n.a. |
| Operating profit before taxation | 75,529 | 103,108 | -27,579 | -26.7% |
| Income taxes | -6,906 | 3,824 | -10,730 | -280.6% |
| Net profit | 68,623 | 106,932 | -38,309 | -35.8% |

Net operating income, reclassified to exclude dividends on equity investments, increased by 20.0 million euros (+15.7%) compared to the profit and loss situation at 31 December 2010, owing to the significant contribution provided by net commissions (+29.3%) and net interest (+12.5%), offset solely by the decline in the net result from banking operations, including dividends not associated with equity investments, which fell from 13.1 to 6.7 million euros (-6.5 million euros or -49.2%).

Net interest stood at 48.0 million euros, up by 5.3 million euros (+12.5%) compared to 2010, owing to the combined effect of the increase in investments in fi-

ancial assets, especially in the fourth quarter of the year, and the rise in interest rates, despite a significant increase in cost of inflows (+125.2%).

Net commissions amounted to 93.4 million euros, up by 21.2 million euros compared to the previous year (29.3%), owing to the increase in commissions on placement and the solicitation of investment (+14.5 million euro or 8.3%) and the simultaneous decrease in commissions remitted to the distribution network (-12.0 million euros or 9.2%), influenced in the previous year by transactions associated with the tax amnesty.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|----------------|----------------|----------------|---------------|
| | | | AMOUNT | % |
| Asset management | 0 | 0 | 0 | n.a. |
| Placement of securities and UCITs | 109,831 | 96,576 | 13,255 | 13.7% |
| Distribution of third-party fin. products | 79,137 | 77,884 | 1,253 | 1.6% |
| Securities and currencies trading commissions | 16,980 | 19,280 | -2,300 | -11.9% |
| Order collection, custody, and securities administration | 6,279 | 13,569 | -7,290 | -53.7% |
| Collection and payment services | 1,900 | 2,069 | -169 | -8.2% |
| Other services | 4,458 | 3,965 | 493 | 12.4% |
| Total commission income | 218,585 | 213,343 | 5,242 | 2.5% |
| Commissions for external offer | 119,163 | 131,169 | -12,006 | -9.2% |
| Collection and payment services | 889 | 853 | 36 | 4.2% |
| Dealing in securities and custody | 3,926 | 7,563 | -3,637 | -48.1% |
| Asset management | 0 | 0 | 0 | 0.0% |
| Other commissions | 1,212 | 1,536 | -324 | -21.1% |
| Total commission expense | 125,190 | 141,121 | -15,931 | -11.3% |
| Net commissions | 93,395 | 72,222 | 21,173 | 29.3% |

The **profit (loss) of financial operations** consists of the net profit or loss from the trading of and fair-value accounting for financial assets and liabilities held for trading, profits and losses from the trading of financial assets allocated to portfolios measured at amortised cost (AFS, HTM and Loans), dividends on equity securi-

ties allocated to the trading and AFS portfolios and any net profit or loss from hedging. At the end of 2011, the aggregate presented a positive contribution of 6.7 million euros, down from the 13.1 million euros reported at the end of the previous year (-6.4 million euros).

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|--------------|---------------|---------------|---------------|
| | | | AMOUNT | % |
| Dividends from trading | 91,609 | 73,468 | 18,141 | 24.7% |
| Trading of financial assets and equity derivatives | -86,925 | -70,927 | -15,998 | 22.6% |
| Trading of financial assets and derivatives on debt securities and interest rates | -142 | -2,628 | 2,486 | -94.6% |
| Trading of UCIT units | -1,456 | 569 | -2,025 | -355.9% |
| Securities transactions | 3,086 | 482 | 2,604 | 540.2% |
| Currency and currency derivative transactions | 940 | 1,957 | -1,017 | -52.0% |
| Net profit from trading operations | 4,026 | 2,439 | 1,587 | 65.1% |
| Dividends from AFS assets | 650 | 522 | 128 | 24.5% |
| Gains and losses on equity securities | 20 | 70 | -50 | -71.4% |
| Gains and losses on AFS and HTM debt securities and loans | 2,002 | 10,118 | -8,116 | -80.2% |
| Income (loss) of financial operations | 6,698 | 13,149 | -6,451 | -49.1% |

Net operating expense amounted to 121.0 million euros, up by 3.3 million (+2.8%) compared to the situation for the previous year.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|-----------------|-----------------|---------------|-------------|
| | | | AMOUNT | % |
| Staff expenses | -53,764 | -51,722 | -2,042 | 3.9% |
| Other general and administrative expense | -72,728 | -70,804 | -1,924 | 2.7% |
| Net adjustments of property, equipment and intangible assets | -3,484 | -3,462 | -22 | 0.6% |
| Other income and expenses | 8,967 | 8,271 | 696 | 8.4% |
| Operating expense | -121,009 | -117,717 | -3,292 | 2.8% |

The number of **employees** remained substantially stable at 686, slightly down compared to the end of the previous year (-13 employees).

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|------------------------------|------------|------------|------------|--------------|
| | | | AMOUNT | % |
| Managers | 38 | 36 | 2 | 5.6% |
| 3rd and 4th level executives | 100 | 105 | -5 | -4.8% |
| 1st and 2nd level executives | 58 | 57 | 1 | 1.8% |
| Other employees | 490 | 501 | -11 | -2.2% |
| Total | 686 | 699 | -13 | -1.9% |

In this scenario, staff expenses, including full-time employees, interim staff and directors, increased by 2.0 million euros (+3.9%) owing to the lower cost of stock-option plans and the decrease in allocations for productivity bonuses.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|---------------|---------------|--------------|---------------|
| | | | AMOUNT | % |
| 1) Employees | 51,656 | 50,271 | 1,385 | 2.8% |
| Wages and salaries and social security charges | 38,748 | 38,312 | 436 | 1.1% |
| Provisions for termination indemnity and contributions to outside supplemental pension funds | 3,691 | 3,636 | 55 | 1.5% |
| Costs related to payment agreements based on own financial instruments | 162 | -123 | 285 | -231.7% |
| Production bonuses and short-term incentives | 6,108 | 6,340 | -232 | -3.7% |
| Other long-term incentives | 1,031 | 334 | 697 | 208.7% |
| Other employee benefits | 1,916 | 1,772 | 144 | 8.1% |
| 2) Seconded staff from and to other companies and other employees | -680 | -509 | -171 | 33.60% |
| 3) Directors and Auditors | 2,788 | 1,960 | 828 | 42.24% |
| Total | 53,764 | 51,722 | 2,042 | 3.9% |

Other **general and administrative expense** amounted to 72.7 million euros, a slight increase of 1.9 million euros (+2.7%), compared to the previous year.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|---------------|---------------|--------------|--------------|
| | | | AMOUNT | % |
| Administration | 10,908 | 11,428 | -520 | -4.6% |
| Advertising | 3,537 | 3,465 | 72 | 2.1% |
| Consultancy and professional advice expense | 3,224 | 3,864 | -640 | -16.6% |
| Auditing | 288 | 470 | -182 | -38.7% |
| Insurance | 2,791 | 2,724 | 67 | 2.5% |
| Other general costs (insur. T&E) | 1,068 | 905 | 163 | 18.0% |
| Operations | 27,549 | 28,222 | -673 | -2.4% |
| Rent and usage of premises | 13,965 | 13,918 | 47 | 0.3% |
| Outsourced services (administrative, back office) | 3,332 | 3,496 | -164 | -4.7% |
| Post and telephone | 1,895 | 2,622 | -727 | -27.7% |
| Print material and contracts | 822 | 771 | 51 | 6.6% |
| Other operating expenses | 7,535 | 7,415 | 120 | 1.6% |
| Information system and equipment | 25,357 | 23,576 | 1,781 | 7.6% |
| Outsourced IT services | 17,386 | 15,455 | 1,931 | 12.5% |
| Fees for financial databases and other IT services | 3,326 | 3,942 | -616 | -15.6% |
| Software maintenance and servicing | 3,710 | 3,148 | 562 | 17.9% |
| Other expenses (equipment rental, maintenance, etc.) | 935 | 1,031 | -96 | -9.3% |
| Taxes and duties | 8,914 | 7,578 | 1,336 | 17.6% |
| Total other general and administrative expense | 72,728 | 70,804 | 1,924 | 2.7% |

Other net operating income and charges showed an increase of 0.7 million euros compared to the previous year, attributable to the increase in taxes recovered from clients related to the new tax provisions governing stamp duty on securities portfolios introduced by the summer manoeuvre (Legislative Decree 98/2011), offset by the increase in indemnities related to disputes and the lower incidence of adjustments of costs and revenues from previous years.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|--------------|--------------|------------|-------------|
| | | | AMOUNT | % |
| Fees for outsourced services | 988 | 891 | 97 | 110.7% |
| Recoveries from customers | 8,491 | 6,901 | 1,590 | 70.5% |
| Indemnities and recovery from advisors | 912 | 1,011 | -99 | 147.2% |
| Net indemnities from disputes and claims | -992 | -573 | -419 | 4623.8% |
| Charges from accounting adjustments with customers | -290 | -338 | 48 | 94.6% |
| Adjustments of leasehold improvements | -749 | -803 | 54 | 107.5% |
| Costs associated with tax disputes, fees and penalties | -23 | -201 | 178 | 0.0% |
| Other income and expenses | 630 | 1,383 | -753 | 3.6% |
| Other net operating income | 8,967 | 8,271 | 696 | 51.6 |

Operating income, net of dividends on equity investments amounted to 27.1 million euros, an increase of 16.8 million euros compared to the previous year (+161.7%).

Dividends paid by banking group companies, restated among gains of equity investments, totalled 64.5 million euros, down from the 115.4 million euros reported in the previous year, due in part to the effect of the decrease in the dividend distribution by the Luxembourg subsidiary GFM from 60 million euros to 44.3 million euros.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---------------|---------------|----------------|----------------|----------------|
| | | | AMOUNT | % |
| BG SGR | 2,995 | 9,015 | -6,020 | -66.8% |
| GFM | 61,464 | 106,190 | -44,726 | -42.1% |
| BG Fiduciaria | 0 | 250 | -250 | -100.0% |
| Total | 64,459 | 115,455 | -50,996 | -44.17% |

Operating profit before taxation amounted to 75.5 million euros, a decrease of 27.6 million euros compared to the balance at 31 December 2010, after subtracting adjustments for the impairment of loans of 2.0 million euros, adjustments for the impairment of financial assets of 3.8 million euros and, lastly, net provisions of 10.3 million euros.

Taxes for the year on a current and deferred basis have been estimated at 6.9 million euros.

During the year, the Bank redeemed goodwill, carried at the consolidated level only, associated with the investee BG Fiduciaria SIM, on the basis of a specific provision of

the summer tax manoeuvre (the new Article 15, paragraph 10-ter of Legislative Decree 185/08, introduced by Legislative Decree 98/11). The above transaction resulted in a net tax benefit of 0.7 million euros, deriving from the difference between the substitute tax paid and the recognition of deferred tax assets associated with amortisation eligible for deduction starting in 2013.

If such non-recurring components are excluded, taxes for the year amounted to 7.6 million euros, bringing the tax rate to 11.1% as a result of the decisive weight of the share of dividends on investments excluded from the IRES tax base.

| INCOME COMPONENTS/VALUES | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|---------------|--------------|----------------|----------------|
| | | | AMOUNT | % |
| Substitute tax for redemptions | -686 | -5,984 | 5,298 | -88.5% |
| Relevant deferred tax receivables and payables | 1,378 | 12,276 | -10,898 | -88.8% |
| Net effect of redemption | 692 | 6,292 | -5,600 | -89.0% |
| Current taxation | -9,156 | -3,536 | -5,620 | 158.9% |
| Current taxes for prior years | 1,175 | -213 | 1,388 | -651.6% |
| Deferred tax receivables and payables | 383 | 1,281 | -898 | -70.1% |
| Taxes for the year | -6,906 | 3,824 | -10,730 | -280.6% |

8.2 Balance sheet figures

| ASSETS | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|-------------------|-------------------|----------------|--------------|
| <i>(€ thousand)</i> | | | AMOUNT | % |
| Financial assets held for trading | 34,925 | 119,554 | -84,629 | -70.8% |
| AFS financial assets | 1,318,944 | 1,533,227 | -214,283 | -14.0% |
| Assets held to maturity (HTM) | 1,415,700 | 608,118 | 807,582 | 132.8% |
| Loans to banks (*) | 543,541 | 447,827 | 95,714 | 21.4% |
| Loans to customers | 948,834 | 824,562 | 124,272 | 15.1% |
| Equity investments | 39,417 | 39,417 | 0 | 0.0% |
| Property, equipment and intangible assets | 40,121 | 40,718 | -597 | -1.5% |
| Tax receivables | 69,348 | 64,605 | 4,743 | 7.3% |
| Other assets | 87,788 | 71,228 | 16,560 | 23.2% |
| Total assets | 4,498,618 | 3,749,256 | 749,362 | 20.0% |

(*) Demand deposits to ECB are included.

| NET EQUITY AND LIABILITIES | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|-------------------|-------------------|----------------|--------------|
| <i>(€ thousand)</i> | | | AMOUNT | % |
| Due to banks | 1,070,858 | 450,208 | 620,650 | 137.9% |
| Due to customers | 3,070,157 | 2,929,876 | 140,281 | 4.8% |
| Financial liabilities held for trading | 1,737 | 6,502 | -4,765 | -73.3% |
| Tax payables | 1,931 | 3,119 | -1,188 | -38.1% |
| Other liabilities | 81,328 | 72,173 | 9,155 | 12.7% |
| Special purpose provisions | 61,237 | 54,880 | 6,357 | 11.6% |
| Valuation reserves | -56,341 | -23,712 | -32,629 | 137.6% |
| Reserves | 84,429 | 38,575 | 45,854 | 118.9% |
| Additional paid-in capital | 3,231 | 0 | 3,231 | 0.0% |
| Share capital | 111,676 | 111,363 | 313 | 0.3% |
| Treasury shares (-) | -248 | -660 | 412 | -62.4% |
| Net profit (loss) for the year (+/-) | 68,623 | 106,932 | -38,309 | -35.8% |
| Total net equity and liabilities | 4,498,618 | 3,749,256 | 749,362 | 20.0% |

Direct inflows from customers amounted to 3,070.0 million euros, up by 140.3 million euros (+4.8%) compared to the balance at 31 December 2010, owing also to the new commercial policy hinged on offering high-yield deposit accounts and repurchase agreements, which allowed outflows from traditional accounts to be offset.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|------------------|------------------|----------------|-------------|
| | | | AMOUNT | % |
| Current accounts | 2,528,676 | 2,685,716 | -157,040 | -5.8% |
| Repurchase agreements | 101,764 | 67,469 | 34,295 | 50.8% |
| Term deposits | 344,262 | 78,400 | 265,862 | 339.1% |
| Subordinated loan | 32,385 | 40,412 | -8,027 | -19.9% |
| Other debts | 63,070 | 57,690 | 5,380 | 9.3% |
| Total due to customers (item 20) | 3,070,157 | 2,929,687 | 140,470 | 4.8% |
| Securities issued | 0 | 189 | -189 | -100.0% |
| Total inflows from customers | 3,070,157 | 2,929,876 | 140,281 | 4.8% |

Core loans totalled 4.3 billion euros and increased by 728.7 million euros compared to 31 December 2010.

In further detail, investments in securities allocated to the various IAS portfolios amounted to 3,008.1 million euros, up by 457.2 million euros compared to the previ-

ous year (+17.9%) and loans to customers increased considerably by 193.0 million euros (+31.7%) due to the expansion of mortgage operations with customers and current account credit facilities.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|------------------|------------------|-----------------|---------------|
| | | | AMOUNT | % |
| Financial assets held for trading | 34,925 | 119,554 | -84,629 | -70.8% |
| AFS financial assets | 1,318,944 | 1,533,227 | -214,283 | -14.0% |
| Financial assets held to maturity (HTM) | 1,415,700 | 608,118 | 807,582 | 132.8% |
| Loans to banks | 543,541 | 447,827 | 95,714 | 21.4% |
| Financing | 368,608 | 271,545 | 97,063 | 35.7% |
| Operating loans | 428 | 980 | -552 | -56.3% |
| Debt securities | 174,505 | 175,302 | -797 | -0.5% |
| Loans to customers | 948,834 | 824,562 | 124,272 | 15.1% |
| Financing | 801,490 | 608,469 | 193,021 | 31.7% |
| Life insurance participating policy | 20,584 | 30,558 | -9,974 | -32.6% |
| Operating loans and other loans | 62,694 | 70,798 | -8,104 | -11.4% |
| Debt securities | 64,066 | 114,737 | -50,671 | -44.2% |
| Total core loans | 4,261,944 | 3,533,288 | 728,656 | 20.6% |

In the loans to customers portfolio, doubtful loans totalled 31.6 million euros, representing 3.94% of net exposure, and consisted largely of non-performing positions from Banca del Gottardo Italia's portfolio, and covered in its entirety by a guarantee of reimbursement provided by BSI upon the sale of the company.

At the end of 2011, **net interbank position** amounted to -702.3 million euros, marking a change of 523.6 million euros compared to the situation at 31 December 2010.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---------------------------------|------------------|-----------------|-----------------|------------------|
| | | | AMOUNT | % |
| 1. Repayable on demand | 298,924 | 188,524 | 110,400 | 58.6% |
| Demand deposit with ECB | 60,000 | 0 | 60,000 | n.a. |
| . Demand deposits | 169,431 | 128,000 | 41,431 | 32.4% |
| . Transfer accounts | 69,493 | 60,524 | 8,969 | 14.8% |
| 2. Time deposits | 69,684 | 83,021 | -13,337 | -16.1% |
| . Deposits with central banks | 10,341 | 11,680 | -1,339 | -11.5% |
| . Term deposits | 59,343 | 71,341 | -11,998 | -16.8% |
| Total loans to banks | 368,608 | 271,545 | 97,063 | 35.7% |
| 1. Due to central banks | 500,696 | 0 | 500,696 | n.a. |
| 2. Due to banks | 570,162 | 450,208 | 119,954 | 26.6% |
| Transfer accounts | 1,259 | 35,873 | -34,614 | -96.5% |
| Term deposits | 10,082 | 9,391 | 691 | 7.4% |
| Financing | 538,625 | 382,950 | 155,675 | 40.7% |
| - Repurchase agreements | 538,625 | 382,950 | 155,675 | 40.7% |
| - Other | 0 | 0 | 0 | n.a. |
| Other debts | 20,196 | 21,994 | -1,798 | -8.2% |
| Total inflows from banks | 1,070,858 | 450,208 | 620,650 | 137.9% |
| Net interbank position | -702,250 | -178,663 | -523,587 | 293.1% |
| Debt securities | 174,505 | 175,302 | -797 | -0.5% |
| Other operating loans | 428 | 980 | -552 | -56.3% |
| Total interbank position | -527,317 | -2,381 | -524,936 | 22,046.9% |

The portfolio of **equity investments** amounted to 39.4 million euros and was unchanged compared to the previous year.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---------------------------------|---------------|---------------|----------|-------------|
| | | | AMOUNT | % |
| BG Fiduciaria Sim S.p.A. | 11,779 | 11,779 | 0 | 0.0% |
| BG Sgr S.p.A. | 25,393 | 25,393 | 0 | 0.0% |
| Generfid S.p.A. | 245 | 245 | 0 | 0.0% |
| Generali Fund Management S.A. | 2,000 | 2,000 | 0 | 0.0% |
| Total equity investments | 39,417 | 39,417 | 0 | 0.0% |

Funds allocated to cover specific liabilities and contingencies totalled 61.2 million euros, up by 6.4 million euros (+11.6%) compared to the restated balance sheet figures at 31 December 2010, primarily due to the greater allocations for personnel (+58.5%) and legal disputes (+24.0%).

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---|---------------|---------------|--------------|--------------|
| | | | AMOUNT | % |
| Provision for termination indemnity | 3,041 | 3,379 | - 338 | -10.0% |
| Other provisions for risks and charges | 58,195 | 51,501 | 6,694 | 13.0% |
| Provision for staff expenses | 8,961 | 5,653 | 3,308 | 58.5% |
| Provisions for legal disputes | 11,179 | 9,016 | 2,163 | 24.0% |
| Provisions for FA contract indemnities | 9,156 | 11,717 | - 2,561 | -21.9% |
| Provision for risks related to network development incentives | 28,899 | 24,794 | 4,105 | 16.6% |
| Other provisions for risks and charges | - | 321 | - 321 | -100.0% |
| Total provisions | 61,237 | 54,880 | 6,357 | 11.6% |

8.3 Net equity and capital for regulatory purposes

At 31 December 2011, Banca Generali's net equity, including net profit for the year, amounted to 211.4 million euros, down by 21.1 million euros compared to the situation presented in the financial statements at and for the year ended 31 December 2010.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|-----------------------------------|----------------|----------------|----------------|--------------|
| | | | AMOUNT | % |
| 1. Share capital | 111,676 | 111,363 | 313 | 0.3% |
| 2. Additional paid-in capital | 3,231 | 0 | 3,231 | n.a. |
| 3. Reserves | 84,430 | 38,575 | 45,855 | 118.9% |
| 4. (Treasury shares) | -248 | -660 | 412 | -62.4% |
| 5. Valuation reserves | -56,341 | -23,712 | -32,629 | 137.6% |
| 6. Equity instruments | 0 | | 0 | n.a. |
| 7. Net profit (loss) for the year | 68,623 | 106,932 | -38,309 | -35.8% |
| Total net equity | 211,371 | 232,498 | -21,127 | -9.1% |

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

| | |
|--|----------------|
| Net equity at year-start | 232,498 |
| Dividend paid | -61,327 |
| Previous stock option plans: issue of new shares | 3,110 |
| New stock option plans | 1,096 |
| Other changes | 0 |
| Change in AFS reserves | -32,629 |
| Net profit (loss) for the year | 68,623 |
| Net equity at year-end | 211,371 |
| Changes | -21,127 |

Capital for regulatory purposes amounted to 198.5 million euros at 31 December 2011, on the basis of projected total dividends to be distributed of 61.4 million euros.

The increase in the aggregate of 5.5 million euros was due not only to the share of the net profit for the year allocated to the reserve (7.2 million euros), but also increases in capital caused by old and new stock-option plans (4.2 million euros), which allowed the redemption of the first tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros) to be offset in its entirety.

By contrast, the abolition of the negative prudential filter introduced to partially sterilise the long-term tax benefits arising from the goodwill redemption transactions undertaken pursuant to Article 15 of Legislative Decree 185/2008 was partly offset by the increase in negative AFS reserves.

The excess capital above the minimum capital requirements for risks set by the Oversight Authority amounted to 94.2 million euros, down compared to the previous year due to the greater capital absorbed by the credit risk, also associated with Italy risk and operating requirements.

Total capital ratio amounted to 15.2%, compared to a minimum requirement of 8%, net of the lump-sum reduction of 25% required by the new regulations (Basel 2) for banks belonging to banking groups.

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

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE |
|--|----------------|----------------|--------------|
| Tier 1 capital | 166,908 | 153,414 | 13,494 |
| Tier 2 capital | 31,591 | 39,591 | -8,000 |
| Tier 3 capital | 0 | 0 | 0 |
| Total capital for regulatory purposes | 198,499 | 193,005 | 5,494 |
| B.1 CREDIT RISK | 99,266 | 88,508 | 10,758 |
| B.2 MARKET RISKS | 7,861 | 9,349 | -1,488 |
| B.3 OPERATING RISK | 31,996 | 28,029 | 3,967 |
| B.4 OTHER PRUDENTIAL REQUIREMENTS | 0 | 0 | 0 |
| Lump-sum deduction | -34,781 | -31,472 | -3,309 |
| B.4 TOTAL PRUDENTIAL REQUIREMENTS | 104,342 | 94,414 | 9,928 |
| EXCESS OVER PRUDENTIAL REQUIREMENTS | 94,157 | 98,591 | -4,434 |
| Overall committed capital | 52.57% | 48.92% | 3.65% |
| Excess capital | 47.43% | 51.08% | -3.65% |
| Risk-weighted assets | 1,304,275 | 1,180,175 | 141,829 |
| Tier 1 capital/Risk-weighted assets | 12.80% | 13.00% | |
| (Tier 1 capital ratio) | | | |
| Regulatory capital/Risk-weighted assets (Total capital ratio) | 15.22% | 16.35% | |

8.4 Cash Flows

At the end of 2011, operating activities had generated a total of 858 million euros in cash, in contrast with the cash outflows recorded in 2010 and the first half of 2011.

This performance was essentially due to the net increase in net amounts due to banks by 580 million euros, chiefly a result of the Bank's participation in the recent refinancing auctions held by the ECB, which allowed the Bank to obtain 500 million euros in new resources, of which 60 million euros were still held in overnight deposits with the European Central Bank at 31 December 2011.

Net of that effect, operating activities, adjusted for dividends from equity investments, generated 9.7 million

euros in cash, whereas the simultaneous decline in amounts due to customers and the increase in loans to customers resulted in an additional modest net outflow of 19.6 million euros.

The liquidity thus generated was used in by investing activities, which used 733.5 million euros in net cash owing to the considerable investments in the portfolio of assets held to maturity (795 million euros).

The dividends collected from the Group's equity investments (64.5 million euros) also covered all of its financing activity, which used 58.2 million euros, chiefly attributable to dividends paid.

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|-----------------|-----------------|
| Cash flows generated by operations: | 6,742 | -1,988 |
| Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities | 240,343 | 17,085 |
| Cash flows generated by (+) used for (-) loans to banks | -36,442 | 133,733 |
| Cash flows generated by (+) used for (-) loans to customers | -129,739 | -86,530 |
| Cash flows generated by (+) used for (-) amounts due to banks | 616,271 | 301,578 |
| Cash flows generated by (+) used for (-) amounts due to customers | 149,384 | -455,973 |
| Cash flows generated by (+) used for (-) other operating assets and liabilities | 11,217 | -31,796 |
| Liquidity generated by/used for operating activities | 857,777 | -123,892 |
| Liquidity generated by/used for investing activities | -733,555 | 174,263 |
| Liquidity generated by/used for financing activities | -58,217 | -49,559 |
| Net cash liquidity generated/used | 66,005 | 812 |
| Cash and deposits | 73,955 | 7,950 |

8.5 Other information

Privacy obligations

In accordance with Legislative Decree 196/2003 "Personal Data Protection Code", in March 2011, the Bank prepared the Programmatic Document on Security in accordance with the requirements specified in current data-protection regulations (Article 34 and Attachment B of Regulation 19 "Technical Regulations Concerning Minimum Requirements for Security Measures" of Legislative Decree 196/2003).

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

It should also be noted that Legislative Decree 5/2012 (known as the "Simplification Decree") containing urgent measures relating to simplification and development repealed the obligation to draft or update the Security Plan.

9. Performance of Subsidiary Companies

9.1 Performance of BG SGR

BG SGR, a management company specialising in mutual funds and managed portfolios, reported 2.0 million euros in net profit, down compared to 3.0 million euros at the end of 2010; net equity amounted to approximately 29.2 million euros and total balance sheet assets to 37.5 million euros.

During 2011 the company underwent two reorganisation transactions that will result in the discontinuation of its operation in 2012:

- on 27 September 2011, the company's board of directors approved the resolution authorising the sale of the collective asset management business unit to the related party Generali Investments Italy SGR;
- on 14 December 2011, the boards of directors of the company and its Parent Company, Banca Generali, approved the plan for the merger of BG SGR into Banca Generali.

Both transactions will be carried out after the authorisation of the Bank of Italy and will enter into effect in April 2012, as regards the sale of the business unit, and in September 2012, as regards the merger.

Following the above transactions, the remaining activities of BG SGR, namely portfolio management, will be transferred to a specialised division of Banca Generali and the management of the Alleanza Alto funds, which were previously promoted by Alleanza SGR and now by Generali Investments Italy SGR, will also be discontinued.

Accordingly, in compliance with IFRS 5, in its 2011 financial statements the company has reclassified to separate line items the amounts of the assets and liabilities of the business unit sold and separated out the associated earnings, net of the tax effect, from the profit from current operations.

At the end of 2011 net interest amounted to 9.5 million euro, down from the 16.4 million euro recorded at the end of 2010 (-6.9 million euro).

Operating expenses amounted to 10.4 million euros, of which 5.8 million euros for personnel, down compared to 11.5 million euros for 2010 (-0.9 million euros).

Profit from discontinued operations, net of the tax effect, totalled 1.8 million euros, down from the 2.6 million euros reported at the end of 2010 (-0.8 million euros).

Finally, net profit for the year was significantly influenced by the tax redemption of goodwill recognised in early 2010 during the acquisition of the former BSI Italia S.p.A. portfolio management business unit, with a positive overall impact on the tax charge of 1.0 million euros.

Total assets under management at 31 December 2011 amounted to 3,437 million euros, with a reduction compared to 4,097 million euros at 31 December 2010.

The above figure also includes assets under management relating to the Italian funds sold of approximately 370 million euros (487 million euros at 31 December 2010) and 929 million euros relating to assets associated with the management mandate for the Alleanza Alto funds.

The price of sale of the business unit was set at 5.5 million euros, of which 5.2 million euros in goodwill and 0.3 million in the surplus of assets over liabilities. The value of the business unit was determined based on an appraisal conducted by an external independent advisor, appended to the transaction disclosure document.

9.2 Performance of BG Fiduciaria SIM

BG Fiduciaria, specialised in individual portfolio management in the form of securities and funds, primarily through trusts, ended 2011 with a net profit of 1.3 million euros, down from 1.7 million euros in 2010, net equity of 10.2 million euros and total assets of 18.0 million euros.

Net banking income amounted to 4.4 million euros (4.8 million euros in 2010), whereas operating expense was 2.2 million euros, including about 1.3 million euros for staff expenses, in line with the previous year.

Assets under management amounted to 877 million euros, down compared to 1,024 million euros in 2010.

9.3 Performance of Generfid SpA

Generfid, a company specialising in custodian capacity of assets, closed financial year 2011 with 136 thousand euros in net profit and net equity amounting to about 526 thousand euros.

Net banking income amounted to 418 thousand euros, whereas general and administrative expense was 229 thousand euros. Assets under management amounted to 597 million euros, compared to 541 million euros at the end of 2010.

9.4 Performance of Generali Fund Management SA

Generali Fund Management SA is a Luxembourg company specialised in the administration and management of SICAVs. The Group owns 51% of the share capital, while the remaining 49% is owned by Generali Investments Italy, a Generali Group company. The two shareholdings are treated differently with respect to earnings distributions; in 2011, Banca Generali was allocated 94.0% of the net result of the company.

Generali Fund Management SA ended 2011 with a net profit of 69.6 million euros, down from 90 million euros at the end of 2010, net equity of approximately 46.3 million euros and total assets of 89.0 million euros.

In December 2011, the company paid Parent Company Banca Generali an advance dividend distribution amounting to 44.3 million euros (60 million euros in 2010).

Against net banking income of 82.0 million euro, down sharply from the 104.9 million euro reported in 2010, the company registered administrative expenses of 5.6 million euros, approximately 3.7 million euros of which consisted of staff expenses, in line with the previous year.

Assets under management amounted to 10,567 million euros at 31 December 2011, compared to 11,855 million at 31 December 2010. The amount includes the assets under management in connection to the activities of the merged company Generali Investments Luxembourg SA, which amounted to 5,559 million euros at 31 December 2011.

10. Purchase of Treasury Shares and Parent Company Shares

10.1 Treasury shares

At 31 December 2011, the Parent Company Banca Generali had 30,071 treasury shares having a total carrying value of 248 thousand euros with the following destinations:

- 20,000 shares arising from the merger of Banca BSI Italia S.p.A. allocated in service of the stock-option plan for the merged company's former chairman;
- 10,071 remaining shares for the stock-granting plan for the Financial Advisors of the former Prime Consult network, originally launched in 2001.

In connection with this item, a reserve for the purchase of treasury shares was created in accordance with Article 2357-ter of the Italian Civil Code.

During first half of the year, 40,000 option rights for the stock option plan of the merged company Banca BSI Italia were exercised by the assignee.

10.2 Parent Company's shares held

At 31 December 2011, Banca Generali held the following shares in the Parent Company, Assicurazioni Generali:

- 45,955 shares classified among financial assets available for sale, originally acquired in the service of two stock-option plans for the Chief Executive Officer for 2004 and 2005. The carrying amount is equal to the fair value of the shares, is 530 thousand euros, whereas the acquisition cost was 1,230 thousand euros;
- 15,899 shares classified as held for trading, purchased by the merged Banca BSI Italia under the authorisation granted at the time by the Shareholders' Meeting of the merged company Banca BSI Italia, in the capacity of fund charged with the repurchase of non-negotiable fractions of Assicurazioni Generali shares deriving from bonus share issues. The shares are carried at fair value in the amount of 183 thousand euros, net of impairment losses of 38 thousand euros recognised during the year.

Pursuant to Article 2359-bis of the Italian Civil Code, a restricted provision was allocated in the amount of 713 thousand euros in relation to the ownership of Parent Company shares.

11. Related Party Transactions

11.1 Disclosure of Related Party Transactions

On 12 March 2010, by virtue of the authority provided by Article 2391-bis of the Italian Civil Code, CONSOB issued Resolution No. 17221, Regulation Setting Forth Provisions Governing Related Party Transactions (subsequently amended by Resolution No. 17389 of 23 June 2010), which lays down the general principles to be followed by Italian companies with shares listed on regulated markets in Italy or other European Union Member States and companies with shares widely held among the public to a significant degree in order to ensure the transparency and propriety of transactions with related parties undertaken directly or through subsidiaries.

The rules call for:

- a) obligations to disclose related party transactions to shareholders and the market;
- b) the adoption of procedures by issuers in order to ensure the propriety of the process of undertaking related party transactions.

In accordance with the provisions of the above Regulation, during its session on 5 November 2010 Banca Generali's Board of Directors approved the Procedure for Related Party Transactions, which is available in the Corporate Governance section of Banca Generali's website at the website www.bancagenerali.com.

In detail, that procedure contemplated:

- the identification criteria for related parties pursuant to CONSOB resolution and IAS 24;
- the identification criteria for ordinary, moderately significant and highly significant related party transactions and the decision-making bodies competent to approve them;
- the periodic information flows regarding transactions with related parties from subsidiaries to the Parent Company and from the Parent Company to its control boards.

Transactions with parties that have powers of management, administration and control over the Bank and the Banking Group 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.

Information concerning the transactions and dealings of Banca Generali and the Banking Group with subsidiaries, the Parent Company, the Parent Company's subsidiaries and other related parties is presented in Part H of the Notes to the company and consolidated financial statements. Intragroup dealings are eliminated at the consolidated level.

It should also be noted that in Resolution No. 18049 of 23 December 2011, CONSOB introduced new, more systematic rules for the remuneration paid by listed companies, simplifying and rationalising previous provisions.

Within this context, the new Article 84-ter of the Rules for Issuers, adopted by CONSOB Resolution No. 11971/99, as amended, now calls for listed companies to provide a Remuneration Report prepared in accordance with the outline set out in the new Annex 3A including the following information at least 21 days prior to the scheduled date of the annual shareholders' meeting called to approve the financial statements:

- the shares in the Bank held by members of the Parent Company's administrative and control bodies, general managers and, in aggregate form, key management personnel, previously set out in Article 79 of the Rules for Issuers No. 11971/99;
- the compensation paid to members of the Bank's administrative and control bodies, general managers and, in aggregate form, key management personnel, along with the stock-option plans for members of administrative and control bodies, general managers and key management personnel, previously set out in Article 78 of CONSOB Resolution No. 11971/99, as amended.

Accordingly, the obligation to present that information in the Directors' Report on Operations and Explanatory Notes to the annual financial statements has been repealed.

11.2 Unusual, Atypical or Extraordinary Transactions

In 2011, no related-party transaction was carried out that could be defined as atypical or unusual, 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”, except those reported below.

During 2011, two company reorganisation transactions were launched in relation to the subsidiary BG SGR:

- on 27 September 2011, the board of directors of the subsidiary BG SGR approved the sale of the collective asset management business unit to the related party Generali Investments Italy SGR;
- on 14 December 2011, the boards of directors of the above-mentioned company and its Parent Company, Banca Generali, approved the plan for the merger of BG SGR into Banca Generali.

11.3 Company Managed and Coordinated by Assicurazioni Generali S.p.A.

Banca Generali belongs to the Assicurazioni Generali Group and is subject to the direction and coordination of Assicurazioni Generali S.p.A. pursuant to Article 2497-bis of the Italian Civil Code.

12. Banca Generali stock performance

Since 15 November 2006, Banca Generali's shares have been listed on the Borsa Italiana at a unit price of euro 8.00. At the end of 2011, Banca Generali stock was included in the FTSE Italia All-Share and FTSE Italia Mid Cap indices.

There was a high degree of volatility in international financial markets in 2011, and the second half of the year in particular was marked by uncertainties relating to the sovereign debt crisis in Europe, a situation that placed particular pressure on Italy in terms of both bond and equity markets.

Banca Generali shares were affected by the conflicted market situation. After an exceptionally strong start to the year, during which they climbed to a high of 11.56 euros a share on 13 May (marking a 28% increase compared to the beginning of the year), they then declined under the weight of the European sovereign debt crisis to reach a low of 6.265 euros per share on 12 September. The closing price at year end was 7.20 euros, marking a decrease of 20.5% compared to the beginning of the year. It should also be recalled that the 2011 performance followed the extremely strong showings of the previous two years, 2009 and 2010, in which share prices rose by 204.5% and 7.1%, respectively.

TABLE 1: MARKET PRICES OF BANCA GENERALI SHARES - SUMMARY

| (€) | 2008 | 2009 | 2009/08 | 2010 | 2010/09 | 2011 | 2011/10 |
|------------------------------|------------|------------|---------------|--------------|-------------|------------|---------------|
| Maximum | 6,780 | 8,738 | 28.9% | 9,650 | 10.4% | 11,560 | 19.8% |
| Minimum | 2,777 | 2,070 | -25.5% | 6,800 | 228.5% | 6,265 | -7.9% |
| Average | 4,652 | 7,400 | 59.1% | 8,359 | 13.0% | 8,798 | 5.3% |
| Period-end | 2,777 | 8,456 | 204.5% | 9,060 | 7.1% | 7,200 | -20.5% |
| Market capitalisation | 312 | 941 | 201.7% | 1.009 | 7.2% | 804 | -20.3% |

However, in 2011 Banca Generali outperformed the Italian market at large (FTSE MIB -25.2% and FTSE Mid-Cap -26.6%), and especially the sector indices of reference, namely those for the Italian banking sector (FTSE Italia All Share Banks -45.1%) and European banking sector (DJ EuroStoxx 600 -32.5%).

TABLE 2: PERFORMANCE OF THE MAIN STOCK INDICES

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------------|--------|--------|-------|--------|--------|
| FTSE MIB | -7.0% | -49.5% | 19.5% | -13.2% | -25.2% |
| FTSE Italia Mid Cap | -14.2% | -48.6% | 23.6% | -2.9% | -26.6% |
| FTSE Italia Banks (All Shr) | nd | nd | 27.1% | -31.1% | -45.1% |
| DJ EuroStoxx 600 | -0.2% | -45.6% | 28.0% | 8.6% | -11.3% |
| DJ EuroStoxx 600 Banks | -16.9% | -64.4% | 46.9% | -11.6% | -32.5% |

In 2011, trading volumes amounted to 4.18 million on a monthly basis (195,847 on a daily basis), with a peak of 6.74 million in August and a low of 2.29 million in November.

The Investor Relations office

Since listing, the activity of the Investor Relations office has been aimed at maintaining ongoing dialogue with the financial community and providing them with accurate information regarding the Bank's business strategies, operating performance and financial results.

During 2011, 213 meetings were organised with institutional investors representing 94 leading Italian and international management companies, marking a sharp increase in activity compared to the 140 meetings organised in the previous year.

In addition, in conjunction with the publication of the financial statement results each quarter, Banca Generali organised institutional presentations through conference calls in which top management illustrated financial results for the financial community and commented on major strategic and commercial initiatives.

Lastly, it should be noted that the recommendations of brokerage firms concerning Banca Generali stock were highly positive at 31 December 2011, with 90% of total coverage presenting a recommendation of a positive/neutral nature.

13. Products and Marketing

During a year characterised by severe financial market volatility and the European sovereign debt crisis, marketing activity focused, on the one hand, on constantly improving customer service levels through timely, clear account statements and the launch of new mobility services and, on the other, on achieving the greatest possible diversification of the investment solutions offered, from liquidity management (through the launch of a new deposit account and promotional repurchase agreements) to medium-/long-term investments with the protection of principal at maturity (protected-principal asset management and structured bonds) or the consolidation of the principal of life policies, within the multi-manager framework that has always set the Group's offerings apart.

Asset management

During 2011, the Group further developed BG Selection Sicav, the fund-of-funds platform that has been a landmark in the Italian asset management industry for more than three years.

The product range was expanded to include five additional sub-funds with differentiated management styles: three flexible sub-funds under management mandate to third parties specialised in emerging countries (Threadneedle Global Themes) and multi-asset investments (Anima Club and Franklin Templeton Multi Alpha Fund) and two multi-manager sub-funds managed by Generali Fund Management that invest in areas with the greatest growth potential (the Next 11 Countries and Next 11 Equities) or asset classes sensitive to inflation (Anti-inflation).

At 31 December 2011 BG Selection Sicav consists of 40 sectors, of which 18 managed by Generali Fund Management and 22 managed under mandate entrusted to leading international investment houses.

During the first half of 2011, in order to celebrate the third anniversary of BG Selection Sicav, the bank conducted a major advertising campaign in major newspapers and periodicals dedicated to enhancing the Selection brand as a unique instrument in terms of investment opportunities and standing of the Partners involved in the project.

In the retail line, in parallel to the development of BG Selection Sicav, new third-party UCITs began to be marketed, through the addition of over 90 sub-funds of SICAVs, for a total of over 1,200 available for Banca Generali's Customers and Distribution Networks.

In the second half of 2011, which was characterised by an intensification of financial market volatility that gradually also spread to asset classes such as European government debt, previously considered risk-free, Banca Generali reacted promptly by exploiting the BG Target

line, protected-principal portfolio management schemes aimed primarily at a segment of customers who wish to combine protection of invested principal at maturity with opportunities for growth on the equity markets with the greatest potential.

Three new asset management lines were launched: N 11 (Frontier Markets), Multi-Emerging Markets (Emerging Markets) and Multi Global Plus (International Equities), complementing the five lines already distributed.

Finally, in order to meet the needs of the most exclusive and professional customers, a new line of portfolio management schemes was developed, GPM Lifestyle Solutions, the first product on the Italian market that allows the concept of personal passion to be combined with financial investment. A significant portion of this portfolio, in fact, is invested in Specialised Investment Funds (SIFs), whose underlying assets are luxury goods that include the world's finest wines and valuable rare watches that due to their strong "niche" nature show a strong de-correlation with traditional asset classes.

Overall, also in the field of portfolio management Banca Generali offers a very comprehensive range of solutions consisting of 39 management lines (14 GPF, 17 GPM and 8 protected-capital GPM) that cover all investment strategies, with a strong emphasis on personalisation, a requirement typical of high-net-worth customers, the preferred target for this product.

Insurance products

Within the European sovereign debt crisis scenario of 2011, the development of Banca Generali's insurance line related primarily to traditional life insurance policies that invest in the segregated account schemes of the Assicurazioni Generali Group. Such products allowed investors to earn especially attractive returns (4.40% for Ri.Alto, 4.71% for Nuova Concreta and 6.36% for Ri.Alto \$), combined with guaranteed principal and the annual consolidation of returns.

In particular, the offering of a new traditional policy, BG Più Valore, invested in the Nuova Concreta segregated account, met with great success in the first quarter of the year.

In the first half of 2011, multi-sector, unit-linked policies BG New Security, the capital protected unit-linked BG Evolution and the after sales version of BG Protection were restyled, with the modification of asset allocation and the introduction of new options to make the investment more flexible.

The asset allocation update was done with the aim of increasing the international quality of the underlying

stock, providing for a weight of up to 50% of emerging markets and further increase in the weight of third party products.

New features were also added to increase the flexibility of management of investments available to customers, such as – in the case of the multi-segment policy BG New Security – the introduction of the ability to authorise automatic reinvestment of the annual return of the Ri.Alto special management account in the internal equity fund BG Dinamico and the ability to switch in both directions (from segregated account to internal fund, and vice-versa).

In September 2011, with the aim of providing customers greater flexibility in their investment options, the protected-principal unit-linked policy Evolution was transformed into the new MultiEvolution, a multi-segment policy that at the maturity of one of the four internal funds selected by the customer invests the principal in the Ri.Alto segregated account (certified 2011 return: + 4.40%).

BG Advisory: Banca Generali's advanced financial advisory service

Launched in 2009, BG Advisory is an advanced fee-based advisory service that through a guided process consisting of four steps allows advisors to provide customers with an overview of their financial wealth held with Banca Generali and other intermediaries, with the option of transforming that overview into portfolio proposals with customised risk profiles and holding periods.

BG Advisory is one of the most innovative advanced advisory services available on the Italian market and is being developed by Banca Generali in partnership with Morningstar, a leading provider of independent financial research at an international level.

In late 2010 and throughout the first half of 2011, the Bank planned a significant training programme intended for the entire network of Financial Advisors, Private Bankers and Relationship Managers on the features and usage of BG Advisory.

During the second half of the year, the Bank then launched specific activities planned with Morningstar aimed both at improving services already available within the platform and developing new features. Examples include the introduction of new analysis tools for the bond component of the portfolio, both in direct form and through UCITS (coverage of the bond market, ratings, durations) and the new advanced research tool (Research Plus) for the major components of the customer's portfolio (for example, UCITS, shares and ETFs). The work done in 2011 will thus permit a sig-

nificant improvement of the advanced advisory service provided to customers both in terms of the breadth of the instruments analysed and the depth of the information reviewed.

Banking products

During 2011, activity focused on developing and improving customer communication methods, as well as on constantly improving and expanding product offerings.

In the first of these areas, the layouts and presentation of the checking account statement, securities account statement and summary document were thoroughly revised. Thanks to new visuals, the addition of colour and a clear, legible communications style, the new documents provide more easily consultable information.

Turning to banking product offerings:

- the ability to sign up for the BG Ducati checking account, previously reserved for online activation only, was also extended to the sales network;
- the costs for Bancomat withdrawals were eliminated nationwide, for those accounts for which this fee was still applicable;
- a procedure was established for the transfer of securities portfolios from other credit institutions to Banca Generali, guaranteeing a certain and definite timetable for the various steps of the transfer;
- with the tax reform enacted in the second half of the year, a promotion was also launched for customers who transferred new assets to their securities portfolios with Banca Generali, with the stamp duty paid by the Bank.

In the second half of the year, the product line was expanded to include the BG Champion deposit account, which offers customers the ability to restrict their deposits for six or twelve months to earn especially attractive short-term interest rates. During the same period, the Bank also developed special repurchase agreements under the name "Premium," offering rising returns by duration of three, six or twelve months.

The new deposit account is in addition to its previously launched counterpart aimed at young customers, BG10+, which also allows customers to combine a pre-paid card tied to the image of soccer champion Alessandro Del Piero with the account.

In projects with partners, the distribution agreement for mortgages offered by the Intesa San Paolo Group was renewed, as was the agreement with BNL for cash withdrawals and deposits.

Lastly, five bonds with fixed coupons for the first two years and principal guaranteed at maturity were placed.

Web Marketing

The customer website, known as the Customer Front End, underwent significant development in the areas of mobility and security in 2011.

The first half of the year saw the launch of the new Mobile Banking channel, conceived of to allow customers to access and use their checking accounts and securities portfolios through smartphones and tablets. The new channel represents the new frontier in online banking and allows customers on the move to make the fullest use of new technological systems in order to enjoy the Bank's services in full freedom and security, while also saving a considerable amount of time.

As further confirmation of Banca Generali's desire to keep constantly abreast of technological development, in order to meet growing demand for new next-generation interactive services, the Bank launched its MyBG widget, an application that customers may download and install on their computers free of charge, allowing them to receive news from the Bank and use services and features ranging from the creation of a virtual portfolio to the consultation of financial news, without needing to connect to the reserved area of the Bank's website.

The Bank also launched its Doc@nline service, which allows users to consult account statements and documents relating to ongoing relationships in the reserved area of the website. Doc@nline represents a valid alternative to traditional mailing of documentation in print form, allowing customers rapid access to information in electronic format, thus saving money and paper. In this regard, Banca Generali's new account statements include an explicit invitation at the bottom of the first page to choose Doc@nline and print only when necessary in order to protect the environment.

Online security portfolio operations have been expanded through the launch of the EuroTlx feature for the purchase and sale of bonds on regulated markets (MTF).

Important work was done in the area of security, such as the expansion of the text message alert feature for complete monitoring of banking transactions, or the reduction of the maximum number of log-on attempts to the reserved area to ten, a further safeguard for customers who make frequent use of Banca Generali's website. In addition, the Bank continued its campaign to raise awareness among customers and the sales networks through simple advice and rules aimed at avoiding fraud attempts. In addition to the aforementioned communication activity, the Bank entered into a commercial agreement with Symantec for the purchase of anti-virus software at discounted prices: by accessing the protected area of the website, Banca Generali

customers may purchase various software packages for protecting their personal computers at favourable conditions.

With the aim of planning new development work for 2012 with the goal of achieving an increasingly complete and useful website, Banca Generali has promoted an online survey aimed at objectively measuring the level of satisfaction of customers who use Internet banking services. The questionnaire, published online, met with a great degree of success in terms of participation and permitted considerable information to be obtained, thus allowing the Bank to best guide future development work on its Web services.

Trade Marketing

In 2011 Banca Generali and its Private Banking Division developed an extensive programme of institutional initiatives, in addition to numerous local marketing initiatives carried out directly by the network.

In May the Bank once more took part in the Italian Trading Forum, an investment and trading exposition held at the Rimini Convention Centre.

The Private Banking Division also once again organised the Invitational Golf Tour, a highly regarded circuit that saw the participation of more than 1000 players during the seven stages held solely at the most prestigious Italian courses, and which during the Pinerolo stage of the Tour de France hosted customers in special seating a few metres from the finish line.

In 2011 Banca Generali renewed its commitment to the project A Champion for a Friend, an itinerant event with the twofold purpose of promoting sport, with the participation of approximately 2000 children in ten Italian cities and the presence of important athletic celebrities, and of promoting banking services.



From a more narrowly commercial standpoint, a driving experience event was held at the national racetrack in Monza in partnership with Ducati and AMG, allowing current and prospective customers to enjoy exclusive test drives of cars and motorcycles in an exceptional setting.

As part of the sponsorship of Alessandro Del Piero, several evenings were organised during which top customers had the opportunity to dine in exclusive locations with the champion Juventus player.

In addition, during the year current and potential customers interested in the Lifestyle Solution product were invited to participate in Grands Cru tasting dinners organised in starred restaurants in collaboration with Elite Advisers.



Strengthening the relationship between art and finance that has been built up over the years, the Private Banking Division organised two exclusive events in Rome and Milan: a visit to the library of the Accademia Nazionale dei Lincei and Villa Farnesina and an event at the Museo del Novecento involving a visit to the exhibit devoted to artist Michele Paladino. This type of event was planned with the aim of consolidating the bond of trust between the Bank and its customers by sharing their interests and passions.

In the area of social responsibility, Banca Generali renewed its association with AISM, supported in part by the sale of herbal teas during the Christmas period, and sponsored the scientific event Bergamo Scienza, which reached its ninth edition, inviting guests to attend the concert by maestro Dino Saluzzi.

Finally, two roadshows were held in the first half of 2011: in January for the resumption of commercial activities and in April to launch the new BG Selection SICAV Monobrand Funds of Funds.

Communications

Banca Generali's communications aim to achieve the utmost transparency in relationships with its various stakeholders. Initiatives are part of the value process laid down by the Parent Company, Assicurazioni Generali, in pursuit of clarity, professionalism and reliability. Particular attention is devoted to the concept of solidity, which is expressed both in financial results and customer care.

The Bank's communications are promoted through a variety of channels. The website, which includes comprehensive information about Banca Generali, is constantly updated and completed by the immediate publication of press releases. For 2012, projects are under way with the aim of increasing the benefits of social initiatives and sponsorships, in addition to recasting institutional content.

Events involving the institution's brand are distinguished by sensitivity to certain social issues, as in cases of support for charitable initiatives (AISM and LILT) or the itinerant event A Champion for a Friend, aimed at spreading education about the values of sport and investment among young people. Special attention is also devoted to the cultural aspect, by promoting various exhibits and artists, and to organising conventions, gatherings and seminars on financial or tax matters aimed at clarifying specialist issues of current relevance.

The celebrities chosen to provide endorsements, namely soccer champion Alessandro Del Piero (associated with the deposit account for younger customers, BG10+) and promising Italian skier Federica Brignone, round out the image of technical and specialist excellence that set Banca Generali apart. The young skiing champion's face was used in an institutional campaign aimed at reiterating Banca Generali's solidity and drawing attention to the opportunities offered by the high-yield deposit account, BG Champion.

On the whole, the advertising campaign, as is traditional, is never invasive in terms of its message and methods of dissemination. In March and April 2011 a campaign for the Luxembourg fund-of-funds BG Selection Sicav was conducted in the major national specialist dailies and weeklies with the slogan "Nessun altro strumento d'investimento ti dà un accordo così" (no other investment instrument gives you such an accord) confirming the flexibility and variety of choices of sub-funds and investment managers. The campaign is characterised by a variation on the musical theme, with piano harmony used as a metaphor for the possibilities offered by the product.

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



Media Relations

Coverage by financial press and generalist media in 2011 was constant and diligent. Monthly releases concerning inflows met with interest from the major Italian and international press agencies, the websites of Italian newspapers and the print editions themselves. Management always responded in a timely manner to requests from the press, seeking to accommodate interest in meetings and interviews to the fullest possible extent. Quarterly results were emphasised on all occasions through interviews with the Chief Executive Officer by the press, commenting on and supporting the informational materials made available. Growth, reliability and solidity are recurring themes in analyses by the press, who also devoted attention to the new investment solutions developed during the year. Attention should be drawn to the increased involvement of magazines and websites specialised in investment and asset management to best illustrate the technical characteristics of products and the special nature of the network's advice. Efforts in this area also include the participation of regional press, who on several occasions requested concrete answers from professionals operating in their local areas concerning the complexity of the markets and the ensuing investment risks.

14. Human Resources

14.1 Employees

Personnel

At 31 December 2011, the Bank's workforce was 767, composed of 51 Managers, 119 3rd and 4th level Executives and 597 employees at other levels; of the last category, 66 were 1st and 2nd level Executives, and 51 were working under fixed-term contracts (21 of these as substitutes for employees on maternity leave or leaves

of absence).

There was a decrease in the workforce of five resources compared to 2010. In further detail, there was an increase of six in indefinite-term resources and a decrease of 11 in definite-term contracts, primarily as a result of the decrease in resources engaged to replace staff absent due to maternity or other types of leave.

| | BANCA GENERALI | BG SGR | BG FIDUCIARIA | GENERFID | GFM | TOTAL FY 2011 | TOTAL FY 2010 |
|---|-------------------|-----------|------------------|----------|-----------|------------------|------------------|
| MANAGERS | 38 | 9 | 1 | 0 | 3 | 51 | 50 |
| 3 RD AND 4 TH LEVEL EXECUTIVES | 100 | 8 | 4 | 0 | 7 | 119 | 123 |
| OTHER | 548 | 22 | 4 | 4 | 19 | 597 | 599 |
| Total | 686 | 39 | 9 | 4 | 29 | 767 | 772 |

Actual workforce

The actual workforce was determined by subtracting from the workforce (767) staff members on secondment to companies external to the banking group (-8) and adding staff members on secondment within the banking group (1).

The cases of secondment in question refer to Assicurazioni Generali Group companies.

| | 31/12/2011 | 31/12/2010 | CHANGES |
|----------------|------------|------------|-----------|
| Banca Generali | 673 | 677 | -4 |
| BG SGR | 42 | 43 | -1 |
| BG Fiduciaria | 10 | 9 | 1 |
| Generfid | 6 | 4 | 2 |
| GFM | 29 | 31 | -2 |
| Total | 760 | 764 | -4 |

While the workforce decreased by five resources, the actual workforce decreased by four resources due to the decrease in net cases of secondment (seven in 2011 compared to eight in 2010).

Workforce flows

| | |
|--------------------------------|------------|
| ORGANICO AL 31/12/2010 | 772 |
| Hirings | 87 |
| Terminations | -92 |
| Workforce at 31/12/2011 | 767 |

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

Breakdown of workforce

| | FEMMINE | | MASCHI | | TOTALE ANNO 2011 | |
|--|------------|---------------|------------|---------------|------------------|---------------|
| MANAGERS | 10 | 2.4% | 41 | 11.2% | 51 | 6.7% |
| 3 RD AND 4 TH LEVEL EXECUTIVES | 27 | 6.8% | 92 | 25.0% | 119 | 15.5% |
| OTHER | 363 | 90.8% | 234 | 63.8% | 597 | 77.8% |
| Total | 400 | 100.0% | 367 | 100.0% | 767 | 100.0% |

Staff members with university degrees accounted for 44.07% of the total.

The group's average age is 38.8 years, while the percentage of female staff members is 52.15%.

Development of resources – Creation and support of managerial value

With the aim of enhancing and developing managerial change, the Group continued to pursue development and management measures aimed at identifying, maximising, supporting and retaining a pool of young, motivated resources capable of filling positions of responsibility within the various departments in the near future.

Particular attention was devoted to the importance and maximisation of measures focused on **internal mobility**, with a special focus on areas of strong concentration of technical banking expertise, such as bank branches and the contact centre, **job expansion, coaching** for role support and preparation for various growing roles.

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

During the first half of 2011, the Group held its **annual qualitative performance assessment**, a process that involves all resources in an opportunity for dialogue with their superiors concerning the monitoring of satisfaction of managerial competency requirements for the role concerned and the definition of a development plan in support of the areas of improvement identified.

The Group continued its assessment process, both during the selection and development phases, for a specific pool of resources, allowing the creation of ad hoc development plans.

This fundamental process, along with the meeting with the managers of the various organisational units, also serves to identify the training needs used to organise the training plan with specific activities for each role implemented in the second half of 2011 and partly in 2012.

Employee training

Measures focused on consolidating roles from a technical and managerial standpoint.

Most of the technical, language and computer courses – designed to ensure the continuous professional and management updating of the workforce – was provided by Generali Group Innovation Academy. Where it was necessary to have access to specialised content, courses delivered by leading external consultants expert in the field were provided.

Through the e-learning provided by the Simulware platform managed by GGIA, the mandatory updates continued, particularly with respect to Legislative Decree 231/01, transparency in banking operations, and, specifically for branches personnel, the anti-theft course.

Also in terms of training designed to develop managerial skills, various courses were offered, in collaboration with the Generali Group Innovation Academy. In addition, some resources were placed in advanced training courses at leading academic institutions and specific coaching programmes.

In the first half of the year a vast program of courses dedicated to Relationship Managers of the Private Banking division was initiated. The courses include technical insights on financial and tax issues, interpersonal relations courses focusing on the identification of new customers and negotiation skills, and a program dedicated to management training for managers of Relationship Manager teams (for a total of approximately 4,360 hours, equivalent to approximately nine mandays).

The Group continues to hold recurring courses on company security pursuant to Legislative Decree 81/08, accompanied by two courses aimed at achieving compliance with legislative requirements: the first of these is on related party transactions and the second on drafting the business continuity plan.

As from January 2011 newly hired employees, with both permanent and fixed term contracts, are given a pen drive through which they can connect to the e-learning platform managed by Generali Group Innovation Academy and complete all required courses.

As in previous years, the Group continued with its office-network pairing activity, in which Financial Advisors visit the offices in Milan and Trieste and employees visit the various operating offices. This second initiative, in particular, has received constant appreciation by the sales network.

Internal communications

In July, two years after the previous survey, another climate survey was conducted in collaboration with the Generali Group in order to obtain a clear view of the company climate and the alignment of personnel with our business's strategic objectives.

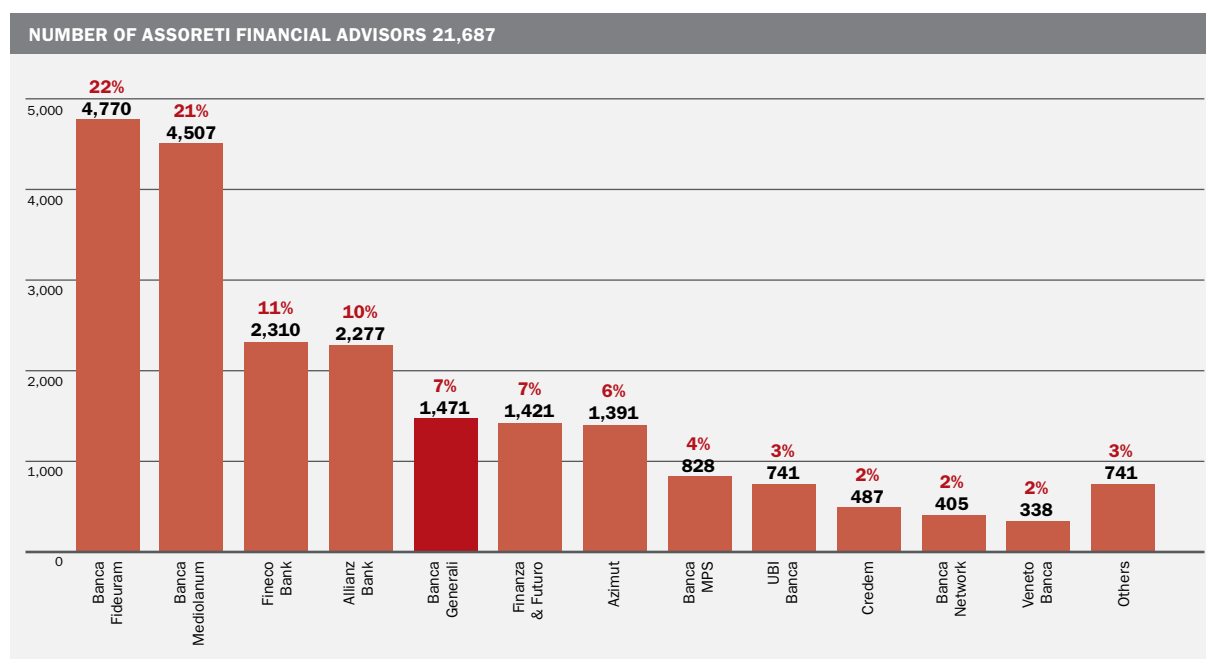
The results of the survey indicated significant development in the area of involvement and a sense of belonging to the company and the Group, the quality of the professional relationship and working life.

As for the previous survey, when the results for all employees have been returned, a series of actions will be planned for 2012 focusing on the priorities brought to light in the survey bearing on support for the Group's work.

In December the usual meeting was held with all employees and top management in order to review the main stages of the process carried out in 2011 and the macro-projects scheduled for 2012.

14.2 Financial Advisors and Relationship Managers

Banca Generali owns one of the largest Financial Advisor-based distribution networks in the Italian market: at 31 December 2011 it had 1,471 Financial Advisors and Relationship Managers, 317 of whom with the Private Banking Division. Compared to one year prior, there was thus a slight decrease in the number of operators (-2%), although less than that reported by the market at large (-3%), resulting in a minor increase in market share.



Source: Assoreti – December 2011, (Euro million)

The main data referable to the Banca Generali are summarised in the following tables comparing figures for 2010 and 2011:

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

| 31 DECEMBER 2010 | NO. OF FAS/ BANK./REL. MAN. | ASSETS (MLN EURO) | ASSETS PER ADVISOR (MLN EURO) |
|-------------------------|------------------------------------|------------------------------|--|
| BG Affluent Division | 1,192 | 13,691 | 11.4 |
| BG Private Division* | 307 | 9,899 | 32.2 |
| | 1,499 | 23,590 | 15.7 |

*(former Banca BSI Italia)

It is important to note that there was a constant increase in average assets per Financial Advisor over the years. This is due to the exceptionally high level of inflows, as well as the bank's continuing advisor selection process, which places increasing importance on the professional and qualitative development of out-of-office sales skills with a strong emphasis on consulting. Over the years, this approach has led to a progressive reduction in the profiles of less evolved profiles, focusing instead on recruiting professionals who can expertly interpret Banca Generali's philosophy of quality. The process also continued in 2011, as witnessed by the increase in the number of Private Bankers and the slight decrease in the number of other Financial Advisors. Finally, even during a year of severe financial turbulence, the average assets managed by Banca Generali's Financial Advisors remained at very high levels compared to the industry average (15.8 million euros compared to 10.6 million euros or +49%), while showing additional marginal growth (the change associated with the average assets managed by the Private Division and Affluent Division was largely tied to the timing of the engagement and resignation of Financial Advisors attributable to the divisions concerned).

In further detail, in 2011 Banca Generali added 52 new, carefully selected professionals with solid experience in the field or banking industry, who were able to draw on the vast array of investment opportunities offered by the bank to meet investors' needs more thoroughly in accordance with their individual risk profiles.

While the Private Banking Division saw an increase in the net number of participants, the rest of the network posted a decrease of 38 employees in absolute numbers, although there was nevertheless a useful staff turnover, with beneficial effects on absolute asset values, as well as per capita averages. It should also be noted that approximately 20 resources left service due to retirement or discontinuation of business, a normal level for what is by now a well established network.

Network's organisational structure

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

| | 2010 | 2011 |
|-------------------|--------------|--------------|
| 1st Level Manager | 21 | 21 |
| 2nd Level Manager | 53 | 52 |
| Executive Manager | 66 | 60 |
| FAs/PB/RM | 1,359 | 1,338 |
| | 1,499 | 1,471 |

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

In accordance with the above remarks concerning the qualitative development of the distribution network, the number of managers decreased slightly with regard to profiles devoted to training measures for less expert Financial Advisors (executive managers).

Geographical Breakdown by Gender and Age

The network is broadly distributed throughout Italy, with a greater concentration (2/3 of the workforce) in the regions of the Centre-North than in the Centre-South, in accordance with the distribution of national wealth. The relatively modest female presence, at 14% of the total, is partially attributable to the fact that the profession of Financial Advisor has seen an increase in the number of women only in relatively recent years. It is therefore logical for there to be a limited presence of women within a network characterised by a high level of professional maturity. In addition, the difference compared to the national average is limited to about two percentage points.

An average length of service of more than 11 years bears witness to the network's stability and its modest turnover.

| | BG | PB | TOTAL | % ON TOT. | % WOMEN | AVERAGE AGE | | | AVERAGE LENGTH OF SERVICE* | | |
|-----------------------|-------|-----|--------------|-----------|---------|-------------|------|-------------|----------------------------|------|-------|
| | | | | | | M | W | TOTAL | M | W | TOTAL |
| Piedmont | 80 | 47 | 127 | 9% | 18% | 49,7 | 46,7 | 49,2 | 9,7 | 9,6 | 9,6 |
| Valle D'Aosta | 3 | 3 | 6 | 0% | 17% | 52,0 | 45,1 | 50,8 | 8,4 | 5,7 | 7,9 |
| Lombardy | 194 | 88 | 282 | 19% | 16% | 49,7 | 47,0 | 49,3 | 11,3 | 9,7 | 11,1 |
| Trentino Alto Adige | 9 | 0 | 9 | 1% | 0% | 52,7 | | 52,7 | 14,0 | | 14,0 |
| Veneto | 125 | 25 | 150 | 10% | 6% | 49,4 | 47,3 | 49,3 | 11,3 | 10,6 | 11,2 |
| Friuli Venezia Giulia | 53 | 6 | 59 | 4% | 10% | 48,8 | 51,8 | 49,1 | 11,6 | 8,0 | 11,2 |
| Liguria | 45 | 51 | 96 | 7% | 17% | 52,7 | 52,1 | 52,6 | 11,0 | 11,4 | 11,0 |
| Emilia Romagna | 146 | 29 | 175 | 12% | 19% | 51,5 | 48,0 | 50,8 | 13,2 | 10,9 | 12,7 |
| Tuscany | 70 | 23 | 93 | 6% | 10% | 50,4 | 49,1 | 50,3 | 10,9 | 10,7 | 10,9 |
| Umbria | 22 | 0 | 22 | 1% | 9% | 49,7 | 44,6 | 49,2 | 17,1 | 7,5 | 16,3 |
| Marche | 48 | 0 | 48 | 3% | 13% | 46,5 | 44,0 | 46,2 | 13,8 | 15,1 | 14,0 |
| Lazio | 82 | 25 | 107 | 7% | 24% | 49,3 | 47,3 | 48,8 | 12,5 | 13,9 | 12,8 |
| Abruzzo | 20 | 0 | 20 | 1% | 5% | 52,3 | 58,6 | 52,6 | 13,3 | 10,9 | 13,2 |
| Molise | | | | | | | | | | | |
| Campania | 117 | 11 | 128 | 9% | 7% | 47,3 | 45,5 | 47,2 | 12,6 | 14,1 | 12,7 |
| Puglia | 67 | 4 | 71 | 5% | 14% | 48,8 | 45,0 | 48,2 | 12,7 | 11,1 | 12,4 |
| Basilicata | 1 | | 1 | 0% | 0% | 46,3 | | 46,3 | 3,8 | 0,0 | 3,8 |
| Calabria | 21 | 4 | 25 | 2% | 16% | 44,7 | 50,3 | 45,6 | 10,8 | 13,9 | 11,3 |
| Sicily | 40 | 0 | 40 | 3% | 8% | 47,2 | 46,7 | 47,2 | 12,5 | 14,6 | 12,7 |
| Sardinia | 11 | 1 | 12 | 1% | 33% | 47,1 | 47,8 | 47,3 | 12,9 | 11,7 | 12,5 |
| | 1.154 | 317 | 1.471 | 100% | 14% | 49,6 | 47,7 | 49,3 | 11,8 | 11,2 | 11,7 |

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

Geographical breakdown bases on the distribution of relevant offices.

Distribution Network Training

In 2011, training initiatives for the distribution network included two important courses: one dealing with management and another concerning technical and specialist issues intended for Banca Generali's Financial Advisors and Private Bankers.

The first of these, entitled "Re2011 Project," planned in collaboration with Concentric, involved all 46 district managers and aimed to develop a single Banca Generali recruitment process by laying down shared tools, guidelines and methods.

The second, entitled "Taxation of Financial Instruments," planned together with Professor Guffanti, a chartered accountant in Milan and university lecturer at Università Cattolica and SDA Bocconi, involved approximately 200 selected Financial Advisors and Private Bankers and was aimed at exploring issues relating to asset protection and succession law, with a particular focus on changes relating to the taxation of funds and SICAVs contained in the most recent budget law.

Moreover, Network managers attended specific training courses on the issues of anti-money laundering and support to the activities of the financial advisors they coordinate.

Other "courses of excellence" intended for Financial Advisors who have distinguished themselves for professional merit included the continuation throughout 2011 of the Office-Network project launched in 2009, which at the beginning of the year underwent important changes in the structure of the formats of the pairing days decided upon with the support and collaboration of participating network and central office staff.

Compulsory training, and specifically that relating to the annual ISVAP professional refresher course concerning insurance products, involved the entire Network through the use of the consolidated "trickle-down" training process from managerial structures towards the departments for which they are responsible, whereas the use of the Generali Group's Simulware Sep2 platform was confirmed for the online part of the courses. The most important courses provided remotely include the course on "Transparency and consumer credit", aimed at ensuring that the entire Network has been adequately trained concerning the changes brought on by the European CCD.

Lastly, through the innovative e-learning platform, PattiChiari Le@rning, ongoing education provided concerning the commitments to quality relating to the project and certification established by the Patti Chiari Consortium.

Presence in Italy

Banca Generali's Financial Advisor network covers an extensive area in Italy and at 31 December 2011 was supported by a total of 177 bank branches and FA Offices.

| 31 DECEMBER 2011 | BRANCHES | | TOTAL BRANCHES | OFFICES | | TOTAL OFFICES | OVERALL TOTAL |
|------------------------|-------------------|---------------------|-------------------|-------------------|---------------------|------------------|------------------|
| | BANCA GENERALI | PRIVATE DIVISION | | BANCA GENERALI | PRIVATE DIVISION | | |
| Abruzzo | 1 | | 1 | 1 | | 1 | 2 |
| Calabria | 1 | | 1 | 2 | 1 | 3 | 4 |
| Campania | 3 | 1 | 4 | 10 | 2 | 12 | 16 |
| Emilia | 4 | 1 | 5 | 14 | 3 | 17 | 22 |
| Friuli | 2 | | 2 | 3 | 1 | 4 | 6 |
| Lazio | 2 | 1 | 3 | 4 | 1 | 5 | 8 |
| Liguria | 3 | 1 | 4 | 8 | 4 | 12 | 16 |
| Lombardy | 4 | 2 | 6 | 14 | 5 | 19 | 25 |
| Marche | | | | 3 | | 3 | 3 |
| Piedmont | 3 | 1 | 4 | 6 | 8 | 14 | 18 |
| Puglia | 2 | | 2 | 6 | 2 | 8 | 10 |
| Sardinia | | | | 1 | | 1 | 1 |
| Sicily | 1 | | 1 | 4 | | 4 | 5 |
| Tuscany | 2 | 1 | 3 | 10 | 1 | 11 | 14 |
| Trentino | | | | 2 | | 2 | 2 |
| Umbria | 1 | | 1 | 2 | | 2 | 3 |
| Valle d'Aosta | | | | | 1 | 1 | 1 |
| Veneto | 5 | 1 | 6 | 13 | 2 | 15 | 21 |
| Overall total | 34 | 9 | 43 | 103 | 31 | 134 | 177 |

15. Organisation and ICT

During 2011, planning and investment relating to organisation and technology focused on both activities aimed at improving operating efficiency through technological innovations and legislative compliance.

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

- Sales network services and customer services
- Internal support processes for company business
- Legal compliance
- Banking Group Subsidiaries.

15.1 Sales network services and customer services

Sales network services

Work on the application platform dedicated to the Financial Advisors/Private Bankers sales channel involved specific developmental maintenance measures aimed at op-

timising operating activity. Attention should be drawn to the completion of the extension to the entire distribution network of the information technology application BG Advisory, to which functional improvements were also been made, in support of the provision of investment advice. In operational terms, the Bank in a Key programme was implemented, equipping the distribution network with professional laptops and USB keys allowing secure, authorised access to the Bank's applications.

Customer services

In keeping with the process of constant improvement of customer services, all customers may now receive documentation relating to bank contracts via electronic channels through the Doc@online service available via the dedicated Web platform, as well as use the mobile banking service to obtain information or trade financial instruments by mobile phone with the same operating possibilities as offered via the Web channel.

15.2 Internal support processes for company business

Risk Management

The work done focused in particular on pursuing constant refinement in the search for and use of qualified information providers for particular financial risk analyses and additional implementation of the management of operating risks with the definition of the loss data collection process and the acquisition of a specific application tool for use in this area.

Finance

The Group completed the automation of protocols and processes for transmitting orders on financial markets with professional customers and eligible counterparties, in particular order routing and, subsequently, access to the markets.

Services with leading suppliers for the management of the market connection platform were also revised and supplemented, involving, among other changes, the implementation of a new release of the middle office application for automatic forwarding of electronic order confirmation to institutional customers.

Business Continuity Plan

With regard to monitoring activities aimed at ensuring business continuity, the bank started implementing the solutions envisaged in the Revised Model of the Business Continuity Plan (BCP) for Banca Generali and BG SGR and reviewed the aspects specifically relevant for BG-Fiduciaria SIM.

Supporting tools for company functions

Work aimed at ensuring greater efficiency and improvement in qualitative terms of the activities performed by company functions included equipping the Internal Audit Service with a specific application for integrated management of the company control and risk system, starting to adopt for the Compliance Service a software used to manage non-compliance risk, providing the Legal Consulting Service with an application for structuring dispute management and the Lending Department with a tool developed by the IT outsourcer to monitor guarantees.

15.3 Legal compliance

The reporting year was characterised by changes aimed at achieving compliance with laws and regulations requiring that banking procedures be revised and modified, including, but not limited to, the following significant measures:

- *Patti Chiari*: during the year, the Group completed activities aimed at implementing the steps provided for in Phase 2, to which the Bank had committed, the most significant of which include protection against unauthorised card usage and the automatic transferability of securities (securities portfolio transfer service);
- *Money Laundering*: in order to comply with the prescriptions of the Bank of Italy measure adopted in concert with CONSOB and ISVAP concerning organisation, procedures and internal controls aimed at preventing the use of intermediaries and other entities that engage in financial activity for the purposes of money laundering and the financing of terrorism, a specific Group department dedicated to this task was established to handle the issue in a uniform manner and a contact person was also identified at each subsidiary;
- *Taxation*: in order to comply with the new tax rules for Italian mutual funds that entered into effect on 1 July 2011, updates were made to the Bank's placement procedures in correlation with those of the custodian bank for the mutual funds managed by the subsidiary BG SGR.
- *Banking transparency*: the content of cash and securities account statements were revised in accordance with changes in the law.

15.4 Banking Group Subsidiaries

BG SGR

The specific business did not require significant developments at the applied level or considerable revisions of internal organisational processes, except for the adjustment to comply with the new tax rules for Italian mutual funds in effect since 1 July 2011, whereas preliminary analysis work was done regarding the corporate actions that in 2012 will result in the full integration of BG SGR into the Banking Group.

GFM

Work relating to organisation and information technology focused on an analysis for the implementation of input data flows for the application used by the Banking Group in connection with rules governing market abuse with the aim of combating phenomena of abusive exploitation of insider information and market manipulation, as well as on conflict of interest management in the provision of investment services, for which a specific register representing a historical archive of all conflicts of interest detected is now operational. In addition, the necessary work on the organisational structure and commercial offerings has been done in order to comply with the provisions of the UCITS IV regulations.

BG Fiduciaria SIM

The work done during the reporting year represented scheduled developmental maintenance and adjustments to ensure compliance with industry legislation, including further development and improvement of reporting presented in periodic account statements for customers and the assumption of responsibility for accounting management by the Parent Company, Banca Generali.

GENERFID

In view of possible legislative changes in its industry of operation, in 2011 the company continued to revise the information technology processes and applications that support its operations, including a transition to a new information technology outsourcer with longstanding experience in the company's specific business and a previous record of service with BG Fiduciaria SIM, and the assumption of responsibility for accounting management by the Parent Company, Banca Generali.

16. Auditing

Banca Generali's internal auditing activity is conducted by the Internal Audit Function, which is charged with constantly and independently verifying that the internal control system is adequate, fully operational and functional.

The Internal Auditor is charged with assessing the adequacy and efficacy of the overall internal control system. The Service reports hierarchically to Banca Generali's Chief Executive Officer and is not responsible for any operating activities.

In 2011, the Internal Audit analysis and evaluation process was strengthened in response to the increased complexity of the tasks related to level III activity.

The audit was carried out using the reference methods specified in the Internal Audit Regulation and adequate attention was paid to the contents of the new international standards for internal audit, within which the international standard on audit engagements specifies the responsibilities with reference to governance, risk management and control processes.

Internal Audit assessed and analysed risks and the associated control mechanisms, in addition to monitoring actions aimed at ensuring effective improvement of the requested implementations. Attention was focused on safeguarding the Bank from possible losses or damages by conducting especially thorough assurance activity of the quality of control mechanisms associated with critical processes.

Audit work was conducted through audits of interested facilities (interviews, assessments, monitoring, and testing reports), tests of the design and functioning of controls, the development of projects to improve levels of control above the first and remote monitoring activity.

Specifically, assurance activity included scheduled audit work involving processes in the areas of IT, administration and accounting (the scope of the test agreed upon with the Internal Auditor responsible for compliance with the 262 regulation), back office activity, human resource administration, own and third-party financial assets, branches and private banking centres, money-laundering prevention and second-level functions. The purpose of the audit activities was to determine the quality and effectiveness of controls and, where possible, propose solutions for improving risk management.

Moreover, as provided for by internal regulations, Internal Audit monitored the evaluation process for transactions analysed in connection with market abuse legislation.

Internal Audit also performed analyses aimed at guaranteeing the adoption of a suitable model for preventing the crimes identified in Italian Legislative Decree 231/2001. The Internal Auditor is also a member of the Supervisory Board 231.

On the whole, audit activity indicated that risk control and management systems are undergoing constant enhancement and no critical issues were brought to light in 2011. The aforementioned risk control and management systems are consistent with the company's growth and development objectives and strategies and have safeguarded company assets. The risk control and management system was found to be adequate.

17. Main Risks and Uncertainties

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

The bank's exposure to **market** risk stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account, while the exposure of the subsidiaries is limited and residual. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

In particular, securities measured at fair value and classified in the HFT and AFS portfolios are exposed to risk, as fluctuations in their prices impact the Group's profit and loss account and net equity.

Market risks are maintained within appropriate limits, which are monitored by the Risk Management department. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

Throughout 2011, the aforementioned risk remained at moderate levels, with a 99% one-day VaR consistently below 0.1% of the entire portfolio. Monitoring activity also indicated that operating limits had been observed and there were no cases of exceptions.

The bank's exposure to **credit risk** mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost, AFS and loans to customers (both corporate and retail). Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure.

ABS classified in the L&R portfolio are particularly exposed to risk and may become permanently impaired; this exposes the company to the risk of recording losses in the profit and loss account. Securities in this portfolio are monitored at least quarterly to identify any deterioration in their credit quality.

Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management department and established with the objective of maintaining a level of

risk that is consistent with the strategies and risk profile defined by the Board of Directors.

Throughout 2011, monitoring activity indicated that credit limits were observed and there were only a limited number of exceptions of moderate amount, all of which were covered by established departures.

Loans to customers are characterised by a low risk of losses inasmuch as they are almost entirely secured by collateral (chiefly pledges of securities) and/or personal guarantees, in some cases provided by a leading financial institution.

The bank's exposure to **operating risks** across the various legal entities in the Group is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly financial advisors) and the direct involvement of all employees in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, inter alia, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.

The Risk Management function identifies and assesses the operational risks inherent in business processes (risk assessment and scoring), measures the impact of operational losses (Loss Data Collection process) and monitors the action plans adopted to mitigate material risks.

Moreover, the Banca Generali Group has insurance coverage for operating risks deriving from acts of third parties or caused by third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

Exposure to **liquidity risk** derives from inflows and lending transactions in the course of the Group's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to procure funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity

risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of inflows or (and in some cases concurrently) sustaining capital losses when divesting assets.

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements). The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of inflows.

The Risk Management Service monitors that liquidity is properly managed in both the short and long term (structural liquidity) through an ALM system that allows for the detection of cash imbalances by maturity brackets, as well as through monitoring of an appropriate set of ratios, which also includes liquidity ratios, the so called Basel 3 (Liquidity Coverage Ratio – LCR and Net Stable Funding Ratio – NSFR) in order to arrive at a preliminary assessment of compliance with future regulatory requirements and identify additional summary indicators for better risk monitoring.

The Group uses a maturity ladder to apply the guidelines set out in the Prudential Supervisory provisions governing the measurement of net financial position. Through the maturity ladder the bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the net balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative imbalances, for the calculation of the net requirement (or surplus) for the financial horizon in question.

The Group has also implemented a Contingency Liquidity Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

The banking group has an adequate level of **capitalisation**, with a tier 1 ratio of 11.12% and a total capital ratio of 12.84%.

The effective management of **compliance risk**, defined as the risk that the Company may incur legal or administrative penalties, significant financial losses or reputational damages as a result of the breach of laws, regulations or voluntary codes of conduct, requires a company culture that promotes integrity, propriety and compliance with the spirit of the law in accordance with

the principle of proportionality and the entity's size and specific operational characteristics.

In this context, compliance is a process that permeates the entirety of each Banca Generali Group company's activities and organisation, beginning with the definition of company values and strategies and extending to influencing the definition of policies, internal procedures, operating practices and conduct.

Accordingly, compliance is most effectively pursued in a company context that emphasises the principles of honesty and integrity and applies to each resource by involving company boards, committees, the Compliance function and, more generally, all employees and contract workers.

In this general scenario, in order to achieve adequate, coordinated oversight of activities, the organisational model adopted to manage compliance risk involves centralising the Compliance function with the Parent Company of the group, which also provides the service to subsidiaries at which a compliance contact person has been identified, with the task of playing a supporting role to the Parent Company's Compliance function.

During 2011, the Compliance function focused on those areas of activity and processes that, because they are inherently complex or more extensively affected by changes in the law, require revision or implementation or present compliance risk in need of management action. In accordance with the provisions of (i) the Regulation of the Bank of Italy and CONSOB issued pursuant to Article 6, paragraph 2-bis, of the Consolidated Finance Act, (ii) the Supervisory Provisions governing the compliance function and (iii) the new Regulations issued by the Bank of Italy on the organisation, procedures and internal controls that banking and financial intermediaries must adopt to prevent and combat money laundering and the financing of terrorism, which led to the creation of the Anti-money laundering Function at Banking Group level within the Compliance Function and the appointment of the Head of such Anti-money laundering Function, who is also responsible for reporting suspicious transactions to the Financial Intelligence Unit (pursuant to Article 41 of Legislative Decree 231/2007) for the Group, the Compliance Function carried out the following activities:

- it assessed the compliance of the Bank's and the network, which is mainly composed of financial advisors on an ex-ante and ex-post basis within the scope of the tasks typically assigned to tier-2 control functions.
- it advised on implementing processes and/or changing existing processes in order to ensure that they comply with applicable laws and regulations;

- it advised on how to arrange for new service conditions/new activities planned as part of the company's growth objectives;
- it worked with the competent company functions to define training processes aimed at fostering knowledge of and compliance with laws and regulations;

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

18. Outlook

The year 2012 will likely be characterised by an underlying scenario of continuing uncertainty due to the high level of unemployment and the unresolved sovereign debt crisis of the euro area.

Given the above scenario, the measures taken by the banking group continue to be aimed at increasing revenues through actions geared towards stabilising the growth of net inflows, consolidating the profitability of assets under management and limiting the sales network's development costs, such as:

- an increased focus on the network's competitive positioning both by exploiting the strong results achieved, the established reputation and awareness of the Generali brand and continuing to push the Group's market placement upwards;
- an increase in market share to be achieved by both acquiring new affluent and private customers and developing existing customers;
- constant maintenance and implementation of the product line in order to meet customers' financial needs.

On the cost front, in 2012 the Group will continue to pursue the strategy adopted to this point, meaning that it will hold the cost/asset ratio and network pay-out stable and maintain operating costs at the previous year's levels through measures such as the outsourcing of low value-added activity and the merger of the subsidiary BG SGR into Banca Generali.

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

19. Proposal for the Distribution of Profits

Shareholders,

We invite you to approve the financial statements as at 31 December 2011, which include the Balance Sheet, Profit and Loss Account, Notes to the Financial Statements and related attachments, as well as this Report on Operations, both taken as a whole and with regard to the individual entries. We therefore propose allocating net profit for the year as follows:

| | |
|--------------------------------|-------------------|
| Net profit for the year | 68,623,445 |
| to legal reserve | 23,887 |
| to retained earnings | 7,184,484 |
| Dividend | 61,415,075 |

allocation to the 111,663,772 outstanding ordinary shares of

0.55 euro per share, including

the amount to treasury shares as per Article 2357-ter

of the Italian Civil Code

61,415,075

The amount will be paid net of applicable legal withholdings as of 24 May 2012.

Trieste, 13 March 2012

THE BOARD OF DIRECTORS





REPORT ON OPERATIONS

PART 2

**REPORT
ON CORPORATE GOVERNANCE
AND COMPANY OWNERSHIP**

**pursuant to Section 123-bis
of Legislative Decree 58/1998**

**BOARD OF DIRECTORS
13 MARCH 2012**



ANNUAL FINANCIAL REPORT AS OF 31 DECEMBER 2011

REPORT ON OPERATIONS

Part 2

REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP

pursuant to Section 123-bis
of Legislative Decree 58/1998

Board of Directors
13 March 2012

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of listed companies approved in March 2006 (and amended in March 2010) by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

Code/Corporate Governance Code 2011: the Corporate Governance Code of listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (Confederation of Italian Industry). Where not specified, any references to Principles, Criteria and Comments are to be interpreted as references to the 2011 Code.

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

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

Period: the financial period to which the Report refers.

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

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

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

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

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

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

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

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

Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (13 March 2012).

1. ISSUER PROFILE

1.1 Organisation of the Company

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

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

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

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

Banca Generali’s organisational structure is made of the following main corporate boards and officers:

- i) Board of Directors;
- ii) Chairman of the Board of Directors;
- iii) Managing Director
- iv) Remuneration Committee;
- v) the Audit and Risk Committee;
- vi) General Shareholders’ Meeting;
- vii) Board of Statutory Auditors.

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

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

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

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

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

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

The Remuneration Committee is in fact tasked with providing the Board of Directors with advisory opinions and non-binding recommendations on issues of remuneration, and is accordingly vested with the authority and independence of judgement required to assess the appropriateness of remuneration policies and plans, and related repercussions in terms of risk taking and risk management. More specifically, the Remuneration Committee is in charge of not only providing the Board of Directors with advisory opinions and non-binding recommendations on the determination of the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer, the General Manager and, where appointed, the Deputy General Managers, as well as managers tasked with oversight and control functions, and any and all other executives and managers invested with powers and responsibilities that could impact the Bank’s risk profile, but also periodically assessing the appropriateness, overall coherence and concrete implementation of the general remuneration policy applicable to executive directors, directors assigned specific tasks and duties, and key management personnel.

The Audit and Risk Committee (so named pursuant to the 2011 Corporate Governance Code), on the other hand, is responsible for assisting the Board of Directors (i) in defining the policies to be followed by the internal control and risk management system, as well as in periodically evaluating the latter’s appropriateness and effectiveness, in light of the bank’s features and risk exposure, especially by ensuring that the main business risks (credit, financial and operating risks) are properly identified, assessed, managed and monitored, whilst also determining, in consultation with the relevant corporate functions, the extent to which prevailing risk levels allow for management policies in line with established strategic targets; (ii) in assessing the proper, uniform and consistent application of accounting standards by group companies; (iii) by expressing an opinion on related party transactions, in compliance

with the procedures and terms specified in the related party transaction procedure approved by Banca Generali pursuant to applicable rules and regulations. The Audit and Risk Committee also provides the Board of Auditors with advisory opinions and guidance on the statutory auditing of accounts.

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

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

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

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

It is also worth mentioning that research carried out by FinC (the Finance Centre of the Milan Polytechnic) on the corporate governance of Italian banks has revealed that, with a CGI (Corporate Governance Index) score of 77.22 points, Banca Generali ranked third, in terms of the soundness of its corporate governance system, amongst all the corporations included in Borsa Italiana's FTSE Italia All-Share Banks and Financial Services indices.

2. INFORMATION ON COMPANY OWNERSHIP (pursuant to Art. 123-bis TUF) at 13 March 2011

a) Structure of the Share Capital (pursuant to Art. 123-bis, paragraph 1, letter a) of TUF)

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to Euro 111,693,843.00, divided into 111,693,843 ordinary shares of a par value of Euro 1.00 each.

| | NO. OF SHARES | % OF SHARE CAPITAL | LISTED (SPECIFY ON WHICH MARKETS) | RIGHTS AND OBLIGATIONS |
|-----------------|---------------|--------------------|--|---|
| Ordinary shares | 111,693,843 | 100 | Listed on MTA organised and managed by Borsa Italiana S.p.A. | All the rights contemplated under the Italian Civil Code and Articles of Association. |

Banca Generali holds 30,071 treasury shares acquired to execute stock-granting and stock-option plans reserved respectively to some financial advisors of the merged company Prime Consult SIM S.p.A. and the Chairman of the Board of Directors of the merged company Banca BSI Italia S.p.A.

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

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

On 21 April 2010, the General Shareholders' Meeting approved a three-year extension to the exercise periods of the aforesaid stock option plans (subject to the terms and conditions notified in the press release published on 9 October 2009 and in the information document published on 2 April 2010, pursuant to Article 84-bis of the "Rules for Issuers") and also resolved to extend the final deadline for the completion of the aforesaid share capital increase to 30/11/2015.

For further information on the aforesaid share-based incentive plans, see part I of the Notes to the Banca Generali's financial statements for 2011, and the Press Release issued on 17 September 2007, drawn up pursuant to CONSOB resolution No. 15915 of 3 May 2007, regarding the allotment of financial instruments to company managers, employees and collaborators,

pursuant to the Plans submitted for approval to the corporate organ in charge of the implementation thereof prior to 1 September 2007, available for consultation on the company's website (www.bancagenerali.com) under the section Investor Relations – Press releases and the Information Document pursuant to Art. 84-bis of the Rules for Issuers published on 2 April 2010 and available for consultation in the corporate website (www.bancagenerali.com) under Corporate Governance – AGM.

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

b) Restrictions on the Transfer of Securities (pursuant to Art. 123-bis, paragraph 1, letter b) of TUF)

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

- (i) the Regulations of the Stock Granting Plan reserved for specific financial advisors provides that should the recipient intend to sell all or some of the granted shares, the said recipient must first

inform Banca Generali thereof, since the latter retains the right to indicate a third-party purchaser at the same terms and conditions and at the market price;

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

c) Significant Equity Investments in Share Capital (pursuant to Art. 123-bis, paragraph 1, letter c) of TUF)

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

Shareholders holding more than 2% of the Company's voting stock, directly or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices received pursuant to law as at 13 March 2012, are indicated in the table below:

| DECLARANT | DIRECT SHAREHOLDER | % OF ORDINARY STOCK | % OF VOTING STOCK |
|-------------------------------|--|---------------------|-------------------|
| Assicurazioni Generali S.p.A. | Assicurazioni Generali S.p.A. | 45.995 | 45.995 |
| | through the subsidiary INA Assitalia S.p.A. | 0.515 | 0.515 |
| | through the subsidiary Alleanza Toro S.p.A. | 2.781 | 2.781 |
| | through the subsidiary Genertellife S.p.A. | 4.974 | 4.974 |
| | through the subsidiary Generali Vie S.A. | 9.948 | 9.948 |
| | through the subsidiary Genertel S.p.A. | 0.455 | 0.455 |
| | through the subsidiary Fata Vita S.p.A. | 0.066 | 0.066 |
| | Direct and indirect total | 64.734 | 64.734 |

d) Securities Bearing Special Rights (pursuant to Art. 123-bis, paragraph 1, letter d) of TUF)

No securities bearing special rights of control have been issued.

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

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

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

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

- they can provide legal proof of their entitlement to vote;
- the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to at-

tend the Shareholders' Meeting, has been received at the Company's registered office by the end of the third trading day prior to the date set for the first call of the General Shareholders' Meeting, in accordance with Art. 83-sexies, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Moreover, the Company's ownership structure at 2 March 2012, indicates that:

- Banca Generali S.p.A. holds 30,071 treasury shares, which it acquired in order to implement the approved Stock Granting and Stock Option Plans. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Italian Civil Code.

g) Shareholders' Agreements (pursuant to Art. 123-bis, paragraph 1, letter g) of TUF)

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

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

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

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

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

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

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

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

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

At 31 December 2011, as a result of the aforementioned resolution, the Company held 10,071 treasury shares.

Banca Generali also holds 20,000 of its own shares as a result of the merger of Banca BSI Italia S.p.A. which had previously acquired the said shares in implementation of the Stock Option Plan approved in favour of the Chairman of its Board of Directors.

section of the Report focusing on Directors' remuneration (Section 9) as well as in the Remuneration Report to be published pursuant to Art. 123-ter of the TUF;

- the information to be disclosed pursuant to Art. 123-bis paragraph 1, subparagraph (l) ("rules implemented in departure from the statutory and regulatory framework applicable by default to the appointment and replacement of directors and members of the managing board and the supervisory board, as well as the amendment of the Articles of Association") is set forth in the section of the Report focusing on the Board of Directors (Section 4.1).

l) Direction and coordination (pursuant to Art. 2497 et seq. of Civil Code)

Banca Generali is part of the Generali Group.

The Company is subject to management and coordination by its Parent Company, Assicurazioni Generali S.p.A., within the meaning and for the intents and purposes of section 2497 of the Italian Civil Code. Assicurazioni Generali exercises its management and coordination powers by, inter alia, making recommendations to the Shareholders' Meeting of Banca Generali in respect of appointments to Banca Generali's Board of Directors; imparting instructions on the composition of the administrative organs of the Company and its subsidiaries; laying down the deadlines and procedures for drawing up the Generali Group's budget and strategic plan in general; issuing guidelines and instructions on the disclosure of operations and accounting information, in order to ensure the consistence, timeliness and correctness of the information disclosed by or regarding the Generali Group; issuing guidelines in respect of third parties, requiring certain categories of transaction to be subjected to prior authorisation from Assicurazioni Generali's Board of Directors.

It must accordingly be pointed out that:

- the information to be disclosed pursuant to Art. 123-bis paragraph 1, subparagraph (i) ("agreements between companies and directors, members of the managing board or the supervisory board, providing for indemnities in the event of resignation or dismissal without just cause, or otherwise, the termination of their employment contracts as a result of a takeover bid") is contained, where applicable, in the

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

Banca Generali S.p.A. (the “Company”) was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code¹, having determined that bringing its corporate governance system (and that is to say, the framework of rules, principles and procedures making up a company’s management and internal control system) in line with the international best practices of business administration on which the Code is based is a basic pre-requisite for achieving the Company’s goals.

These goals in fact include not only the creation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in third party and intercompany transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all the Company’s stakeholders. Fully aware that no corporation can hope to boost its reputation for reliability without implementing effective and efficient operating rules and procedures, the Company also adopted the Code of Ethics of the Generali Group that sets forth the basic ethical principles to be rigorously followed throughout the Group (the “Code of Ethics”)², such as, for instance the principles of professionalism and the enhancement of human resources, the protection of the health of workers, free competition, transparency and correctness of information disclosed.

Given that, in respect of the temporary regime of the 2011 Corporate Governance Code, which provides that “the amendments relating to the composition of the Board of Directors or the relevant committees, and notably the amendments to principles 5.P.1, 6.P.3 e 7.P.4 and the implementing criteria 2.C.3. and 2.C.5. shall apply commencing with the first renewal of the Board of Directors after the end of the financial year beginning in 2011” on 21 February 2012, in compliance with Principle 7.P.4 of the aforesaid Code, Banca Generali’s Board of Directors renamed the Internal Audit Committee, the Internal Audit and Risk Committee, and redefined the said committee’s assigned tasks and functions.

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

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

¹ March 2006 edition.

² A copy of the Code of Ethics is available at www.bancagenerali.com section “Corporate Governance”- Corporate Governance System – Company Regulations”.

4. BOARD OF DIRECTORS

4.1 Appointment and Replacement of the Board of Directors (pursuant to Art. 123-bis, paragraph 1, letter l) of TUF)

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

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

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

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

of the Treasury, Budget and Economic Planning, on 18 March 1998.

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

Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations are entitled to submit a list. As established by Art. 144-quater of its Rules for Issuers, this percentage is currently 2.00%. The appointment mechanism based on the so-called voting lists ensures transparency as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.

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

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

framework) may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list. The lists must contain a number of candidates no higher than the number of members to be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each candidate may appear on only one list, upon penalty of ineligibility.

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

If the outgoing Board of Directors submits its own list, the independent directors must express an opinion on the appropriateness of the candidates proposed by the outgoing Board in exercise of its discretion. The list submitted by the outgoing Board of Directors must be lodged with the company's registered office and published on its website, as well as through the channels and in compliance with the deadlines specified in applicable statutory and regulatory provisions. Any and all shareholders submitting lists, must establish their entitlement to do so, by lodging documentary evidence of their satisfaction of the minimum shareholding requirement, in accordance with applicable statutory and regulatory provisions, no later than the deadline by which the Company is required to make public disclosure of the lists of candidates. Within the same term, shareholders who submitted the lists, shall also file at the Company's registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations filed by each candidate, in which each candidate accepts his/her nomination and also certifies, under his/her own responsibility, the inexistence of causes of incompatibility and of ineligibility, possession of the requisites of integrity and professionalism which prevailing laws require for the office of director of the Company, as well as those of independence, if applicable, provided for by the law and by the codes of conduct promoted by companies managing regulated markets or by trade categories, to which the Company adheres.

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

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

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

Upon the conclusion of the process of appointing, the Board of Directors (with the advisory support of the in-

dependent directors) shall conduct a thorough, formal review that the actual result of the appointment process corresponds to the qualitative and quantitative composition deemed optimal.

The Board of Directors has yet to set up any internal committee to examine proposed appointments to the Board. This decision was based on the fact that the current regulatory framework, together with the Articles of Association that impose the mechanism based on voting lists, provide for sufficient transparency of the procedure for the proposal and selection of candidates. In order to implement the recommendations set forth in the 2011 Corporate Governance Code, the Board of Directors will appoint a committee to be tasked with proposing appointments, as indicated in the Code.

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

Should it prove unfeasible to proceed as described above, as a result of a lack of a sufficient number of willing candidates, the Board of Directors shall proceed by co-opting, within the meaning of Article 2386 of the Italian Civil Code, a director selected by the Board itself in accordance with applicable statutory requirements; the independent directors must express an opinion on the appropriateness of the candidate selected for co-option by the Board in exercise of its discretion. The director thus coopted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Art. 15 of the Articles of Association.

The Board of Directors is required to appoint a Secretary who need not necessarily be a Board member.

Amendments to the Articles of Association are regulated pursuant to applicable regulations.

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

The Shareholders' Meeting of 21 April 2009 established that the Board of Directors would be made up of ten members and appointed a new Board through the list voting system.

The term of the Board of Directors shall expire on the date of the Shareholders' Meeting called for the approval of the financial statements for the year ended 31 December 2011.

The table provided in Attachment 1 lists the members of the Board of Directors as of 31 December 2011, other information about them and Board and Committees meeting attendance.

All the Directors were chosen unanimously from the only list presented by the controlling shareholder Assicurazioni Generali S.p.A., during the General Shareholders' Meeting convened to renew the Board of Directors. The list was made up of the 10 elected candidates.

All Company Directors are fully aware of the duties and responsibilities attaching to their office and actively participate in initiatives designed to help them deepen their knowledge and grasp of Company operations and dynamics, so as to enable them to make fully informed decisions.

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

With regard to the composition of the Board of Directors – given that Banca Generali is subjected to management and coordination by another Italian company whose stock is listed for trading on regulated markets

– pursuant to Art. 37, paragraph 1, letter d) of the Rules adopted by CONSOB with resolution No. 16191 of 29 October 2007, as amended, as of the next General Meeting of Shareholders called to appoint a Board of Directors (scheduled for April 2012), the company's Board must be made up of a majority of independent directors.

Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in financial institutions, banks, insurance companies or large corporations other than Group companies.

Giovanni Perissinotto. Born in Conselice (Ravenna), on 6 December 1953, he graduated in Economics through the University of Trieste in 1977. Certified Public Accountant as from 1978, Giovanni Perissinotto started working at the Generali Group in 1980, first in Brussels and then in New York where he held the post of Financial Director. In 1988 he was assigned to the Group's Head Office in Trieste, where he held key executive positions in various operating sectors (Administrative Secretariat, General Affairs, Administration and Finance). In 1998, he was appointed General Manager of Assicurazioni Generali, and as from 2001, Chief Executive Officer. He currently holds chairmanships and directorships in various Generali Group companies as well as in other companies outside the Group, as specified below:

| | |
|--------------------------------|------------------------|
| Fiat Industrial S.p.A. | Non-executive Director |
| Pirelli & C. S.p.A. | Non-executive Director |

Giorgio Girelli. Born in Milan on 26 July 1959, he graduated in Business Management at the Università Commerciale Luigi Bocconi, in Milan in 1983. He developed his professional career in consulting companies such as Arthur Young & Co. and Roland Berger & Partner Inc, where he became partner. In 2000, he joined the Banca Generali Group, serving as Chief Executive Officer of Banca Generali. He is also director at other Group companies (BG SGR, BG Fiduciaria, Generali Fund Management) and companies of the Generali Group.

Paolo Baessato. Born in Venice on 24 July 1951, he graduated in Law through the University of Ferrara in 1976 and then earned an MBA through SDA Luigi Bocconi of Milan in 1980, before going on to specialise in International Finance and Credit through the same school. After working at several overseas branches of

Banco Ambrosiano Veneto S.p.A. (in Argentina and Brazil), he was assigned to the Head Office of the said bank, as Head of the Controlled Risks Department. He continued his professional career within the Intesa Group and was appointed Head of the Finance and Administration Department. He currently sits on the Boards of several banking and financial institutions, as specified below.

| | |
|--------------------------------------|------------------------|
| Finanziaria BTB S.p.A. | Director |
| Obiettivo Nord Est SICAV | Vice Chairman |
| Itas Mutua | Non-executive Director |
| Sorin S.p.A. | Non-executive Director |
| Moneta S.p.A. | Vice President |
| Cassa di Risparmio di Venezia | Non-executive Director |
| SETEFI S.p.A. | Non-executive Director |
| Sudameris S.A. | Non-executive Director |

Luigi Arturo Bianchi. Born in Milan on 3 June 1958, he graduated summa cum laude in law from the University of Milan, before accepting positions as a visiting scholar in Hamburg, Cologne and Berkeley (University of California). A Full Professor of company law at the Luigi Bocconi University of Milan, he is registered with the Milan Bar Association as a practising attorney, and, as of 2010, is a senior partner of the law firm d'Urso Gatti e Bianchi. He sits on the Boards of other listed and unlisted companies, as specified below.

| | |
|-------------------------------|----------------------|
| UBS Fiduciaria S.p.A. | Director |
| Idea SIM S.p.A. | Chairman |
| Intesa Sanpaolo S.p.A. | Supervisory Director |
| Benetton Group S.p.A. | Director |

Amerigo Borrini. Born in Trieste on 6 August 1948, he graduated in Economics and Commerce through the University of Trieste in 1972. He is registered with the professional rolls of financial advisors instituted pursuant to law, and is also a member of AIMR and AIAF. He currently serves as Head of the Finance Department at Assicurazioni Generali, a company he joined in 1967 and within which he embarked on his professional careers, first as a financial analyst and then as an asset manager, before being appointed member of the Board of Directors of several companies of the Generali Group. He also sits on the Boards of other companies, as specified below.

| | |
|---|------------------------|
| Premuda S.p.A. | Non-executive Director |
| Autovie Venete | Non-executive Director |
| La Centrale Finanziaria S.p.A. | Non-executive Director |
| Perseo S.p.A. | Non-executive Director |
| Net Engineering International S.r.l. | Non-executive Director |

Andrea de Vido. Born in Treviso on 13 November 1955, he graduated in Economics and Commerce through the University of Venice in 1978. After working overseas (in Stockholm and New York) with primary financial consultancies (Scandinavian Institute for Administrative Research) and major banks (Bank of America), he founded Finanziaria Internazionale Holding S.p.A. in 1980. The said company, of which he has been CEO since 1982, specialises in structured finance, corporate finance, asset management and M&As. He also holds directorships in other companies, as specified below:

| | |
|--|------------------------|
| Abbacus Commerciale Finanziaria S.p.A. | Executive Director |
| Agorà Investimenti S.p.A. | Executive Director |
| Agenzia Italia S.p.A. | Executive Director |
| Banca Credinvest S.A. | Non-executive Director |
| Cadorfin S.r.l. | Executive Director |
| David S.p.A. | Executive Director |
| Eurholding S.p.A. | Executive Director |
| Ferak S.p.A. | Executive Director |
| Finanziaria Internazionale Holding S.p.A. | Executive Director |
| Finanziaria Internazionale Alternative Investment SGR S.p.A. | Executive Director |
| Finanziaria Internazionale Securitisation Group S.p.A. | Executive Director |
| Finint Corporate Advisors S.r.l. | Executive Director |
| Finint Finanziaria S.r.l. | Executive Director |
| Finint Partecipazioni S.r.l. | Executive Director |
| Finint S.p.A. | Executive Director |
| Finitalia Investimenti S.r.l. | Executive Director |
| Finleasing S.r.l. | Executive Director |
| Invest Fiduciaria S.p.A. | Executive Director |
| Garbuio Immobiliare S.r.l. | Non-executive Director |
| Garbuio S.p.A. | Non-executive Director |
| Matala Investimenti S.r.l. | Executive Director |
| Medcentro S.p.A. | Executive Director |
| Marco Polo Holding S.r.l. | Executive Director |
| Rete S.p.A. | Non-executive Director |
| Securitisations Services S.p.A. | Executive Director |
| Sipi Investimenti S.p.A. | Executive Director |
| Networking European Infrastructures Partners - NEIP II S.A., SICAR | Non-executive Director |

Attilio Leonardo Lentati. Born in Milan, on 26 March 1937, he graduated in Economics and Commerce through the Luigi Bocconi University in Milan. He has also served first as General Manager and then as Chief

Executive Officer at RAS S.p.A., and currently holds directorships in other companies, as specified below.

| | |
|---|----------|
| Sofipa SGR S.p.A. – Gruppo Bancario Unicredit | Chairman |
| I-Faber S.p.A. – Gruppo Unicredit | Chairman |

Angelo Miglietta. Born in Casale Monferrato (AL) on 21 October 1961, he graduated in Business Management with a major in Corporate Finance at the Luigi Bocconi University in Milan. A tenured professor of economics and business management at the IULM University of Milan, and the current General Secretary of the Cassa di Risparmio di Torino Foundation, Angelo Miglietta is a Certified Public Accountant and a registered Technical Consultant of the District Court of Milan. He sits on the Boards of Directors and Boards of Auditors of several unlisted and listed companies (including Assicurazioni Generali S.p.A.), chiefly companies operating in the financial, banking and insurance sector, as specified below.

| | |
|------------------------------------|---|
| Esprinet S.p.A. | Director |
| S.I.P.A. S.p.A. | Director |
| Nuova Tagliamento S.p.A. | Director |
| Intercontabile S.r.l. | Chairman |
| BLMP S.r.l. | Chairman |
| Astor Finanziaria Mobiliare S.r.l. | Acting Auditor |
| Cogetech S.p.A. | Chairman of the Board of Statutory Auditors |
| E.ON Italia S.p.A. | Acting Auditor |
| E.ON Energia S.p.A. | Acting Auditor |
| E.ON Produzione S.p.A. | Acting Auditor |
| Cogemat S.p.A. | Chairman of the Board of Statutory Auditors |
| Sisal S.p.A. | Chairman of the Board of Statutory Auditors |
| Atlantia S.p.A. | Acting Auditor |
| Effetti S.p.A. | Director |
| Edizioni Anabasi S.r.l. | Acting Auditor |

Aldo Minucci. Born in Reggio Calabria on 4 July 1946, he graduated in Law through the University of Trieste in 1970. He joined Assicurazioni Generali in 1971, at the Tax Consultancy Department of which he became Executive Manager in 1983. He continued his career within the company becoming Deputy General Manager. At present, he is Chairman of ANIA also sits on the Boards of Directors of other companies, as specified below.

| | |
|-----------------------|------------------------|
| Acegas – APS S.p.A. | Non-executive Director |
| Telecom Italia S.p.A. | Vice President |

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

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

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

The “Rules on the Functioning of the Board of Directors of Banca Generali S.p.A.” (the “Board Rules”), which were approved by the Board of Directors at their meeting on 16 February 2007 and amended on 21 February 2012 in accordance with section 1.C.3 of the Rules and Art. 15, paragraph 3 of the Articles of Association, establish the maximum number of corporate positions a Director of the Company may hold, as indicated in the following table:

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

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

pany's Group, are, in practice, generally considered as a single appointment, with the exception of corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations (Art. 5.4 of the Rules).

The table in Attachment 1 also specifies the number of corporate positions each Director holds in the aforementioned companies on the basis of the criteria indicated in the Board Rules.

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

The Board of Directors, made of the 10 members, plays a central role in the Company's corporate governance system.

The Board of Directors, charged with strategic supervision, is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to resolve on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting. The Board is also the only corporate organ empowered to pass resolutions also on the setting up or closure of secondary offices, and for appointing the Board members vested with powers of corporate representation and signature, as well as on mergers, in the cases permitted under law, on the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.

In accordance with paragraph 1.C.1., letters (a), (b) and (f) of the Code, Art. 18 of the Articles of Association invests the Board with broad decision-making powers susceptible of significantly impacting the life of the Company and the Group, including, in particular, the power to define the general operating guidelines and approve the Company's strategic, industrial and financial plans, as well as transactions that could have a significant impact on the Company's equity or economic or financial position; the power to define the Company's general organisational layout, approve and amend internal rules and regulations, as well as set up advisory or coordinating committees or commissions.

In particular, pursuant to the Articles of Association, save in the emergency situations contemplated in Art. 18, paragraph 9 of the same, the Board alone is vested with decision-making powers in respect of: a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transaction of considerable economic, equity and financial importance; b) appointing, when it sees fit, a General Manager, joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement; c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors; d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors; e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Manager in charge of drawing up the company's accounting documents, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring

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

The Board of Directors of the bank, in its capacity as Parent Bank of the Banking Group, is also assigned exclusive competence over resolutions concerning the purchase and sale of shareholdings by subsidiaries belonging to the banking group, as well as the estab-

ishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.

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

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

- i. pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness of the organisational, administrative and accounting layout of the Company and its strategic subsidiaries, in light of the information received from the competent corporate organs (Art. 8.4 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system. It also defines the guidelines governing the organisational and administrative structures of the bank's subsidiaries;
- ii. pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness and effectiveness of the internal control and risk management system, taking due account of the Company's features and risk exposure. In such regard, the Board shall periodically check that the internal control system is in line with the principle of proportionality and the strategic guidelines, and that the corporate control functions are independent within the organisational structure and are endowed with adequate resources to allow them to function properly (Art. 8.4 of the Board Rules); furthermore, the Board of Directors approves the policies and regulations governing the functioning of the control functions, approves regulations on the

management of the main risks to which the Group is exposed and the policy on conflicts-of-interest of the banking group that establishes procedures for handling such conflicts;

- iii. the Board is bound to assess general management trends, with special emphasis on potential conflicts of interests and periodically comparing results against expectations, in accordance with the provisions of paragraph 1.C.1., letter e) of the Code (Art. 8.3 of the Rules of the Board of Directors) The Board periodically assesses the Company's and the Group's operations, compares the results with budget forecasts and analyses any differences;
- iv. since the Company is also the Parent Company of the Banking Group, the Company's Board is further vested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group. The Board approved Group Rules that establish guidelines for interaction and information flows among Group companies.

Art. 18 of the Articles of Association further empowers the Board to delegate its powers, in accordance with paragraph 1.C.1. letter d) of the Code, subject to the obligation binding especially any and all such delegates, to report to the Board of Directors as well as the Board of Statutory Auditors, at least every quarter, in respect of the management trends and business activities of the Company and its subsidiaries, expected future developments, transactions susceptible of exerting a significant impact on the equity, economic and financial situation of Banca Generali and its subsidiaries, with specific reference to the transactions in which either the Company's Directors or third parties have an interest, or transactions influenced by the party exercising management and coordination powers over the Company, and decisions pertaining to lending policies.

Finally, in accordance with the Corporate Governance Code 2011 and surveillance regulations, the Board of Directors' Rules also establishes that the Board of Directors:

- prior to the appointment of each new Board of Directors, or in the event of the co-optation of directors, identify in advance the qualitative and quantitative composition of the Board deemed optimal by determining and justifying the theoretical profile of candidates considered appropriate and submitting it for the shareholders' attention in a timely manner;
- after a new Board of Directors is appointed or di-

rectors co-opted, verify the correspondence between the qualitative and quantitative composition deemed optimal and the actual composition resulting from the appointment process;

- in order to ensure the proper management of company information, adopt, on the proposal of the Managing Director, a procedure for the internal management and external disclosure of documents and information pertaining to the Company, with special regard to insider information.

Functioning of the Board of Directors

Pursuant to Art. 17 of the Articles of Association, Board meetings are to be held – in general – on a monthly basis.

As said, on 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code and the supervising instructions issued by the Bank of Italy, the Board approved the Regulations of the Board of Directors, amended at the Board Meeting held on 21 February 2012.

The aforesaid Board Rules provide, inter alia, that:

- (i) pursuant to Art. 1.C.2 of the Code, without prejudice to the causes for inelegibility and disqualification, as well as limits on simultaneous offices established in laws and regulations, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, also in light of their professional activities, the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities (Art. 5.2 of the Board Rules);
- (ii) the Chairman of the Board of Directors shall ensure that documentation pertaining to items of business on the agenda is brought to the attention of the directors and statutory auditors in suitable advance of the date of the Board meeting. (Art. 4.2 of the Board Rules);
- (iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a share-

holder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result – as a priority objective – in the creation of value for shareholders, in the medium-to-long term (Art. 7 of the Board Rules);

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

In compliance with the said provision, and the provisions of the Order issued by the Governor of the Bank of Italy on 4 March 2008, during the Board meeting held on 21 February 2012, the Board approved the "Self-assessment Report of the Board of Directors of Banca Generali S.p.A." (the "Self-assessment") drawn up taking due account of the outcome of the consultation forwarded by the Chairman of the Board of Directors to all Directors requesting the latter to express their opinions, on a voluntary basis and in strict confidence, on a series of matters related to the size, membership and operations of the Board of Directors, as well as the size and operations of the Board Committees, and expressed the following opinion:

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

- having considered, first and foremost, the size of the administrative organ that seems commensurate with the dimensions and operations of the Company, and also in keeping with the Company's role as Parent Company of the banking group of the same name, insofar as it allows for adequate monitoring and management of the Group's business operations and trends;
- having considered, secondly, the membership of the same administrative organ, which may be deemed appropriate, in light not only of the inclusion of a wide variety of professional competencies featured on the Board of Directors, allowing for an authoritative and knowledgeable approach to the various matters that the Board of Directors is called upon to deal with from time to time, as well as the prevalence of non-executive directors who act as a counterweight in respect of executive directors and the bank's top management in general and the presence of a number deemed adequate (until the full application of

Art. 37 of CONSOB Regulation No. 16191 of 29 October 2007, as amended) of directors meeting the requirements for independence;

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

expresses a clean opinion, with nothing to report on:

- the size and functioning of the Board of Directors of Banca Generali S.p.A., as well as any and all delegated organs and/or Board committees set up;
- the fitness of its members to discharge their duties, from the standpoint of professionalism, available time and, where applicable, independence;
- the adequacy and efficacy of the provisions set forth in the Board Rules.”

The Board meetings are held periodically and in general, once a month in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2011, Banca Generali's Board met 12 times. The meetings lasted about 1 hour and 50 minutes on average. In the year underway a total of 13 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The attached table sub 1 provides information on the attendance of Directors at the Board meetings held in 2011. Absentee Directors provided justification for non-attendance.

In accordance with the Board Rules and to encourage the development of mechanisms for the free flow of information amongst and within corporate bodies, the information flows towards and within corporate bodies are regulated pursuant to a specific internal company Circular, duly approved by the Board of Directors. The aforesaid Circular lays down the timetable, procedures and contents of the information to be provided to the corporate bodies in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the consolidated reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the necessity of

providing a timely flow of information to the Board with regard to the exercise of powers delegated. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank's organisational units, other public and non-public documentation and accounting documentation intended for publication. The information reported through the procedures set forth above shall be supplemented (and where necessary for reasons of confidentiality, replaced) by oral explanations provided to the Chairman, the Chief Executive Officer or members of the Bank top management, either at Board meetings or at informal gatherings open to Board members and members of the Board of Statutory Auditors, organised for the specific purpose of allowing the latter to discuss and acquire deeper insight into issues of interest in terms of the Bank's operations. Apart from matters over which the Bank's Board of Directors is vested with exclusive powers of decision and approval pursuant to law and the Articles of Association, reports to the members of the Board of Directors and the Board of Statutory Directors, shall focus primarily on: (i) general business performance and foreseeable developments, with an indication of departures from previous forecasts; (ii) activities undertaken, with specific reference to transactions that could have a particularly significant impact on the company's balance sheet, income statement and/or cash flow, related party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control system and the level of Bank's exposure to all significant types of risk; (iv) the performance of the products placed and the relevant returns; (v) the performance of lending activities; (vi) the performance of the bank's investing activities; (vii) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors.

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

- a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
- b) on 31 August 2011, approved pursuant to the Bank of Italy order of 10 March 2011, the establishment of an Anti-money laundering function for the Group,

entailing the setting up of a specific Anti Money Laundering Compliance Organisational Unit, directly answerable to the Compliance Service, and invested with anti-money laundering tasks;

- c) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer, as well as carried out quarterly comparisons of results achieved against expectations and forecasts;
- d) determined, as proposed by the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer and Directors serving on sub-committees, for the General Manager and other professional figures who can influence the risk profile of the Bank, as well as those responsible for control functions.

4.4. Delegated organs

The Board of Directors has delegated executive powers to the Chief Executive Officer, Giorgio Angelo Girelli. Another Board member was found to qualify as an Executive Director, as a result of his Chairmanship of a subsidiary, vested with delegated powers on an individual basis (and more specifically, Amerigo Borrini, Chairman of the Board of Directors of the subsidiary BG Fiduciaria SIM S.p.A.).

Chief Executive Officer

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

On 21 April 2009, the Board of Directors accordingly vested the Chief Executive Officer, Giorgio Angelo Girelli with the powers specified below, which were subsequently updated by the Board of Directors on 17 December 2009, following the merger of the subsidiary Banca BSI Italia into Banca Generali:

1. to oversee the implementation of Board resolutions by Company General Managers;
2. to prepare the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
3. to determine and orient, within the framework of the guidelines established by the Board of Directors, the Company's human resources management policies and to directly oversee the Company's internal control, corporate and legal affairs, human resources, external relations and investor relations departments;
4. at the behest of the General Manager, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
5. to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
6. to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
7. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
8. to forward to the Board, his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and consolidated financial statements drawn up by the Chief Executive Officer as proposed by the General Manager;
9. to represent the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;
10. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the ad-

ministration of securities, negotiating and stipulating any and all related contractual terms and conditions;

11. to bring, defend and resist legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, make filings and motions, lodge complaints and claims, as well as to withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file quitclaim and/or settle any and all disputes up to the maximum amount of € 150,000.00 per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
12. to process and authorise the write-off of bad debts and to totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as to issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, up to the threshold of € 50,000.00 per transaction, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;
13. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefor;
14. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
15. to set up, transfer or shut down secondary offices, representative offices and branches;
16. within the framework of the budget approved by the Board, to cover the Company's current expenses;
17. within the framework of the approved budget and up to the threshold of € 200,000.00 for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer real estate and personal property, including personal property subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
18. within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangible assets, the acquisition of intangible assets, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of € 200,000.00 per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, save in the case of finance leases and/or loans for use, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;
19. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of € 200,000.00 per contract and/or commitment;
20. to book as losses, any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than € 50,000.00 per transaction;
21. to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;
22. to approve loans within the limits imposed under lending rules and regulations, from time to time;
23. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
24. at the behest of the General Manager, and always within the framework of the pre-established budget and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
25. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related

cheques or other negotiable instruments, up to the extent of actual deposits;

26. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
27. within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
28. to issue demand drafts;
29. to execute cash withdrawals and advance notices of cash withdrawals on management accounts held with the Bank of Italy, and on the centralised treasury accounts mentioned in the Bank of Italy form 144 dir.;
30. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
31. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
32. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Art. 18 of the Articles of Association;
33. to exercise any and all powers conferred on him by the Board on an ad hoc or ongoing basis;
34. to delegate to third parties who need not necessarily be Company employees, the completion of specific tasks or categories of tasks that fall within the scope of the powers conferred on him pursuant to the foregoing points, establishing, in advance, the limits to the powers thus delegated.

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

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

Furthermore, in compliance with current regulations governing the provision of investment services, in light

of his delegated powers and pursuant to the guidelines approved by the Board of Directors, the Chief Executive Officer is in charge of:

- implementing the company policies and company risk management system policies defined by the Board of Directors;
- checking the ongoing appropriateness of the risk management system;
- defining the information flows aimed at ensuring that corporate organs are kept abreast of significant management events;
- clearly defining the tasks and responsibilities of corporate structures and functions;
- ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies and guidelines drawn up by the Board of Directors and meets the requirements imposed under the prudential supervisory rules for banks.

On at least a quarterly basis, the delegated bodies will report to the Board of Directors and to the Board of Statutory Auditors on management performance and on the activities performed by the Company and by its subsidiaries, on the business outlook, on the most significant economic, financial and equity transactions implemented by the Company and its subsidiaries, as well as on decisions on the matter of credit disbursement and management, on which a report containing global figures must be provided.

Chairman of the Board of Directors

The Chairman of the Board of Directors was appointed by the Board on 21 April 2009.

The Bank of Italy Order of 4 March 2008 highlights the importance of the role of the Chairman of the Board of Directors who is in charge of promoting internal debate, ensuring the balance of powers, including with regard to the Chief Executive Officer and the other executive directors, as well as discharging coordination and supervisory functions with a view to ensuring not only the smooth functioning of the Board of Directors and the Shareholders' Meeting, but also facilitate the proper flow of information.

According to the Bank of Italy, in order to effectively discharge this key function, the Chairman must play a non-executive role and must be free from operating responsibilities.

In compliance with the aforesaid requirements of the Bank of Italy, the Regulations of the Board of Directors specifically govern the procedures through which the Chairman is to discharge his coordination and oversight functions aimed at ensuring the smooth functioning of the Board of Directors and the constant flow of information amongst Board members.

Therefore, in addition to the powers vested by law and the Articles of Association, on 21 April 2009 the Board has vested its Chairman, Giovanni Perissinotto, with powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business operations and compliance with strategic policy guidelines, as explained below.

1. monitoring general business operations and laying down management policies in concert with the Chief Executive Officer;
2. laying down general guidelines for ordinary business operations;
3. overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
4. promoting and coordinating the Company's communications strategies, enhancing the Company's public image and managing the Company's press and media relations;

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

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

Report to the Board

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

- usually, on a monthly basis:
 - (i) on any and all transactions that could have a par-

ticularly significant impact on the balance sheet, income statement or cash flow of the company or any of its subsidiaries;

- (ii) on decisions pertaining to lending policies and, in general, on credit trend;

- (iii) on property investments;

- (iv) on the performance of sales and inflows;

- on a quarterly basis:

- (i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts.

- (ii) on activities carried out by the Company and the Group with related parties;

- (iii) on the Internal Control System;

- (iv) on the type and performance of managed products;

- every four months:

- (i) on activities associated with evaluating conformity;

- on a half-yearly basis

- (i) on the situation of litigations;

- (ii) on the need to update reserves or provisions.

4.5 Other Executive Directors

Pursuant to the Code, another Board member was found to qualify as an Executive Director, as a result of his Chairmanship of a subsidiary, vested with delegated powers on an individual basis. Amerigo Borrini, Chairman of the Board of Directors of the subsidiary BG Fiduciaria SIM S.p.A.

4.6 Independent Directors

Considering that Banca Generali is subject to management and coordination by another Italian company with shares listed in regulated markets, as of the next renewal in April 2012, the Board of Directors will have to consist of a majority of independent directors, pursuant to the provisions of Art. 37, paragraph 1, letter d), of the Regulation adopted by CONSOB in resolution No. 16191 of 29 October 2007, as amended.

Independent Directors are tasked with independently overseeing corporate management, and contributing towards ensuring that the company is administered in the interest of its shareholders and in accordance with

the principles of good corporate governance (Art. 12.6 of the Board Rules).

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

Moreover, Art. 12.5 of the Board Rules requires the Board to be made up primarily of non-executive directors.

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

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

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2011 was made up of two executive and eight non-executive directors. The said situation still prevails to date.

In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.

Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

In compliance with this requirement, Banca Generali's Independent Directors met separately on 12 January 2012, to discuss the following matters:

- verification of the "non-executive" status of Directors;

- role and activity of non-executive Directors;
- functioning of information flows towards the Board of Directors.

Within the Board of Directors, four non-executive Directors are also Independent Directors

- (i) both pursuant to the rules set forth in Art. 37, paragraph 1, letter d) of the CONSOB Resolution No. 16191 of 29 October 2007, which provides that no person who sits on the Board of Directors of a company or body engaging in management and coordination activities in respect of the Company or on the Board of Directors of any listed entity controlled by such company or body, may be considered an independent director of the Company;
- (ii) and within the meaning of the Code (paragraph 3.C.1), defined by CONSOB with Notice DEM/10078683 of 24 September 2010, equal to that of Art. 148, paragraph 3 of Legislative Decree 58/1998, which is also reflected in Art. 13 of the Board Rules, pursuant to which a Director may not, as a general rule, be considered independent in the following cases, which are however not imperatively applicable:
 - a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;
 - b) is, or has been in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subjected to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;
 - c) directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he/she is a partner) maintains, or has maintained in the previous financial year, significant commercial, financial or professional relationships with: (i) the Company, or one of its subsidiaries or one of its key executives; (ii) a person or party that, including together with others on the basis of a shareholder agreement, controls the company, or – in the case where the said party is a body corporate or legal entity – with the key executives thereof; or is or has been an employee of the aforesaid persons or parties, during the current or previous three financial years;

- d) currently receives or has received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof, significant compensation in addition to the “fixed” emoluments due to non-executive Directors of the Company, including as part of stock option or other plans linked to corporate performance;
- e) has been a Director of the Company for more than nine years during the past twelve years;
- f) is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;
- g) is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company’s Independent Auditors;
- h) is a close family member of a person in one of the situations described above.

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

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

In compliance with the said requirement, Banca Generali’s Independent Directors met separately on 12 January 2012, to discuss the following matters:

- i) Art. 36 of Decree 201/2011 (Monti Decree) analysis and comments
- ii) functioning of information flows towards the Board of Directors.

Moreover, in light of Art. 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.

The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to independently verify the outcome of the aforesaid checks, as recommended in Art. 3.C.5 of the Code.

In compliance with the said provisions, at the time of appointment, the Board of Directors checked that each of the directors who had declared themselves independent, in fact, fully met all the statutory requirements of independence. Moreover, on 21 February 2012, following its scheduled annual assessment of satisfaction of the requirements of independence, the Board of Directors, acting as a panel, found that the Directors Paolo Baessato, Luigi Arturo Bianchi, Attilio Leonardo Lentati and Ettore Riello, qualified as independent directors within the meaning of articles 147-ter, paragraph 4, and 148, paragraph 3, of Legislative Decree 58/1998, as well as in light of the requirements set forth the Application Criteria of Art. 3 of the Code, and pursuant to article 37, paragraph 1, subparagraph (d) of Regulation No. 16191 adopted by CONSOB on 29 October 2007, as further amended and extended.

On 21 February 2012, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

4.7 Lead Independent Director

The Company has not appointed a lead independent director within the meaning of Art. 2.C.3 of the Corporate Governance Code of Listed Companies, although the current Chairman of the Company’s Board, Giovanni Perissinotto, also serves as the Chief Executive Officer and sits on the Executive Committee of the Company’s Parent Company, Assicurazioni Generali S.p.A.

This is because the Company feels that Mr Perissinotto’s directorship and role within Assicurazioni Generali S.p.A. does not entail potential conflict of interests or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali, Mr Perissinotto is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board of Directors, of the resolutions passed by the Shareholders’ Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.

Mr Perissinotto, therefore, serves as an outside observer, monitor and supervisor tasked primarily with ensuring that Company Management scrupulously complies with strategic corporate guidelines and policy.

5. HANDLING OF CORPORATE INFORMATION

Members of the Board of Directors and the Board of Statutory Auditors shall handle with the utmost confidentiality any and all documents and information of which they may become aware in the discharge of their duties, and shall strictly comply with Company procedures for the internal handling and outside disclosure of the said documents and information.

Pursuant to the above, and to Articles 114 and 115-bis of TUF, and Articles 65-duodecies et seq. and 152-bis et seq. of CONSOB Regulation (the “Rules on Issuers”), on 18 July 2006, the Board, upon request of Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside information (the “Code on Inside Information”).

A copy of the “Code on Inside Information” is available on the website www.bancagenerali.com, section “Corporate Governance”- Corporate Governance System – Company Regulations”.

The Code on Inside Information is aimed at regulating the obligations of persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries. More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to avoiding asymmetrical information; and (ii) to protecting the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.

The essential elements of the Code on Inside Information are summarised below.

Inside Information means information of a precise nature which has not been made public relating, directly or indirectly, to the Company and which, if it were made public, would be likely to have a significant effect on the prices of the financial instruments issued by the Company.

The procedures set forth in the Code on Inside Information must be followed by the members of the Board of Directors and the Board of Statutory Auditors, and the employees of the Company and its subsidiaries as well

as any and all insiders, and that is to say, persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries (the “Insiders”).

In handling the confidential information of which they may become aware in the course of their duties, company executives and insiders are bound to exercise the utmost confidentiality and implement any and all suitable precautions so as to allow the said information to be circulated within the Company and amongst subsidiaries without any breach of the confidentiality thereof.

The aforesaid persons are barred from issuing interviews to the press and media, or in general, any declarations containing Inside Information not included in documents already disclosed to the public.

Any and all relationships with financial analysts and institutional investors entailing the disclosure of Inside Information must take place solely through the Investor Relations department, following authorisation from the Chief Executive Officer, whose responsibilities include the procedures for managing Inside Information pertaining to the Company and its subsidiaries, relations between the Company and institutional investors as well as press relations, availing for such purpose of the support and assistance of the Public Relations department.

The Board of Directors has appointed the Head of the Public Relations Department to act as the referee (the “Referee”) who, with the support of his/her direct collaborators, liaises with the media, prepares the drafts of the press releases pertaining to Inside Information regarding the Company or its subsidiaries, and, in concert with the Legal Affairs and Compliance Department of the Banking Group, ensures proper compliance with public disclosure obligations, by proceeding with the publication of the press releases pertaining to Inside Information, following approval by the Company’s Chief Executive Officer. Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali (or in the case of the absence or unavailability thereof, the Chief Executive Director) may meet with market operators in Italy and abroad.

The Company has also set up the Register of Insiders, within the meaning of Art. 115-bis TUF, establishing procedures for the maintenance of the said Register and appointing the Head of the Banking Group’s Legal Affairs and Compliance Department to maintain and update the same.

Internal Dealing

In accordance with the provisions of Art. 114, paragraph 7 of the Consolidation Law on Financial Intermediation, as well as Articles 152-sexies et seq. of the Rules on Issuers, on 18 July 2006, the Board of Directors approved a code of conduct in respect of internal dealing (the "Code on Internal Dealing") which was subsequently amended by Board resolution of 20 February 2008.

The said Internal Dealing Code defines "Relevant Persons" (which include, in particular, the members of the Board of Directors and the Board of Statutory Auditors of the Issuer, persons performing managerial responsibilities within the Company as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, CONSOB and the public, any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.

The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or barter of Banca Generali shares or financial instruments linked to shares, effected, including through third party intermediaries, by Relevant Persons and Persons closely associated with Relevant Persons.

On the other hand, the definition of Significant Transactions excludes transactions:

- (i) amounting, on the overall, to no more than 5,000.00 (five thousand/00) euros per calendar year, taking into account, for the purposes of determining whether or not the said threshold has been exceeded, all the transactions effected during the twelve months immediately following the date of the last transaction;
- (ii) effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
- (iii) effected between Relevant Persons and Persons closely associated with Relevant Persons;
- (iv) effected by the Company and its subsidiaries.

The Internal Dealing Code also contains rules governing the management, handling and disclosure of information pertaining to the said transactions.

Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or the condensed half-year reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said relevant persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.

The Board of Directors has appointed the Head of the Legal Affairs and Compliance Department to implement the provisions of the Code.

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

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

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

In particular, the Code recommended the setting up of an Internal Control Committee and a Remuneration Committee, whilst leaving it up to individual companies to decide whether or not they also need a Nomination Committee for proposing appointments as Director.

In accordance with the above, the Board set up both the Internal Control Committee and the Remuneration Committee, requiring the same to be made up entirely of non-executive directors and, with reference to the Internal Control Committee, including independent.

The Corporate Governance Code 2011, besides changing the name of the Internal Audit Committee into Internal Audit and Risk Committee, also recommends that a Nomination Committee be set up.

7. NOMINATION COMMITTEES

With reference to the aforesaid provision of the 2011 Corporate Governance Code, it must be pointed out that the Board of Directors has not yet appointed a Board Committee tasked with proposing appointments, given that, in light of the contents of the Code, the rules and regulations currently applicable pursuant to law and the Articles of Association, such as, in particular, the appointment mechanism based on list voting, provided for sufficient checks and balances to ensure the transparency of candidate selection and appointment procedures.

Furthermore, to ensure compliance with the recommendations set forth in the 2011 Corporate Governance Code, following the appointment of the new directors and officers by the next General Shareholders' Meeting called for April 2012, inter alia, for such purpose, the Board of Directors will appoint a specific Board Committee tasked with the appointment-related functions contemplated in the 2011 Code.

8. REMUNERATION COMMITTEE

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

The current Committee was appointed by the Board of Directors of 21 April 2009 (subsequently the composition was changed by the Board of Directors on 10 May 2011, with the appointment of professor Luigi Arturo Bianchi to replace a member of the Committee who had resigned), and is made up as follows:

| NAME AND SURNAME | OFFICE HELD (AS OF 13 MARCH 2012) |
|--------------------------|--|
| Attilio Leonardo Lentati | Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of the CONSOB Regulation No. 16191/2007. |
| Luigi Arturo Bianchi | Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of the CONSOB Regulation No. 16191/2007. |
| Andrea de Vido | Member of the Committee Non-executive Director |

Ms Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary.

In compliance with the provisions of paragraph 6.P.3 of the Code, all three members of the Remuneration Committee are non-executive directors and majority of them are also independent. And the Chairman of the Committee was chosen among them. Pursuant to Art. 37, paragraph 1, subparagraph (d) of Regulation No. 16191 adopted by CONSOB on 29 October 2007, following the appointment of the new directors and officers by the next General Shareholders' Meeting called for April 2012, inter alia, for such purpose, the Committee shall be made up entirely of Independent Directors.

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

1. periodically assessing the appropriateness, overall coherence and concrete implementation of the general remuneration policy applicable to executive directors, directors assigned specific tasks and duties, and key management personnel;
2. submitting general recommendations on remuneration, to the Board of Directors;
3. providing the Board of Directors with opinions on the determination of the criteria for the remuneration of professionals in a position to impact the Bank's risk profile, and directly overseeing the proper application of the said criteria;
4. providing the Board of Directors with non-binding

opinions and recommendations on the determination of the emoluments of company top management, as well as managers tasked with internal control functions;

5. monitoring the proper implementation of the decisions made by the Board in respect of submitted proposals and recommendations;
6. providing the Board of Directors with opinions on the determination of severance indemnities to be offered in the event of termination in office ahead of the scheduled expiry of the term of appointment, assessing, where necessary, the effects of such termination on the rights accrued and accruing under share-based incentive plans;
7. providing the Board of Directors with advisory opinions and recommendations regarding proposed stock-option, stock-award or other stock-based incentive plans, further suggesting the goals to be pursued through the said incentive programs and the assessment criteria to be used to evaluate success in attaining the said goals;
8. providing assessments – albeit without overstepping the bounds of its sphere of competence – on the attainment of performance targets underlying access to incentive plans, and monitoring the evolution and implementation of approved plans, over time;
9. providing the Board of Directors with reports, recommendations and opinions, duly supported by grounds, as well as, with the timeliness necessary to allow for due preparation of Board meetings called to pass resolutions on matters pertaining to remuneration, a full account of the Committee's activities.

The procedures governing the functioning of the Remuneration Committee are set forth in the Remuneration Committee Rules approved by the Board of Directors on 27 November 2006 and last amended by the Board of Directors on 23 June 2011.

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

Apart from Committee members, the Chairman of the Board of Auditors shall attend Committee meetings and other Auditors. The Chief Executive Officer can be invited to participate in meetings of the Committee, save during the discussion of matters regarding him.

Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.

Directors do not take part in Committee meetings at which recommendations in respect of their own remuneration are drawn up for submission to the Board of Directors.

Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration.

In 2011 the Remuneration Committee met four times. The meetings lasted about 1 hour and 10 minutes on average. In the year underway a total of two Board meetings are scheduled; since the beginning of the year as at the date of this report, no meeting was held.

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

In its meeting on 21 January 2011, the following aspects were examined:

- i) inclusion of certain company executives as beneficiaries of the LTIP, subject to Shareholder approval;

In its meeting on 9 March 2011, the following were examined:

- i) information regarding the application of the remuneration policy in 2010;
- ii) proposed amendments to the remuneration policy for 2011;

In its meeting on 19 April 2011, the following were examined:

- i) opinion to be addressed to the General Shareholders' Meeting regarding remuneration policies to be subjected to Shareholder approval;
- ii) recommendations regarding the overall fixed and variable remuneration of the Chief Executive Officer, the Managing Director, the Deputy Managing Directors and the heads of control functions, and the definition of related lists of objectives underlying the variable component of the remuneration of the aforesaid company officers;
- iii) information on the remuneration policies applicable to other executives;

In its meeting on 10 October 2011, the following aspects were examined:

- i) presentation of the Long Term Incentive Plan 2011/2013.

Two of the said Committee meetings, the proceedings all of which were duly recorded in minutes, were attended by all the Committee members, whilst one Committee member was absent at the others.

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

The Compensation Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks.

Additional, more detailed information on the Remuneration Committee will be provided in the relevant portions of the Remuneration Report to be published pursuant to Art. 123-ter of TUF.

9. DIRECTORS' REMUNERATION

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

With regard to remuneration, the Company is subject to Provision No. 264010 of 4 March 2008 of the Bank of Italy. With such provision, the Supervisory Body also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, under the regulations, in addition to establishing the remuneration due to the members of the corporate organs it appoints, the Ordinary Shareholders' Meeting must also approve the compensation policies applicable to directors, and employees, as well as outside consultants and collaborators other than employees. Accordingly, on 20 April 2011, including pursuant to the clarification published by the Bank of Italy on 19 February 2009, the Shareholder's Meeting not only acknowledged receipt of the notice regarding the implementation in 2010 of Remuneration Policies defined, in accordance with applicable regulations, with a view to promoting prudent risk management and alligning the long-term interests of shareholders and management, but also approved certain amendments to the Remuneration Policies applicable to directors, employees, as well as outside consultants and collaborators other than employees so as to bring the same in line with the recommendations issued by the Governor of the Bank of Italy on "Remuneration and Incentive Systems" and set forth in Order No. 321560 of 28 October 2009 and the provision of the Bank of Italy dated 30 March 2011 (effective as of 8 April 2011), which transposed in the regulations the the Capital Requirements Directive III (so-called CRD III) that introduces harmonised rules at EU level in respect of remuneration and incentive mechanisms for banks and investment companies.

In implementing its remuneration policies, Banca Generali thus aims at ensuring the greatest possible convergence of the long-term interests of the banking group's shareholders and management, especially by focusing on careful corporate risk management and commitment to long-term strategies. The remuneration package consists of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the strategic importance of the position to which the remuneration refers (this does not normally exceed 10% for the professional areas and middle managers; for top managers responsible for commercial operating units it may reach at most

60%, when the objective results assigned have been achieved in full).

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

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

The remuneration patterns of high-level executives and managers are monitored, taking due account of trends recorded on reference markets, using the HAY point-factor job evaluation method. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics, also with reference to the markets in which the company operates.

The fixed components of the remuneration serve to remunerate the managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.

The aim of the recurring variable components of remuneration and long-term incentives (such as stock option plans, stock granting schemes and deferred bonus systems), on the other hand, is to balance directly the interests of the shareholders and those of management.

A Management by Objectives mechanism, consistent with the achievement of the operating and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Managing Director and Executives. The Management by Objectives system is linked to the Balanced Scorecards principle. The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved, with a minimum access threshold.

The remuneration of the Chief Executive Officer is accordingly comprised of a recurrent fixed component

and a variable component linked to the attainment of pre-set performance targets, without any guaranteed minimum.

Information regarding the emoluments received by Board members and the General Manager during the year is contained in Banca Generali's Remuneration Policy, under the section focusing on the application of the said policy in 2011.

Information regarding the cumulative remuneration received during the year by executives with strategic responsibilities – and that is to say, the Deputy General Managers, Stefano Grassi and Giancarlo Fancel – as well as further details pertaining to the Company's remuneration policy, will, similarly, be provided in Banca Generali's Remuneration Policy, to be published pursuant to Art. 123-ter of TUF.

Pursuant to Art. 6.C.4 of the Code, the remuneration due to non-executive directors may not be linked to the Issuer's financial performance. Non-executive directors may not benefit from any stock-based remuneration plan, and are consequently remunerated solely on the basis of fixed compensation established by the General Shareholders' Meeting.

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 the Board of Directors approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's financial advisors, area managers and business managers.

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

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

b) an issue in the maximum nominal amount of € 1,113,130.00, represented by a maximum number of 1,113,130 ordinary shares of a face value of € 1.00 each, with specific exclusion of option rights afforded to shareholders pursuant to section 2441, paragraph 8, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A. Employees", reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.

In order to compensate optionees for the loss in value of the above-mentioned Stock Option Plans due to the well-known market conditions that occurred in 2007 and 2008, which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows, the Shareholders' Meeting held on 21 April 2010 resolved to approve an extension by three years of the exercise period for both of the above-mentioned Plans.

The price of the aforesaid options shall be determined at a whole number reflecting the arithmetic mean of the listed prices of shares in the Company on the electronic share market from the date of assignment of the stock options to the same day of the previous month.

The exercise of the options is subject to the attainment of overall targets and, in the case of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", even personal targets.

Pursuant to the applicable Rules, the Delegated Organs awarded:

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

In total, 3,369,136 stock options were awarded pursuant to the aforesaid Plans.

Moreover, on 21 April 2010, the Shareholders' Meeting approved a broad-ranging retention programme, which comprised two Stock Option Plans targeted at (a) financial advisors and private bankers, as well as (b) employees serving Banca Generali as Relationship Managers.

This initiative has a twofold objective: maintaining the interest of the distribution network and network managers in line with the interest of shareholders, in the medium- and long-term, as well as enhancing the loyalty of the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity in the medium term.

The new Plans will apply to financial year 2010, in ad-

dition to the fourth quarter of 2009, as limited to net inflows associated with the so-called “tax shield”.

The retention programme called for the granting of a total maximum of 2,500,000 options for the subscription of Banca Generali ordinary shares (of which 2,300,000 reserved for financial advisors and network managers and 200,000 for employed relationship managers).

In this regard, options were to be granted in a single instalment to the optionees identified as included in one of the above-mentioned categories by the relevant Plan Management Committee. The grant was conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period.

Pursuant to the applicable Rules, in 2011 the Delegated Organs awarded:

- (i) 2,300,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A.’s Financial Advisors and Network Managers;
- (ii) 200,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A. Relationship Managers.

In total, 2,500,000 stock options were awarded pursuant to the aforesaid Plans.

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

In order to give full effect to the Stock Option Plan for the financial advisors and network managers of Banca Generali S.p.A. for 2010 and the Stock Option Plan for the Relationship Managers of Banca Generali S.p.A. for 2010, the Shareholders’ Meeting held on 21 April 2010 resolved, pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code, on a divisible increase in the Company’s share capital by an amount equal to the maximum number of options that may be granted under the above-mentioned Plans, and thus in a maximum nominal amount of € 2,500,000.00, broken down as follows:

- (a) for a maximum amount of € 2,300,000.00, reserving the same for financial advisors and private bankers of the Banca Generali Group, to serve the “Stock option plan for financial advisors and network managers of Banca Generali S.p.A. for 2010”;
- (b) for a maximum nominal amount of € 200,000.00,

reserving the same to Banca Generali employed relationship managers and their coordinators, to serve the “Stock option plan for Relationship Managers of Banca Generali S.p.A. for 2010”.

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

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

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

Lastly, with regard to long-term incentives, in approving the Remuneration Policies on 20 April 2011, the General Shareholders’ Meeting resolved to increase the variable component of the remuneration of some of Banca Generali’s managers by admitting the same beneficiaries of the Generali Group’s Long Term Incentive Plan (“LTIP”) for executives serving the Generali Group in Italy and abroad, approved by the General Shareholders’ Meeting of Assicurazioni Generali S.p.A. on 24 April 2010 and 30 April 2011. The said plan is targeted at the Generali Group’s key management personnel and talented managers, and is designed to pursue medium-to-long term goals with a view to ensuring consistently high levels of performance over time, as measured against technical and yield-based benchmarks. With reference to Banca Generali’s managers and in order to ensure that the aforesaid plan is in line with the recommendations imparted by the Governor of the Bank of Italy in respect of remuneration and incentive systems by virtue of Order No. 321560 of 28 October 2009, the relevant corporate body drew up a specific appendix pursuant to Art. 12.2 of the said Plan Rules, with a view to ensuring (i) that the bank’s targets take precedence over those of the Generali Group, so that Banca Generali’s top management focuses, above all, on the bank’s results, thereby respecting the interests of the bank’s shareholders and (ii) that the bonuses arising under the Long Term Incentive Plan are subject to access gate conditions entailing the attainment of specific stability goals.

Directors' Severance Indemnities in the Event of Resignation, Dismissal or Severance as a Result of a Takeover Bid (pursuant to Art. 123-bis, paragraph 1, letter i) of TUF)

Provision has been made to cover the Chief Executive Officer's severance indemnity, in the amount of 200,000.00 euros per year (or 25% of his annual salary), payable by way of premium on a life insurance policy featuring the Chief Executive Officer himself as the direct recipient.

In the event the relationship underway between the bank and the Chief Executive Officer is terminated – for reasons other than resignation or dismissal for cause – prior to the end of his term of appointment as Director (which shall be deemed to expire with the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2011), the Chief Executive Officer shall be entitled to a lump-sum payment equivalent to his fixed annual salary (and that is to say, 800,000.00 euros) and the annual amount of the severance benefit (i.e. 200,000.00 euros) that would have been payable upon expiry of the original term of appointment, it being further understood that in the event where such termination takes place during the period between the Shareholders' Meeting called for the approval of the financial statements of the year ended 31 December 2010 and that called to approve the financial statements for the year ending 31 December 2011), the said lump-sum payment shall be further increased by the gross amount of 875,000.00 euros, including by way of additional severance benefit.

In the event the Chief Executive Officer ceases to serve as a Director prior to the expiry of his term of appointment, for reasons other than resignation or dismissal for cause or subjective good reason, he shall nevertheless be entitled to receive any and all bonuses accruing to him and previously subjected to deferred payment.

The Issuer has not entered into any other agreements with directors entailing the payment of indemnities in the event of resignation, dismissal without cause, or termination in office following a takeover bid, or otherwise requiring the assignment or continued provision of benefits or remuneration for non-competition obligations after termination in office.

10. INTERNAL AUDIT COMMITTEE (NOW INTERNAL AUDIT AND RISK COMMITTEE)

The Board of Directors has endowed itself with an Internal Control Committee made up of four Board members, all of whom are non-executive and independent, vested with consulting and recommendatory functions regarding internal controls.

Appointees to the Internal Control Committee must not only be non-executive directors, but must also meet the further requirement of independence.

The current Committee was initially appointed by the Board of Directors on 21 April 2009 and subsequently:

- on 29 September 2010, the Board of Directors increased from three to four the number of components of the Internal Control Committee, appointing Director Paolo Baessato as fourth member;
- on 10 May 2011, the Board of Directors appointed Luigi Arturo Bianchi as new member to replace a member who had resigned, further electing him as Chairman of the Committee.

As of today's date, the Committee is composed of the following members:

| NAME AND SURNAME | OFFICE HELD (AS OF 13 MARCH 2012) |
|--------------------------|--|
| Luigi Arturo Bianchi | Chairman Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007. |
| Paolo Baessato | Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007. |
| Attilio Leonardo Lentati | Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007. |
| Ettore Riello | Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Art. 37, paragraph 1(d) of CONSOB Regulation No. 16191/2007. |

The Board of Directors has determined that Luigi Arturo Bianchi and Attilio Leonardo Lentati have accumulated appropriate experience in accountancy and finance.

Ms Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary.

In compliance with Principle 7.P.4 of the 2011 Corporate Governance Code, on 21 February 2012, the Board of Directors, renamed the Committee, the Internal Audit and Risk Committee, and redefined the said committee's assigned tasks and functions.

The functioning of the Internal Audit and Risk Committee is regulated by specific rules (the "Internal Audit and Risk Committee Rules") approved by the Board on 27 November 2006 and last amended during the Board meeting of 21 February 2012.

The Committee is charged with the following tasks and powers: (i) the task of supporting the Board of Directors with adequate investigative activity in its evaluations and decisions concerning the internal control and risk management system and the approval of periodic financial reports; (ii) advisory powers in the area of related party transactions, in accordance with the terms and

conditions established by the related party transaction procedure approved by Banca Generali (the "Related Party Transaction Procedure") pursuant to current laws and regulations; and (iii) advisory and investigative powers in relation to the Board of Statutory Auditors in the area of the statutory auditing of the accounts, pursuant to Italian Legislative Decree 39 of 27 January 2010.

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

In this context:

- assists the Board in carrying out the tasks incum-

bent on the latter pursuant to the Corporate Governance Code of Listed Companies, in respect of the internal control and risk management system;

- expresses opinions concerning the appointment and dismissal of the Internal Auditor and the compensation for this position;
- 2.3.3. monitors the independence, adequacy, efficacy and efficiency of the Internal Audit, Compliance and Risk Management functions;
- ensures that the Internal Audit, Compliance and Risk Management functions possess adequate resources to discharge their duties;
- assesses the work programme prepared by the Compliance, Audit and Risk Management officers and examines the periodic reports prepared by said officers for further submission to the Board for its approval;
- assesses, together with the company Manager responsible for preparing the Banca Generali's financial reports and after having heard the statutory Auditor and the Board of Statutory Auditors, the purpose of preparing the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- reports to the Board of Directors on its activity and the adequacy of the internal control and risk management system, during the Board meetings called to approve the annual and half-yearly financial statements;
- requests that the Internal Audit, Compliance or Risk Management functions (according to their various specific competencies) perform checks on specific areas of operation while simultaneously notifying the Chairman of the Board of Statutory Auditors thereof;
- may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
- advises, upon request, the Managing Director, the Compliance Officer, the Internal Auditor and Risk Management Officer on issues or questions that must be dealt with before being submitted to the Board of Directors for its information and/or approval;
- performs the other duties entrusted to it by the Board of Directors;
- undertakes whatsoever may be required pursuant to the resolution establishing its powers and responsibilities, and whatsoever may be necessary or useful for implementing the said resolution.

Regarding related party transactions, in compliance with the provisions set forth in the Regulation on related party transactions approved pursuant to CONSOB resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010, and as required pursuant to the Related Party Transaction Procedure adopted by the Company, the Committee's tasks include:

- in respect of Moderately Significant Related Party Transactions, as defined in the Related Party Transaction Procedure, expressing, in the manner and form and in accordance with the deadlines established in the Procedure, a non-binding, opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions;
- in respect of Highly Significant Related Party Transactions, as defined in the Related Party Transaction Procedure, (i) playing an active role in the preliminary fact-finding and negotiation phases of each such transaction, including by seeking information from and/or forwarding comments and observations to any and all the persons and parties involved in the said phases; and (ii) expressing, in the manner and form and in accordance with the deadlines established in the Related Party Transaction Procedure, a binding, opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions.

The Committee is placed in charge of providing support to the Board of Auditors, at the latter's request, especially in the form of advice and assistance in conducting the fact-finding inquiries required to discharge the duties entrusted to the Board of Auditors with regard to the statutory auditing of accounts pursuant to Legislative Decree No. 39 of 27 January 2010. More specifically, the Committee shall:

- assess the proposals put forward by auditing firms to obtain the audit engagement, within the framework of the Company's procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly financial statements, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Auditors;
- assess the work schedule of the audit, and examine the results set forth in the report drawn up by the independent auditors together with any suggestions the latter may have put forward, reporting its find-

ings to the Board of Auditors;

- monitor the effectiveness of the processes followed for the statutory auditing of accounts, reporting its findings to the Board of Auditors;
- undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.

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

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

At the invitation of the Committee Chairman, Committee meetings may be attended by statutory Auditors, top managers, the Compliance Officer, Internal Auditor, the Risk Management Officer, the Heads of other corporate functions, the Manager responsible for preparing the Banca Generali's financial reports and any and all other persons whose presence is deemed useful.

In 2011 the Internal Control Committee (now Internal Audit and Risk Committee) met twelve times, for an average of approximately one hour and thirty minutes each time. In the year underway a total of 8 Board meetings are scheduled; from the beginning of the year to the date of this Report, two have been held.

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

In its meeting on 19 January 2011, the following aspects were examined:

- i) analysis and discussion of the Bank's organisational layout;
- ii) Annual Report of the Compliance Service and Work Schedule for 2011;
- iii) Annual Report of the Internal Audit Service and Work Schedule for 2011;
- iv) Annual Report of the Risk Management Service and Work Schedule for 2011;

In its meeting on 17 February 2011, the following aspects were examined:

- i) notices regarding the analysis of a highly significant related party transaction;
- ii) assessment of the tasks, organisational layout and resources of internal control functions;
- iii) analysis of compliance assessment mechanisms upstream of corporate macro processes;

iv) information on projects launched in support of regulatory compliance activities;

v) annual report on the internal control system and assessments carried out at the subsidiary companies;

vi) amendment of the Compliance Regulation;

In its meeting on 09 March 2011, the following aspects were examined:

i) check of the adequacy of the accounting policies followed in preparing the financial statements;

ii) analysis of a highly significant related party transaction;

iii) information on projects launched in support of regulatory compliance activities;

iv) report within the meaning of Art. 2.2.7 of the Internal Control Committee Rules;

v) illustration of the Financial Audit Report;

In its meeting on 19 April 2011, the following aspects were examined:

i) presentation of the ICAAP report and process;

ii) presentation of public disclosures and the Pillar 3 process;

iii) periodic report on the activities undertaken by the Internal Audit Service;

In its meeting on 09 May 2011, the following aspects were examined:

i) information on an application for mortgage financing, submitted by a related party;

ii) periodic report on the activities undertaken by the Compliance Department;

In its meeting on 14 June 2011, the following aspects were examined:

i) information on the organisational layout and functioning of the internal control system;

ii) update on the activities undertaken by the internal control system, inclusive of an assessment of compliance with the approved work schedule;

iii) amendment of the placement agreement with Gentellife;

iv) information on the tax savings situation for the funds managed by BG SGR;

In its meeting on 14 July 2011, the following aspects were examined:

i) information on a highly significant related party transaction;

In its meeting on 25 July 2011, the following aspects

were examined:

- i) opinion on a related party transaction;
- ii) check of the adequacy of the accounting policies followed in drawing up the interim financial statements;
- iii) periodic report on the activities undertaken by the Internal Audit Service;
- iv) report within the meaning of Art. 2.2.7 of the Internal Control Committee Rules;
- v) submission of the Governance Risk & Compliance (GRC) Management project;
- vi) structuring of the risk management function;
- vii) submission of the project for monitoring the quality of the customer portfolio;

In its meeting on 31 August 2011, the following aspects were examined:

- i) setting up of the Group's Anti-money laundering Function and ensuing organisational changes;
- ii) approval of the Banca Generali Banking Group Policy for managing money-laundering and terrorist financing risks

In its meeting on 26 September 2011, the following aspects were examined:

- i) opinion on a related party transaction;
- ii) information on a change in a related party transaction;
- iii) periodic report on the activities undertaken by the Compliance Department;

In its meeting on 27 October 2011, the following aspects were examined:

- i) periodic report on the activities undertaken by the Internal Audit Service;
- ii) Information on changes to the organisational structure;

In its meeting on 18 November 2011, the following aspects were examined:

- i) examination of the findings set forth in the periodic report submitted by the Internal Audit Service.

The proceedings of each meeting were duly recorded in minutes.

Seven of the said Committee meetings, the proceedings of all of which were duly recorded in minutes, were attended by all the Committee members, whilst one Committee member was absent at the others.

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

The Internal Control Committee (now Internal Audit and Risk Committee) is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks.

11. INTERNAL CONTROL SYSTEM

The bank's Board of Directors adopted an organisational model for the Group's internal control system, under which so-called second and third control functions are centralised within the Parent Company.

especially so as to meet the need for managerial as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the governance and control bodies of subsidiaries.

As required pursuant to the Italian Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has adopted an internal control system capable of continuously monitoring typical business risks.

The internal control system is therefore a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with pre-set targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific sphere of competence.

Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of Art. 7 of the 2011 Corporate Governance Code and, moreover, specifically designed to ensure healthy and prudential corporate management of the bank and the group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors on 24 January 2008 (with effect as of 1 March 2008) with a view to bringing the same in line with regulations introduced through the provisions for the implementation of MiFID in Italy. The Internal Control System was revised by the Board on 07 November 2011.

Pursuant to the said provisions and applicable supervisory regulations, it is made up of:

- (i) checks involving the business line: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the transactions effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;
- (ii) risk management checks: checks carried out by the

heads of individual operating units and by the Risk Management Department, as part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating departments, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for specific types of risk (credit risk, market risk, operating risk);

- (iii) compliance checks: checks carried out by the Compliance Department on the conformity of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-imposed rules of conduct;
- (iv) internal auditing: checks carried out by the Internal Audit Service with a view to ensuring, also through on-site inspections, the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal control.

The Company's Internal Control system is structured to ensure proper disclosure of information and adequate oversight of all the Group's activities, with a view to promoting fairness and transparency, in both form and substance, whilst also ensuring the efficiency, traceability and auditing of transactions, and more in general all management activities; the reliability of accounting and management data; compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially in order to prevent fraud against the Company and the financial markets.

The key principles underlying the Company's Internal Control System include:

- the separation of roles in the performance of the main tasks involved in individual production processes;
- the traceability and constant visibility of choices;
- objective decision-making with regard to individual operating processes.

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of: (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main corporate risks are identified and appropriately managed, that the Company's control

structures are endowed with sufficient autonomy and independence within the Company's organisation as well as with adequate resources to ensure the proper functioning thereof.

The Board of Directors also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective action in case of shortcomings and/or anomalies in the performance of the checks themselves.

Pursuant to supervisory regulations, internal control functions must be independent of other operating functions, and report directly to the Board of Directors and Board of Statutory Auditors, on a periodic basis, in respect of the outcome of its activities.

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Department, with effect as from 1 October 2003. His remuneration is examined each year by the Board of Directors and is in line with best market practice.

In keeping with Banca Generali's organisational model, the Internal Audit function is vested with a dual role: (i) an institutional role arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a service role under which the Company's Internal Audit department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.

The auditing method on which internal auditing activities are based, is defined under the Internal Audit Rules (as most recently amended by resolution of the Board of Directors on 29 September 2010) and the supervisory model, also approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (CoSo Report, professional standards).

Pursuant to applicable regulations, on 24 January 2008, the Board of Directors appointed Paolo Rupil to head the Compliance Service as of 1 March 2008.

On 24 June 2008, the Board of Directors approved the Banking Group's Compliance Policy and related Compliance Rules (subsequently amended by Board resolution of 22 February 2011), ordering the timely notification thereof to all subsidiaries, with a view to ensuring that the said Policy and Rules are fully implemented throughout the banking group.

On 27 August 2008, the Board of Directors appointed Antonino Fici to head, with effect as of 1 September, the Risk Management Service.

As already noted, in compliance with the Code's recommendations regarding internal control, on 27 November 2006, the Board set up within itself an Internal Control Committee (now Internal Audit and Risk Committee) in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Control Committee", above).

Moreover, with regard to risks, the Chief Executive Officer may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the banking group's risk management and control system, and identifying and implementing appropriate risk containment measures.

As recommended by the Code, Art. 8 of the Board Rules requires the Board to:

- (i) define guidelines for the Internal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored, and also determine the degree to which such risks are compatible with management of the Company consistent with the strategic goals identified;
- (ii) assess, with at least annual frequency, the adequacy of the Internal Audit and Risk Management System with respect to the Company's characteristics and the risk profile assumed, as well as the effectiveness of the System;
- (iii) approve the working plans drafted by the Heads of the Compliance, Internal Audit and Risk Management functions and review the periodic reports drafted by those functions;

As part of his/her activities concerning the management and coordination of the Group, the person in charge of internal control also exercises:

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the range of business activities conducted. This type of control is aimed at monitoring the expansion of the business operations of group companies, and their policies in terms of mergers, de-mergers and acquisitions. Strategic coordination is ensured primarily through presence of a certain number of persons appointed by the Bank's Board of Directors, on the Board of Directors of group companies;
- b) operating control aimed at ensuring that the income statements, cash flow and balance sheets of both, individual group companies and the group as a whole, are appropriately balanced. These checks

are carried out preferably through the drawing up of plans, programmes and budgets (for each group company and for the group as a whole) and by analysing the quarterly performance, interim results and annual financial statements of each group company and the group as a whole, duly broken down by specific business sector, and with regard to the entire group. Operations are coordinated by the Planning and Control Department which liaises with the corporate bodies/functions of each of the subsidiaries;

- c) technical-operating control aimed at assessing the profiles of the various risks incurred by the group as a whole as a result of the business operations of individual subsidiaries.

11.1 Executive Director in charge of the internal control system

The Board of Directors has appointed the Chief Executive Officer, the executive director in charge of overseeing the functioning of the internal control system.

The Chief Executive Officer defines operating policies and related risk control procedures, identifying and evaluating, including on the basis of management trends and departures from forecasts, any and all factors giving rise to risks, and assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same as may be necessary or useful, from time to time.

the Chief Executive Officer to whom the Internal Audit function reports on an operating basis, to undertake the following tasks in addition to his/her regulatory duties, and that is to say:

1. identify the main corporate risks, taking due account of the business operations of the Company and its subsidiaries, and submit periodic reports on the same to the Board of Directors and the Internal Control Committee (now Internal Audit and Risk Committee);
2. implement the guidelines laid down by the Board of Directors in designing, setting up and managing the internal control system, and constantly monitor the overall adequacy, effectiveness and efficiency of the same, whilst also adapting the said system to changes in operating conditions and in the applicable statutory and regulatory framework;
3. recommend to the Board, after hearing the opinion of the Internal Audit Committee, the appointment, dismissal and remuneration of a person in charge of Internal Audit.

11.2 Internal Auditor

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Function, with effect as from 1 October 2003. In keeping with Banca Generali's organisational model, the Internal Audit function is vested with a dual role: (i) an institutional role arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a service role under which the Company's Internal Audit department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.

The Internal Auditor:

1. is tasked with monitoring the constant adequacy, full functionality and effective operation of the internal control system;
2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
3. is to be afforded direct access to any and all the information that may be useful for the performance of his duties;
4. is to be endowed with adequate resources for the performance of his assigned duties;
5. answers to the Internal Control Committee (now Internal Audit and Risk Committee), the Board of Statutory Auditors, the Board of Directors and the Chief Executive Officer, expresses an opinion, in particular on the effectiveness of the Internal Control System in ensuring an acceptable overall risk profile;
6. has a budget to refer to for completing his/her tasks and activities.

Main features of the Company's risk management and internal control systems related to the financial reporting process (pursuant to Art. 123-bis, paragraph 2, letter b) of TUF)

The risk management and internal control systems as they relate to the financial reporting process adopted by the bank (the "System") are part of the broader Internal Control and Risk Management System described in the previous section.

The System addresses the issues of internal control and risk management arising in respect of the financial reporting process, from an integrated perspective, with

a view to identifying, assessing and containing the so-called financial reporting risks: (i.e., risks of errors leading the annual financial statements, the condensed half-yearly financial statements, the consolidated financial statements and/or other financial disclosures and filings, to reflect a view of the balance sheet, income statement and/or cash flow that cannot be described as true and/or fair) to which the Company and the Group are exposed.

The System is thus intended to guarantee the reliability, accuracy and timeliness of financial reports. To this end, the bank created a financial reporting risk model consisting of principles and rules that aim to guarantee an adequate administrative and accounting system, in part by ensuring the availability of procedures and instructions.

The Manager in charge for the Company's financial reports works within this framework. The Manager is charged by Italian Law No. 262 of 28 December 2005 ("Law 262") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy.

The Manager in charge for the Company's financial reports is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group to the extent of the powers and means granted to him/her under paragraph 4 of Art. 154-bis of the TUF.

The financial reporting risk model adopted is based on a process developed by the Company in accordance with the following reference frameworks, which are generally recognised and accepted internationally:

- (i) the CoSO (Committee of Sponsoring Organisation of the Treadway Commission). Internal Control – Integrated Framework, released in 1992, defines guidelines for assessing and developing an internal control system. In the CoSO Framework, the model refers to the component of the internal control system concerning the processes of collection, processing and publication of financial information flows (financial reporting);
- (ii) COBIT (Control Objective for IT and Related Technology, built by the IT Governance Institute based on the CoSO Framework), provides specific guidelines for IT and can be used together with ITIL (Information Technology Infrastructure Library, a framework already used by the Group) and ISO/IEC 27001 (International Organisation for Standardisation/Information Electrotechnical Commission).

Within the Group, the financial reporting risk model has been extended to companies identified as relevant in

the context of the model ("Companies within the Scope of Application"). In particular, the Companies within the scope of analysis area adopt a financial reporting risk model that is consistent with the model used by the Company so as to create a uniform system throughout the Group. The models are then changed as indicated by Banca Generali's manager in charge of the Company's reports.

Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process

The key characteristics of the financial reporting risk model adopted by Banca Generali are summarised below, with particular reference to: (a) phases of the model; (b) departments/employees involved in the model and their respective roles; (c) information flows.

(a) phases of the financial reporting risk model

The different phases of the financial reporting risk model were defined by the Company based on the reference framework (CoSO Framework). In detail, the model may be divided into the following phases: (i) identification and assessment of financial reporting risks, (ii) identification and assessment of controls for mitigating identified risks.

(i) identification and assessment of financial reporting risks:

to identify and assess financial reporting risks, the Company identifies the relevant companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative elements. Companies within the scope of analysis are those that, in considering the relationships between the assets, revenues and profit or loss of the individual companies and consolidated balances, exceed specific limits established by best market practice (in 2011, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included in the scope of processes to be analysed. Each process is assigned an analysis priority based on quantitative elements. Lastly, qualitative elements referring to the companies' risk profiles, which are based on both internal and external factors, are added to the scope of analysis. The

scope of analysis is revised at least annually or when warranted by changes in the Group's structure.

Each risk is evaluated to determine its level of significance based on its inherent risk (or gross risk), which does not consider the mitigating effect of controls associated with it. The assessment of gross risk is based on a combination of (i) the probability that the event, that could potentially cause an administrative or accounting error, will occur during a specific timeframe, and (ii) the impact that such event could have on accounting and financial data and, consequently, on the presentation of a true and fair view of assets, liabilities, profit or loss and financial position. The probability is determined by the frequency of controls and how they are carried out, while the impact is measured based on the priority of the analysis process, as described above. The result of the assessment process can be either "high", "medium" or "low". Furthermore, as part of the assessment, control objectives are established in accordance with best market practice. Each control objective is associated with a specific financial assertion (existence or occurrence, completeness, valuation or allocation, presentation and disclosure, rights and obligations).

(ii) identification and assessment of controls for mitigating identified risks;

The financial reporting risk model includes the following types of controls: (a) company-level; (b) process-level; (c) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

- (a) time of execution: controls can be either preventative or after-the-fact;
- (b) the execution procedure: manual, automatic or semi-automatic;
- (c) nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
- (d) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design is evaluated and a phase in which the actual application is evaluated according to specific methods for each type of control. If during these phases shortcomings are identified in the management of financial reporting risk, the appropriate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the manager in charge of the Company's financial reports.

(a) Company-level controls

The goal of company-level controls is to ensure the existence of an organised, formal company structure designed to reduce the risk of improper conduct through adequate governance systems, standards of conduct based on ethics and integrity, efficient organisational structures, clarity in the assignment of powers and responsibilities, adequate risk management policies, employee disciplinary systems, efficient codes of conduct and fraud-prevention systems. Adequacy assessments focus on ensuring the existence and dissemination of the appropriate tools (such as policies, codes, rules, service rules, etc.) used to identify rules of conduct applicable to company employees. The next phase involves evaluating the actual application of the aforementioned rules.

(b) Process-level controls

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determining the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

(c) Controls on Information Technology (IT)

IT controls focus on processes associated with managing and handling information stored in the computer systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development and maintenance, data completeness and accuracy, IT risk analysis and information system management. As for the applications used to create the financial statements, in relation to business processes as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the main automatic controls performed by applications as part of major processes.

(b) the functions involved in the model, their roles and information flows

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages its corporate boards and operating and control units in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Control Committee (now Internal Audit and Risk Committee), ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the manager in charge of the Company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law 262.

The manager in charge of the Company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board. Accordingly, he/she is responsible for evaluating the adequacy and use of administrative and accounting procedures and their ability to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the manager in charge of the Company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him/her. The Unit also serves as a point of reference for the entire Group as regards the management of administrative and accounting risks through guidance and coordination activities.

Banca Generali's Internal Regulations and Procedures Service is responsible for mapping the administrative and accounting processes of the Company and Group and ensuring that the information and documentation pertaining to them is kept up-to-date.

The Internal Audit Service periodically evaluates the efficiency of procedures and controls included in these processes and supports the Law 262 Organisational Unit in its assessment of the risks and related controls within the Group's administrative and accounting processes.

Compliance Service is responsible for checking and assessing the appropriateness and effectiveness of administrative and accounting processes, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all the banking and investment services offered by the

Banking Group, especially so as to minimise the risk of non-conformities.

Process Owners (managers of the Company's and Group's Organisational Units) are appointed by Top Management and are in charge of managing one or more major processes in accordance with Law 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found.

Furthermore, if key activities and/or controls that are the responsibility of a department other than the Process Owner's are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion for which he/she is responsible.

The Company also developed – through a special circular related all Group companies – a documentation system that ensures that all boards, departments and employees with specific tasks within the internal control and risk management system work together to complete their respective duties.

The activities, information and documents included in the financial reporting risk model are managed using computer applications that are shared with other control units.

The manager in charge of the financial reports of the Company reports to the Board of Directors on a regular basis as to the activities carried out in exercising his/her functions.

11.3 Organisational model pursuant to Legislative Decree 231/2001

Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.

The above-mentioned Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.

The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation or duty, but a right, that the Company has decided to exercise in order, not only to restructure and formalise, where necessary, a system of preventive checks aimed at preventing conduct entailing administrative liability for the Company pursuant to the above-mentioned Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.

On 19 June 2006, the Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The aforesaid Model must be constantly updated taking due account of changes in the relevant regulatory framework. A copy of the Model is available on the website www.bancagenerali.com/About us/Corporatestructure/BancaGenerali.

Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption. The Model is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, and is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.

In accordance with the provisions of the aforesaid Decree, the task of supervising compliance with the Model and updating the same, must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.

The Company has therefore set up a panel to act as a Supervisory Board (reporting to the Board of Directors), defining the tasks and functioning thereof. The Company has opted to appoint to the said Supervisory Board, persons who hold positions within the Company's organisational structure, that, for technical and/or organisational reasons, enable them to make meaningful contributions to performing the tasks and attaining the goals of the Supervisory Board.

Accordingly, the Board of Directors has decided that the Company's Supervisory Board shall consist of a panel made up of a non-executive Director, the Head of the Legal Affairs Department and the Head of the Internal Audit department.

The make-up of the current Supervisory Body, the members of which are specified in the table below, was approved by the Board of Directors on 21 April 2009:

| NAME AND SURNAME | OFFICE HELD |
|---------------------|---|
| Aldo Minucci | Chairman and Non-executive Director |
| Francesco Barraco | Internal Auditor |
| Cristina Rustignoli | Head of the Legal and Compliance Department |

In carrying out its tasks, the Supervisory Board is to avail of the support of other corporate departments, especially the Compliance Department.

11.4 Independent Auditors

In light of the regulatory framework following the entry into force of the Italian Legislative Decree 303/2006, the Ordinary Shareholders' Meeting held on 24 April 2007 extended the appointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ending 31 December 2014. As a consequence of this extension, the total number of consecutive years subject to auditing is nine, and, therefore, the appointment complies with the provisions of Art. 17, of Legislative Decree 39 of 27 January 2010.

11.5 Manager in charge of the company's financial reports

Art. 154-bis of Legislative Decree No.58 of 24 February 1998, introduced by Law No. 262 of 28 December 2005, requires inter alia:

- a) the Manager in charge of the company's financial reports to issue a written statement attesting that any and all notices and information the Company discloses on the market in respect of its annual and/or interim financial reports corresponds to the documentary results, books and accounting records;
- b) the Manager in charge of the company's financial reports and the delegated Administrative Bodies to issue a joint written statement to be attached to the annual financial statements, the condensed half-yearly financial statements, and, where applicable, the consolidated financial statements, certifying the appropriateness and effective implementation of all relevant accounting and administrative procedures during the accounting period of reference, as well as warranting that all the related accounting documents were prepared in accordance with the international accounting principles generally accepted and applied within the European Union, and, accordingly faithfully reflect the contents of the Company's accounting books and records, with the result that the said accounting documents may be deemed to provide a true and fair view of the balance sheet, income statement and cash flow of the Company and the Group, and moreover, attesting, in respect of the annual financial statements and the consolidated financial statements, that the related Directors' Report includes a reliable analysis not only of business trends and operating results, but also of the situation of the issuer and all the companies included in the reporting entity, together with a description of the main risks and uncertainties to which the Com-

pany and Group are exposed, as well as, in respect of the abbreviated half-yearly financial statements, that the related interim Directors' Report comprises a reliable analysis of the information mentioned in paragraph 4 of Art. 154-ter of TUF;

- c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Manager in charge of the company's financial reports and the proper implementation of "administrative and accounting procedures".

Pursuant to Art. 23, paragraph 3 of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, shall appoint and dismiss the Manager in charge of drawing up the company's accounting documents, in compliance with Art. 154-bis of Legislative Decree No. 58 of 24 February 1998, establishing the powers and resources of the same.

Paragraph 4 of the same Article provides that the said Manager shall be selected from amongst the company executives in possession of the following professional qualifications:

- suitable professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
- specific know-how in the field of financial reporting and auditing, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures, acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The said Manager must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.

On 24 January 2007, pursuant to the Articles of Association, and taking into consideration the opinion of the Board of Statutory Auditors, the Board of Directors appointed Giancarlo Fancily to serve, as of 1 February 2007, as Manager in charge of drawing up the company's accounting documents, within the meaning of Art. 154-bis of Legislative Decree 58/1998, after having ensured that he was fit and proper for such appointment within the meaning of Art. 23 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.

Giancarlo Fancel is the Vice Deputy General Manager in charge of coordinating the Planning & Control, Administrative and Organisation Department, Organisation and Regulation, Coordination of IT Management Development, Finance and Risk Management service and Trade Marketing Office, tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

Following the entry into force of Legislative Decree No. 195 of 6 November 2007 which implemented the Transparency Directive (2004/109/EC) and amended Art. 154-bis of Legislative Decree 58/1998, on 20 February 2008, the Company's Board of Directors revised the powers and responsibilities invested in Giancarlo Fancel as Manager in charge of the company's financial reports, in which capacity he is required:

- (iv) as Manager in charge of the company's financial reports, within the meaning of Art. 154-bis of Legislative Decree 58/1998, to ensure that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports, are accompanied by a written statement issued by him, and attesting that the said notices and information corresponds to the documentary results, books and accounting records;
- (v) as Manager in charge of the company's financial reports, within the meaning of Art. 154-bis of Legislative Decree 58/1998, to draw up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports as well as any and all other financial notices;
- (vi) as Manager in charge of the company's financial reports, within the meaning of Art. 154-bis of Legislative Decree 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator CONSOB and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow of the issuer and all the companies making up the reporting entity;

- (vii) to certify that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
- (viii) to certify that the Directors' report on operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;
- (ix) to certify that the interim Directors' report on operations attached to the condensed half-yearly financial statements includes a reliable analysis of the information mentioned in Art. 154-ter, paragraph 4, of Legislative Decree 58/1998;
- (x) to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in 154-bis of Legislative Decree 58/1998;
- (xi) for the purposes of discharging the tasks and/or exercising the powers mentioned in Art. 154-bis of Legislative Decree 58/1998, to avail of the support and collaboration of other corporate functions (including the Internal Audit Department) should intervention by the latter be deemed necessary or even merely useful towards such end.

In order to fully comply with the article in question, in early 2007, the Company launched an initiative known as the FARG - Financial Accounting Risk Governance Project, the management of which was entrusted to a project-specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such purpose. The previous section "Main features of the Company's risk management and internal control systems related to the financial reporting process" provides further information on FARG.

12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In compliance with the provisions set forth in Art. 2391-bis of the Italian Civil Code and Art. 4 of the Regulation on Related Party Transactions (approved pursuant to CONSOB resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010), on 5 November 2010, Banca Generali's Board of Directors – after hearing the opinion of the Internal Control Committee set up within the Board of Directors and made up of independent directors – approved procedures aimed at ensuring the transparency as well as the procedural and substantive correctness of related party transactions (the “Related party Transaction Procedure” or merely the “Procedure”).

The Related Party Transaction Procedure regulates transactions effected with counterparties that qualify as “related parties” within the meaning of the aforementioned CONSOB Resolution No. 17221, which defines the same as any person or party that:

- (a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries:
 - (i) controls, is controlled by, or is under joint control with the Company;
 - (ii) has an interest in the entity that gives it significant influence over the entity;
 - (iii) exercises control over the Company jointly with other persons or parties;
- (b) is an associate of the Company;
- (c) is a joint venture in which the Company is a venture;
- (d) is a member of the key management personnel, with strategic responsibilities, of the Company or its parent;
- (e) is a close member of the family of any of the parties mentioned in paragraphs (a) or (d) above;
- (f) is an entity company over which a person or party falling within the scope of points (d) or (e) above exercises sole or Joint Control or Significant Influence, or in which the said person or party directly or indirectly holds a significant stake bearing no less than 20% (twenty percent) of the voting rights;
- (g) is an Italian or foreign supplementary, collective or individual pension fund set up in favour of the employees of the Company or any of the latter's related parties.

The Procedure establishes first and foremost that any and all duties and responsibilities in respect of Highly and Moderately Significant RP Transactions, respectively, assigned under the said CONSOB Resolution to what the latter refers to as the “committee”, shall be entrusted to Banca Generali's Internal Control Committee (now Internal Audit and Risk Committee), subject to appropriate mechanisms for the replacement of any and all committee members who may also qualify as related parties.

The procedure defines the term “Related Party Transaction” as any transaction entailing a transfer of resources, services or obligations between related parties, whether for valuable consideration or otherwise, and lays down provisions governing decision-making powers, the requirement to justify the approval of such transactions on the basis of grounds set forth in writing, and the documents to be prepared depending on the type of related party transaction in question. More specifically:

- (i) Moderately Significant RP Transactions – falling short of the threshold defining Highly Significant RP Transactions – must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions.
- (ii) Highly Significant RP Transactions – exceeding the threshold of (a) 5% of at least one of the significance indices included in Schedule 1 to the aforesaid CONSOB Resolution No. 17221, or (b) 2.5% of any of the said indices in the event the transaction is to be effected with the Parent Company being a listed company or undertakings related to the Parent Company and therefore in turn related to the Company – must be approved by the Board of Directors. The Internal Control Committee (now Internal Audit and Risk Committee), or one or more of its members specifically entrusted with such task, shall be involved in the negotiation and preliminary assessment of the transactions in question, on the basis of timely and complete information made available to the same. The aforementioned Committee may, through its Chairman or delegates, forward requests for information and submit its views to the delegated corporate bodies and officers and other persons in charge of negotiating or assessing the proposed transaction. The Board of Directors shall pass the related resolution on the basis of the documents underlying the preliminary assessment as well as the Committee's binding favourable opinion. The Board resolution in question shall include a statement of the grounds supporting the advisability of the transaction taking due account of the Company's interest in effecting the same, as well as the fairness and substantive propriety of the transaction and the related terms and conditions. In departure from the above rule, the Board of Directors may approve a Highly Significant RP Transaction, despite an unfa-

avourable opinion by the Committee in such regard, provided that: (i) the Ordinary Shareholders' Meeting authorises the transaction in question; and (ii) in the event the Unrelated Shareholders present at the Shareholders' Meeting at the time of the related ballot hold more than 10% of the sum total of the voting rights, a majority of the said Unrelated Shareholders do not vote against the related motion.

The aforesaid procedural rules shall not however apply to the transactions excluded from the scope of the abovementioned CONSOB Resolution No. 17221 (without prejudice to the public disclosure obligations imposed under Art. 114 of TUF) as well as the following Related Party Transactions:

- (a) Low-value Related Party Transactions, and that is to say: (i) unsecured loans of up to 350,000.00 euros, (ii) loans secured by guarantees in rem and amounting to no more than 500,000.00 euros, (iii) agreements for the performance of works and services, including professional and consultancy services involving the management and development of business operations, entailing amounts of no more than 500,000.00 euros, (iv) the acquisition and disposal of real property rights and for the rent-free use of real estate with a value of no more than 500,000.00 euros, (v) any and all other transactions not subject to mandatory Board approval and featuring a value of no more than 500,000.00 euros;
- (b) share-based remuneration plans approved by the General Shareholders' Meeting within the meaning of Art. 114-bis of the TUF, and related implementing transactions;
- (c) resolutions regarding the remuneration of directors entrusted with specific tasks in cases where the said remuneration is not included in the overall amount awarded pursuant to Art. 2389, paragraph 3 of the Italian Civil Code, as well as resolutions determining the remuneration of Key Management Personnel, provided that all of the remuneration in question is determined pursuant to specific remuneration policies adopted by the Company and drawn up with the involvement of a committee made up entirely of non-executive Board members the majority of whom must also be independent directors, as well as illustrated in a report submitted to the approval or the consultative vote of the Shareholders' Meeting;
- (d) Ordinary Transactions and any and all related financial activities, falling within the category of transfers of resources concluded at arm's-length or standard terms, in the normal course of day-to-day business operations – including, with regard to transactions to be effected through subsidiaries within the meaning of Art. 2359 of the Italian Civil Code, the day-to-day business operations of the latter. Towards such end, arm's-length or standard terms are to be deemed the

conditions usually applied in the general course of business to unrelated parties in respect of transactions of a similar nature, size and risk, or otherwise, conditions based on rates regulated under fixed prices or applicable to parties to which the Company is obliged under law to apply specific prices.

- (e) transactions with or between Subsidiaries, including jointly, as well as transactions with Associates, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question, with the result that it would stand to benefit from the transfer of resources contemplated under the proposed transaction or transactions. A Significant Interest is said to arise when an entity that controls or otherwise exercises a dominant influence over the Company, at the same time, holds, in the Subsidiary or Associate Company which is the counterparty to the proposed transaction, a shareholding that, considered together with the stake it owns in the Company, would result in advantages to the entity in question, in the event the transfer of resources contemplated under the proposed transaction were to take place.

Furthermore, any and all Related Party Transactions falling within the scope of Art. 136 of TUB, shall be subject to the regulatory framework incorporated within the said law.

This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant RP Transactions to be effected by Italian or foreign subsidiaries within the meaning of Art. 2359 of the Italian Civil Code, as well as any and all transactions falling within the scope of Art. 136 of TUB.

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

- (i) the Company's Board of Directors to include an account of all related party transactions concluded during any financial year, including through Subsidiaries, in the Directors' Report mentioned in Art. 2428 of the Italian Civil Code;
- (ii) the Chief Executive Officer shall report to the Board of Directors as well as the Board of Auditors in respect of the conclusion of any and all Moderately Significant RP Transactions, at least on a quarterly basis.
- (iii) the Chairman of the Board of Directors shall ensure that adequate information on all Moderately Significant RP Transactions pertaining to the Board of Directors and all Highly Significant RP Transactions without exception, is made available not only to all Directors in compliance with Art. 2381 of the Italian Civil Code, but also to the Board of Statutory Auditors;
- (iv) the Board of Statutory Auditors shall monitor com-

pliance with the provisions of the above-mentioned Procedure and shall submit a report in such regard to the Shareholders' Meeting mentioned in section 2429, paragraph 2, of the Italian Civil Code.

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

The Procedure for Related Party Transactions can be viewed on the corporate website (www.bancagenerali.com), section "Corporate Governance – Corporate Governance System – Governance Policies".

Obligations of Company Officers and Executives Pursuant to Legislative Decree No.136 of TUB

With regard to the obligations binding on company officers and executives of banks and companies belonging to banking groups, it must be borne in mind that pursuant to Art. 136 of the TUB, the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, directly or indirectly, with the bank or banking group companies. By the same token, company officers and executives charged with administrative, managerial and control functions within a banking group company may not effect any of the said transaction with the companies within which they discharge such functions, or any loan transactions whatsoever with another company or bank belonging to the same banking group as the company or companies within which they serve. This prohibition may be lifted only by Board resolution passed unanimously as well as with the approval of all the members of the control body, and the prior consent of the Parent Company in the case of transactions to be effected with any of the companies belonging to the banking group.

Pursuant to law No. 262 of 28 December 2005 "Provisions

for the protection of investors and for regulating financial markets", the requirement of prior consent was extended to obligations entered into with: (a) companies controlled by officers and executives of the bank or other Group companies; (b) companies where such persons perform administrative, management and control functions; (c) companies controlled by or that control those companies.

However, pursuant to the amendments introduced by Legislative Decree No. 303 of 29 December 2006, "Coordination with Law No. 262 of 28 December 2005, of the Consolidation Law on Banking and Credit and the Consolidation Law on Financial Intermediation", the scope of Art. 136 of Legislative Decree No. 385/1993 was narrowed with the lifting of the requirement of prior Board authorisation for obligations entered into between companies belonging to the same banking group, or between banks belonging to the same banking group, in the case of transactions effected on the inter-bank market.

In order to constantly monitor situations that could give rise to potential conflicts of interest, Banca Generali has adopted the specific measures and precautions listed below: (i) at the time of their appointment, all company officers and executives are directly and personally made aware of the contents of the regulations in question, through a summary brochure of the obligations arising under the current regulatory framework as well as a "Personal Data Sheet" to be filled in by company officers and executives, specifying the positions they hold and the relationships relevant for the intents and purposes of Art. 136 of the Consolidation Law on Banking; (ii) custom-designed purpose-specific software is used to record all the information contained in the personal data sheet, as most recently updated; (iii) regulatory compliance is monitored – with a view to preventing conflicts of interest (by subjecting transactions effected by persons vested with powers of business administration, management or control, using the monies, assets or guarantees of the Bank or group companies, to specific assessment by the Bank's governing and control bodies) – through specific computerised processes that prevent the transactions in questions from being completed unless all related regulatory procedures and formalities are strictly complied with.

13. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three regular and two alternate Auditors, whose functions, duties and terms of office are defined by the law.

Pursuant to Art. 20 of the Articles of Association, regular and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regula-

tions, may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.

Auditors are appointed on the basis of lists of candidates, in accordance with the procedures set forth below.

Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Currently, the percentage is 2.00%. Each shareholder

(as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Art. 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Art. 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the regular Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office.

The lists, signed by the submitting shareholders, shall be filed at the Company's registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any and all forms required by applicable laws and regulations, no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.

Each shareholder (as well as (i) shareholders belonging to

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

The first two candidates on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected acting Auditors; the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes and submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected alternate Auditors.

In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.

Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof by majority of the votes cast, in accordance with law.

In the event of votes being equal between two or more lists the younger candidates will be elected until all the posts to be assigned have been filled.

The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall shall be elected Chairman of the Board of Statutory Auditors. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.

In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the same list as the replaced Auditor will succeed him. Such alternate will succeed him for a period conterminous with the term of the other acting Auditors in office at the time of his appointment as an Auditor. Should the outgoing Auditor be the Chairman of the Board of Auditors, his replacement on such Board shall also assume the Chairmanship of the Board of Auditors. In the case where it is not possible to proceed as indicated above, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with imme-

diate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the aforementioned voting list system.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience:

a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;

b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity,

In such regard, Art. 20 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, parabanking, financial and insurance sectors.

14. STATUTORY AUDITORS (pursuant to Art. 123-bis, paragraph 2, letter c), TUF)

Banca Generali's current Board of Auditors, which was appointed by the Shareholders' Meeting of 21 April 2009, and extended as regards an alternate Auditor, by Shareholders' Resolution on 23 November 2009, is to remain in office through the date of approval of the financial statements for the year ended 31 December 2011.

The table provided in Attachment 3 lists the members of the Board of Statutory Auditors as of 31 December 2011, other information about them and Board meeting attendance.

The Shareholders' Meeting of 21 April 2009 unanimously elected the members of the Board of Statutory Auditors from the only list presented by controlling shareholder Assicurazioni Generali S.p.A. The list contained the nominees that were elected, as follows: Acting Auditors (Giuseppe Alessio Verni, Angelo Venchiarutti and Corrado Giammattei) and Alternate Auditors (Alessandro Gambi and Luca Camerini). Following the resignation of Acting Auditor Corrado Giammattei on 8 May 2009, Alternate Auditor Alessandro Gambi took his place as Acting Auditor. In accordance with Art. 20 of the Articles of Association, the appointment will remain in effect until the date the financial statements for the year ended 31 December 2011 are approved. The Shareholders' Meeting of 23 November 2009 decided, by majority vote (in consideration of the only list presented and the provisions of Art. 20 of the Articles of Association), to add one Alternate Auditor to the Board of Statutory Auditors, namely Anna Bruno.

A summary profile of the members of the Board of Statutory Auditors, is provided below.

Giuseppe Alessio Verni. Born in Trieste on October 5, 1964, Giuseppe Alessio Verni graduated in Economics

from the University of Trieste in 1989. He is registered with the rolls of Certified Public Accountants and Commercial Experts of Trieste, as well as the list of Certified Auditors, the rolls of the Technical Consultants to the Civil Court of Trieste. Within the framework of his professional activities, he has acquired experience in the field of accounting, business administration, finance, taxation and tax litigation, and as a valuer of corporations and extraordinary corporate transactions. Since 1993, he acts as an Official Receiver with the Civil Court of Trieste. Member of the Board of Governors of the Order of Certified Accounting Consultants and Expert Accountants of Trieste. He is currently the Chairman of the Boards of Statutory Auditors of Banca Generali and Generfid S.p.A. and is also a Statutory Auditor of Assicurazioni Generali and other listed companies.

Alessandro Gambi. Born in Ferrara on 17 May 1965, he graduated in Economics from the University of the same city in 1989: he is registered with the Roll of Certified Public Accountants and Commercial Experts of Trieste, in the list of Certified Auditors since 2000 and with the rolls of the Technical Consultants and Experts since 1999.

He provides specialist consultancy services in the fields of corporate accounting, taxation and company law, and is often appointed to value corporations ahead of extraordinary transactions.

Within the banking Group, he also serves as the Chairman of the Board of Auditors of BG Società di Gestione del risparmio S.p.A. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

Angelo Venchiarutti. Born in Rome on 20 September

1956, he graduated in Law from the University of Trieste in 1981. He earned a doctorate in Civil Law in May 1983, was appointed Associate Professor of Comparative Private Law in 1999 and subsequently tenured Professor of Private Law. He currently holds various positions with the University of Trieste where he has conducted a large number of university and other courses. He is also involved in research, and has published a large number of papers on civil law, comparative private law and commercial and insurance law. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company. Within the banking group, he also serves as the Chairman of the Board of Auditors of BG Fiduciaria SIM S.p.A.

Luca Camerini. Born in Trieste on 8 October 1963, he graduated in Economics from the University of Trieste in 1988. He is registered with the rolls of Certified Public Accountants of Trieste as well as the list of Certified Auditors. He has had his own practice since 2008. Within the Banking Group, he serves as a sitting member of the Boards of Auditors of BG Fiduciaria SIM S.p.A. and other Generali Group Companies.

Anna Bruno. Born in Trieste, Italy on 16 October 1967, Anna Bruno obtained her diploma in Accounting and Business and is registered with the Roll of Certified Accountants and Expert Auditors of Trieste and the Institute of Certified Auditors. She serves as an Acting and Alternate Auditor at various Generali Group companies.

The Board of Statutory Auditors met 22 times in 2011. The average attendance of Auditors at Board of Directors' meetings in 2011 was 94.45 %. A total of 20 meetings are planned for 2012. To date, four meetings have been held since the beginning of the year.

Under the New Bank of Italy Provisions, the corporate body vested with control functions is required to periodically verify its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. The provisions in question also require the members of the corporate body vested with control functions to meet a level of professionalism in line with the size and operational complexity of the Bank, and to devote sufficient time and resources to discharging their duties, whilst also establishing that on the occasion of the appointment of company officers and periodically over time, the number of similar positions held must be verified and evaluated, with special attention to those requiring greater involvement in the current business of the Company. In light of the above, Art. 20 of the Articles of Association, establishes, by way of reference to applicable

regulations, both, the maximum number of other appointments a member of Banca Generali's Board of Auditors may simultaneously hold, and the requirements of professionalism to be met by the members of the said board.

In addition to meeting the requirements of personal integrity and independence and not labouring under any of the causes of unfitness or disqualification contemplated under special regulations and the Corporate Governance Code for Listed Banks, members of the Board of Auditors must also satisfy the requirements of professionalism set forth below, under penalty of forfeiting their appointments: at least one acting auditor and one alternate auditor (and in any event, the Chairman) must be registered with the Rolls of Certified Public Accountants, it being understood that sitting and alternate members of the said Board who do not meet this requirement must have acquired specific experience: a) as professional practitioners or full university professors specialising in law, economics, finance or technical-scientific fields closely related to the Company's specific sector of business; b) in managerial positions in public administrations or undertakings operating in sectors closely related to the Company's business operations.

Moreover, pursuant to the Bank of Italy Provisions, no member of the control body may hold any position within any body other than control bodies within other companies belonging to the group or financial conglomerate, and/or within companies in which the Bank holds, directly or indirectly, a strategic stake (that is to say, at least 10% of the share capital or voting rights at the Ordinary Shareholders' Meeting of the investee company, and 5% of the Banking Group's consolidated assets).

Satisfaction of the relevant requirements is verified by the Board of Directors in accordance with applicable supervisory regulations as well as the provisions of the Code.

Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 11 May 2009.

All the members of Banca Generali's Board of Auditors must be enrolled with the Order of Certified Public Accountants and Auditors, save for one member who must, in any event, meet the requirements of professionalism referred to above; all the members of the Board of Auditors must also be independent within the meaning of both Legislative Decree No. 58/1998 and the Self-regulatory Code.

The Board of Auditors has assessed the independence of its members on an annual basis, and more specifically, at its meetings on 23 February 2010, 22 February 2011 and 21 February 2012.

In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate Governance Code in respect of the independence of Directors.

Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. The same reporting obligations shall be binding, *mutatis mutandis*, on any Auditor falling within the scope of the cases contemplated in Art. 136 of TUB.

The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

Given that, pursuant to statutory requirements, non-auditing services must be entrusted to an independent auditor, Art. 20 of the Articles of Association vests the Board of Au-

ditors with the power/duty to liaise with the other persons and parties with oversight responsibilities; forms of ongoing coordination have been developed to serve this purpose, entailing, *inter alia*, the scheduling of specific meetings especially for periodic exchanges of information and views between the Board of Auditors and the independent auditor. In respect of these issues the Board of Auditors may, if it deems fit, also avail of the advice and support of the Internal Control Committee (now Internal Audit and Risk Committee), as contemplated in the relevant Committee Rules.

Moreover, the Parent Company's control body must operate in close collaboration with its counterparts within subsidiaries. In performing its duties, the Board of Statutory Auditors coordinated its efforts with the control units (compliance, internal audit and risk management).

15. INVESTOR RELATIONS

Banca Generali feels that it has a specific interest — as well as a duty towards the market — to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.

In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market.

The Company Secretariat Service liaises with Shareholders on a day-to-day basis through the Shareholder Relations and Management Division, set up within the Legal and Compliance Department.

On the other hand, the Investor Relations Department that reports directly to the Chief Executive Officer, is in charge of liaising with institutional investors.

The Company uses its website to allow the public to consult constantly updated information regarding the Company, its products and services.

Apart from a presentation and historical overview of the Company and the Group, the website hosts the most significant documents pertaining to Corporate Governance, all the press releases on the main corporate events as well as financial and accounting data.

The website also presents the Calendar of Events indicating the dates of meetings of Corporate Organs, such as Shareholders' and Board meetings called for the approval of the draft annual financial statements, the consolidated financial statements, the half-yearly condensed report and interim reports, as well as for making decisions in respect of purely financial matters.

In order to ensure the transparency and effectiveness of the information disclosed to the public, the website is constantly updated.

INVESTOR RELATIONS

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16. GENERAL SHAREHOLDERS' MEETINGS (pursuant to Art. 123-bis, paragraph 2, letter c) of TUF)

The procedures governing the conduct of Shareholders' Meetings are regulated by the Articles of Association and the Regulations of the Shareholders' Meeting.

The condition of shareholder implies acceptance of the Memorandum of Association and of the Articles of Association.

The Shareholders' Meeting is the body that expresses the Company's will through its resolutions. Resolutions adopted by Shareholders' Meeting in compliance with the law and the Articles of Association are binding on all shareholders, including those who are absent or dissenting.

The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors. Shareholders are called through published notice, under the terms and conditions required by applicable laws and regulations. The Shareholders' Meeting is called whenever the administrative body deems necessary and advisable or upon request of the Board of Statutory Auditors or of the shareholders, in accordance with the law, or in the other cases in which call of the Shareholders' Meeting is obligatory pursuant to law. The ordinary Shareholders' Meeting must be called at least once a year within 120 days of closure of the financial year. This deadline may be extended to 180 days where certain legal conditions are met.

In the cases provided by law, those shareholders who, alone or in conjunction with others, represent at least the percentage of share capital envisaged by current applicable regulations, are entitled to request call of the Shareholders' Meeting. Those shareholders who, alone or in conjunction with others, represent at least one fortieth of the share capital are entitled to request, in compliance with laws in force, integration of the list of items on the agenda.

The notice of call may specify the date of a second or third call, in the event that the Meeting does not prove to be legally constituted.

The persons or parties entitled to participate in the Shareholders' Meeting, in accordance with applicable laws, may participate in the Shareholders' Meeting, provided that they prove their entitlement pursuant to the law and that the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received by the Company by the end of the third trading day prior to the date set for the first call of the Meeting, in accordance with Art. 83-sexies, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Shareholders may be represented by others in the Shareholders' Meeting in accordance with the provisions of the law. In compliance with the provisions of Art. 134 of TUF, the Company has appointed a representative for the exercise of voting rights.

Legal provisions are observed with regard to the validity of Shareholders' Meetings and their resolutions.

Ordinary and extraordinary Shareholders' Meetings are attributed all the powers to which they are respectively entitled pursuant to current regulations. The Ordinary Shareholders' Meeting shall establish the remuneration due to the organs it appoints. The said Shareholders' Meeting may provide for a lump-sum amount covering the remuneration of all company directors, including those vested with specific tasks, such lump-sum amount being subject to distribution amongst individual directors pursuant to the determinations of the Board of Directors. The Shareholders' Meeting shall also approve the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees. In respect of related party transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all related party transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.

Under the Art. 18 of the Articles of Association, the Board of Directors is exclusively qualified to deliberate on matters pertaining to the setting up or closing down of secondary offices, indication of which Directors may represent the Company and use the company signature, mergers, in the cases permitted by law, amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.

Regulations of the Shareholders' Meeting

Pursuant to Art. 23 of the Board Rules, the Company encourages Shareholders to attend all Shareholders' Meetings.

The Board shall report to the Shareholders' Meeting in respect of completed and scheduled activities and shall ensure that all Shareholders are provided adequate information on all pertinent matters so as to enable them to make informed decisions about the items placed on the agenda of Shareholders' Meetings.

In compliance with the recommendations of the Code, the Shareholders' Meeting of 3 October 2006 approved its own Regulations (lastly amended by resolution of the General Shareholders' Meeting on 20 April 2011), setting forth the procedures to be followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices as well as on its website, under the section "Corporate Governance-AGM-Attending the AGM"

The said Regulations are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, persons with the right to speak, the Directors, and the Statutory Auditors have the right to speak on each one of the issues placed up for discussion and make proposals on them.

Pursuant to Art. 127-ter of TUF, shareholders are entitled to submit questions regarding the items placed on the Agenda even before the Shareholders' Meeting. Questions submitted prior to the Shareholders' Meeting shall be answered at the very latest during the course of the Shareholders' Meeting itself, even by treating several questions regarding the same subject-matter as a single query.

Entitled Attendees who intend to take the floor shall submit a written request to the Chairman, after the items on the agenda have been read out and before the discussion on the item subject to the request to speak has been declared closed.

If the Chairman so authorises, requests to take the floor may be made by raising the hand.

In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion.

The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to entitled attendees according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, taking due account of any and all questions raised by shareholders prior to the Shareholders' Meeting and left unanswered until the latter. Persons with the right to speak have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda as well as the number of persons requesting the floor and any and all questions raised by shareholders prior to the meeting and left unaddressed by the Company, shall announce the period of time available for each Entitled Attendee to take floor, such time, as a general rule, being established at no less than five and no more ten minutes for each speaker. When such period of time has expired, the Chairman may invite the entitled attendee to conclude within another five minutes.

17. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis, paragraph 2, letter a) of TUF)

Further information of corporate governance practices is provided in the relevant individual paragraphs of this Report.

18. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

The changes brought to the corporate governance structure since the end of the financial year are outlined in the relevant individual paragraphs of this Report.

Trieste, 13 March 2012

THE BOARD OF DIRECTORS

ANNEX 1: INFORMATION ON COMPANY OWNERSHIP

| STRUCTURE OF THE SHARE CAPITAL | | | | |
|----------------------------------|---------------|--------------------|---|--|
| | NO. OF SHARES | % OF SHARE CAPITAL | LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED | RIGHTS AND OBLIGATIONS |
| Ordinary shares | 111,681,483 | 100 | Listed on the electronic share market (MTA) of Borsa Italiana SpA | All the rights contemplated under the Italian Civil Code and Articles of Association |
| Shares with limited voting right | 0 | 0 | | |
| Shares without voting right | 0 | 0 | | |

| OTHER FINANCIAL INSTRUMENTS (GIVING RIGHT TO UNDERWRITE NEWLY ISSUED SHARES) | | | | |
|---|---|--------------------------------|---|--|
| | LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED | NO. OF OUTSTANDING INSTRUMENTS | CATEGORY OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE | NO. OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE |
| Convertible bonds | | | | |
| Warrants | | | | |

| SIGNIFICANT SHAREHOLDINGS | | | |
|-------------------------------|-------------------------------|---------------------|-------------------|
| DECLARANT | DIRECT SHAREHOLDER | % OF ORDINARY STOCK | % OF VOTING STOCK |
| ASSICURAZIONI GENERALI S.p.A. | ASSICURAZIONI GENERALI S.p.A. | 45.995 | 45.995 |
| | GENERALI VIE S.A. | 9.948 | 9.948 |
| | GENERTELLIFE S.p.A. | 4.974 | 4.974 |
| | ALLEANZA TORO S.p.A. | 2.781 | 2.781 |
| | INA ASSITALIA S.p.A. | 0.515 | 0.515 |
| | GENERTEL S.p.A. | 0.455 | 0.455 |
| | FATA VITA S.p.A. | 0.066 | 0.066 |

ANNEX 2: BOARD OF DIRECTORS' AND COMMITTEES' STRUCTURE

| Office held | Member | BOARD OF DIRECTORS (AS OF 13 MARCH 2012) | | | | | | | | INTERNAL CONTROL COMMITTEE | | REMUNERATION COMMITTEE | |
|-------------------------|--------------------------|---|---|------------|-------|-----------|--------------------|--|-------|-------------------------------|---------------|---------------------------|--|
| | | In office from | In office until | List (M/n) | Exec. | Non exec. | Indep. As per Code | Indep. Pursuant to Art. 37 of CONSOB Regulation No. 16191/2007 | (%) | Number of other offices | Member (%) | Member (%) | |
| Chairman | Giovanni Perissinotto | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | | X(**) | | | 83.33 | 2 | | | |
| Chief Executive Officer | Giorgio Girelli | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | X | | | | 100 | / | | | |
| Director | Luigi Arturo Bianchi | 10.05.11 | Shareholders' Meeting to approve the fin. statements 31.12.11 | (***) | | X | X(***) | X(***) | 87.50 | 4 | X Chairman | X | |
| Director | Amerigo Borrini | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | X | | | | 100 | 5 | | | |
| Director | Paolo Baessato | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | | X | X | X | 91.67 | 4 | X | 100 | |
| Director | Andrea de Vido | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | | X | | | 91.67 | 9 | | X 100 | |
| Director | Attilio Leonardo Lentati | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | | X | X | X | 91.67 | 1 | X | 100 X Chairman | |
| Director | Aldo Minucci | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | | X | | | 50 | 3 | | | |
| Director | Angelo Miglietta | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | | X | | | 91.67 | 12 | | | |
| Director | Ettore Riello | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | | X | X | X | 75 | 3 | X | 33,33 | |

(*) Majority list is the only list presented.

(**) The Chairman, as required by the Bank of Italy's provisions, does not have any operating power within the company.

(***) Professor Bianchi was co-opted as Director of Banca Generali on 10 May 2011

(****) Professor Bianchi became a member of the Internal Control Committee and the Remuneration Committee on 10 May 2011

N.B. On 23 March 2011, the Non-executive Director Prof Angelo Miglietta, resigned as Chairman and member of the Internal Control Committee, and as member of the Company's Remuneration Committee, following his appointment to the Executive Committee of the parent corporation Assicurazioni Generali and the ensuing loss of his status as independent member of Banca Generali's Board of Directors, although he continues to serve as a non-executive director of Banca Generali.

DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR

| Office held | Member | BOARD OF DIRECTORS (AS OF 13 MARCH 2012) | | | | | | | | INTERNAL CONTROL COMMITTEE | | REMUNERATION COMMITTEE | | |
|-------------|--------------------|---|--------------------|------------|-------|--------------|-----------------------|--|-----|-------------------------------|--------|---------------------------|--------|-----|
| | | In office from | In office until | List (M/n) | Exec. | Non exec. | Indep. As per Code | Indep. Pursuant to Art. 37 of CONSOB Regulation No. 16191/2007 | (%) | Number of other offices | Member | (%) | Member | (%) |
| Director | Fabio Buscarini | 21.04.09 | 09.05.11 | M | | X | | | | 75 | | | | |

NECESSARY QUORUM TO PRESENT LISTS FOR THE LATEST APPOINTMENT

2.5%

| NUMBER OF MEETINGS HELD DURING REFERENCE YEAR | BOARD OF DIRECTORS | INTERNAL CONTROL COMMITTEE | REMUNERATION COMMITTEE |
|---|--------------------|-------------------------------|---------------------------|
| | 12 | 12 | 4 |

ANNEX 3: STATUTORY AUDITORS' STRUCTURE

| BOARD OF STATUTORY AUDITORS (AS OF 13 MARCH 2012) | | | | | | | |
|---|------------------------|----------------|---|------------|--------------------|------|-------------------------|
| Office held | Member | In office from | In office until | List (M/n) | Indep. As per Code | (%) | Number of other offices |
| Chairman | Giuseppe Alessio Verni | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | X | 95.5 | 12 |
| Acting Auditor | Angelo Venchiarutti | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | X | 91 | 4 |
| Acting Auditor | Alessandro Gambi(**) | 08.05.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | X | 91 | 18 |
| Alternate Auditor | Luca Camerini | 21.04.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | M(*) | X | / | 8 |
| Alternate Auditor | Anna Bruno | 23.11.09 | Shareholders' Meeting to approve the fin. statements 31.12.11 | (***) | X | / | 7 |

(*) Majority list is the only list presented.

(**) As of 8 May 2009, Alessandro Gambi replaced the Acting Auditor Corrado Giammattei who had resigned from office.

(***) Elected by majority vote pursuant to the Articles of Associations, lacking any lists.

LEAVING AUDITORS DURING REFERENCE YEAR

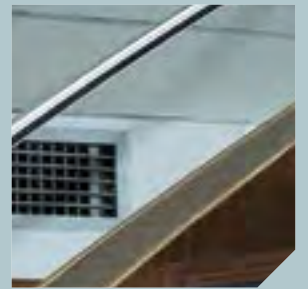
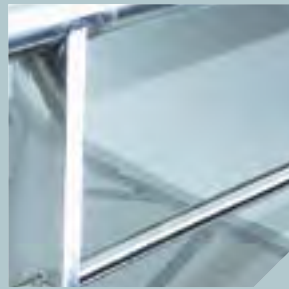
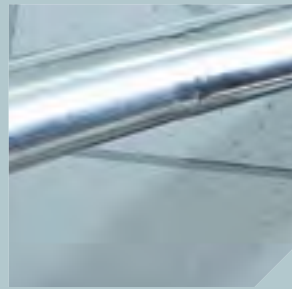
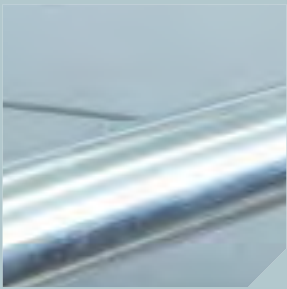
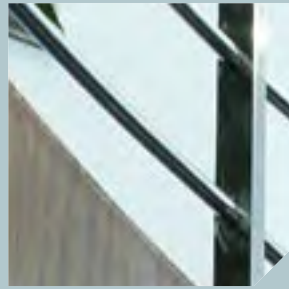
| BOARD OF STATUTORY AUDITORS (AS OF 13 MARCH 2012) | | | | | | | |
|---|--------|----------------|-----------------|------------|--------------------|-----|-------------------------|
| Office held | Member | In office from | In office until | List (M/n) | Indep. As per Code | (%) | Number of other offices |

NECESSARY QUORUM TO PRESENT LISTS FOR THE LATEST APPOINTMENT

2.5%

NUMBER OF MEETINGS HELD DURING REFERENCE YEAR

22





CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

ACCOUNTING STATEMENTS

BOARD OF DIRECTORS

13 MARCH 2012



CONSOLIDATED BALANCE SHEET

| ASSETS | | 31.12.2011 | 31.12.2010 |
|---------------------|-------------------------------------|-------------------|-------------------|
| <i>(€ thousand)</i> | | | |
| 10 | Cash and deposits | 73,959 | 7,953 |
| 20 | Financial assets held for trading | 35,323 | 119,952 |
| 40 | Available-for-sale financial assets | 1,318,992 | 1,533,275 |
| 50 | Financial assets held to maturity | 1,415,701 | 608,118 |
| 60 | Loans to banks | 514,171 | 475,597 |
| 70 | Loans to customers | 971,648 | 852,038 |
| 120 | Property and equipment | 5,332 | 4,758 |
| 130 | Intangible assets | 46,771 | 48,511 |
| | of which: | 0 | |
| | - goodwill | 38,632 | 38,632 |
| 140 | Tax receivables | 77,046 | 71,040 |
| | a) current | 14,011 | 27,401 |
| | b) prepaid | 63,035 | 43,639 |
| 150 | Non-current assets | | |
| | held for sale and disposal groups | 675 | 0 |
| 160 | Other assets | 89,271 | 86,646 |
| Total assets | | 4,548,889 | 3,807,888 |

| NET EQUITY AND LIABILITIES | | 31.12.2011 | 31.12.2010 |
|---|--|-------------------|-------------------|
| <i>(€ thousand)</i> | | | |
| 10 | Due to banks | 1,070,909 | 450,431 |
| 20 | Due to customers | 3,042,371 | 2,910,689 |
| 30 | Securities issued | 0 | 189 |
| 40 | Financial liabilities held for trading | 1,737 | 6,502 |
| 80 | Tax payables | 21,019 | 18,336 |
| | a) current | 19,734 | 17,079 |
| | b) deferred | 1,285 | 1,257 |
| 90 | Liabilities associated with disposal groups | 316 | 0 |
| 100 | Other liabilities | 85,043 | 82,763 |
| 110 | Employee termination indemnities | 4,003 | 4,345 |
| 120 | Provisions for liabilities and contingencies | 61,070 | 53,414 |
| | a) pensions and similar obligations | 0 | 0 |
| | b) other provisions | 61,070 | 53,414 |
| 140 | Valuation reserves | -56,341 | -23,712 |
| 170 | Reserves | 126,508 | 105,400 |
| 180 | Additional paid-in capital | 3,231 | 0 |
| 190 | Share capital | 111,676 | 111,363 |
| 200 | Treasury shares (-) | -248 | -660 |
| 210 | Minority interests (+/-) | 4,176 | 6,621 |
| 220 | Net profit (loss) for the year (+/-) | 73,419 | 82,207 |
| Total net equity and liabilities | | 4,548,889 | 3,807,888 |

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | 31.12.2011 | 31.12.2010 |
|---|-----------------|-----------------|
| <i>(€ thousand)</i> | | |
| 10. Interest income and similar revenues | 79,231 | 56,406 |
| 20. Interest expense and similar charges | -30,172 | -13,157 |
| 30. Net interest income | 49,059 | 43,249 |
| 40. Commission income | 350,722 | 367,645 |
| 50. Commission expense | -162,760 | -174,220 |
| 60. Net commissions | 187,962 | 193,425 |
| 70. Dividends and similar income | 92,259 | 73,990 |
| 80. Net income (loss) from trading activities | -87,593 | -71,018 |
| 100. Gain (loss) from sales or repurchase of: | 2,022 | 10,188 |
| a) receivables | 893 | 3,339 |
| b) AFS financial assets | 1,330 | 6,894 |
| c) Financial assets held to maturity | -201 | -45 |
| 120. Net banking income | 243,709 | 249,834 |
| 130. Net adjustments/reversals due to impairment of: | -5,979 | -4,309 |
| a) receivables | -2,163 | -1,919 |
| b) AFS financial assets | -3,980 | -1,625 |
| c) Financial assets held to maturity | 164 | -765 |
| 140. Net result from banking operations | 237,730 | 245,525 |
| 180. General and administrative expense: | -143,343 | -139,994 |
| a) staff expenses | -64,780 | -62,543 |
| b) other general and administrative expense | -78,563 | -77,451 |
| 190. Net provisions for liabilities and contingencies | -10,068 | -19,197 |
| 200. Net adjustments/reversals of property and equipment | -1,715 | -1,779 |
| 210. Net adjustments of intangible assets | -2,376 | -2,288 |
| 220. Other operating expense/income | 8,666 | 8,789 |
| 230. Operating expense | -148,836 | -154,469 |
| 270. Gains (loss) from disposal of investments | -1 | 0 |
| 280. Profit (loss) from operating activities before income taxes | 88,893 | 91,056 |
| 290. Income taxes for the year on operating activities | -13,354 | -7,278 |
| 300. Profit from operating activities net of income taxes | 75,539 | 83,778 |
| 310. Income of disposal groups, net of taxes | 1,835 | 2,573 |
| 320. Net profit for the year | 77,374 | 86,351 |
| 330. Minority interests (+/-) for the year | -3,955 | -4,144 |
| 340. Net profit (loss) for the year of the Parent Company | 73,419 | 82,207 |

STATEMENT OF COMPREHENSIVE INCOME

| VOCI | | 31.12.2011 | 31.12.2010 |
|---------------------|---|-------------------|-------------------|
| <i>(€ thousand)</i> | | | |
| 10 | Net profit of the year | 77,374 | 86,351 |
| | Other income net of income taxes | | |
| 20 | Available-for-sale financial assets | -32,629 | -22,071 |
| 110 | Total other income net of income taxes | -32,629 | -22,071 |
| 120 | Comprehensive income | 44,745 | 64,280 |
| 130 | Comprehensive income attributable to Minority Interests | -3,955 | -4,144 |
| 140 | Consolidated comprehensive income attributable to the Parent Company | 40,790 | 60,136 |

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

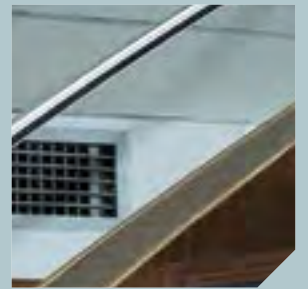
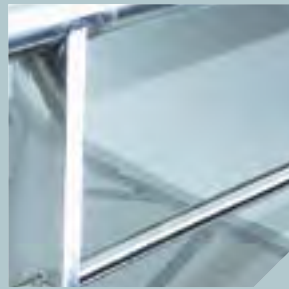
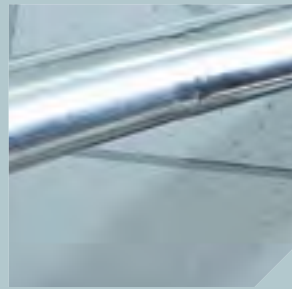
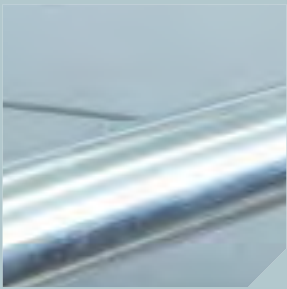
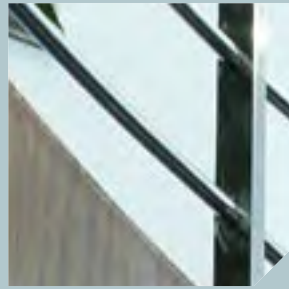
| (€ thousand) | Share capital | | | Reserves | | Valuation reserves | Equity instruments | Interim dividends | Treasury shares | Net profit (loss) for the year | Net equity | Group's net equity | Minority interest |
|---|----------------|----------|-----------------------|----------------------|----------|--------------------|--------------------|-------------------|-----------------|--------------------------------|----------------|--------------------|-------------------|
| | a) ord. shares | b) other | Share premium reserve | a) retained earnings | b) other | | | | | | | | |
| Net equity at 31.12.2010 | 113,284 | - | - | 105,956 | - | -23,712 | - | - | -660 | 86,351 | 281,219 | 274,598 | 6,621 |
| Change in opening balances | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amounts at 01.01.2011 | 113,284 | - | - | 105,956 | - | -23,712 | - | - | -660 | 86,351 | 281,219 | 274,598 | 6,621 |
| Allocation of net income of the previous year | - | - | - | 21,304 | - | - | - | - | - | -86,351 | -65,047 | -61,327 | -3,720 |
| - Reserves | - | - | - | 21,304 | - | - | - | - | - | -21,304 | - | - | - |
| - Dividends and other allocations | - | - | - | - | - | - | - | - | - | -65,047 | -65,047 | -61,327 | -3,720 |
| Change in reserves | - | - | - | -23 | - | - | - | - | - | - | -23 | -23 | - |
| Transactions on net equity | 313 | - | 3,231 | 251 | - | - | -2,680 | 412 | - | - | 1,527 | 4,207 | -2,680 |
| - Issue of new shares | 313 | - | 3,231 | -846 | - | - | - | - | 412 | - | 3,110 | 3,110 | - |
| - Purchase of treasury shares | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Interim Dividends | - | - | - | - | - | - | -2,680 | - | - | - | -2,680 | - | -2,680 |
| - Extraordinary Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Change in equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Derivatives on treasury shares | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Stock option | - | - | - | 1,097 | - | - | - | - | - | - | 1,097 | 1,097 | - |
| Comprehensive income | - | - | - | - | - | -32,629 | - | - | - | 77,374 | 44,745 | 40,790 | 3,955 |
| Net equity at 31.12.2011 | 113,597 | - | 3,231 | 127,488 | - | -56,341 | - | -2,680 | -248 | 77,374 | 262,421 | 258,245 | 4,176 |
| Group's net equity | 111,676 | - | 3,231 | 126,508 | - | -56,341 | - | - | -248 | 73,419 | 258,245 | - | - |
| Minority interest | 1,921 | - | - | 980 | - | - | - | - | - | 3,955 | 4,176 | - | - |

| (€ thousand) | Share capital | | | Reserves | | Valuation reserves | Equity instruments | Interim dividends | Treasury shares | Net profit (loss) for the year | Net equity | Group's net equity | Minority interest |
|---|----------------|----------|-----------------------|----------------------|----------|--------------------|--------------------|-------------------|-----------------|--------------------------------|----------------|--------------------|-------------------|
| | a) ord. shares | b) other | Share premium reserve | a) retained earnings | b) other | | | | | | | | |
| Net equity at 31.12.2009 | 113,234 | - | 22,309 | 73,453 | - | -1,602 | - | - | -4,471 | 65,558 | 268,481 | 264,005 | 4,476 |
| Change in opening balances | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amounts at 01.01.2010 | 113,234 | - | 22,309 | 73,453 | - | -1,602 | - | - | -4,471 | 65,558 | 268,481 | 264,005 | 4,476 |
| Allocation of net income of the previous year | - | - | - | 13,675 | - | - | - | - | - | -65,558 | -51,883 | -49,884 | -1,999 |
| - Reserves | - | - | - | 13,864 | - | - | - | - | - | -13,864 | - | - | - |
| - Dividends and other allocations | - | - | - | -189 | - | - | - | - | - | -51,694 | -51,883 | -49,884 | -1,999 |
| Change in reserves | - | - | -22,042 | 22,081 | - | -39 | - | - | - | - | - | - | - |
| Transactions on net equity | 50 | - | -267 | -3,253 | - | - | - | 3,811 | - | - | 341 | 341 | - |
| - Issue of new shares | 50 | - | -267 | -3,267 | - | - | - | 3,811 | - | - | 327 | 327 | - |
| - Purchase of treasury shares | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Interim Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Extraordinary Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Change in equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Derivatives on treasury shares | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - Stock option | - | - | - | 14 | - | - | - | - | - | - | 14 | 14 | - |
| Comprehensive income | - | - | - | - | - | -22,071 | - | - | - | 86,351 | 64,280 | 60,136 | 4,144 |
| Patrimonio netto dal 31.12.2010 | 113,284 | - | - | 105,956 | - | -23,712 | - | - | -660 | 86,351 | 281,219 | 274,598 | 6,621 |
| Patrimonio netto del gruppo | 111,363 | - | - | 105,400 | - | -23,712 | - | - | -660 | 82,207 | 274,598 | - | - |
| Patrimonio netto di terzi | 1,921 | - | - | 556 | - | - | - | - | - | 4,144 | 6,621 | - | - |

CONSOLIDATED CASH FLOW STATEMENT

| INDIRECT METHOD | 31.12.2011 | 31.12.2010 |
|---|------------------|------------------|
| (€ thousand) | | |
| A. OPERATING ACTIVITIES | | |
| 1. Operations | 119,947 | 105,424 |
| - Net profit (loss) for the year | 77,374 | 86,351 |
| - Gain/loss on financial assets and liabilities held for trading | 273 | 6,751 |
| - Gain/loss on hedging assets | - | - |
| - Net adjustments due to impairment | 5,979 | 3,544 |
| - Net adjustments of property, equipment and intangible assets | 4,091 | 4,102 |
| - Net provisions for liabilities and contingencies and other costs/revenues | 7,656 | 7,414 |
| - Taxes included in taxes not paid | 12,991 | 8,704 |
| - Adjustments of discontinued operations | - | - |
| - Other adjustments | 11,583 | 5,966 |
| 2. Liquidity generated by/used for financial assets (+/-) | 70,119 | 126,592 |
| - Financial assets held for trading | 82,330 | 98,945 |
| - Financial assets measured at fair value | - | - |
| - Financial assets available for sale | 164,520 | 81,904 |
| - Loans to banks: Repayable on demand | - 53,411 | - 89,430 |
| - Loans to banks: other receivables | 13,264 | 255,627 |
| - Loans to customers | - 138,228 | - 59,077 |
| - Other assets | 1,644 | 2,431 |
| 3. Net liquidity generated by/used for financial liabilities (+/-) | 738,598 | - 239,247 |
| - Due to banks: Repayable on demand | - 34,614 | - 29,001 |
| - Due to banks: other payables | 650,656 | 308,896 |
| - Due to customers | 125,257 | 457,546 |
| - Securities issued | - 189 | - 568 |
| - Financial liabilities held for trading | - 4,453 | - 494 |
| - Financial liabilities measured at fair value | - | - |
| - Other liabilities | 1,941 | 60,534 |
| Net liquidity generated by/used for operating activities | 928,664 | - 7,231 |
| B. INVESTING ACTIVITIES | | |
| 1. Liquidity generated by | 146,464 | 216,893 |
| - Disposal of equity investments | - | - |
| - Dividends received | - | - |
| - Disposal of held-to-maturity financial assets | 146,464 | 216,893 |
| - Disposal of property and equipment | - | - |
| - Disposal of intangible assets | - | - |
| - Disposal of business units | - | - |
| 1. Liquidity used for | - 944,504 | - 158,168 |
| - Purchase of equity investments | - | - |
| - Purchase of held-to-maturity financial assets | - 941,579 | - 156,711 |
| - Purchase of property and equipment | - 2,289 | - 722 |
| - Purchase of intangible assets | - 636 | - 735 |
| - Purchase of business units and equity investments in subsidiaries | - | - |
| Net liquidity generated by/used for investing activities | - 798,040 | 58,725 |

| INDIRECT METHOD | 31.12.2011 | 31.12.2010 |
|---|-------------------|-------------------|
| <i>(€ thousand)</i> | | |
| C. FUNDING ACTIVITIES | | |
| - Issue/purchase of treasury shares | 3,109 | 327 |
| - Issue/purchase of equity instruments | - | - |
| - Distribution of dividends and other | - 67,727 | - 51,883 |
| Net liquidity generated by/used for funding activities | - 64,618 | - 51,556 |
| NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR | 66,006 | - 62 |
| Reconciliation | | |
| Cash and cash equivalents at year-start | 7,953 | 8,015 |
| Liquidity generated /used in the year | 66,006 | - 62 |
| Cash and cash equivalents – effects of exchange rate fluctuations | - | - |
| Cash and cash equivalents at year-end | 73,959 | 7,953 |





CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

NOTES AND COMMENTS

BOARD OF DIRECTORS

13 MARCH 2012



| | | |
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PART A – ACCOUNTING POLICIES

PART A.1 – GENERAL

Section 1 - Declaration of Compliance with International Accounting Standards

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

The consolidated annual report at 31 December 2011 was prepared based on the “Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups”, which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 through a Provision dated 22 December 2005, as amended on 18 November 2009. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Explanatory Notes.

In preparing the annual financial statements, Banca Generali adopted the IAS/IFRS in force at 31 December 2011 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2011, several amendments to the IASs/IFRSs, and IFRIC documents entered into force and new IFRICs were issued.

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

| INTERNATIONAL ACCOUNTING STANDARDS EFFECTIVE FROM 2011 | ENDORSEMENT REGULATIONS | PUBLICATION DATE | EFFECTIVE DATE |
|--|--------------------------------|-------------------------|-----------------------|
| Amendments to IFRS 1, Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters | 574/2010 | 01/07/2010 | 01/01/2011 |
| Amendments to IAS 24 - Related Parties | 632/2010 | 20/07/2010 | 01/01/2011 |
| Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement | 633/2010 | 20/07/2010 | 01/01/2011 |
| IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments | 662/2010 | 24/07/2010 | 01/01/2011 |
| Improvements to International Financial Reporting Standards 2010 | 149/2011 | 19/02/2011 | 01/01/2011 |
| International Accounting Standards endorsed in 2011 and effective after 31 December 2011 | | | |
| IFRS 7R - Financial Instruments: Disclosures - Transfers of Financial Assets | 305/2011 | 23/11/2011 | 01/01/2012 |

Section 2 - Preparation Criteria

The consolidated annual report consists of the following documents:

- Balance Sheet
- Profit and Loss Account
- Statement of Other Comprehensive Income
- Statement of Changes in Net Equity
- Cash Flow Statement
- Notes and Comments

The accounts are accompanied by a Directors' report on the Group's operations and financial situation.

The consolidated financial statements have been prepared in accordance with article 154-ter of Legislative Decree No. 58/1998, enacted by Legislative Decree No. 195/07, which ratified the Transparency Directive, as amended by Legislative Decree No. 27 of 27 January 2010, which enacted Directive 2007/36/CE on the exercise of several rights of the shareholders of listed companies (so-called "Shareholders Rights Directive" or SHRD),

The statute requires that listed issuers whose home country is Italy make an **annual financial report** including the following items available to the public at their registered offices, on their websites and in the other ways specified by CONSOB in a regulation within 120 days of the end of the year:

- the annual financial statements,
- the consolidated financial statements,
- the Report on Operations, and
- the attestation as per article 154-bis, paragraph 5.

The audit reports prepared by the independent auditors and the Board of Statutory Auditors' Report pursuant to Article 153 of the Consolidated Finance Act are published in their entirety with the annual financial report.

In addition, no fewer than 20 days must lapse between the date of publication of the annual financial report and the date of the shareholders' meeting.

According to the provisions of Article 3, paragraph 3-bis, of Legislative Decree No. 87/1992, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the consolidated report on operations and the separate report on operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

The Banca Generali Group elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the consolidated annual report was prepared in euros. The amounts included in the financial statements and the figures in the Notes are expressed in thousands of euros. Unless otherwise indicated, the tables presented in the Report on Operations are in thousands of euro and the comments in millions of euro.

The financial statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes, and in line with the general assumptions set out in the Framework for the Preparation and Presentation of Financial Statements drafted by the IASB. There were no derogations of the application of international accounting standards (IAS/IFRS).

The Directors' Report on Operations and the Notes on the Accounts include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The financial statements and Notes include figures for the period under review, as well as comparative data at 31 December 2010.

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

In further detail, the directors are reasonably certain that the Group will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Content of the Financial Statements and the Notes

The Financial Statements and the Notes have been prepared in accordance with Bank of Italy's Circular No. 262/2005 and the first update published on 18 November 2009.

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. In the consolidated profit and loss account, profit attributable to minority interests is presented with a negative sign, whereas losses attributable to minority interests are presented with a positive sign.

Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Comprehensive Income consists of items that present changes in the value of assets reported during the year through valuation reserves, net of the associated tax effect and distinguishing between any income attributable to the Parent Company and minority interests.

As for the balance sheet and profit and loss account, items with nil amounts in both the reporting year and previous year are not presented.

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

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

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

Cash flows are broken down into:

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

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

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

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

Section 3 – Scope of Consolidation and Consolidation Methods

1. Scope of Consolidation

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

| COMPANY NAME | REGISTERED OFFICE | TYPE OF CONTROL | SHAREHOLDING RELATIONSHIP | | % OF VOTES ABS. ORD. |
|--|-------------------|-----------------|---------------------------|-------------------------|----------------------|
| | | | INVESTOR | % OF OWNERSHIP INTEREST | |
| A. Companies in consolidated accounts | | | | | |
| A.1 recognised using the line-by-line method | | | | | |
| - BG Fiduciaria SIM S.p.A. | Trieste | 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% |
| - Generfid 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)

The consolidated accounts include the separate financial statements of the Parent Company and the subsidiaries at 31 December 2011, reclassified and adjusted where necessary to take account of consolidation requirements.

2. Other Information

Consolidation Methods

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

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

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

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

Dividends distributed by subsidiaries were eliminated from the consolidated profit and loss account and a corresponding adjustment was made to income reserves.

Business Combinations

Business combinations are regulated by the IFRS 3 Business Combinations.

Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and potential liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the income statement.

The purchase method is applied as of the acquisition date, i.e. from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the consolidated financial statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the consolidated financial statements, up to the date control is transferred.

Business Combinations of Entities Under Common Control

Business combinations of entities under common control are not included in the scope of IFRS 3, nor are they covered by other IFRS. They are accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The IAS/IFRS provide specific guidelines for transactions not covered by IFRS (described in paragraphs 10-12 of IAS 8); according to these guidelines, management is encouraged to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.

In fulfilment of this requirement, we observed that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1 on the accounting treatment of business combinations of entities under common control and OPI No. 2 on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.

In a similar way, if an entity is disposed of, the amount received is directly recognized in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

Section 4 - Events Occurred After the Balance Sheet Date

The draft Financial Statements of Banca Generali was approved by the Board of Directors in their meeting held on 13 March 2012, when they also authorised its disclosure.

No events occurred after 31 December 2011 and until publication of the annual report was authorised, that would make it necessary to adjust the results presented in the consolidated financial statements at that date.

Section 5 - Other Information

Non-recurring Significant Events and Transactions

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

Transfer of the Italian mutual fund management business unit and merger of BG SGR S.p.A.

On 14 December 2011, the Boards of Directors of Banca Generali and BG SGR S.p.A., a fully-owned subsidiary of Banca Generali, approved the plan for the merger of BG SGR into Banca Generali, drafted pursuant to the combined provisions of Articles 2501-ter and 2505 of the Italian Civil Code.

The transaction is part of the larger scheme aimed at rationalising and increasing the efficiency of Banca Generali's management activities, in the framework of which BG SGR had previously approved the sale of the collective asset management business unit to Generali Investments Italy SGR in September.

The merger is expected to enter into effect on 1 September 2012 (or another date to be specified in the merger instrument), with retroactive effect for accounting and tax purposes from 1 January 2012.

Following the above transactions, the remaining activities of BG SGR, namely portfolio management, will be transferred to a specific specialised division of Banca Generali.

A more complete description of the transaction is presented in Part G of the Explanatory Notes concerning business combinations.

National Tax Consolidation Option

In 2004, the Parent Company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Banca Generali has participated in the Parent Company's tax consolidation regime since 2004; in 2007 Banca BSI Italia S.p.A., which has now been merged in Banca Generali, and BG SGR S.p.A. were also given the option of participating.

Under the scheme, the aforementioned companies transfer their taxable profit (or tax loss) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Audit

The consolidated financial statements were audited by Reconta Ernst & Young.

PART A.2 - MAIN FINANCIAL STATEMENT AGGREGATES

Accounting Policies

This section sets out the accounting policies adopted for the preparation of the financial statements as of 31 December 2011, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

During the year, the accounting policies adopted by the Bank underwent amendment and integrations in the following areas:

- expenses functionally related to staff;
- the Long Term Incentive Plan;
- amendments to the contractual scheme for portfolio development indemnities.

Expenses functionally related to staff

In its bulletin of 13 February 2012, the Bank of Italy provides additional clarification concerning the classification of certain expenses incurred by companies functionally related to services rendered by personnel, integrating the indications set out in the previous bulletin of 16 February 2011.

In further detail, it is clarified that certain types of expenses (including reimbursements of expenses incurred in rendering professional services and medical examinations compulsorily required by employers) are to be classified under 150 b) Other general and administrative expense and not 150 a) Staff expenses.

Such cases may indeed be considered disbursements not representing remuneration for professional services rendered but rather pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

A similar arrangement may also be adopted for other types of expenses incurred by companies in connection with activity carried out by employees.

Accordingly, in application of the instructions provided by the Bank of Italy, certain indirect staff expenses amounting to 1,830 thousand euros, primarily consisting of individual reimbursements of travel expenses incurred by employees not constituting remuneration were reclassified among general and administrative expense. The same indirect expenses amounting to 1,614 thousand euros were also reclassified among administrative expenses in the comparative situation for 2010.

The Long Term Incentive Plan

During its shareholders' meetings of 24 April 2010 and 30 April 2011, Assicurazioni Generali introduced a new type of long-term retention plan addressed to the key managers of the Insurance Group.

Such plans, with the additions required to comply with industry regulations concerning remuneration policies, were also approved and incorporated into the Company's remuneration structure by Banca Generali during the meeting of its Board of Directors held on 13 October 2011.

In brief, the new incentive plans present the following characteristics:

- they are indefinite in duration, structured in six-year rolling cycles;
- each cycle is linked to the targets set in three-year strategic plans; in particular, the 2010 plan is linked to the targets set in the 2010-2012 strategic plan, whereas the 2011 plan is linked with the following 2011-2013 strategic plan;
- each cycle is sub-divided into two three-year components:
 - **the first three years:** at the end of this period, if and to the extent that certain absolute performance targets have been met, a monetary incentive is to be paid out, with an obligation or option to reinvest a share of such incentive (differing in amount depending on the segment to which the recipients belong) in shares of Assicurazioni Generali;
 - **the second three years:** at the end of the period, for each share purchased by investing a percentage of the incentive disbursed at the end of the previous three years, the beneficiary obtains a potential right to receive from Assicurazioni Generali, at no cost, a number of shares depending on the positioning of Assicurazioni Generali in the rankings of a group of peers prepared on the basis of their respective total shareholders' returns (relative performances).

Under IASs/IFRSs, both the 2010 and 2011 plans are eligible for accounting treatment on a separate basis, partly as expenses for long-term employee benefits within the scope of IAS 19 Employee Benefits, and partly within the scope of IFRS 2.

The IAS 19 expense portion, calculated according to best estimate procedures on the basis of the achievement of the predetermined objectives set, is charged to profit and loss, among staff expenses, over a three-year

vesting period (2010-2012 for the 2010 plan or 2011-2013 for the 2011 plan).

In addition, pursuant to IFRS 2, the value of the stock-granting plan is measured on the basis of the grant date fair value of the bonus shares potentially to be granted.

The impact on the profit and loss account has therefore been determined and allocated annually according to the option vesting period, i.e. over a period of six years from the grant date.

Since the arrangement calls for the shares of the parent to be granted directly by said parent to the employees of a subsidiary, the charge to the profit and loss account will be recognised through a balancing entry to an equity reserve, inasmuch as it is similar to a capital contribution by the parent.

At 31 December 2011, the total charge accrued in connection with the monetary bonus planned for the first three years of both the 2010 and 2011 plans, according to the estimate procedures adopted and the assumptions concerning the achievement of objectives, was **2.1 million euros**, whereas the share attributable to 2011 stood at **1.4 million euros**.

Considering that the approval of the 2010 plan, linked to the 2010-2012 three-year strategic plan, was only formalised by the Bank's competent decision-making bodies after the date of authorisation of the publication of the 2010 financial statements, during that year the obligation associated with the adoption of the authorisation was covered by a specific accrual to a provision for risks and charges recognised pursuant to IAS 37, in the amount of **2.2 million euros**.

Accordingly, in 2011 that provision was used to cover the expense accrued in the previous year (associated with the 2010 plan only) in the amount of **0.7 million euros**, whereas the remainder was released to the profit and loss account.

The 2011 profit and loss account therefore shows expenses associated with the Long Term Incentive Plan, allocated among staff expenses, of 1.5 million euros and net proceeds from the release of the IAS 37 provision set aside in the previous year (2010) of **1.5 million euros**, recognised under item 160, net provisions for risks and charges.

Amendments to the contractual scheme for portfolio development indemnities

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.

The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.

In relation to recent market practices in the area, during the reporting year a thorough contractual revisitation of the scheme was carried out and entered into effect on 1 January 2012.

The new system introduces a rule commonly applied on the market, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.

Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, with that amount reduced to 70% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

By contrast, there have been no changes in the way in which the specific provision covering the obligations associated with the scheme is determined, which involves an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover

rates and other demographic, welfare-related and financial variables.

Due to the changes described above, at 31 December 2011 the provision allocated to account for outstanding obligations towards the sales network in respect of portfolio development indemnities, as limited to cases of death and permanent disability, stood at **0.6 million euros**, compared to the **3.6 million euros** allocated at the end of the previous year.

Accordingly, the surplus provision was partially released to the profit and loss account for **3.0 million euros**.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

1. Financial Assets Held for Trading

Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.

Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives that are not closely related to the host contract but meet the definition of a derivative are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

Measurement

After initial recognition financial assets held for trading are measured at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where such instruments are not traded, the notional value of financial instruments, quotes from brokers or placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors.

Values drawn from recent comparable transactions are also used.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

2. AFS financial assets

Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:

- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or with Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.

Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in net equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the causes of impairment cease to apply due to an event that occurs after

impairment is recognised, reversals are taken through profit and loss (for loans or debt securities) or through net equity (for equity securities).

Under no circumstances may the amount of such reversals exceed the amortised cost that would have been attributable to the instrument

had no previous impairment been recognised.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

3. Financial Assets Held to Maturity

Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

Recognition

Initial recognition of these assets takes place on the settlement date.

Upon initial recognition, financial assets classified to this category are measured at their fair

value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

When a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.

Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.

If the causes of impairment cease to apply due to an event that occurs after

impairment is recognised, reversals are taken through profit and loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

4. Loans

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act (TUB) and Consolidated Finance Act (TUF).

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised at the date of disbursement or, in the case of debt securities, at the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from available-for-sale assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the effective interest-rate method) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- **Bad loans:** loans to parties in a state of insolvency or substantially equivalent situation;
- **Substandard loans:** loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;
- **Restructured loans:** loans in which a syndicate of banks (or a "single lender") grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- **Expired loans:** loans to parties that, at the end of the period, show payables past due or expired by more than 90 days.

Loans classified as bad loans, substandard loans, or restructured loans are normally subject to an **analytical assessment process**.

The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing.

Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.

Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are **tested collectively for impairment**. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.

In further detail, a probability of default and loss given default value is attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach.

Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Derecognition

Loans are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

5. Financial Assets at Fair Value

At this time, none of the Bank's financial assets are classified under this category.

6. Hedging Transactions

Types of Hedging Transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance-sheet items attributable to particular risks;
- hedges of a net investment in foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;

- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flow) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- prospective tests, which justify the use of hedge accounting by demonstrating effectiveness;
- retrospective tests, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity investments

At 31 December 2011, the Group did not hold equity investments in associate companies within the meaning of IAS 28 or in companies under common control within the meaning of IAS 31.

8. Property and Equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.

They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.

They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.

If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

9. Intangible Assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and to restrict the access of others to those benefits.

The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the above-mentioned business combination of Banca Del Gottardo Italia.

This asset is an intangible asset as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, given the type of customer and the recent foundation of the company.

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

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software expenses recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and future economic rewards are expected from them.

Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Commissions paid to the network in relation to no-load asset-management products are considered as additional charges incurred to promote the signing of the related agreements; the future economic benefit associated with these expenses consists of the contractual rights to receive periodic commissions from the management company.

Such expenses arise in relation to products (e.g., units of collective investment undertakings – UCITs, discretionary accounts - GPF) for which the management company does not charge commissions at the time the investment is made, but rather charges “tunnel commissions” (in addition to usual “management commissions”) when the customer divests in two to four years.

Commissions paid by the “distributor” to its sales network, which are commensurate to the commissions on corresponding “load” products, are not immediately offset by up-front fees paid by the management company; instead, these are recovered over time by means of the other two commission categories.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).

In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

Software expenses are typically amortised over a three-year period.

Other capitalised costs associated with legacy systems are amortised over a five-year period.

Multi-year no-load commissions are amortised based on the period the “tunnel” is in force and the estimated time to divestment by the customers.

For brands acquired on the incorporation of subsidiaries, the useful life is estimated at ten years.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The impairment test for goodwill is presented in Section 1.2 “Annual Changes in Goodwill” in Part G of these Notes.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset’s carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

10. Non-current Assets Held for Sale or Disposal Groups

The asset item “Non-current assets held for sale or disposal groups” and liability item “Liabilities associated with assets held for sale or disposal groups” include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.

Net income (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year, is taken through profit and loss under a specific separate item, “Profit (Loss) on groups of assets held for sale, net of taxes”.

11. Current and Deferred Taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences – without time limits – between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali – as a result of its exercise of the option provided by the Italian tax consolidation scheme – to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.

Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under “tax assets” and deferred tax liabilities are recorded under “tax liabilities”.

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.

Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.

Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or demerger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Finance Act) introduced the new paragraph 2-ter into **Article 176 of the Consolidated Income Tax Law** (hereinafter TUIR) that allows entities to recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million, 14% up to 10 million and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).

The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced several additional possibilities for optional realignment of tax and balance-sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with

finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.

However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.

That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, **paragraphs 12 to 14 of Article 23 of Legislative Decree 98/2011** (known as the "Summer Manoeuvre") introduced the new paragraphs 10-bis and 10-ter to Article 10 of Legislative Decree 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.

The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-ter).

The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments is to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

- 1) Redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree 185/2008;

- 2) Redemption of other intangible assets (client relationships arising from the above transaction) undertaken in 2010 on the basis of the amounts carried in the financial statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-ter, of the TUIR ;
- 3) Redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011.
- 4) goodwill redemption arising on the transfer of the asset management business unit of Banca BSI Italia S.p.A., effective 1 January 2010, finalised in 2011, based on the ordinary procedure envisaged by Article 176, paragraph 2-ter of TUIR.

With respect to the first two transactions, the reader is referred to the detailed discussion presented in the corresponding Part A of the Explanatory Notes to the 2010 financial statements, whereas with regard to the redemption transaction for goodwill associated with the investment in BG Fiduciaria, and the BG SGR transaction, the reader is referred to Part C of the consolidated Explanatory Notes.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.

IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

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

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

accounting deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be believed to be recoverable on the basis of future taxable income.

12. Provisions for Liabilities and Contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.

This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

13. Debt and Securities Issued

Classification

Due to banks, Due to customers and Securities issued include the various forms of interbank funding and direct customer inflows as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Due to banks and due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or the debt securities are issued.

Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.

The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. Financial Liabilities Held for Trading

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial Liabilities Measured at Fair Value

There are currently no financial liabilities measured at fair value.

16. Foreign Currency Transactions

Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

17. Other Information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Loans income, in the form of the coupons accrued on securities and the difference between the spot and forward prices of securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.

The above costs, which have been classified among “Other assets”, as required by the Bank of Italy’s Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

In accordance with IFRS 2 (Share-Based Payments) and IFRIC 11, share-based benefit plans for staff and financial consultants are recognised as costs in the profit and loss account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Employee termination indemnities

Under IAS 19 “Employee Benefits”, until 31 December 2006 termination indemnity was considered as a “post-employment benefit” classified as a “defined benefit plan”. The benefit was therefore reported in the financial statements based on the actuarial value determined using the “Projected Unit Credit Method”.

Following the entry into force of Italy’s 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees’ termination indemnities accrued starting from 1 January 2007 must – depending on the employees’ choice – be allocated to a supplementary pension fund or maintained within the company and transferred to a special fund managed by Italy’s national security institute (INPS).

The entry into force of the aforementioned reform led to a change in the accounting treatment of the termination indemnity, in terms of both the amounts accrued until 31 December 2006, as well as the amounts accrued starting on 1 January 2007.

More specifically:

- termination indemnities accrued by personnel **starting on 1 January 2007** are considered a **defined contribution plan**, whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. The amounts accrued must, however, be determined **based on the contributions owed without applying an actuarial calculation**;
- termination indemnities accrued by personnel **up to 31 December 2006** are considered a “defined benefit plan”, and therefore must be calculated using actuarial methods; however, after 31 December 2006, such methods no longer involve the proportional allocation of the benefit to the period of service worked. This is because the service period in question is considered fully completed as a result of the change in the accounting nature of termination indemnities accruing beginning on 1 January 2007.

As a result of the legislative changes, employees’ termination indemnities was recalculated at 31 December 2006 using the new actuarial method. The difference resulting from the actuarial calculation is deducted from the defined benefit plan, and, in accordance with IAS 19, the related gains or losses are charged to the profit and loss account based on the corridor method used by the group.

For group companies with fewer than 50 employees, the obligation continues to be calculated using the “projected unit credit method” (also known as the accrued benefit method pro-rated on service or as the benefit/years of service method), which considers each period of service rendered by employees as an additional unit of benefit entitlement and measures each unit separately to calculate the final obligation.

Productivity Bonuses for Salaried Employees

Pursuant to the first update to Circular No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item “Other liabilities”.

More specifically, in accordance with IAS 19 Employee Benefits, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to

managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;

- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expense in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have as their balancing entry in equity the item for provisions for risks and charges:

- the share of the variable remuneration of managers of the banking group deferred up to two years and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
- the long-term incentive plans authorised by the parent, Assicurazioni Generali, for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:

- incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
- allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore attributed in their entirety to the item for net provisions for risks and charges.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue commissions are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading commissions on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management commissions are recognised according to the length of the service. Commissions considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Measurement

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

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

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

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

- determining the amount of provisions for risks and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid

to the sales network for work done in the second half of the year;

- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Testing Financial Instruments for Impairment

In accordance with IAS 39, the portfolio of securities not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans) is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events (“loss events”), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).

In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involved the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 36 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information drawn from the market.

For corporate debt securities classified to the AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating Agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- **purchase cost**, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- **the current fair value**.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- **the book value of the asset;** and
- the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the decrease is determined based on losses on the tranche of the security held.

Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&R) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.

In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (Standard & Poor's Cumulative Average Default Rates By Rating, 1981 - 2009) and using a market loss given default (LGD) between 60% and 70%.

For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.

In any event, Italian government bonds are excluded from such testing of securities in the HTM portfolio.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.

In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.

The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the Bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

PART A.3 – INFORMATION ON FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The arm's length concept requires that counterparties are fully operational and are not forced to wind up or significantly scale back operations or undertake transactions under unfavourable conditions.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

On the basis of the approach to determining fair value, international accounting standard IFRS 7 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation.

- **Level 1:** prices quoted on active markets for identical instruments;
- **Level 2:** prices quoted on non-active markets for the same instrument or on active markets for similar instruments or calculated through the use of valuation techniques, in which all significant inputs are based on estimation parameters observable on the market;
- **Level 3:** valuation techniques where a significant input for measurement at fair value is based on non-observable market data.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, that is to say whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.

Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant

daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

In 2010, Banca Generali approved its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

For securities not quoted on active markets, the procedure calls for the analysis of:

- 1) prices of similar instruments quoted on active or inactive markets; and
- 2) inputs other than quotations observably directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. a **single contributor** on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value on the basis of, for example:

Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;

Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;

Markit European ABS, a consensus platform for measuring ABS-type instruments;

3. a reference to current market values of other essentially identical or similar instruments.

UCITS not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

A.3.1 Transfers between portfolios

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

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

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

| TYPE OF FINANCIAL INSTRUMENT | FROM | TO | DATE | 31.12.2011 | 31.12.2011 | INCOME COMPONENTS WITH NO TRANSFER | | INCOME COMPONENTS FOR THE YEAR | |
|---|------------|------------|---------------|----------------|----------------|------------------------------------|--------------|--------------------------------|--------------|
| | | | | TRANSF. | BOOK VALUE | FAIR VALUE | VALUATION | OTHER | VALUATION |
| <i>(€ thousand)</i> | | | | | | | | | |
| Equity securities | TRA | AFS | 1/7/08 | 1,938 | 1,938 | -922 | 0 | -922 | 0 |
| Debt securities | TRA | HTM | 1/7/08 | 230,490 | 221,514 | -2,950 | 6,139 | -2 | 5,971 |
| Debt securities | AFS | HTM | 30/9/08 | 40,511 | 39,929 | -52 | 754 | 11 | 1,009 |
| Total HTM portfolio | | | | 271,001 | 261,443 | -3,002 | 6,893 | 9 | 6,980 |
| Debt securities | TRA | LOANS | 1/7/08 | 84,750 | 67,607 | -11,528 | 567 | -220 | 2,301 |
| Debt securities | AFS | LOANS | 1/7/08 | 5,336 | 5,007 | -490 | 1,123 | -433 | 128 |
| Total loan portfolio (banks and clients) | | | | 90,086 | 72,614 | -12,018 | 1,690 | -653 | 2,429 |
| Total reclassified financial assets | | | | 363,025 | 335,995 | -15,942 | 8,583 | -1,566 | 9,409 |

During 2011, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date the portfolios concerned therefore presented a total carrying amount of 363.0 million euros, down sharply from the 552.7 million reported at the end of the previous year (-189.7 million euros). This amount includes the increases for the amortised costs gradually reaching maturity.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2011 would have entailed negative differences compared to book values, before taxes of 27.0 million euros, compared to 17.8 million euros at the end of 2010.

Had the Bank not opted to reclassify such securities, they would have registered greater capital losses through profit and loss and equity in 2011 of 14.4 million euros, equal to the difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The negative contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to 0.9 million euros due to the lesser interest recognised according to the effective interest rate method.

A.3.2 Fair Value Hierarchy

International accounting standard IFRS 7 - Financial Instruments: Disclosures, approved by the IASB in March 2009, requires that entities that apply IASs/IFRSs provide adequate disclosure of the fair value measurements used for each class of financial instrument, with especial reference to:

- 1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
- 2) any significant transfers between Level 1 and Level 2 during the year;

- 3) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

The information on the fair value hierarchy requires that financial assets designated at fair value be reclassified according to a level-based hierarchy that reflects the significance of the inputs used in valuations, as explained in further detail in the premise of the Section.

A.3.2.1 Accounting portfolios: breakdown by fair-value levels

| FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE | 31.12.2011 | | | | TOTAL |
|--|------------------|---------------|---------------|--------------|------------------|
| | L1 | L2 | L3 | AT COST | |
| 1. Financial assets held for trading | 2,175 | 15,852 | 17,296 | 0 | 35,323 |
| 2. Financial assets at fair value | 0 | 0 | 0 | 0 | 0 |
| 3. AFS financial assets | 1,224,387 | 70,153 | 16,268 | 8,184 | 1,318,992 |
| 4. Hedging derivatives | 0 | 0 | | 0 | 0 |
| Total | 1,226,562 | 86,005 | 33,564 | 8,184 | 1,354,315 |
| 1. Financial liabilities held for trading | 0 | 1,737 | 0 | 0 | 1,737 |
| 2. Financial liabilities at fair value | 0 | 0 | 0 | 0 | 0 |
| 3. Hedging derivatives | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 1,737 | 0 | 0 | 1,737 |

| FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE | 31.12.2010 | | | | TOTAL |
|--|------------------|---------------|---------------|--------------|------------------|
| | L1 | L2 | L3 | AT COST | |
| 1. Financial assets held for trading | 88,276 | 14,006 | 17,670 | - | 119,952 |
| 2. Financial assets at fair value | - | - | - | - | - |
| 3. AFS financial assets | 1,442,976 | 69,224 | 17,837 | 3,238 | 1,533,275 |
| 4. Hedging derivatives | - | - | - | - | - |
| Total | 1,531,252 | 83,230 | 35,507 | 3,238 | 1,653,227 |
| 1. Financial liabilities held for trading | - | 6,502 | - | - | 6,502 |
| 2. Financial liabilities at fair value | - | - | - | - | - |
| 3. Hedging derivatives | - | - | - | - | - |
| Total | - | 6,502 | - | - | 6,502 |

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of assets and liabilities held for trading and the portfolio of AFS financial assets comprised 90.6% of financial assets eligible for allocation to class L1. This category consists largely of Italian government bonds. It also includes, to a limited extent (6.4 million euros), equities listed on Italian and European regulated markets.

By contrast, financial assets allocated to the L2 trading portfolio consist of units of money-market UCITS not listed on regulated markets (15.1 million euros) and bank bonds from Italy and the major Euro Area nations. The Level 2 portfolio also includes derivative financial assets and liabilities consisting of interest rate swaps (IRSs) and currency outright valued according to observable market parameters.

A3.2.2 Accounting portfolios: annual changes in financial assets at fair value (level L3)

| | FINANCIAL ASSETS | | |
|---------------------------------|------------------|-------------------|--------------|
| | TRADING | AFS AT FAIR VALUE | AFS AT COST |
| 1. Amount at year-start | 17,670 | 17,837 | 3,238 |
| 2. Increases | 893 | 13,538 | 4,977 |
| 2.1 Purchases | | 4,721 | 4,977 |
| 2.2 Gains through: | | | |
| 2.2.1 Profit and loss | | 1,059 | |
| - of which: Capital gains | | | |
| 2.2.2 Net equity | | | |
| 2.3 Transfers from other levels | 893 | 6,974 | |
| 2.4 Other increases | | 784 | |
| of which business combinations | | | 0 |
| 3. Decreases | 1,267 | 15,107 | 31 |
| 3.1 Sales | | 2,333 | |
| 3.2 Redemptions | 1,018 | 6,443 | |
| 3.3 Losses through: | | | |
| 3.3.1 Profit and loss | 249 | | |
| - of which: capital losses | 249 | | |
| 3.3.2 Net equity | | 281 | |
| 3.4 Transfers to other levels | | 5,168 | 31 |
| 3.5 Other decreases | | 882 | |
| 4. Amount at year-end | 17,296 | 16,268 | 8,184 |

The L3 financial assets in the trading portfolio consist solely of:

- the investment in the Quarzo 1 bond, a securitisation of residential mortgage-backed securities (RMBS) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Assicurazioni Generali Group;
- an interest in a speculative hedge fund issued by Finanziaria Internazionale Group companies;
- a defaulted Landesbanki bond, written off.
- an investment in a sub-fund of the BG Selection Sicav, previously classified to L2.

The L3 financial assets in the AFS portfolio include equities of 4.8 million euros, consisting of the equity interest in the private-equity vehicle Athena Private Equity, subject to impairment in previous years, whereas the remainder (11.5 million euros) is represented by unlisted debt securities issued by Italian banks and financial institutions set to mature in 2012 and 2013.

By contrast, financial assets measured at purchase cost in the absence of reliable estimates of fair value include

3.2 million euros in “minor equity investments” (CSE, GBS Caricese, SWIFT, etc.) and the equity interest in Veneto Banca (5.0 million euros) acquired during the year.

The two Lehman issues in default (1.2 million euros) were sold, resulting in a realised gain of approximately 1.0 million euros.

A.3.3 Informativa sul cd. “day one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in the financial statements in question.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1

CASH AND DEPOSITS - ITEM 10

1.1 Breakdown of cash and deposits

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 |
|---------------------------------------|---------------|--------------|
| (€ thousand) | | |
| a) Cash | 13,959 | 7,953 |
| b) Demand deposits with central banks | 60,000 | - |
| Total | 73,959 | 7,953 |

SECTION 2

FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: categories

| ITEMS/VALUES | 31.12.2011 | | | 31.12.2010 | | |
|----------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| (€ thousand) | | | | | | |
| A. Cash | | | | | | |
| 1. Debt securities | 1,108 | 1,021 | 15,099 | 85,699 | 687 | 16,250 |
| 1.1 Structured securities | - | - | - | - | 634 | - |
| 1.2 Other debt securities | 1,108 | 1,021 | 15,099 | 85,699 | 53 | 16,250 |
| 2. Equity securities | 1,062 | - | - | 2,577 | - | - |
| 3. UCIT units | 5 | 14,134 | 2,197 | - | 13,120 | 1,420 |
| 4. Loans | - | - | - | - | - | - |
| 4.1. Repurchase agreements | - | - | - | - | - | - |
| 4.2. Other | - | - | - | - | - | - |
| Total A | 2,175 | 15,155 | 17,296 | 88,276 | 13,807 | 17,670 |
| B. Derivatives | | | | | | |
| 1. Financial derivatives | - | 697 | - | - | 199 | - |
| 2. Credit derivatives | - | - | - | - | - | - |
| Total B | - | 697 | - | - | 199 | - |
| Total (A+B) | 2,175 | 15,852 | 17,296 | 88,276 | 14,006 | 17,670 |

Notes

- 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.
- A more detailed description of the fair value category of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.

2.2 Financial assets held for trading: debtors/issuers

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 |
|----------------------------------|---------------|----------------|
| <i>(€ thousand)</i> | | |
| A. Cash | | |
| 1. Debt securities | 17,228 | 102,636 |
| a) Governments and central banks | 455 | 79,956 |
| b) Other public institutions | - | - |
| c) Banks | 1,695 | 6,578 |
| d) Other issuers | 15,078 | 16,102 |
| 2. Equity securities | 1,062 | 2,577 |
| a) Banks | 2 | 3 |
| b) Other issuers | 1,060 | 2,574 |
| - insurance companies | 384 | 1,782 |
| - financial companies | 2 | 10 |
| - non-financial companies | 674 | 782 |
| - other entities | - | - |
| 3. UCIT units | 16,336 | 14,540 |
| 4. Loans | - | - |
| a) Governments and central banks | - | - |
| b) Other public institutions | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| Total A | 34,626 | 119,753 |
| B. Derivatives | | |
| a) Banks | 434 | 35 |
| b) Customers | 263 | 164 |
| Total B | 697 | 199 |
| Total (A+B) | 35,323 | 119,952 |

2.3 Financial assets held for trading: year changes

| (€ thousand) | DEBT SECURITIES | EQUITY SECURITIES | UCIT UNITS | FINANCING | TOTAL |
|------------------------------------|--------------------|----------------------|------------------|-----------|------------------|
| A. Amount at year-start | | | | | |
| B. Increases | 2,416,906 | 2,862,826 | 1,560,364 | - | 6,840,096 |
| B1. Purchases | 2,415,939 | 2,862,176 | 1,560,071 | - | 6,838,186 |
| B2. Positive changes in fair value | 2 | 105 | - | - | 107 |
| B3. Other changes | 965 | 545 | 293 | - | 1,803 |
| C. Decreases | 2,502,314 | 2,864,341 | 1,558,568 | - | 6,925,223 |
| C1. Sales | 2,498,629 | 2,726,510 | 1,556,819 | - | 6,781,958 |
| C2. Repayments | 1,017 | - | - | - | 1,017 |
| C3. Negative changes in fair value | 476 | 131 | 1,739 | - | 2,346 |
| C4. Transfer from other portfolios | - | - | - | - | - |
| C5. Other changes | 2,192 | 137,700 | 10 | - | 139,902 |
| D. Amount at year-end | 17,228 | 1,062 | 16,336 | - | 34,626 |

Notes

1. Item "B.3 Other changes - increases" includes final dividend accruals, final premiums/discounts, and gains on disposal.

2. Item "C.5 Other changes - decreases" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.

This item also includes losses for 137,583 thousand euros on the disposal of equity securities under trading operations with future-based hedging.

SECTION 4 AVAILABLE-FOR-SALE FINANCIAL ASSETS – ITEM 40

4.1 Available-for-sale financial assets: categories

| ITEMS/VALUES | 31.12.2011 | | | 31.12.2010 | | |
|-----------------------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| (€ thousand) | | | | | | |
| 1. Debt securities | 1,219,080 | 69,111 | 11,446 | 1,435,959 | 69,224 | 12,720 |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2. Other debt securities | 1,219,080 | 69,111 | 11,446 | 1,435,959 | 69,224 | 12,720 |
| 2. Equity securities | 5,307 | - | 13,006 | 7,017 | - | 8,355 |
| 2.1 Valued at fair value | 5,307 | - | 4,822 | 7,017 | - | 5,117 |
| 2.2 Valued at cost | - | - | 8,184 | - | - | 3,238 |
| 3. UCIT UNITS | - | 1,042 | - | - | - | - |
| 4. Loans | - | - | - | - | - | - |
| Total | 1,224,387 | 70,153 | 24,452 | 1,442,976 | 69,224 | 21,075 |

Notes

1. The portfolio of equity securities includes 8,184 thousand euros for equity investments valued at the cost of acquisition in absence of reliable estimates of fair value. It includes the residual 15% investment in Simgenia (967 thousand euros), equity securities which fall into the category of what are known as "minor equity investments" and largely related to service agreements concluded by the Group (CSE, GBS Caricese, SWIFT, etc.), usually non-negotiable (2,240 thousand euros), and investments in Veneto Banca (4,977 thousand euros) acquired during the year.
2. AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. Following the test impairment losses for an amount of 3,980 thousand euros were recognised on equity securities, due to the fact that the fair value automatic relevant threshold compared to the book value had been exceeded (significant or prolonged loss).
3. The two default positions made up of debt securities issued by Lehman Brothers holding, for a countervalue of amortised cost of 8,721 thousand euros and with write-downs in the previous years amounting to 7,421 thousand euros were transferred in the year, with a gain of 1,034 thousand euros.
4. A more detailed description of the fair value category of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.
5. Item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 351, 349 thousand euros.

4.2 Available-for-sale financial assets: debtors/issuers

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 |
|----------------------------------|------------------|------------------|
| (€ thousand) | | |
| 1. Debt securities | 1,299,637 | 1,517,903 |
| a) Governments and central banks | 1,130,509 | 1,352,479 |
| b) Other public institutions | - | - |
| c) Banks | 154,123 | 143,863 |
| d) Other issuers | 15,005 | 21,561 |
| 2. Equity securities | 18,313 | 15,372 |
| a) Banks | 5,919 | 1,762 |
| b) Other issuers | 12,394 | 13,610 |
| - insurance companies | 654 | 840 |
| - financial companies | 6,364 | 6,495 |
| - non-financial companies | 5,369 | 6,275 |
| - other entities | 7 | - |
| 3. UCIT units | 1,042 | |
| 4. Loans | - | - |
| a) Governments and central banks | - | - |
| b) Other public institutions | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| Total | 1,318,992 | 1,533,275 |

4.4 Available-for-sale financial assets: year changes

| (€ thousand) | DEBT SECURITIES | EQUITY SECURITIES | UCIT UNITS | FINANCING | TOTAL |
|---|--------------------|----------------------|--------------|-----------|------------------|
| A. Amount at year-start | | | | | |
| B. Increases | 591,608 | 9,332 | 1,049 | - | 601,989 |
| B1. Purchases | 576,322 | 5,269 | 1,000 | - | 582,591 |
| B2. Positive changes in fair value | 1,896 | 63 | 18 | - | 1,977 |
| B3. Reversal value | - | 3,980 | - | - | 3,980 |
| - P&L | - | X | - | - | - |
| - net equity | - | 3,980 | - | - | 3,980 |
| B4. Transfer from other portfolios | - | - | 31 | - | 31 |
| B5. Other changes | 13,390 | 20 | - | - | 13,410 |
| C. Decreases | 809,874 | 6,391 | 7 | - | 816,272 |
| C1. Sales | 232,736 | 17 | - | - | 232,753 |
| C2. Repayments | 514,005 | - | - | - | 514,005 |
| C3. Negative changes in fair value | 54,626 | 2,363 | 7 | - | 56,996 |
| C4. Write-downs of non-performing loans | - | 3,980 | - | - | 3,980 |
| - P&L | - | 3,980 | - | - | 3,980 |
| - net equity | - | - | - | - | - |
| C5. Transfer to other portfolios | - | 31 | - | - | 31 |
| C6. Other changes | 8,507 | - | - | - | 8,507 |
| D. Amount at year-end | 1,299,637 | 18,313 | 1,042 | - | 1,318,992 |

Notes

1. The item "B.5 Other changes" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals at the reporting date and realised gains, net of reserves transferred to net equity.
2. The item C.6 "Other decreases" includes interest adjustment arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
3. Item B.3 "Reversal value" in equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the profit and loss account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the profit and loss account.

SECTION 5

HELD-TO-MATURITY FINANCIAL ASSETS – ITEM 50

5.1. Held-to-maturity financial assets: categories

| TYPE OF TRANSACTION/VALUES | 31.12.2011 | | | | 31.12.2010 | | | |
|----------------------------|------------------|------------------|----------------|---------------|----------------|----------------|----------------|---------------|
| | FV | | | | FV | | | |
| (€ thousand) | Book value | L1 | L2 | L3 | Book value | L1 | L2 | L3 |
| 1. Debt securities | 1,415,701 | 1,216,874 | 127,494 | 41,050 | 608,118 | 344,205 | 173,951 | 73,799 |
| 1.1 Structured securities | - | - | - | - | - | - | - | - |
| 1.2 Other debt securities | 1,415,701 | 1,216,874 | 127,494 | 41,050 | 608,118 | 344,205 | 173,951 | 73,799 |
| 2. Loans | - | - | - | - | - | - | - | - |
| Total | 1,415,701 | 1,216,874 | 127,494 | 41,050 | 608,118 | 344,205 | 173,951 | 73,799 |

Notes

- Financial assets held to maturity were subjected to analytical impairment testing but no impairment was detected. To take into account the financial market turbulence in the Euro area, however, a collective reserve was established to cover potential losses for a total amount of 601 thousand euros, with reversals amounting to 164 thousand euros.
- A more detailed analysis of the fair value category of financial instruments (L1, L2, L3) is given to Part A.3 of these Notes.
- The item includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 285,171 thousand euros.

5.2. Held-to-maturity financial assets: debtors/Issuers

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 |
|----------------------------------|------------------|----------------|
| (€ thousand) | | |
| 1. Debt securities | 1,415,701 | 608,118 |
| a) Governments and central banks | 1,064,025 | 113,223 |
| b) Other public institutions | - | - |
| c) Banks | 295,239 | 411,604 |
| d) Other issuers | 56,437 | 83,291 |
| 2. Loans | - | - |
| a) Governments and central banks | - | - |
| b) Other public institutions | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| Total | 1,415,701 | 608,118 |

5.4. Held-to-maturity financial assets: year changes

| (€ thousand) | DEBT SECURITIES | FINANCING | TOTAL |
|------------------------------------|------------------|-----------|------------------|
| A. Amount at year-start | 608,118 | - | 608,118 |
| B. Increases | 964,066 | - | 964,066 |
| B1. Purchases | 941,579 | - | 941,579 |
| B2. Reversal value | 165 | - | 165 |
| B3. Transfer from other portfolios | - | - | - |
| B4. Other changes | 22,322 | - | 22,322 |
| C. Decreases | 156,483 | - | 156,483 |
| C1. Sales | 14,661 | - | 14,661 |
| C2. Repayments | 131,804 | - | 131,804 |
| C3. Adjustments | - | - | - |
| C4. Transfer to other portfolios | - | - | - |
| C5. Other changes | 10,018 | - | 10,018 |
| D. Amount at year-end | 1,415,701 | - | 1,415,701 |

Notes

1. "Other increases" (B.4) include dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. "Other decreases" (C.5) include dividend accruals, final adjustments at amortised cost established according to the effective interest rate effective at the end of the previous year and losses on disposal.
3. Item C1, "Sales," includes debt securities nearing maturity or subject to significant downgrades of their credit ratings with respect to the initial measurement, resulting in a significant decrease in applicable capital requirements and the impact on the collective reserve through profit and loss.

SECTION 6 LOANS TO BANKS — ITEM 60

6.1 Loans to banks: categories

| TYPE OF TRANSACTIONS/VALUES | | |
|---------------------------------------|----------------|----------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| A. Loans to central banks | 10,341 | 11,680 |
| 1. Term deposits | - | - |
| 2. Mandatory reserve | 10,341 | 11,680 |
| 3. Repurchase agreements | - | - |
| 4. Other | - | - |
| B. Loans to banks | 503,830 | 463,917 |
| 1. Current accounts and free deposits | 269,460 | 216,139 |
| 2. Term deposits | 59,343 | 71,343 |
| 3. Other: | 522 | 1,133 |
| 3.1 Repurchase agreements | - | - |
| 3.2 Finance lease | - | - |
| 3.3 Other | - | - |
| 3.4 Operating loans | 522 | 1,133 |
| 4. Debt securities | 174,505 | 175,302 |
| 4.1 Structured securities | - | - |
| 4.2 Other securities | 174,505 | 175,302 |
| Total (book value) | 514,171 | 475,597 |
| Total (fair value) | 497,493 | 470,195 |

Notes

1. A specific impairment test was conducted on debt portfolio classified among loans to banks and customers but no impairment was detected. Moreover, a 752 thousand euro collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.
2. The item includes transferred assets not written off, which refer to own securities used in repurchase agreements amounting to 4,713 thousand euros.

Loans to banks - Other loans and operating receivables

| TYPE OF TRANSACTIONS/VALUES | | |
|-----------------------------|------------|--------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| Subordinated loan | - | - |
| Operating loans | 333 | 1,096 |
| Other | 189 | 37 |
| Total | 522 | 1,133 |

SECTION 7 LOANS TO CUSTOMERS - ITEM 70

7.1 Loans to customers: categories

| TYPE OF TRANSACTIONS/VALUES (€ thousand) | 31.12.2011 | | 31.12.2010 | |
|--|---------------------|-----------------------------|---------------------|-----------------------------|
| | PERFORMING LOANS | NON- PERFORMING LOANS | PERFORMING LOANS | NON- PERFORMING LOANS |
| 1. Current accounts | 501,557 | 9,734 | 430,158 | 14,576 |
| 2. Repurchase agreements | - | - | - | - |
| 3. Loans | 218,079 | 20,728 | 101,685 | 6,470 |
| 4. Credit cards, personal loans and loans on wages | - | - | - | - |
| 5. Finance lease | - | - | - | - |
| 6. Factoring | - | - | - | - |
| 7. Other transactions | 134,359 | 2,541 | 145,286 | 8,568 |
| 8. Debt securities | 81,185 | 3,465 | 139,645 | - |
| 8.1 Structured securities | - | - | - | - |
| 8.2 Other debt securities | 81,185 | 3,465 | 139,645 | 5,650 |
| Total (book value) | 935,180 | 36,468 | 816,774 | 35,264 |
| Total (fair value) | 924,130 | 34,311 | 809,121 | 34,154 |

Notes

- Item debt securities includes by convention a Gesav guaranteed life insurance participating policy of 20,584 thousand euros, with tradability option.
- Debt securities classified under "Loans to customers" include two impaired positions (net book value of 3,465 thousand euros) arising on third-party securitisations transactions which led to an impairment of 1,355 thousand euros, conventionally classified under non-performing loans/sub-standard loans.
- Debt securities classified among "Loans to customers" were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not fully recoverable. Subsequently, an impairment loss amounting to 552 thousand euros was detected; it was fully attributable to two positions already impaired in the previous years.
- Moreover, a 794 thousand euros collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.
- Operating receivables include non-performing positions of a net amount of 1,425 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process, or for which the term for reimbursement has otherwise lapsed.

Breakdown of loans to customers - Other transactions

| TYPE OF TRANSACTIONS/VALUES (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| Other grants | 38,398 | 32,551 |
| Personal loans | 7,065 | 11,606 |
| Operating loans | 50,831 | 57,602 |
| Sums advanced to financial advisors | 26,733 | 31,020 |
| Interest-bearing daily margins Italian Stock Exchange | 4,061 | 4,403 |
| Interest-bearing caution deposits | 342 | 306 |
| Amounts to be collected | 9,470 | 16,366 |
| Total | 136,900 | 153,854 |

7.2 Loans to customers: debtors/issuers

| ITEMS/VALUES (€ thousand) | 31.12.2011 | | 31.12.2010 | |
|------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | PERFORMING LOANS | NON- PERFORMING LOANS | PERFORMING LOANS | NON- PERFORMING LOANS |
| 1. Debt securities | 81,185 | 3,465 | 139,645 | 5,650 |
| a) Governments | - | - | - | - |
| b) Other public institutions | - | - | - | - |
| c) Other issuers | 81,185 | 3,465 | 139,645 | 5,650 |
| - non-financial companies | - | - | 980 | - |
| - financial companies | 55,659 | 3,465 | 103,205 | 5,650 |
| - insurance companies | 25,526 | - | 35,460 | - |
| - other entities | - | - | - | - |
| 2. Loans | 853,995 | 33,003 | 677,129 | 29,614 |
| a) Governments | - | - | - | - |
| b) Other public institutions | - | - | - | - |
| c) Other issuers | 853,995 | 33,003 | 677,129 | 29,614 |
| - non-financial companies | 246,135 | 25,075 | 188,274 | 23,052 |
| - financial companies | 96,322 | 1,512 | 99,392 | 479 |
| - insurance companies | 326 | - | 5,928 | - |
| - other entities | 511,212 | 6,416 | 383,535 | 6,083 |
| Total | 935,180 | 36,468 | 816,774 | 35,264 |

SECTION 12 PROPERTY AND EQUIPMENT - ITEM 120

12.1 Property and equipment: breakdown of assets valued at cost

| ASSETS/VALUES | | |
|--------------------------------------|-------------------|-------------------|
| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
| A. Operating assets | | |
| 1.1 Owned assets | 5.332 | 4.758 |
| a) land | - | - |
| b) buildings | - | - |
| c) furniture | 2.806 | 3.009 |
| d) electronic equipment | 1.269 | 310 |
| e) other | 1.257 | 1.439 |
| 1.2 Leased assets | - | - |
| a) land | - | - |
| b) buildings | - | - |
| c) furniture | - | - |
| d) electronic equipment | - | - |
| e) other | - | - |
| Total A | 5.332 | 4.758 |
| B. Assets held as investments | | |
| 2.1 Owned assets | - | - |
| a) land | - | - |
| b) buildings | - | - |
| 2.2 Leased assets | - | - |
| a) land | - | - |
| b) buildings | - | - |
| Total B | - | - |
| Total (A + B) | 5.332 | 4.758 |

12.3 Operating assets: year changes

| (€ thousand) | LAND | BUILDINGS | FURNITURE | ELECTRONIC EQUIPMENT | OTHER | TOTAL |
|---|------|-----------|---------------|----------------------|--------------|---------------|
| A. Gross amount at year-start | - | - | 14,868 | 2,960 | 6,911 | 24,739 |
| A.1 Total net impairment | - | - | 11,859 | 2,650 | 5,472 | 19,981 |
| A.2 Net amount at year-start | - | - | 3,009 | 310 | 1,439 | 4,758 |
| B. Increases: | - | - | 701 | 1,293 | 341 | 2,335 |
| B.1 Purchases | - | - | 701 | 1,293 | 341 | 2,335 |
| B.2 Capitalised improvement costs | - | - | - | - | - | - |
| B.3 Reversal value | - | - | - | - | - | - |
| a) net equity | - | - | - | - | - | - |
| b) P&L | - | - | - | - | - | - |
| B.4 Fair value positive change in | - | - | - | - | - | - |
| a) net equity | - | - | - | - | - | - |
| b) P&L | - | - | - | - | - | - |
| B.5 Exchange gains | - | - | - | - | - | - |
| B.6 Transfer of buildings held as investments | - | - | - | - | - | - |
| B.7 Other changes | - | - | - | - | - | - |
| of which business combination transactions | - | - | - | - | - | - |
| C. Decreases: | - | - | 904 | 334 | 523 | 1,761 |
| C.1 Sales | - | - | - | - | 5 | 5 |
| C.2 Depreciation | - | - | 873 | 325 | 517 | 1,715 |
| C.3 Adjustments for impairment in | - | - | - | - | - | - |
| a) net equity | - | - | - | - | - | - |
| b) P&L | - | - | - | - | - | - |
| C.4 Fair value negative changes in | - | - | - | - | - | - |
| a) net equity | - | - | - | - | - | - |
| b) P&L | - | - | - | - | - | - |
| C.5 Exchange losses | - | - | - | - | - | - |
| C.6 Transfers to: | - | - | - | - | - | - |
| a) property and equipment held as investments | - | - | - | - | - | - |
| b) assets held for sale | - | - | - | - | - | - |
| C.7 Other changes | - | - | 31 | 9 | 1 | 41 |
| of which business combination transactions | - | - | - | - | - | - |
| D. Net amount at year-end | - | - | 2,806 | 1,269 | 1,257 | 5,332 |
| D.1 Total net impairment | - | - | 12,732 | 2,975 | 5,989 | 21,696 |
| D.2 Gross amount at year-end | - | - | 15,538 | 4,244 | 7,246 | 27,028 |
| E. Valued at cost | - | - | 2,806 | 1,269 | 1,257 | 5,332 |

SECTION 13 INTANGIBLE ASSETS - ITEM 130

13.1 Intangible assets: breakdown by type of asset

| ASSETS/VALUES (€ thousand) | 31.12.2011 | | | 31.12.2010 | | |
|---|--------------------|----------------------|---------------|--------------------|----------------------|---------------|
| | SPECIFIED MATURITY | UNSPECIFIED MATURITY | TOTAL | SPECIFIED MATURITY | UNSPECIFIED MATURITY | TOTAL |
| A.1 Goodwill | | 38,632 | 38,632 | | 38,632 | 38,632 |
| A.2 Other intangible assets | 8,139 | - | 8,139 | 9,879 | - | 9,879 |
| A.2.1 Assets valued at cost: | 8,139 | - | 8,139 | 9,879 | - | 9,879 |
| a) Internally generated intangible assets | | | - | | | - |
| b) Other assets | 8,139 | - | 8,139 | 9,879 | - | 9,879 |
| A.2.2 Assets valued at fair value: | - | - | - | - | - | - |
| a) Internally generated intangible assets | | | - | | | - |
| b) Other assets | - | - | - | - | - | - |
| Total | 8,139 | 38,632 | 46,771 | 9,879 | 38,632 | 48,511 |

13.2 Intangible assets: year changes

| (€ thousand) | Other intangible assets Internally generated | | | Other intangible assets Other | | TOTAL |
|--|---|--------------------|----------------------|----------------------------------|----------------------|---------------|
| | GOODWILL | SPECIFIED MATURITY | UNSPECIFIED MATURITY | SPECIFIED MATURITY | UNSPECIFIED MATURITY | |
| A. Amount at year-start | 38,632 | | | 56,521 | - | 95,153 |
| A.1 Total net impairment | - | - | - | 46,642 | - | 46,642 |
| A.2 Net amount at year-start | 38,632 | - | - | 9,879 | - | 48,511 |
| B. Increases | - | - | - | 671 | - | 671 |
| B.1 Purchases | - | - | - | 671 | - | 671 |
| B.2 Increase of internal intangible assets | - | - | - | - | - | - |
| B.3 Reversal value | - | - | - | - | - | - |
| B.4 Fair value positive changes in | - | - | - | - | - | - |
| - net equity | - | - | - | - | - | - |
| - P&L | - | - | - | - | - | - |
| B.5 Exchange gains | - | - | - | - | - | - |
| B.6 Other changes | - | - | - | - | - | - |
| of which business combination transactions | - | - | - | - | - | - |
| C. Decreases | - | - | - | 2,411 | - | 2,411 |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Adjustments | - | - | - | 2,376 | - | 2,376 |
| - Amortisation | - | - | - | 2,376 | - | 2,376 |
| - Write-downs | - | - | - | - | - | - |
| net equity | - | - | - | - | - | - |
| P&L | - | - | - | - | - | - |
| C.3 Fair value negative changes | - | - | - | - | - | - |
| - net equity | - | - | - | - | - | - |
| - P&L | - | - | - | - | - | - |
| C.4 Transfer to non-current assets held for sale | - | - | - | - | - | - |
| C.5 Exchange losses | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | 35 | - | 35 |
| of which business combination transactions | - | - | - | 35 | - | 35 |
| D. Amount at year-end | 38,632 | - | - | 8,139 | - | 46,771 |
| D.1 Total net adjustments | - | - | - | 49,018 | - | 49,018 |
| E. Gross amount at year-end | 38,632 | | | 57,157 | | 95,789 |
| F. Valued at cost | 38,632 | - | - | 8,139 | - | 46,771 |

Breakdown of consolidated goodwill

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|-------------------------------|---------------|---------------|
| Prime Consult Sim and Ina Sim | 2,991 | 2,991 |
| BG Fiduciaria SIM S.p.A. | 4,289 | 4,289 |
| Banca del Gottardo | 31,352 | 31,352 |
| Total | 38,632 | 38,632 |

Breakdown of intangible assets — Other assets

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| Charges associated with the implementation of legacy CSE procedures | 2,037 | 2,819 |
| Relations with customers (former Banca del Gottardo) | 5,720 | 6,674 |
| Other software costs | 274 | 259 |
| Commissions to be amortised | 56 | 61 |
| Other assets and assets under processing | 52 | 66 |
| Total | 8,139 | 9,879 |

The banking group's goodwill and intangible assets arising from the acquisition of Banca del Gottardo (customer relationships) were tested to impairment in accordance with IAS 36, without showing impairments with respect to carrying value. Tests' execution procedures and results are analysed in greater detail in Part G of the Notes.

SECTION 14 TAX ASSET AND LIABILITIES - ITEM 140 (ASSETS) AND ITEM 80 (LIABILITIES)

Breakdown of item 140 (assets): tax assets

| TYPE OF TRANSACTIONS/VALUES | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| (€ thousand) | | |
| Current taxation | 14,011 | 27,401 |
| - Sums due for taxes to be refunded | 115 | 115 |
| - IRES arising on National Tax Consolidation | 13,019 | 26,862 |
| - IRES | - | - |
| - IRAP | 877 | 424 |
| Deferred tax assets | 63,035 | 43,639 |
| With impact on profit and loss account | 36,299 | 33,170 |
| - IRES | 31,817 | 29,674 |
| - IRAP | 4,482 | 3,496 |
| With impact on net equity | 26,736 | 10,469 |
| - IRES | 22,866 | 9,122 |
| - IRAP | 3,870 | 1,347 |
| Total | 77,046 | 71,040 |

Notes

1. Current tax assets represent the net positive unbalance between IRES and IRAP taxes payable for the year net of relevant payments on account and withholdings.
2. In light of the participation of Banca Generali and BG SGR to the national tax consolidation of Assicurazioni Generali, payments on account, withholdings paid, and IRES taxable amounts (+/-) were conferred to, used and liquidated by the consolidating company. Current IRES tax assets are therefore a receivable from Assicurazioni Generali.

Breakdown of item 80 (liabilities): tax liabilities

| TYPE OF TRANSACTIONS/VALUES | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| (€ thousand) | | |
| Current taxation | 19,734 | 17,079 |
| - IRES arising on National Tax Consolidation | - | - |
| - IRES | 32 | 643 |
| - IRAP | 437 | 1,420 |
| - Other direct taxes payable | 18,560 | 14,376 |
| - Sum due to the Treasury by way of substitute tax (1) | 705 | 640 |
| Deferred tax payables | 1,285 | 1,257 |
| With impact on profit and loss account | 1,211 | 1,136 |
| - IRES | 1,139 | 1,081 |
| - IRAP | 72 | 55 |
| With impact on net equity | 74 | 121 |
| - IRES | 63 | 106 |
| - IRAP | 11 | 15 |
| Total | 21,019 | 18,336 |

(1) This item includes:

- remaining instalment of the substitute tax on the redemption of the intangible asset pursuant to Article 176, paragraph 2-ter of TUIR, to be paid in 2012.
- remaining instalments of the substitute tax on the redemption of the goodwill arising on the transfer of the portfolio management business unit of Banca BSI Italia, pursuant to Article 176, paragraph 2-ter of TUIR, to be paid in 2012 and 2013..

14.1 Breakdown of deferred tax assets

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| With impact on profit and loss account | 36,299 | 33,170 |
| Previous fiscal losses (1) | 1,120 | 1,096 |
| Provisions for liabilities and contingencies | 18,204 | 15,667 |
| Write-down of securities in the trading portfolio before 2008 | 425 | 422 |
| Write-down of securities in the AFS portfolio | 316 | 886 |
| Write-downs on debt securities | 71 | 144 |
| Credit devaluation | 1,168 | 1,283 |
| Redeemed goodwill (pursuant to Art. 15, para. 10, of Legislative Decree 185/08) | 9,072 | 9,845 |
| Consolidated goodwill of BG Fiduciaria (Art. 15, para. 10-ter) | 1,379 | 0 |
| Redeemed goodwill (Art. 176, par. 2-ter of TUIR) | 1,541 | 0 |
| Other goodwill | 2,816 | 3,243 |
| Other operating expenses | 187 | 584 |
| With impact on net equity | 26,736 | 10,469 |
| Measurement at fair value of AFS financial assets | 26,736 | 10,469 |
| Total | 63,035 | 43,639 |

Notes

(1) Prior fiscal losses refer to the tax benefit for taxable amounts not used within the national tax consolidation programme of Assicurazioni Generali at the presentation date of the tax return for 2010 (CNM form 2011).

Losses are broken down as follows:

Banca Generali (2008): 214 thousand euros

Banca Generali (2008): 906 thousand euros

14.2 Breakdown of deferred tax liabilities

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| With impact on profit and loss account | 1,211 | 1,136 |
| Off-balance sheet provisions, adjustments and write-downs, off-balance sheet excluded | 311 | 311 |
| Provision for termination indemnity | 325 | 324 |
| Goodwill | 575 | 501 |
| With impact on net equity | 74 | 121 |
| Measurement at fair value of AFS financial assets | 74 | 121 |
| Total | 1,285 | 1,257 |

SECTION 14 TAX ASSETS AND LIABILITIES - ITEM 140 (ASSETS) AND ITEM 80 (LIABILITIES)

14.3 Change in deferred tax assets (offsetting entry to the profit and loss account)

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| 1. Amount at year-start | 33,170 | 21,125 |
| 2. Increases | 11,594 | 19,150 |
| 2.1 Deferred tax assets for the year | 10,915 | 18,054 |
| a) relative to prior years | 361 | 191 |
| b) change in accounting criteria | - | - |
| c) reversal value | - | - |
| d) other | 10,554 | 17,863 |
| 2.2 New taxes or increases in tax rates | 655 | - |
| 2.3 Other increases | 24 | 1,096 |
| of which other | - | - |
| of which adjustment of prepaid taxes for the National Tax Consolidation | 24 | 1,096 |
| of which business combinations | - | - |
| 3. Decreases | 8,465 | 7,105 |
| 3.1 Deferred tax receivables eliminated in the year | 8,090 | 7,105 |
| a) transfers | 7,132 | 6,701 |
| b) write-downs for non-recoverability | 777 | 404 |
| c) change in accounting criteria | 181 | - |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | 375 | - |
| of which other | 375 | - |
| of which business combinations | - | - |
| of which reclassified to assets for the Tax Consolidation | - | - |
| 4. Amount at year-end | 36,299 | 33,170 |

Notes

- The difference between the change of deferred tax assets in the P&L (3,111 thousand euros) and the overall change in the balance sheet (3,129 thousand euros) is mainly attributable to the adjustment of tax losses contributed for the National Tax Consolidation.
- Item 2.1 d) includes 3,010 thousand euros in deferred tax assets recognised during the year due to the completion of tax redemption transactions undertaken pursuant to special provisions of the tax code.
It refers to 1,379 thousand euros of deferred tax assets arising on the goodwill redemption at consolidated level related to the investment in the subsidiary BG Fiduciaria, in accordance with Article 15, paragraph 10-ter, of Legislative Decree 185/2008, introduced by the Legislative Decree DL 98/2011 (so called "Summer Manoeuvre").
This item also includes 1,631 thousand euros of deferred tax assets from BG SGR arising on the goodwill redemption after the transfer to BG SGR of the Banca BSI Italia portfolio management business unit.
- Change reported in item 2.2 refers to the 0.75% increase of the IRAP standard tax rate regarding also banks and other financial institutes, effective 2011 and introduced by Legislative Decree 98/2011.

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

| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
|--|-------------------|-------------------|
| 1. Amount at year-start | 1,136 | 3,509 |
| 2. Increases | 78 | 77 |
| 2.1 Deferred tax payables for the year | 67 | 77 |
| a) relative to prior years | - | 12 |
| b) change in accounting criteria | - | - |
| c) reversal value | - | - |
| d) other | 67 | 65 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 11 | - |
| of which business combinations | - | - |
| 3. Decreases | 3 | 2,450 |
| 3.1 Deferred tax payables eliminated during the year | 3 | 2,450 |
| a) transfers | 3 | 19 |
| b) change in accounting criteria | - | - |
| c) other | - | 2,431 |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | - | - |
| of which business combinations | - | - |
| 4. Amount at year-end | 1,211 | 1,136 |

SECTION 14 TAX ASSETS AND LIABILITIES - ITEM 140 (ASSETS) AND ITEM 80 (LIABILITIES)

14.5 Changes in deferred tax assets (offsetting entry to the net equity)

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| 1. Amount at year-start | 10,469 | 1,679 |
| 2. Increases | 17,698 | 10,045 |
| 2.1 Deferred tax assets for the year | 17,440 | 10,045 |
| a) relative to prior years | - | - |
| b) change in accounting criteria | - | - |
| c) other | 17,440 | 10,045 |
| 2.2 New taxes or increases in tax rates | 258 | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 1,431 | 1,255 |
| 3.1 Deferred tax receivables eliminated in the year | 1,431 | 1,255 |
| a) transfers | 1,407 | 1,255 |
| b) write-downs for non-recoverability | 24 | - |
| c) change in accounting criteria | - | - |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | - | - |
| 4. Amount at year-end | 26,736 | 10,469 |

14.6 Changes in deferred tax liabilities (offsetting entry to the net equity)

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|------------|--------------|
| 1. Amount at year-start | 121 | 1,325 |
| 2. Increases | 2 | - |
| 2.1 Deferred tax payables for the year | - | - |
| a) relative to prior years | - | - |
| b) change in accounting criteria | - | - |
| c) other | - | - |
| 2.2 New taxes or increases in tax rates | 2 | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 49 | 1,204 |
| 3.1 Deferred tax payables eliminated during the year | 49 | 1,204 |
| a) transfers | 49 | 1,204 |
| b) change in accounting criteria | - | - |
| c) other | - | - |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | - | - |
| 4. Amount at year-end | 74 | 121 |

SECTION 15

NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE, AND RELATED LIABILITIES

ITEM 150 (ASSETS) AND ITEM 90 (LIABILITIES)

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|------------|------------|
| A. Individual assets | | |
| A.1 Financial assets | | |
| A.2 Investments | | |
| A.3 Property and equipment | | |
| A.4 Intangible assets | | |
| A.4 Other non-current assets | | |
| Total A | - | - |
| B. Groups of assets (discontinued operating units) | | |
| B.1. Financial assets held for trading | | |
| B.2. Financial assets at fair value | | |
| B.3. AFS financial assets | - | - |
| B.4. Financial assets held to maturity | | |
| B.5. Loans to banks | | |
| B.6 Loans to customers | 675 | |
| B.7 Equity investments | | |
| B.8 Property and equipment | - | - |
| B.9 Intangible assets | - | - |
| B.10 Other assets | - | - |
| Total B | 675 | - |
| C. Liabilities of individual assets held for sale | | |
| C.1 Debts | | |
| C.2 Securities | | |
| C.3 Other liabilities | | |
| Total C | - | - |
| D Liabilities of groups of assets held for sale | | |
| D. 1 Due to banks | 237 | |
| D.2 Due to customers | 43 | |
| D.3 Outstanding securities | | |
| D.4 Financial liabilities held for trading | | |
| D.5 Financial liabilities measured at fair value | | |
| D.6 Provisions | 19 | - |
| D.7 Other liabilities | 17 | - |
| Total D | 316 | - |

Assets and liabilities held for sale associated with assets held for sale refer to the collective portfolio management business unit (Italian funds) of the subsidiary BG SGR, the sale of which to the subsidiary Generali Investments Italy SGR was approved by the company's board of directors on 27 September 2011. The transaction will be completed in April 2012.

The unit's assets consist essentially of receivables from fund investors associated with fees to be collected, whereas its liabilities include payables to fund distributors and liabilities towards staff in connection with compensation and post-employment benefits.

In 2011, operating management and other operations related to the business unit held for sale would have generated 1.8 million euros of net cash flows.

SECTION 16 OTHER ASSETS - ITEM 160

16.1 Breakdown of other assets

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| Fiscal items | 15,380 | 17,051 |
| Advances paid to fiscal authorities - current account withholdings (1) | 5,178 | 10,008 |
| Advances paid to fiscal authorities - stamp duty | 9,103 | 6,234 |
| Excess payment of substitute tax for tax shield | 634 | 375 |
| Sums due from fiscal authorities for taxes to be refunded - other | 160 | 177 |
| Other sums due from fiscal authorities | 305 | 257 |
| Leasehold improvements | 1,196 | 1,172 |
| Sundry advances to suppliers and employees | 9,051 | 5,897 |
| Operating receivables not related to financial transactions | 404 | 600 |
| Cheques under processing | 9,653 | 12,765 |
| C/a cheques drawn on third parties under processing | 1,317 | 5,110 |
| Our c/a cheques under processing c/o service | 8,207 | 7,620 |
| Cheques - other amounts under processing | 129 | 35 |
| Other amounts to be debited under processing | 18,152 | 11,246 |
| Amounts to be settled in the clearing house (debits) | 3,618 | 2,620 |
| Clearing accounts for securities and funds procedure | 9,780 | 8,049 |
| Other amounts to be debited under processing | 4,754 | 577 |
| Amounts receivable for legal disputes related to non-credit transactions | 5,226 | 5,320 |
| Trade receivables from customers and banks that cannot be traced back to specific items | 2,303 | 2,916 |
| Other amounts | 27,906 | 29,679 |
| Prepayments for the new supplementary commissions fo FAs | 12,529 | 8,229 |
| Prepayments of exclusive portfolio management commissions | 13,946 | 18,762 |
| Other accrued income and deferred charges | 1,303 | 1,042 |
| Due from Assicurazioni Generali for claims to be settled | 22 | 1,190 |
| Sundry amounts | 106 | 456 |
| Total | 89,271 | 86,646 |

(1) Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account and the related payable to fiscal authorities.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET LIABILITIES

SECTION 1 DUE TO BANKS - ITEM 10

1.1 Due to banks: categories

| TYPE OF TRANSACTIONS/VALUES | 31.12.2011 | 31.12.2010 |
|--|------------------|----------------|
| (€ thousand) | | |
| 1. Due to central banks | 500,696 | - |
| 2. Due to banks | 570,213 | 450,431 |
| 2.1 Current accounts and demand deposits | 1,259 | 35,873 |
| 2.2 Term deposits | 10,082 | 9,391 |
| 2.3 Loans | 538,625 | 382,950 |
| 2.3.1 Repurchase agreements | 538,625 | 382,950 |
| 2.3.2 Other | - | - |
| 2.4 Liabilities for repurchase commitments of own equity instruments | - | - |
| 2.5 Other debts | 20,247 | 22,217 |
| Total | 1,070,909 | 450,431 |
| Fair value | 1,070,909 | 450,431 |

Notes

1. Other liabilities refers for 20,196 thousand euros to deposits made by BSI SA as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

SECTION 2 DUE TO CUSTOMERS - ITEM 20

2.1 Due to customers: categories

| TYPE OF TRANSACTIONS/VALUES | 31.12.2011 | 31.12.2010 |
|---|------------------|------------------|
| (€ thousand) | | |
| 1. Current accounts and demand deposits | 2,495,597 | 2,661,113 |
| 2. Term deposits | 344,262 | 78,400 |
| 3. Loans | 134,149 | 107,881 |
| 2.3.1 Repurchase agreements | 101,764 | 67,469 |
| 3.3.2 Other | 32,385 | 40,412 |
| 4. Liabilities for repurchase commitments of own equity instruments | - | - |
| 5. Other debts | 68,363 | 63,295 |
| Total | 3,042,371 | 2,910,689 |
| Fair value | 3,042,371 | 2,910,689 |

Notes

1. Item 5 "Other liabilities" refers for 39,667 thousand euros to the stock of bank drafts issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group and other amounts available to customers and, for the remaining amount, to trade payables to the sales network.

2.2 Due to customers: subordinated debts

| TYPE OF TRANSACTIONS/VALUES | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| (€ thousand) | | |
| Due to customers: subordinated debts | 32,385 | 40,412 |
| Generali Versicherung subordinated loan | 32,385 | 40,412 |

Notes

Item 3.2. "Loans - Other" includes a subordinated loan in the amount of 40 million euros granted by the German subsidiary insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A. under the contractual form known as *Schuldschein* (loan), with a repayment schedule that calls for five annual instalments 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.

SECTION 3 SECURITIES ISSUED - ITEM 30

3.1 Securities issued: categories

| TYPE OF SECURITY/VALUES | 31.12.2011 | | | | 31.12.2010 | | | |
|-------------------------|------------|----|----|----|------------|----|------------|----|
| | | FV | | | | FV | | |
| (€ thousand) | BOOK VALUE | L1 | L2 | L3 | BOOK VALUE | L1 | L2 | L3 |
| A. Securities | - | - | - | | 189 | - | 189 | |
| 1. Bonds | - | - | - | | - | - | - | |
| 1.1 structured | - | - | - | | - | - | - | |
| 1.2 other | - | - | - | | - | - | - | |
| 2. Other securities | - | - | - | | 189 | - | 189 | |
| 2.1 structured | - | - | - | | - | - | - | |
| 2.2 other | - | - | - | | 189 | - | 189 | |
| Total | - | - | - | | 189 | - | 189 | - |

Notes

1. Securities issued refer solely to certificates of deposit issued. There were no extant certificates of deposit in foreign currencies guaranteed by DCS (Domestic currency swaps).

SECTION 4

FINANCIAL LIABILITIES HELD FOR TRADING — ITEM 40

4.1 Financial liabilities held for trading: categories

| TYPE OF TRANSACTIONS/VALUES | 31.12.2011 | | | | | 31.12.2010 | | | | |
|--------------------------------------|------------|----|--------------|----|----------|------------|----|--------------|----|-----|
| | VN | FV | | | FV* | VN | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| <i>(€ thousand)</i> | | | | | | | | | | |
| A. Cash liabilities | | | | | | | | | | |
| 1. Due to banks | - | | | | | - | | | | |
| 2. Due to customers | - | | | | | - | | | | |
| 3. Debt securities | - | - | - | - | - | - | - | - | - | - |
| 3.1 Bonds | - | | | | | - | | | | |
| 3.1.1 Structured | | | | | X | | | | | X |
| 3.1.2 Other bonds | | | | | X | | | | | X |
| 3.2 Other securities | - | - | - | - | - | - | - | - | - | - |
| 3.2.1 Structured | | | | | X | | | | | X |
| 3.2.2 Other | | | | | X | | | | | X |
| Total A | - | - | - | - | - | - | - | - | - | - |
| B. Derivatives | | | | | | | | | | |
| 1. Financial | | - | 1,737 | - | | | - | 6,502 | - | |
| 1.1 Trading | X | - | 1,737 | | X | X | - | 6,502 | | X |
| 1.2 Related to the fair value option | X | - | - | | X | X | - | - | | X |
| 1.3 Other | X | | - | | | X | | - | | |
| 2. Credit | | - | - | - | | | - | - | - | |
| 2.1 Trading | X | - | | | X | X | - | | | X |
| 2.2 Related to the fair value option | X | - | - | | X | X | - | - | | X |
| 2.3 Other | X | - | - | X | X | - | - | X | | |
| Total B | X | - | 1,737 | - | X | - | - | 6,502 | - | |
| Total (A+B) | X | - | 1,737 | - | X | - | - | 6,502 | - | |

(*) FV* fair value measured without taking account of issuer's credit merit changes compared to issue date.

SECTION 8

TAX LIABILITIES — ITEM 80

Breakdown of tax liabilities - item 80

Section 14 (Assets) provides an analysis.

SECTION 10

OTHER LIABILITIES — ITEM 100

10.1 Breakdown of other liabilities

| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
|---|-------------------|-------------------|
| Trade payables | 13,753 | 18,860 |
| Due to suppliers | 12,087 | 14,039 |
| Due for payments on behalf of third parties | 1,666 | 4,821 |
| Due to staff and social security institutions | 11,597 | 15,721 |
| Due to staff for accrued holidays, etc. | 3,255 | 3,467 |
| Due to staff for productivity bonuses to be paid out | 4,358 | 8,302 |
| Contributions to be paid to social security institutions | 2,179 | 2,116 |
| Contributions to advisors to be paid to Enasarco | 1,805 | 1,836 |
| Tax authorities | 7,776 | 12,372 |
| Withholding taxes to be paid to tax authorities on behalf of employees and contract workers | 1,577 | 1,273 |
| Withholding taxes to be paid to tax authorities on behalf of customers | 3,415 | 10,156 |
| Notes to be paid in to collection services | 2,174 | 852 |
| Stamp duty | 119 | - |
| VAT payable | 491 | 91 |
| Amounts to be debited under processing | 45,441 | 31,693 |
| Bank transfers, cheques and other sums payable | 2,325 | 4,662 |
| Amounts to be settled in the clearing house (credits) | 21,775 | 10,770 |
| Liabilities from reclassification of portfolio subject to collection (SBF) | 749 | 1,083 |
| Other amounts to be debited under processing | 20,592 | 15,178 |
| Sundry items | 6,476 | 4,117 |
| Accrued expenses and deferred income that cannot be traced back to specific items | 160 | 146 |
| Sums made available to customers | 13 | 4 |
| Sundry items | 6,036 | 3,693 |
| Amounts to be credited | 267 | 274 |
| Total | 85,043 | 82,763 |

SECTION 11 PROVISIONS FOR TERMINATION INDEMNITY — ITEM 110

11.1 Provisions for termination indemnity: year changes

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|--------------|--------------|
| A. Amount at year-start | 4,345 | 4,285 |
| B. Increases | 293 | 965 |
| B.1 Provisions for the year | 276 | 748 |
| B.2 Other increases | 17 | 217 |
| of which business combination transactions | 5 | - |
| C. Decreases | 635 | 905 |
| C.1 Amounts paid | 616 | 666 |
| C.2 Other decreases | 19 | 239 |
| of which business combination transactions | 19 | - |
| D. Amount at year-end | 4,003 | 4,345 |

Note

The changes relating to business combinations refer to the reclassification, pursuant to IFRS 5, of the allocation for the year and the provision for post-employment benefits existing at period-end in connection with the business unit of the subsidiary BG SGR held for sale.

11.2 Other information

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

The fund was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

| (€ thousand) | 31.12.2011 |
|---|--------------|
| Current service cost | 77 |
| Interest cost | 238 |
| Curtailment effect | - |
| Actuarial gains & losses | -39 |
| (Corridor method) | |
| Total provisions for the financial year | 276 |
| Book value | 4,003 |
| Actuarial gains & losses not recognised | 89 |
| (Corridor method) | |
| Actuarial value | 4,092 |
| Value calculated Re. Art. 2120 of the Italian Civil Code | 5,781 |

SECTION 12 PROVISIONS FOR LIABILITIES AND CONTINGENCIES — ITEM 120

12.1 Breakdown of provisions for liabilities and contingencies

| ITEMS/COMPONENTS | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| (€ thousand) | | |
| 1. Company provisions for pensions | - | - |
| 2. Provisions for liabilities and contingencies | 61,070 | 53,414 |
| 2.1 Litigation | 11,489 | 9,496 |
| 2.2 Staff | 11,526 | 7,086 |
| 2.3 Other | 38,055 | 36,832 |
| Total | 61,070 | 53,414 |

Breakdown of other provisions for liabilities and contingencies

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| Provision for staff expenses | 11,526 | 7,086 |
| Provision for legal disputes | 11,489 | 9,496 |
| Provision for risks related to litigations connected with advisors' embezzlements | 5,850 | 4,862 |
| Provision for risks related to legal disputes with advisors | 1,189 | 1,130 |
| Provision for risks related to legal disputes with staff | 739 | 774 |
| Provision for other legal disputes | 3,711 | 2,730 |
| Provision for termination indemnity of financial advisors | 9,156 | 11,717 |
| Provision for termination indemnity | 8,082 | 7,753 |
| Provision for portfolio overcommission indemnities | 1,074 | 3,964 |
| Provisions for risks related to network incentives | 28,899 | 24,794 |
| Provision for network development incentives | 24,974 | 22,025 |
| Provisions for managers with access gate | 1,875 | 1,083 |
| Provision for commissions - travel incentives and tenders | 1,900 | 1,500 |
| Provision for commissions - other | 31 | 67 |
| Provision for loyalty bonuses | 119 | 119 |
| Other provisions for liabilities and contingencies | - | 321 |
| Total | 61,070 | 53,414 |

SECTION 12 PROVISIONS FOR LIABILITIES AND CONTINGENCIES — ITEM 120

12.2 Provisions for liabilities and contingencies: year changes

| ITEMS/COMPONENTS | | | |
|--------------------------------|-------------------------|------------------|---------------|
| (€ thousand) | PROVISIONS FOR PENSIONS | OTHER PROVISIONS | TOTAL |
| A. Amount at year-start | - | 53,414 | 53,414 |
| B. Increases | - | 24,066 | 24,066 |
| B.1 Provisions for the year | - | 24,066 | 24,066 |
| B.2 Other increases | - | - | - |
| C. Decreases | - | 16,410 | 16,410 |
| C.1 Use in the year | - | 8,869 | 8,869 |
| C.2 Other decreases | - | 7,541 | 7,541 |
| D. Amount at year-end | - | 61,070 | 61,070 |

Provisions for liabilities and contingencies: details of movements

| (€ thousand) | 31.12.2010 | USES | SURPLUS | OTHER PROVISIONS CHANGES | 31.12.2011 |
|---|---------------|---------------|---------------|--------------------------|---------------|
| Provision for staff expenses | 7,086 | -1,362 | -3,263 | -82 | 9,147 |
| Provision for legal disputes | 9,496 | -1,516 | -420 | - | 3,929 |
| Provision for risks related to litigations connected with advisors' embezzlements | 4,862 | -726 | -105 | - | 1,819 |
| Provision for risks related to legal disputes with advisors | 1,130 | -328 | -10 | - | 397 |
| Provision for risks related to legal disputes with staff | 774 | -35 | - | - | 739 |
| Provision for other legal disputes | 2,730 | -427 | -305 | - | 1,713 |
| Provision for termination indemnity of financial advisors | 11,717 | -722 | -3,163 | - | 1,324 |
| Provision for termination indemnity | 7,753 | -460 | -86 | - | 875 |
| Provision for portfolio overcommission indemnities | 3,964 | -262 | -3,077 | - | 449 |
| Provisions for risks related to network incentives | 24,794 | -5,039 | -522 | - | 9,666 |
| Provision for risks related to network development incentives | 22,025 | -3,490 | -522 | - | 6,961 |
| Provisions for managers with access gate | 1,083 | - | - | - | 792 |
| Provision for commissions - travel incentives and tenders | 1,500 | -1,500 | - | - | 1,900 |
| Provision for risks related to incentive plans | 67 | -49 | - | - | 13 |
| Provision for loyalty bonuses | 119 | - | - | - | 119 |
| Other provisions for liabilities and contingencies | 321 | -230 | -91 | - | - |
| Total | 53,414 | -8,869 | -7,459 | -82 | 24,066 |

12.4 Provisions for liabilities and contingencies — other provisions

Provision for staff expenses

These provisions include the following amounts:

- variable remuneration of managers accrued in the year, with payment postponed after the following year, subject to satisfaction of specific conditions;
- short-term variable compensation conditional on the achievement of objectives the determination of which is deferred until a date after the authorisation of these financial statements for publication;
- other allocations intended to support a company reorganisation plan to be launched following the merger of BG SGR, informal incentives and other expenses associated with personnel classification, for which the conditions set out in IAS 39 are not currently believed to be met.

The first aggregate includes:

- the share of the variable compensation of managers of the banking group deferred up to two years and conditional upon continuing satisfaction of the pre-determined quantitative levels of asset solidity and liquidity (access gates) established in the banking group's new remuneration policy;
- the estimate of the variable compensation provided for in the new long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali.

Provisions for legal disputes

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

Provisions for advisors' termination indemnity

These include provisions for termination indemnities paid to the sales network pursuant to Article 1751 of the Italian Civil Code and the portfolio development indemnity called for in the agency agreement. In particular, the portfolio development scheme calls for financial advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed. In relation to recent market practices in the area, during the reporting year a thorough contractual revisitation of the scheme was carried out and entered into effect on 1 January 2012, as further described in Part A of these Explanatory Notes. The above-mentioned revision resulted in the partial release of the provision in the amount of 3.0 million euros.

For both provisions, the expense associated with existing obligations at year-end is assessed according to a statistical-actuarial method, with the aid of independent professionals, for financial advisors in regular service, and through a specific assessment, for financial advisors who have left service.

Provisions for network incentives

These provisions refer mainly to past Group commitments related to several recruitment plans for middle-term expansion of managed portfolios. Considering that this type of plan has not been activated since 2009, provisions now refer solely to programmes in the final phases.

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in the company for one or more years (up to 5 or 7 years).

This amount includes also allocations for performance-based incentive programmes, including the "BG Premier Club Trip", and for other commission plans (supplementary allowances, stabilisers, objective-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuing employment in the network or the achievement of sales objectives.

SECTION 15 GROUP NET EQUITY — ITEMS 140, 160, 170, 180, 190, 200 AND 220

15.1 Breakdown of capital and treasury shares

| | UNIT VALUE | NUMBER | NOMINAL VALUE (euro) | BOOK VALUE (€ thousand) |
|------------------------|------------|--------------------|-------------------------|----------------------------|
| Share capital | | | | |
| - ordinary shares | 1.00 | 111,676,183 | 111,676,183 | 111,676 |
| Treasury shares | | | | |
| - ordinary shares | 1.00 | -30,071 | -30,071 | -248 |
| | | 111,646,112 | 111,646,112 | 111,428 |

15.2 Capital - Number of Shares: year changes

| ITEMS/TYPE | ORDINARY | OTHER |
|--|--------------------|-------|
| A. Existing shares at year-start | 111,362,750 | - |
| - Paid up | 111,362,750 | - |
| - Partially paid | - | - |
| A.1 Treasury shares (-) | -70,071 | - |
| A.2 Outstanding shares: at year-start | 111,292,679 | - |
| B. Increases | 353,433 | - |
| B.1 Newly issued shares | | |
| - against payment: | 313,433 | - |
| - business combination transactions | - | - |
| - bonds conversion | - | - |
| - exercise of warrant | 313,433 | - |
| - other | - | - |
| - for free | - | - |
| - to staff | - | - |
| - to directors | - | - |
| - other | - | - |
| B.2 Sale of treasury shares | 40,000 | - |
| B.3 Other changes | - | - |
| C. Decreases | - | - |
| C.1 Cancellation | - | - |
| C.2 Purchase of treasury shares | - | - |
| C.3 Disposal of companies | - | - |
| C.4 Other changes | - | - |
| D. Outstanding shares: at year-end | 111,646,112 | - |
| D.1 Treasury shares (+) | 30,071 | - |
| D.2 Existing shares at year-end | 111,676,183 | - |
| - Paid up | 111,676,183 | - |
| - Partially paid | - | - |

15.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 111,676,183 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

During the year, the company also allocated 40,000 own shares for the stock option plan reserved for the Chairmain approved by the company Banca BSI Italia Spa merged into Banca Generali, for a book value of 412 thousand euros.

During the year, as a result of the exercise of options within the stock option plan reserved for financial advisors, 313,433 newly issued shares were issued, for a total of 313 thousand euros.

15.4 Income reserves: further information

| | 31.12.2010 | DIVIDENDS DISTRIBUTION | PURCHASE OF OWN SHARES | SALE OF OWN SHARES | ISSUE OF OWN SHARES | OTHER CHANGES | 31.12.2011 |
|---|----------------|---------------------------|------------------------------|--------------------------|---------------------------|------------------|----------------|
| Legal reserve | 22,263 | 52 | - | - | - | - | 22,315 |
| Restricted reserve for treasury shares | 660 | - | - | -412 | - | - | 248 |
| Restricted reserve for shares of the parent company | 1,455 | - | - | - | - | -742 | 713 |
| Unrestricted reserve | - | - | - | 412 | - | 742 | 1,154 |
| Contribution to stock grant AG | 76 | - | - | - | - | 81 | 157 |
| Share-based payments reserve (IFRS2) | 8,469 | - | - | -847 | 1,016 | - | 8,638 |
| Reserve from income (loss) carried forward - parent company | 5,728 | 45,552 | - | - | - | - | 51,280 |
| Reserve from income (loss) carried forward - consolidated | 66,749 | -24,746 | - | - | - | - | 42,003 |
| Total | 105,400 | 20,858 | - | -847 | 1,016 | 81 | 126,508 |

SECTION 16

MINORITY INTERESTS- ITEM 210

| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
|---|-------------------|-------------------|
| 1. Share capital | 1,921 | 1,921 |
| 2. Additional paid-in capital | - | - |
| 3. Reserves | 980 | 556 |
| 4. Advance dividend payment | -2,680 | |
| 5. (Treasury shares) | - | - |
| 6. Valuation reserves | - | - |
| 7. Equity instruments | - | - |
| 8. Net profit (loss) for the year of Minority interests | 3,955 | 4,144 |
| Total net equity | 4,176 | 6,621 |

Minority Interests only refers to minority interests in the share capital of Generali Fund Management (GFM) and is made up of class B shares held by the minority shareholder, the merger reserve arising on the merger of Generali Investment Luxembourg (GIL), and the portion of net profit attributable to said interests.

During the year, the subsidiary GFM paid a dividend distribution of 2,680 thousand euros on 2011 earnings to the minority shareholder.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

OTHER INFORMATION

1. Guarantees issued and commitments

| TRANSACTION | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| 1) Financial guarantees issued | 20,139 | 16,186 |
| a) Banks | 5,220 | 3,999 |
| b) Customers | 14,919 | 12,187 |
| 2) Commercial guarantees issued | 14,981 | 12,783 |
| a) Banks | - | - |
| b) Customers | 14,981 | 12,783 |
| 3) Irrevocable commitment to dispense funds | 93,689 | 85,861 |
| a) Banks | 91,580 | 84,642 |
| i) of certain use | 91,580 | 49,695 |
| ii) of uncertain use | - | 34,947 |
| b) Customers | 2,109 | 1,219 |
| i) of certain use | - | - |
| ii) of uncertain use | 2,109 | 1,219 |
| 4) Underlying commitments to credit derivatives: hedging sales | - | - |
| 5) Assets pledged as collateral of third-party bonds | - | - |
| 6) Other commitments | - | - |
| of which securities receivable for put option issued | - | - |
| Total | 128,809 | 114,830 |

1. Financial guarantees to banks includes the commitment to FITD (interbank deposit protection fund) amounting to 5,220 thousand euros.

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

3. Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.

2. Assets pledged as collateral for own liabilities and commitments

| PORTFOLIO | 31.12.2011 | 31.12.2010 |
|--------------------------------------|------------------|----------------|
| 1. Financial assets held for trading | - | - |
| 2. Financial assets at fair value | - | - |
| 3. AFS financial assets | 794,861 | 382,381 |
| 4. Financial assets held to maturity | 605,172 | 61,585 |
| 5. Loans to banks | 157,030 | 5,161 |
| 6. Loans to customers | 19,257 | - |
| 7. Property and equipment | - | - |
| 8. Intangible assets | - | - |
| Total | 1,576,320 | 449,127 |

1. Financial assets pledged as collateral for own liabilities and commitment refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB.

OTHER INFORMATION

5. Management and trading on behalf of third parties

| TYPE OF SERVICE | 31.12.2011 | 31.12.2010 |
|--|-------------------|-------------------|
| 1. Execution of orders on behalf of clients | 27,226,667 | 21,253,450 |
| a) Purchases | 14,855,900 | 9,985,042 |
| 1. settled | 14,781,136 | 9,943,403 |
| 2. to be settled | 74,764 | 41,639 |
| b) Sales | 14,370,767 | 11,268,409 |
| 1. settled | 14,297,183 | 11,205,415 |
| 2. to be settled | 73,584 | 62,994 |
| 2. Discretionary accounts (1) | 13,656,672 | 14,779,612 |
| a) individual | 2,924,672 | 3,483,170 |
| b) collective | 10,732,000 | 11,296,442 |

Notes

- The item "Discretionary accounts" refers to the overall amount, at market value, of assets under custody and administration on behalf of third parties, that include individual (Gpm/GPf) and collective (Funds, Sicav) asset management. The figure referring to individual management does not include 91,110 thousand euros of liquidity.
- The figure referring to collective management does not include 704 thousand euros of funds included in Group individual discretionary accounts GPM/GPF.

| TYPE OF SERVICE | 31.12.2011 | 31.12.2010 |
|---|-------------------|-------------------|
| 3. Custody and administration of securities | 30,606,055 | 29,025,701 |
| (Excluding asset management) | | |
| a) Third-party securities held in deposit: | | |
| related to services provided as depository bank | 1,902,364 | 2,026,848 |
| 1. Issued by companies included in the consolidation area | 7 | - |
| 2. Other | 1,902,357 | 2,026,848 |
| b) Other third-party securities held in deposit: other | 11,877,973 | 11,065,267 |
| 1. Issued by companies included in the consolidation area | 38,968 | 38,826 |
| 2. Other | 11,839,005 | 11,026,441 |
| c) Third-party securities deposited with third parties | 13,641,466 | 13,286,611 |
| d) Portfolio securities deposited with third parties | 3,184,252 | 2,646,975 |
| 4. Other transactions | | |

Securities under custody and administration are recognised at nominal value.

PART C – INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

SECTION 1 INTERESTS - ITEMS 10 AND 20

1.1 Breakdown of interest income and similar revenues

| (€ thousand) | DEBT SECURITIES | FINANCING | OTHER | 31.12.2011 | 31.12.2010 |
|--------------------------------------|--------------------|---------------|----------|---------------|---------------|
| 1. Financial assets held for trading | | | | 492 | 4,273 |
| 2. Financial assets at fair value | | | | 0 | 0 |
| 3. AFS financial assets | 32,945 | 0 | 0 | 32,945 | 20,066 |
| 4. Financial assets held to maturity | 19,422 | 0 | 0 | 19,422 | 13,848 |
| 5. Loans to banks | 4,881 | 3,708 | 0 | 8,589 | 4,952 |
| 6. Loans to customers | 1,521 | 16,254 | 0 | 17,775 | 13,262 |
| 7. Hedging derivatives | 0 | 0 | 0 | 0 | 0 |
| 8. Other assets | 0 | 0 | 8 | 8 | 5 |
| Total | 59,261 | 19,962 | 8 | 79,231 | 56,406 |

Notes

1. Loan to costumers — Financing include 1,026 thousand euros (1,119 thousand euros at 31 December 2010) for the return on the capitalisation policy Gesav.

1.3 Breakdown of interest income and similar charges: further information

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|------------|--------------|
| 1.3.1 Interest income on financial assets in foreign currencies | 275 | 1,435 |
| 1.3.2 Interest income on finance lease transactions | - | - |
| 1.3.3 Interest income on third-party funds under administration | - | - |
| Total | 275 | 1,435 |

1.4 Breakdown of interest expense and similar charges

| (€ thousand) | DEBTS | SECURITIES | OTHER | 31.12.2011 | 31.12.2010 |
|---|---------------|------------|-----------|---------------|---------------|
| 1. Due to central banks | 954 | 0 | 0 | 954 | 0 |
| 2. Due to banks | 8,526 | 0 | 0 | 8,526 | 2,838 |
| 3. Due to customers | 20,659 | 0 | 0 | 20,659 | 10,236 |
| 4. Securities issued | 0 | 0 | 0 | 0 | 7 |
| 5. Financial liabilities from trading | 0 | 0 | 0 | 0 | 0 |
| 6. Financial liabilities measured at fair value | 0 | 0 | 0 | 0 | 0 |
| 7. Other liabilities and provisions | 0 | 0 | 33 | 33 | 76 |
| 8. Hedging derivatives | 0 | 0 | 0 | 0 | 0 |
| Total | 30,139 | 0 | 33 | 30,172 | 13,157 |

1.6 Breakdown of interest expense and similar charges: further information

| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
|--|-------------------|-------------------|
| 1.6.1 Interest expense on financial assets in foreign currencies | 45 | 65 |
| 1.6.2 Interest expense on finance lease liabilities | 33 | 76 |
| 1.6.3 Interest expense on third-party funds under administration | 0 | 0 |
| Total | 78 | 141 |

SECTION 2 COMMISSIONS - ITEMS 40 AND 50

2.1 Breakdown of commission income

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| a) Guarantees issued | 151 | 141 |
| b) Credit derivatives | 0 | 0 |
| c) Management, brokerage and consultancy services | 343,783 | 360,813 |
| 1) Trading of financial instruments | 15,240 | 17,024 |
| 2. Currency trading | 0 | 24 |
| 3. Asset management | 216,279 | 230,029 |
| 3.1. Individual | 33,166 | 38,310 |
| 3.2. Collective | 183,113 | 191,719 |
| 4. Custody and administration of securities | 2,287 | 2,894 |
| 5. Depository bank | 0 | 0 |
| 6. Placement of securities | 41,048 | 39,525 |
| 7. Order collection | 5,441 | 12,641 |
| 8. Consultancy activities | 259 | 64 |
| 9. Distribution of third-party services | 63,229 | 58,612 |
| 9.1. Asset management | 358 | 345 |
| 9.1.1. Individual | 23 | 50 |
| 9.1.2. Collective | 335 | 295 |
| 9.2. Insurance products | 62,270 | 56,432 |
| 9.3. Other products | 601 | 1,835 |
| d) Collection and payment services | 1,900 | 2,069 |
| e) Servicing related to securitisations | 0 | 0 |
| f) Factoring-related services | 0 | 0 |
| g) Tax collection services | | |
| h) Management of multilateral trading facilities | | |
| i) Keeping and management of current accounts | 2,952 | 3,032 |
| j) Other services | 1,936 | 1,590 |
| Total | 350,722 | 367,645 |

Notes

1) Pursuant to IFRS5.33, comparative data regarding 2010 have been restated in order to classify under separated items income and expenses associated with BG SGR's business unit held for sale.

2.2 Breakdown of commission expense

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|----------------|----------------|
| a) Guarantees received | 76 | 313 |
| b) Credit derivatives | 0 | 0 |
| c) Management and brokerage services | 160,639 | 171,847 |
| 1) Trading of financial instruments | 3,551 | 7,360 |
| 2. Currency trading | 0 | 0 |
| 3. Asset management: | 15,301 | 13,195 |
| 3.1 Own portfolio | 15,301 | 13,195 |
| 3.2 Third-party portfolio | 0 | 0 |
| 4. Custody and administration of securities | 477 | 315 |
| 5. Placement of financial instruments | 0 | 0 |
| 6. External offer of financial instruments, products, and services | 141,310 | 150,977 |
| d) Collection and payment services | 889 | 853 |
| e) Other services | 1,156 | 1,207 |
| Total | 162,760 | 174,220 |

Notes

1) Pursuant to IFRS5.33, comparative data regarding 2010 have been restated in order to classify under separated items income and expenses associated with BG SGR's business unit held for sale.

SECTION 3 DIVIDENDS AND SIMILAR INCOME - ITEM 70

3.1 Breakdown of dividends and similar income

| (€ thousand) | 31.12.2011 | | 31.12.2010 | |
|--|---------------|-----------------------------|---------------|-----------------------------|
| | DIVIDENDS | PROCEEDS FROM UCIT UNITS | DIVIDENDS | PROCEEDS FROM UCIT UNITS |
| A. Financial assets held for trading | 91,516 | 93 | 73,430 | 38 |
| B. AFS financial assets | 650 | - | 522 | - |
| C. Financial assets measured at fair value | - | - | - | - |
| D. Shareholdings | - | X | - | X |
| Total | 92,166 | 93 | 73,952 | 38 |

SECTION 4 NET PROFIT FROM TRADING - ITEM 80

4.1 Breakdown of net profit from trading

| TRANSACTIONS/INCOME COMPONENTS | CAPITAL GAINS | INCOME FROM TRADING | CAPITAL LOSS | LOSS FROM TRADING | NET RESULT 31.12.2011 | NET RESULT 31.12.2010 |
|---|------------------|------------------------|-----------------|----------------------|--------------------------|--------------------------|
| (€ thousand) | | | | | | |
| 1. Financial assets | 107 | 1,782 | 2,345 | 137,743 | -138,199 | -114,913 |
| 1.1 Debt securities | 2 | 944 | 475 | 33 | 438 | -506 |
| 1.2. Equity securities | 105 | 545 | 131 | 137,700 | -137,181 | -114,976 |
| 1.3. UCIT units | | 293 | 1,739 | 10 | -1,456 | 569 |
| 1.4 Loans | 0 | 0 | 0 | 0 | 0 | 0 |
| 1.5 Other | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Financial liabilities from trading | 0 | 0 | 0 | 0 | 0 | 0 |
| 2.1 Debt securities | 0 | 0 | 0 | 0 | 0 | 0 |
| 2.2 Debts | 0 | 0 | 0 | 0 | 0 | 0 |
| 2.3 Other | | | | | | |
| 3. Other financial assets and liabilities: exchange gains and losses | 0 | 925 | 0 | 0 | 925 | 1,706 |
| 4. Derivatives | 0 | 62,552 | 426 | 12,445 | 49,681 | 42,189 |
| 4.1 Financial derivatives: | 0 | 62,552 | 426 | 12,445 | 49,681 | 42,189 |
| - on debt securities and interest rates | 0 | 596 | 426 | 750 | -580 | -2,122 |
| Interest rate swaps | 0 | 443 | 426 | 750 | -733 | -804 |
| asset swaps | 0 | 153 | 0 | 0 | 153 | -1,318 |
| - on equity securities and stock indexes | 0 | 61,460 | 0 | 11,204 | 50,256 | 41,483 |
| options | | 84 | 0 | 11 | 73 | -575 |
| futures | | 61,376 | | 11,193 | 50,183 | 42,058 |
| - on currency and gold (2) | 0 | 496 | 0 | 491 | 5 | 262 |
| - Other | 0 | 0 | 0 | 0 | 0 | 2,566 |
| total return swap | | 0 | 0 | 0 | 0 | 2,566 |
| 4.2 Credit derivatives | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 107 | 65,259 | 2,771 | 150,188 | -87,593 | -71,018 |

Notes

(1) It includes currency options and currency outright.

Trading activity was characterised by trading of equity securities listed on the domestic market, aimed at achieving margins through the purchase and sale of equities at the ex-dividend date. Dividends related to such transactions and recognised in item 70 amounted to 91.4 million euros.

On the whole, these transactions, which led to a gain of 4.4 million euros, were executed without assuming risk positions as equity positions in the portfolio were closely hedged by negotiating futures contracts on regulated markets.

SECTION 6 GAIN (LOSS) FROM TRANSFER/REPURCHASE - ITEM 100

6.1 Breakdown of gain (loss) from transfer/repurchase

| (€ thousand) | 31.12.2011 | | | 31.12.2010 | | |
|--------------------------------------|--------------|--------------|--------------|---------------|--------------|---------------|
| | GAINS | LOSSES | NET RESULT | GAINS | LOSSES | NET RESULT |
| Financial assets | | | | | | |
| 1. Loans to banks | 553 | 19 | 534 | 1,966 | 6 | 1,960 |
| 2. Loans to customers | 390 | 31 | 359 | 1,398 | 19 | 1,379 |
| 3. AFS financial assets (1) | 2,692 | 1,362 | 1,330 | 12,071 | 5,177 | 6,894 |
| 3.1 Debt securities | 2,672 | 1,362 | 1,310 | 11,981 | 5,157 | 6,824 |
| 3.2. Equity securities | 20 | | 20 | 90 | 20 | 70 |
| 3.3. UCIT units | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.4 Loans | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Financial assets held to maturity | 70 | 271 | -201 | 269 | 314 | -45 |
| Total assets | 3,705 | 1,683 | 2,022 | 15,704 | 5,516 | 10,188 |
| Financial liabilities | | | | | | |
| 1. Due to banks | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Due to customers | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Securities issued | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 0 | 0 | 0 | 0 | 0 | 0 |

(1) Equity reserves transferred back to the profit and loss account are illustrated in the following table.

| (€ thousand) | POSITIVE | NEGATIVE | NET |
|-------------------|------------|---------------|---------------|
| Debt securities | 162 | -1,237 | -1,075 |
| Equity securities | 0 | 0 | 0 |
| Total | 162 | -1,237 | -1,075 |

SECTION 8 NET ADJUSTMENTS/REVERSAL VALUE FOR IMPAIRMENT - ITEM 130

8.1 Breakdown of net adjustments to non-performing loans

| TRANSACTIONS/INCOME COMPONENTS | ADJUSTMENTS | | | | REVERSALS | | | | 31.12.2011 | 31.12.2010 |
|--------------------------------|-------------|--------------|------------|---------------|-----------------|---------------|-----------------|---------------|---------------|------------|
| | SPECIFIC | | PORTFOLIO | SPECIFIC | | PORTFOLIO | | | | |
| | WRITE-OFFS | OTHER | | FROM INTEREST | OTHER REVERSALS | FROM INTEREST | OTHER REVERSALS | | | |
| (€ thousand) | | | | | | | | | | |
| A. Loans to banks | - | - | 281 | - | - | - | - | -281 | -219 | |
| - Loans | | | | | | | | - | - | |
| - Debt securities | | | 281 | | | | | -281 | -219 | |
| B. Loans to customers | 51 | 1,714 | 158 | - | 41 | - | - | -1,882 | -1,700 | |
| - Loans | - | 135 | - | - | - | - | - | -135 | 250 | |
| - Operating loans | 51 | 1,027 | | | 41 | | | -1,037 | -1,292 | |
| - Debt securities | | 552 | 158 | | | | | -710 | -658 | |
| C. Total | 51 | 1,714 | 439 | - | 41 | - | - | -2,163 | -1,919 | |

Specific adjustments on debt securities refer to impairment of two positions of ABS (asset backed securities) allocated among "Loans to costumers". Portfolio adjustments on debt securities classified under "Loans to customers" and "Loans to banks" amounted to 439 thousand euros (330 thousand euros at 31 December 2010) and refer to the adjustments of the collective reserves allocated to account for potential impairment on the corporate bond and ABS portfolio.

Other specific adjustments refer primarily to write-downs of advanced commissions to former financial advisors and operating receivables.

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

| TRANSACTIONS/INCOME COMPONENTS | ADJUSTMENTS | | | | REVERSALS | | | | 31.12.2011 | 31.12.2010 |
|--------------------------------|-------------|--------------|-----------|---------------|-----------------|---------------|-----------------|---------------|---------------|------------|
| | SPECIFIC | | PORTFOLIO | SPECIFIC | | PORTFOLIO | | | | |
| | WRITE-OFFS | OTHER | | FROM INTEREST | OTHER REVERSALS | FROM INTEREST | OTHER REVERSALS | | | |
| (€ thousand) | | | | | | | | | | |
| A. Debt securities | - | - | - | - | - | - | - | - | - | |
| B. Equity securities | - | 3,980 | - | - | - | - | - | -3,980 | -1,625 | |
| C. UCIT units | | | | | | | | | | |
| C. Loans to banks | - | - | - | - | - | - | - | - | - | |
| D. Loans to customers | - | - | - | - | - | - | - | - | - | |
| F. Total | - | 3,980 | - | - | - | - | - | -3,980 | -1,625 | |

8.3 Breakdown of net adjustments for impairment of financial assets held to maturity

| TRANSACTIONS/INCOME COMPONENTS | ADJUSTMENTS | | | | REVERSALS | | | | 31.12.2011 | 31.12.2010 |
|--------------------------------|-------------|----------|-----------|---------------|-----------------|---------------|-----------------|------------|-------------|------------|
| | SPECIFIC | | PORTFOLIO | SPECIFIC | | PORTFOLIO | | | | |
| | WRITE-OFFS | OTHER | | FROM INTEREST | OTHER REVERSALS | FROM INTEREST | OTHER REVERSALS | | | |
| (€ thousand) | | | | | | | | | | |
| A. Debt securities | - | - | - | - | - | - | 164 | 164 | -765 | |
| B. Equity securities | - | - | - | - | - | - | - | - | - | |
| C. UCIT units | - | - | - | - | - | - | - | - | - | |
| C. Loans to banks | - | - | - | - | - | - | - | - | - | |
| D. Loans to customers | - | - | - | - | - | - | - | - | - | |
| F. Total | - | - | - | - | - | - | 164 | 164 | -765 | |

SECTION 11 GENERAL AND ADMINISTRATIVE EXPENSE - ITEM 180

Breakdown of general and administrative expense

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| 180 a) Staff expense | 64,780 | 62,543 |
| 180 b) Other general and administrative expense | 78,563 | 77,451 |
| Total | 143,343 | 139,994 |

Notes

1) Pursuant to IFRS5.33, comparative data regarding 2010 have been restated in order to classify under separated items income and expenses associated with BG SGR's business unit held for sale.

11.1 Breakdown of staff expense

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| 1) Employees | 62,033 | 60,539 |
| a) Wages and salaries | 36,576 | 36,284 |
| b) Social security charges | 9,401 | 9,167 |
| c) Termination indemnity | 0 | 0 |
| d) Retirement benefit plans | 0 | 0 |
| e) Provision for termination indemnity | 276 | 742 |
| f) Provision for pensions and similar costs: | 0 | 0 |
| - defined contribution | 0 | 0 |
| - defined benefit | 0 | 0 |
| g) Amounts paid to supplementary external pension funds: | 4,154 | 3,737 |
| - defined contribution | 4,154 | 3,737 |
| - defined benefit | 0 | 0 |
| h) Costs related to payment agreements based on own equity instruments | 162 | -123 |
| i) Other employee benefits | 11,464 | 10,732 |
| 2) Other staff | -102 | -117 |
| 3) Directors and Auditors | 2,849 | 2,121 |
| 4) Retired personnel | 0 | 0 |
| Total | 64,780 | 62,543 |

11.2 Average number of employees by category

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|------------------------------|------------|------------|
| Employees | 768 | 771 |
| a) Managers | 51 | 52 |
| b) Total executives | 185 | 185 |
| of whom 3rd and 4th level | 121 | 122 |
| c) Employees at other levels | 532 | 534 |
| Other employees | -2 | 2 |
| Total | 766 | 773 |

Notes

The table shows the banking group's average number of employees net of the two resources associated with the business unit held for sale. Subsequently, comparative data of 2010 have been restated.

Details of headcount

| | 31.12.2011 | 31.12.2010 |
|------------------------------|------------|------------|
| Employees | 765 | 770 |
| a) Managers | 51 | 50 |
| b) Total executives | 185 | 185 |
| of whom 3rd and 4th level | 119 | 123 |
| c) Employees at other levels | 529 | 535 |
| Other employees | 2 | -6 |
| Total | 767 | 764 |

Notes

The table shows the banking group's headcount net of the two resources associated with the business unit being held for sale. Subsequently, comparative data of 2010 have been restated.

Other employee benefits

| | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| Productivity bonuses to be paid (CIA and Managers bonus) | 7,849 | 7,762 |
| Other long-term incentives | 1,431 | 830 |
| Charges for staff supplementary pensions | 1,384 | 1,298 |
| Amounts replacing cafeteria indemnities | 643 | 497 |
| Transfer incentives and other indemnities | 2 | 5 |
| Expenses for missions – expense reimbursement and indemnities, and charges payable by the group | 0 | 0 |
| Training expenses | 0 | 0 |
| Allowances and charitable gifts | 110 | 80 |
| Other expenses | 45 | 260 |
| Total | 11,464 | 10,732 |

Notes

Following the application of the clarification provided by the Bank of Italy in its bulletin of 13 February 2012, the following expense items were reclassified to item 180 b), "Other general and administrative expense": costs relating to individual, documented reimbursements of travel expenses (room, board and transport), the costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law. In a like manner, the costs of recruiting and training staff not considered to constitute compensation, but rather incurred for the company's benefit in the interest of the best performance of professional activity, were also reclassified. Accordingly, for the comparative year 2010 the sum of 1,126 thousand euros has been reclassified from item a) "Staff expenses" to item 180 b) "Other general and administrative expense".

SECTION 11 GENERAL AND ADMINISTRATIVE EXPENSE - ITEM 180

11.5 Breakdown of other general and administrative expenses

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| Administration | 11,125 | 12,452 |
| - Advertising | 3,588 | 3,813 |
| - Consultancy and professional advice expenses | 2,883 | 3,966 |
| - Financial consultancy expenses | 164 | 194 |
| - Corporate boards and auditing firms | 504 | 742 |
| - Insurance | 2,839 | 2,750 |
| - Entertainment expenses | 436 | 385 |
| - Membership contributions | 627 | 483 |
| - Charity | 84 | 119 |
| Operations | 29,270 | 30,633 |
| - Rent and usage of premises and management of property | 14,707 | 14,821 |
| - Outsourced services (administration, call center) | 3,502 | 3,918 |
| - Post and telephone | 2,064 | 2,832 |
| - Print material | 897 | 896 |
| - Other expenses for sales network management | 2,239 | 2,469 |
| - Other expenses and purchases | 2,880 | 3,161 |
| - Indirect personnel expenses | 2,981 | 2,536 |
| Information system and equipment | 28,772 | 26,310 |
| - Expenses related to outsourced IT services | 19,080 | 16,895 |
| - Fees for IT services and databases | 4,740 | 5,033 |
| - Software maintenance and servicing | 3,960 | 3,397 |
| - Fees for equipment hired and software used | 232 | 278 |
| - Other maintenance | 760 | 707 |
| Indirect taxation | 9,396 | 8,056 |
| Total | 78,563 | 77,451 |

Notes

- 1) Following the application of the clarification provided by the Bank of Italy in its bulletin of 13 February 2012, the following expense items were reclassified to item 180 b), "Other general and administrative expense": costs relating to individual, documented reimbursements of travel expenses (room, board and transport), the costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law. In a like manner, the costs of recruiting and training staff not considered to constitute compensation, but rather incurred for the company's benefit in the interest of the best performance of professional activity, were also reclassified. Accordingly, for the comparative year 2010 the sum of 1,126 thousand euros has been reclassified from item a) "Staff expenses" to item 180 b) "Other general and administrative expense".
- 2) Following the above-mentioned reclassification, the new item "Indirect personnel expenses" has been added. This item includes, in addition to the costs illustrated in point 1 above, other costs related to personnel already classified among administrative expenses, such as costs for car rent and usage.
- 3) Pursuant to IFRS5.33, comparative data regarding 2010 have been restated in order to classify under separated items income and expenses associated with BG SGR's business unit held for sale.

SECTION 12 NET PROVISIONS FOR LIABILITIES AND CONTINGENCIES - ITEM 190

12.1 Breakdown of net provisions for liabilities and contingencies

| (€ thousand) | 31.12.2010 | | | 31.12.2009 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | PROVISIONS | REVERSALS | NET | PROVISIONS | REVERSALS | NET |
| Provision for risks related to staff expenses | 2,608 | -3,263 | -655 | 5,127 | -1,916 | 3,211 |
| Provisions for staff expenses: long-term incentives | 0 | -1,469 | -1,469 | 2,204 | 0 | 2,204 |
| Provision for staff expenses: other | 2,608 | -1,794 | 814 | 2,923 | -1,916 | 1,007 |
| Litigation | 3,929 | -420 | 3,509 | 3,296 | -73 | 3,223 |
| Provision for risks related to legal disputes with subscribers | 1,819 | -105 | 1,714 | 1,587 | -24 | 1,563 |
| Provision for risks related to legal disputes with advisors | 397 | -10 | 387 | 502 | -4 | 498 |
| Provision for risks related to legal disputes with staff | 0 | 0 | 0 | 50 | 0 | 50 |
| Provision for risks related to legal disputes with other parties | 1,713 | -305 | 1,408 | 1,157 | -45 | 1,112 |
| Provisions for termination indemnity for financial advisors | 1,324 | -3,163 | -1,839 | 5,622 | -76 | 5,546 |
| Provision for termination indemnity for financial advisors | 875 | -86 | 789 | 1,678 | -76 | 1,602 |
| Provision for overcommission risks for financial advisors | 449 | -3,077 | -2,628 | 3,944 | 0 | 3,944 |
| Provisions for risks related to network incentives | 9,666 | -522 | 9,144 | 7,988 | -1,092 | 6,896 |
| Provision for risks related to network development incentives | 6,961 | -522 | 6,439 | 5,243 | -1,081 | 4,162 |
| Provisions for managers with access gate | 792 | 0 | 792 | 1,083 | 0 | 1,083 |
| Provision for commissions - travel incentives and tenders | 1,900 | | 1,900 | 1,500 | | 1,500 |
| Provision for commissions - incentive plans | 13 | | 13 | 67 | | 67 |
| Provision for loyalty bonuses for financial advisors | 0 | 0 | 0 | 95 | -11 | 84 |
| Other provisions for risks and charges | 0 | -91 | -91 | 321 | 0 | 321 |
| Total | 17,527 | -7,459 | 10,068 | 22,354 | -3,157 | 19,197 |

Notes

(1) Allocations to provisions for staff expenses do not include the items considered in IAS 19, reclassified as "Staff expenses - other benefits".

SECTION 13 NET ADJUSTMENTS/REVERSALS VALUE OF PROPERTY AND EQUIPMENT - ITEM 200

Breakdown of net adjustments/reversals value of property and equipment

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| Adjustments/reversals to property and equipment | 1,715 | 1,779 |
| Adjustments/reversals to intangible assets | 2,376 | 2,288 |
| Total | 4,091 | 4,067 |

Notes

1) Pursuant to IFRS5.33, comparative data regarding 2010 have been restated in order to classify under separated items income and expenses associated with BG SGR's business unit held for sale.

13.1 Breakdown of net adjustments of property and equipment

| (€ thousand) | DEPRECIATIONS | ADJUSTMENTS FOR IMPAIRMENT | REVERSALS | NET RESULT |
|---------------------------|---------------|-------------------------------|-----------|--------------|
| A. Property and equipment | | | | |
| A.1 Owned | 1,715 | 0 | 0 | 1,715 |
| - Operating | 1,715 | | | 1,715 |
| - Investment | | | | 0 |
| A.2 Leased | 0 | 0 | 0 | 0 |
| - Operating | | | | 0 |
| - Investment | | | | 0 |
| Total | 1,715 | 0 | 0 | 1,715 |

14.1 Breakdown of net adjustments of intangible assets

| (€ thousand) | AMORTISATIONS | ADJUSTMENTS FOR IMPAIRMENT | REVERSALS | NET RESULT |
|----------------------|---------------|-------------------------------|-----------|--------------|
| A. Intangible assets | | | | |
| A.1 Owned | 2,376 | 0 | 0 | 2,376 |
| - Generated in-house | 0 | 0 | 0 | 0 |
| - Other | 2,376 | 0 | 0 | 2,376 |
| A.2 Leased | 0 | 0 | 0 | 0 |
| Total | 2,376 | 0 | 0 | 2,376 |

SECTION 15 OTHER OPERATING INCOME AND EXPENSES - ITEM 220

15.1 Breakdown of other operating expenses

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| Adjustments of leasehold improvements | 679 | 766 |
| Elimination of improvements to discontinued outlets | 70 | 37 |
| Indemnities and compensation | 1,148 | 402 |
| Charges from accounting adjustments with customers | 290 | 339 |
| Contingent liabilities and non-existent assets | 1,177 | 2,338 |
| Other operating expenses | 37 | 27 |
| Consolidation adjustments | 0 | 1 |
| Total | 3,401 | 3,910 |

15.2 Breakdown of other operating income

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| Recovery of taxes from customers | 8,110 | 6,475 |
| Recovery of expenses from customers | 468 | 640 |
| Overcommissions for portfolio valorisation | 93 | 136 |
| Indemnities for advisors' notices | 8 | 102 |
| Other recoveries of repayments and costs from advisors | 811 | 773 |
| Contingent assets - staff expense | 972 | 1,821 |
| Other contingent assets and non-existent liabilities | 1,036 | 2,376 |
| Insurance compensation and indemnities | 133 | 59 |
| Fees for outsourced services | 251 | 251 |
| Other income | 145 | 66 |
| Consolidation adjustments | 40 | 0 |
| Total | 12,067 | 12,699 |
| Total other net income | 8,666 | 8,789 |

Notes

1) Pursuant to IFRS5.33, comparative data regarding 2010 have been restated in order to classify under separated items income and expenses associated with BG SGR's business unit held for sale.

SECTION 20 INCOME TAX FOR THE YEAR FOR CURRENT OPERATIONS - ITEM 290

20.1 Breakdown of income tax for the year for current operations

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|----------------|---------------|
| 1. Current taxation (-) | -17,735 | -20,366 |
| 2. Change in prior period current taxes | 1,347 | -229 |
| 3. Reduction of current taxes for the year (+) | 0 | 0 |
| 4. Changes of prepaid taxation (+/-) | 3,111 | 10,945 |
| 5. Changes of deferred taxation (+/-) | -77 | 2,372 |
| 6. Taxes for the year (-) (-1+/-2+3+/-4+/-5) | -13,354 | -7,278 |

Notes

1) Pursuant to IFRS5.33, comparative data regarding 2010 have been restated in order to classify under separated items income and expenses associated with BG SGR's business unit held for sale. Taxation related to the business unit held for sale is reported in the Section 21 of these Notes.

Breakdown of redemption transactions

Current and deferred taxation included the effects of the tax redemption of goodwill and intangible assets arising from the following transactions.

| REDEEMABLE ITEMS (€ thousand) | REDEEMABLE VALUE | SUBSTITUTE TAX | ADVANCE IRES | ADVANCE IRAP | REVERSAL OF DEFERRED IRES | REVERSAL OF DEFERRED IRAP | NET ECONOMIC BENEFIT |
|---|---------------------|-------------------|-----------------|-----------------|------------------------------------|------------------------------------|----------------------------|
| Goodwill of investment in BG Fiduciaria (Art.15, para.10-ter Leg. Decree 185/08) | 4,289 | -686 | 1,179 | 199 | | | 692 |
| Goodwill arising on the transfer of the indirect portfolio management business units (Art. 176, para. 2-ter, of TUIR) | 4,932 | -592 | 1,356 | 275 | | | 1,039 |
| Total redeemable assets 2011 | 9,221 | -1,278 | 2,535 | 474 | 0 | 0 | 1,731 |

| REDEEMABLE ITEMS (€ thousand) | REDEEMABLE VALUE | SUBSTITUTE TAX | ADVANCE IRES | ADVANCE IRAP | REVERSAL OF DEFERRED IRES | REVERSAL OF DEFERRED IRAP | NET ECONOMIC BENEFIT |
|--|---------------------|-------------------|-----------------|-----------------|------------------------------------|------------------------------------|----------------------------|
| Goodwill (Art.15, para. 10 of Leg. Decree 195/08) | 31,352 | -5,016 | 8,622 | 1,223 | | 0 | 4,829 |
| Client relationships (Art. 176, para. 2-ter of TUIR) | 7,628 | -968 | | 0 | 2,098 | 333 | 1,463 |
| Total redeemable assets 2010 | 38,980 | -5,984 | 8,622 | 1,223 | 2,098 | 333 | 6,292 |

The lesser IRAP tax recognised than in the previous year refers mainly to the parent company Banca Generali's application in the income tax return of the reduced IRAP rate granted by the Region of Friuli Venezia Giulia for "virtuous companies" and the deduction of expenses incurred in connection with handicapped staff members, previously not calculated by the Bank.

The lesser IRES tax than in previous years was instead primarily balanced by expenses considered temporarily non-deductible when preparing the financial statements, for which deferred tax assets had been recognised.

The changes in deferred tax assets and liabilities for which there is no balancing entry, as presented in table 18.2 below, refer not only to the case indicated above, but also to the reversal of deferred tax assets associated with AFS equity securities reclassified in 2008 pursuant to the Ministerial Decree of 3 June 2011 aimed at "IAS compliance" and the reversal of deferred tax assets associated with receivables not arising from lending transactions for which it was deemed prudent to assess recoverability also from a tax standpoint upon realisation or recognition of a loss.

20.2 Reconciliation between theoretical and actual tax expense

The following table presents the reconciliation between the total amount of income taxes due for the period, including current and deferred taxes, as indicated in item 290 of the income statement, and the theoretical corporate income tax IRES calculated by applying the 27.5% current applicable tax rate to pre-tax profit. The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the P&L account compared to the theoretical tax burden.

The reconciliation statement of 2010 has been restated in order to eliminate the taxable profit and tax expense associated with the BG SGR business unit held for sale. These data are illustrated in Section 21 of these Notes.

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| Current taxation | -17,735 | -20,366 |
| IRES and equivalent foreign direct taxes | -14,179 | -11,002 |
| IRAP | -2,276 | -3,359 |
| Substitute tax for redemption | -1,278 | -5,984 |
| Other | -2 | -21 |
| Prepaid and deferred taxation | 3,034 | 13,317 |
| IRES | 2,065 | 11,450 |
| IRAP | 969 | 1,867 |
| Prior period taxes | 1,347 | -229 |
| IRES | 381 | -106 |
| IRAP | 966 | -123 |
| Income taxes | -13,354 | -7,278 |
| Theoretical tax rate | 0 | 0 |
| Current profit (loss) before taxation | 88,893 | 91,056 |
| Theoretical taxation | -24,446 | -25,040 |
| Tax income (+) expense (-): | | |
| Non-taxable income (*) | 170 | 122 |
| Double taxation on 5% of Group's dividends | -797 | -1,492 |
| Rate change of companies under foreign law | 14,178 | 17,869 |
| Interest expense (4%) | -315 | -130 |
| Impairment of AFS equity securities PEX | -1,095 | 0 |
| Other non-deductible costs | -1,134 | -1,422 |
| IRAP (net of redemption effect) | -815 | -3,171 |
| Net effect of redemption transactions | 1,731 | 6,292 |
| Unrelated deferred tax assets and liabilities | -1,227 | -191 |
| Taxes of prior years | 381 | -106 |
| Other taxes | -2 | -21 |
| Other consolidation adjustments | 17 | 12 |
| Actual tax expense | -13,354 | -7,278 |
| Total actual tax rate | 15.0% | 8.0% |
| Actual tax rate (IRES only) | 14.6% | 6.2% |
| Actual tax rate (IRAP only) | 0.4% | 1.8% |

(*) Chiefly dividends on AFS equity investments with 95% exemption.

SECTION 21 INCOME (LOSS) OF DISPOSAL GROUPS, NET OF TAXES – ITEM 310

21.1 Breakdown of income (loss) of disposal groups, net of taxes

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| 1. Income | 6,673 | 9,192 |
| 2. Charges | -3,927 | -5,387 |
| 3. Measurement of the group of assets and related liabilities | 0 | 0 |
| 4. Gains (losses) on disposal | 0 | 0 |
| 5 Taxes and duties | -911 | -1,232 |
| Net profit (loss) | 1,835 | 2,573 |

This result refers to the business unit of the subsidiary BG SGR, consisting of Italian managed mutual funds (BG Focus Funds), whose sale to the subsidiary Generali Investment Italy SGR was authorised on 27 September 2011.

Commission income includes the commissions paid by funds unitholders and the management commissions for the mandate received by Alleanza funds, which will terminate upon the sale of the business unit. Charges refers to:

- 3,082 thousand euros for commissions remitted to the placement agents of the transferred funds;
- 852 thousand euros for operating costs related to personnel, administrative expenses and amortisations;
- 7 thousand euros for the unbalance between net proceeds from funds (102 thousand euros) and relevant costs (95 thousand euros).

In 2011, operating management and other operations related to the business unit held for sale would have generated 1.8 million euros of net cash flows.

SECTION 22

22.1 Breakdown of Item 330 - Minority interests (+/-) for the year

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|-----------------------------------|--------------|--------------|
| Generali Fund Management SA (GFM) | 3,955 | 4,144 |
| Minority interests (+/-) | 3,955 | 4,144 |

The net profit attributable to minority interests consists of the portion of the net profit for the year of the subsidiary GFM to which the minority-interest shareholder is entitled pursuant to the Articles of Association. In accordance with amendments to its Articles of Association approved by the company, the class-B shares held by the minority-interest shareholder are entitled to the entire net profit for the year of the business pertaining to class-B shares, namely the business previously conducted by the merged company GIL - Generali Investment Luxembourg.

SECTION 24

24.1 Average number of ordinary shares after dilution

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| Net profit for the year (€ thousand) | 73,419 | 82,207 |
| Net profit attributable to ordinary shares | 73,419 | 82,207 |
| Average number of outstanding shares (thousand euros) | 111,729 | 110,923 |
| EPS - Earnings per Share (euro) | 0,657 | 0,741 |
| Average number of outstanding shares | | |
| Diluted capital (thousand euros) | 114,839 | 113,630 |
| EPS - Diluted earnings per share (euro) | 0,639 | 0,723 |

PART D – COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

| ITEMS | | | | |
|--------------|---|----------------|---------------|----------------|
| (€ thousand) | | GROSS AMOUNT | INCOME TAXES | NET AMOUNT |
| 10 | Net profit (loss) for the year | X | X | 77.374 |
| | Other income | | | |
| 20 | AFS financial assets | -48,944 | 16,315 | -32,629 |
| | a) Fair value changes | -54,722 | 17,431 | -37,291 |
| | b) Transfer to profit and loss account | 5,778 | -1,348 | 4,430 |
| | - Adjustments due to impairment | 3,980 | -771 | 3,209 |
| | - Gains (losses) on disposal | 1,798 | -577 | 1,221 |
| | c) Other changes | 0 | 232 | 232 |
| 30 | Property and equipment | 0 | 0 | 0 |
| 40 | Intangible assets | 0 | 0 | 0 |
| 50 | Hedges of foreign investments | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 60 | Cash-flow hedges | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 70 | Exchange differences | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 80 | Non-current assets held for sale | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 90 | Actuarial gains (losses) from defined benefit plans | 0 | 0 | 0 |
| 100 | Share of valuation reserves of investments valued at equity | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | - Adjustments due to impairment | 0 | 0 | 0 |
| | - Gains (losses) on disposal | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 110 | Total other income | -48,944 | 16,315 | -32,629 |
| 120 | Comprehensive income (Item 10+110) | | | 44,745 |
| 130 | Consolidated comprehensive income attributable to minority interests | | | -3,955 |
| 140 | Consolidated comprehensive income attributable to the Parent Company | | | 40,790 |

PART E – INFORMATION ON RISKS AND RISK HEDGING POLICIES

SECTION 1 – CREDIT RISK

Qualitative Information

1. General Aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.

In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.

The bank's exposure to credit risk mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost, AFS and loans to customers (both corporate and retail).

Exposure to the credit risk also derives from the presence of ABS classified in the L&R portfolio, which may become permanently impaired; this exposes the company to the risk of carrying losses through profit or loss. Securities in this portfolio are monitored at least quarterly to identify any deterioration in their credit quality.

Loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to which selected loans were issued in 2011, backed by adequate guarantees. At any rate, the ratio of loans to customers to total loans remains relatively small.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

The Group has formally defined a credit risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets forth the guidelines for the identification, measurement, monitoring and reporting of credit risk.

The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The Group has defined an extensive system of powers and limits associated with loan authorisation.

In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In terms of the monitoring of loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.

The Lending Department monitors the performance of loans and reports on anomalous positions.

In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.

The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.

Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management department and established with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

2. Credit Risk Management Policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Regulations.

In addition to issuing loans, the Lending Department is also charged with managing and monitoring credit, with a special focus on the performance of doubtful loans.

With reference to adoption of IAS/IFRS, Banca Generali applied what has been developed in the Basel II framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are associated with issuers with high levels of creditworthiness.

Credit Risk Mitigation Techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.

Collateral can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collateral is in the form of securities, a discount is usually applied when the loan is issued and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI SA for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity has been maintained for those positions managed with the aim of recovery and those positions that have shown a default event for which payment of the indemnity was requested from the guarantor, BSI SA.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority.

At present there are:

- bad loans;
- substandard loans;
- expired loans or outstanding over 180 days.

After value adjustments, overall impaired loans accounted for a negligible percentage of total loans to customers.

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.

Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

Doubtful receivables of a significant amount refer to Banca del Gottardo Italia's clients and are guaranteed by the framework indemnity issued by the seller BSI SA. Such positions are not effectively a credit risk for the Bank, therefore no adjustments were made.

Quantitative Information

A. Credit Quality

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

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS.

A.1.1 Breakdown of financial assets by portfolio and credit quality (balance sheet amounts).

| PORTFOLIOS/QUALITY | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS | OTHER ASSETS | TOTAL |
|--------------------------------------|---------------|-------------------|--------------------|---------------|------------------|------------------|
| 1. Financial assets held for trading | 40 | - | - | - | 17,885 | 17,925 |
| 2. AFS financial assets | - | - | - | - | 1,299,637 | 1,299,637 |
| 3. Financial assets held to maturity | - | - | - | - | 1,415,701 | 1,415,701 |
| 4. Loans to banks | - | - | - | - | 514,171 | 514,171 |
| 5. Loans to customers | 21,743 | 7,940 | 2,948 | 3,837 | 935,180 | 971,648 |
| 6. Financial assets at fair value | - | - | - | - | - | - |
| 7. Financial assets held for sale | - | - | - | - | 675 | 675 |
| 8. Hedging derivatives | - | - | - | - | - | - |
| Total at 31 December 2011 | 21,783 | 7,940 | 2,948 | 3,837 | 4,183,249 | 4,219,757 |
| Total at 31 December 2010 | 16,055 | 20,107 | | 577 | 3,519,752 | 3,556,491 |

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

| PORTFOLIOS/QUALITY | NON-PERFORMING ASSETS | | | PERFORMING LOANS | | | TOTAL (NET EXPOSURE) |
|--------------------------------------|-----------------------|---------------------|---------------|------------------|-----------------------|------------------|----------------------|
| | GROSS EXPOSURE | SPECIAL ADJUSTMENTS | NET EXPOSURE | GROSS EXPOSURE | PORTFOLIO ADJUSTMENTS | NET EXPOSURE | |
| 1. Financial assets held for trading | 1,983 | 1,943 | 40 | X | X | 17,885 | 17,925 |
| 2. AFS financial assets | - | - | - | 1,299,637 | - | 1,299,637 | 1,299,637 |
| 3. Financial assets held to maturity | - | - | - | 1,415,701 | - | 1,415,701 | 1,415,701 |
| 4. Loans to banks | - | - | - | 515,376 | 1,205 | 514,171 | 514,171 |
| 5. Loans to customers | 56,629 | 20,161 | 36,468 | 937,610 | 2,430 | 935,180 | 971,648 |
| 6. Financial assets at fair value | - | - | - | X | X | - | - |
| 7. Financial assets held for sale | - | - | - | 675 | - | 675 | 675 |
| 8. Hedging derivatives | - | - | - | X | X | - | - |
| Total at 31 December 2011 | 58,612 | 22,104 | 36,508 | 4,168,999 | 3,635 | 4,183,249 | 4,219,757 |
| Total at 31 December 2010 | 63,392 | 26,653 | 36,739 | 3,422,753 | 5,661 | 3,519,752 | 3,556,491 |

A.1.2.1 Breakdown of performing loans by portfolio

| PORTFOLIOS/MATURITY EXPIRED | OTHER EXPOSURES | | | | | TOTAL (NET EXPOSURE) |
|--------------------------------------|--------------------------------------|--|--|-------------------------------|------------------|----------------------------|
| | EXPIRED FROM UP TO 3 MONTHS | EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS | EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR | EXPIRED FOR OVER 1 YEAR | NOT EXPIRED | |
| 1. Financial assets held for trading | | | | | | 17,885 |
| 2. AFS financial assets | | | | | 1,299,637 | 1,299,637 |
| 3. Financial assets held to maturity | | | | | 1,415,701 | 1,415,701 |
| 4. Loans to banks | | | | | 514,171 | 514,171 |
| 5. Loans to customers | | 768 | 8,234 | 178 | 926,000 | 935,180 |
| 6. Financial assets at fair value | | | | | - | - |
| 7. Financial assets held for sale | | | | | 675 | 675 |
| 8. Hedging derivatives | | | | | - | - |
| Total at 31 December 2011 | - | 768 | 8,234 | 178 | 4,174,069 | 4,183,249 |

Banca Generali's loan portfolio does not include exposures renegotiated under collective agreements such as the Italian Banking Association-Ministry for the Economy and Finances agreement (ABI-MEF agreement). Other past-due performing exposures refer not only to positions past due or expired by more than 90 days but less than 180 days, but also exposures past due by more than 180 days for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted.

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

| TYPES OF EXPOSURE/VALUES | GROSS EXPOSURE | SPECIFIC ADJUSTMENTS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE |
|--------------------------------------|-------------------|-------------------------|--------------------------|-----------------|
| A. CASH EXPOSURE | | | | |
| a) Bad loans | 1,983 | 1,943 | - | 40 |
| b) Substandard loans | - | - | - | - |
| c) Restructured loans | - | - | - | - |
| d) Expired loans | - | - | - | - |
| b) Other assets | 966,393 | X | 1,205 | 965,188 |
| TOTAL A | 968,376 | 1,943 | 1,205 | 965,228 |
| B. OFF-BALANCE SHEET EXPOSURE | | | | |
| a) Non-performing loans | - | - | - | - |
| b) Other | 5,653 | X | - | 5,653 |
| TOTAL B | 5,653 | - | - | 5,653 |

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.4 Cash exposure with banks: changes in gross non-performing loans

| CAUSES/CATEGORIES | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS |
|---|--------------|-------------------|--------------------|---------------|
| A. Gross exposure at year-start | 1,983 | - | - | - |
| of which: transferred positions not written off | - | - | - | - |
| B. Increases | - | - | - | - |
| B.1 Inflows from performing loans | - | - | - | - |
| B.2 Transfer from other categories | | | | |
| non-performing loans | - | - | - | - |
| B.3 Other increases | - | - | - | - |
| C. Decreases | - | - | - | - |
| C.1 Outflows to performing loans | - | - | - | - |
| C.2 Write-offs | - | - | - | - |
| C.3 Repayments | - | - | - | - |
| C.4 Gains from disposals | - | - | - | - |
| C.5 Transfer to other categories of | | | | |
| non-performing loans | - | - | - | - |
| C.6. Other decreases | - | - | - | - |
| Gross exposure at year-end | 1,983 | - | - | - |
| of which: transferred positions not written off | - | - | - | - |

A.1.5 Cash exposure with banks: change in total adjustments

| CAUSES/CATEGORIES | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS |
|---|--------------|-------------------|--------------------|---------------|
| A. Total adjustments at year-start | 1,808 | - | - | - |
| - of which: positions transferred but not written off | - | - | - | - |
| B. Increases | 135 | - | - | - |
| B.1. Adjustments | 135 | - | - | - |
| B.2 Transfers from other categories of non-performing loans | - | - | - | - |
| B.3. Other increases | - | - | - | - |
| C. Decreases | - | - | - | - |
| C.1. Reversal of adjustments | - | - | - | - |
| C.2. Reversal of collections | - | - | - | - |
| C.3. Write-offs | - | - | - | - |
| C.4. Transfer to other categories of non-performing loans | - | - | - | - |
| C.5. Other decreases | - | - | - | - |
| D. Total adjustments at year-end | 1,943 | - | - | - |
| - of which: positions transferred but not written off | - | - | - | - |

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

| TYPES OF EXPOSURE/VALUES | GROSS EXPOSURE | SPECIFIC ADJUSTMENTS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE |
|--------------------------------------|------------------|----------------------|-----------------------|------------------|
| A. CASH EXPOSURE | | | | |
| a) Bad loans | 37,231 | 15,488 | - | 21,743 |
| b) Substandard loans | 12,613 | 4,673 | - | 7,940 |
| c) Restructured loans | 2,948 | - | - | 2,948 |
| d) Expired loans | 3,837 | - | - | 3,837 |
| b) Other assets | 3,219,794 | - | 2,430 | 3,217,364 |
| TOTAL A | 3,276,423 | 20,161 | 2,430 | 3,253,832 |
| B. OFF-BALANCE SHEET EXPOSURE | | | | |
| a) Non-performing loans | 500 | - | - | 500 |
| b) Other | 31,774 | - | - | 31,774 |
| TOTAL B | 32,274 | - | - | 32,274 |

Cash exposures to customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

Non-performing exposures in the substandard category also include debt securities subject to impairment on an individual basis and operating receivables not arising from credit transactions, chiefly associated with dispute and pre-dispute positions involving terminated and other former financial advisors.

A.1.7 Cash exposure with customers: changes in gross non-performing loans

| CAUSES/CATEGORIES | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS |
|---|---------------|-------------------|--------------------|---------------|
| A. Gross exposure at year-start | 38,285 | 22,547 | - | 577 |
| - of which: positions transferred but not written off | - | - | - | - |
| B. Increases | 11,306 | 6,939 | 2,950 | 4,181 |
| B.1 Inflows from performing loans | 1,461 | 1,389 | 1,834 | 4,094 |
| B.2 Transfers from other categories of non-performing loans | 8,905 | 495 | 1,116 | - |
| B.3 Other increases | 940 | 5,055 | - | 87 |
| of which business combinations | - | - | - | - |
| C. Decreases | 12,360 | 16,873 | 2 | 921 |
| C.1 Outflows to performing loans | - | 7 | - | 3 |
| C.2 Write-offs | 6,291 | 1,463 | - | - |
| C.3 Repayments | 6,069 | 5,050 | 2 | 423 |
| C.4 Gains from disposals | - | 236 | - | - |
| C.5. Transfer to other categories of non-performing loans | - | 10,078 | - | 495 |
| C.6. Other decreases | - | 39 | - | - |
| D. Gross exposure at year-end | 37,231 | 12,613 | 2,948 | 3,837 |
| - of which: positions transferred but not written off | - | - | - | - |

1. The two default positions made up of debt Securities issued by Lehman Brothers holding, for a countervalue of amortised cost of 8,721 thousand euros and with write-downs in the previous years amounting to 7,421 thousand euros, were transferred in the year, with a gain of 1,034 thousand euros.

A.1.8 Cash exposure with customers: change in total adjustments

| CAUSES/CATEGORIES | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS |
|--|---------------|-------------------|--------------------|---------------|
| A. Total adjustments at year-start | 22,405 | 2,440 | - | - |
| - of which: positions transferred but not written off | - | - | - | - |
| B. Increases | 408 | 3,928 | - | - |
| B.1. Adjustments | 408 | 1,445 | - | - |
| B.2. Transfers from other categories of non-performing loans | - | - | - | - |
| B.3. Other increases | - | 2,483 | - | - |
| of which business combinations | - | - | - | - |
| C. Decreases | 7,325 | 1,695 | - | - |
| C.1. Reversal of adjustments | - | 14 | - | - |
| C.2. Reversal of collections | 1,034 | 272 | - | - |
| C.3. Write-offs | 6,291 | 1,409 | - | - |
| C.4. Transfer to other categories of non-performing loans | - | - | - | - |
| C.5. Other decreases | - | - | - | - |
| D. Total adjustments at year-end | 15,488 | 4,673 | - | - |
| - of which: positions transferred but not written off | - | - | - | - |

A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.

The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Cash and off-balance sheet exposures broken down by external rating classes

| RESTRUCTURED | EXTERNAL RATING CLASSES | | | | | | WITHOUT RATING | TOTAL |
|--|-------------------------|------------------|----------------|---------------|----------|--------------|------------------|------------------|
| | AAA/AA- | A+/A- | BBB+/BBB- | BB+/BB- | B+/B- | < B- | | |
| Financial assets held for trading | 80 | 462 | 20 | - | - | - | 16,666 | 17,228 |
| AFS financial assets | 86,944 | 924,071 | 43,086 | - | - | - | 245,536 | 1,299,637 |
| Financial assets held to maturity | 99,305 | 983,303 | 63,066 | 9,260 | - | 2,008 | 258,759 | 1,415,701 |
| Loans to customers | 41,778 | 9,801 | 7,465 | 2,536 | - | 2,487 | 907,581 | 971,648 |
| Loans to banks | 78,767 | 22,350 | 39,086 | - | - | 2,947 | 371,021 | 514,171 |
| A. Cash exposure | 306,874 | 1,939,987 | 152,723 | 11,796 | - | 7,442 | 1,799,563 | 4,218,385 |
| Financial derivatives | - | - | - | - | - | - | 697 | 697 |
| Credit derivatives | - | - | - | - | - | - | - | - |
| B. Derivatives | - | - | - | - | - | - | 697 | 697 |
| C. Guarantees issued | - | - | - | - | - | - | 35,120 | 35,120 |
| D. Commitment to dispense funds | - | - | - | - | - | - | 2,109 | 2,109 |
| Total | 306,874 | 1,939,987 | 152,723 | 11,796 | - | 7,442 | 1,837,489 | 4,256,311 |

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.2 Guaranteed exposure with customers

| | LOAN AMOUNT | COLLATERALISED GUARANTEES (1) | | | | PERSONAL GUARANTEES (2) GUARANTEES | | | | | TOTAL (1)+(2) |
|--|-------------|-------------------------------|------------|--------------|-----------|---|-------|-------------------|--------|--------|------------------|
| | | BUILDINGS | SECURITIES | OTHER ASSETS | TOTAL | GOVERNMENTS OTHER PUBLIC INSTITUTIONS | BANKS | OTHER ENTITIES | TOTAL | | |
| 1. Guaranteed cash exposure: | 762,605 | 269,643 | 375,960 | 630,216 | 1,275,819 | - | - | 697 | 54,007 | 54,704 | 1,330,523 |
| 1.1 totally guaranteed | 711,756 | 269,372 | 350,740 | 615,262 | 1,235,374 | - | - | 697 | 49,498 | 50,195 | 1,285,569 |
| -of which non performing | 17,833 | 37,210 | 700 | 28 | 37,938 | | | | 377 | 377 | 38,315 |
| 1.2 partially guaranteed | 50,849 | 271 | 25,220 | 14,954 | 40,445 | - | - | - | 4,509 | 4,509 | 44,954 |
| -of which non performing | 7,137 | | 4,018 | | 4,018 | | | | 6 | 6 | 4,024 |
| 2. Guaranteed off-balance sheet exposures: | 27,522 | 2,711 | 17,996 | 26,131 | 46,838 | - | - | 100 | 577 | 677 | 47,515 |
| 2.1 totally guaranteed | 18,157 | 2,337 | 14,129 | 23,375 | 39,841 | - | - | 100 | 553 | 653 | 40,494 |
| -of which non performing | 340 | | 185 | 191 | 376 | | | | 85 | 85 | 461 |
| 2.2 partially guaranteed | 9,365 | 374 | 3,867 | 2,756 | 6,997 | - | - | - | 24 | 24 | 7,021 |
| -of which non performing | | | | | | | | | | | |

B. Breakdown and Concentration of Loans

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

| EXPOSURE/COUNTERPARTY | NET EXPOSURE | SPECIFIC VALUE ADJUSTMENTS | PORT. VALUE ADJUSTMENTS |
|--|------------------|----------------------------|-------------------------|
| A. Cash exposure | | - | - |
| 1. Government and central banks | 2,194,989 | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | - | - | - |
| e. Other loans | 2,194,989 | - | - |
| 2. Other public institutions | - | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | - | - | - |
| e. Other loans | - | - | - |
| 3. Financial companies | 229,606 | 4,553 | 943 |
| a. Bad loans | 6 | 52 | - |
| b. Substandard loans | 4,957 | 4,501 | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | 15 | - | - |
| e. Other loans | 224,628 | - | 943 |
| 4. Insurance companies | 25,852 | - | 12 |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | - | - | - |
| e. Other loans | 25,852 | - | 12 |
| 5. Non-financial companies | 285,184 | 11,215 | - |
| a. Bad loans | 16,315 | 11,215 | - |
| b. Substandard loans | 2,122 | - | - |
| c. Restructured loans | 2,948 | - | - |
| d. Expired loans | 3,689 | - | - |
| e. Other loans | 260,110 | - | - |
| 6. Other entities | 518,201 | 4,393 | 1,475 |
| a. Bad loans | 5,422 | 4,221 | - |
| b. Substandard loans | 861 | 172 | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | 133 | - | - |
| e. Other loans | 511,785 | - | 1,475 |
| TOTAL A - CASH EXPOSURE | 3,253,832 | 20,161 | 2,430 |

| EXPOSURE/COUNTERPARTY | NET EXPOSURE | SPECIFIC VALUE ADJUSTMENTS | PORT. VALUE ADJUSTMENTS |
|---|---------------|----------------------------|-------------------------|
| B. Off-balance sheet exposure | | - | - |
| 1. Government and central banks | - | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | - | - | - |
| 2. Other public institutions | - | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | - | - | - |
| 3. Financial companies | 142 | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | 142 | - | - |
| 4. Insurance companies | - | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | - | - | - |
| 5. Non-financial companies | 17,370 | - | - |
| a. Bad loans | 78 | - | - |
| b. Substandard loans | 227 | - | - |
| c. Other non-performing loans | 7 | - | - |
| d. Other loans | 17,058 | - | - |
| 6. Other entities | 14,762 | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | 188 | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | 14,574 | - | - |
| TOTAL B - OFF-BALANCE SHEET EXPOSURE | 32,274 | - | - |

Summary

| | NET EXPOSURE | SPECIFIC VALUE ADJUSTMENTS | PORT. VALUE ADJUSTMENTS |
|--|------------------|----------------------------|-------------------------|
| Governments and central banks | 2,194,989 | - | - |
| Public institutions | - | - | - |
| Financial companies | 229,748 | 4,553 | 943 |
| Insurance companies | 25,852 | - | 12 |
| Non-financial companies | 302,554 | 11,215 | - |
| Other entities | 532,963 | 4,393 | 1,475 |
| Overall total (A+B) at 31 December 2011 | 3,286,106 | 20,161 | 2,430 |

B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

| EXPOSURE/GEOGRAPHICAL AREA | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|--------------------------------------|------------------|----------------------|--------------------------|----------------------|---------------|----------------------|--------------|----------------------|-------------------|----------------------|
| | Net exposure | Total value adjustm. | Net exposure | Total value adjustm. | Net exposure | Total value adjustm. | Net exposure | Total value adjustm. | Net exposure | Total value adjustm. |
| A. Cash exposure | | | | | | | | | | |
| A.1 Bad loans | 21,743 | 14,984 | - | 504 | - | - | - | - | - | - |
| A.2 Substandard loans | 4,471 | 3,167 | 3,468 | 1,506 | 1 | - | - | - | - | - |
| A.3 Restructured loans | 2,948 | - | - | - | - | - | - | - | - | - |
| A.4 Expired loans | 3,837 | - | - | - | - | - | - | - | - | - |
| A.5 Other exposure | 3,051,262 | 2,041 | 145,832 | 356 | 20,270 | 33 | - | - | - | - |
| Total A | 3,084,261 | 20,192 | 149,300 | 2,366 | 20,271 | 33 | - | - | - | - |
| B. Off-balance sheet exposure | | | | | | | | | | |
| B.1 Bad loans | 78 | - | - | - | - | - | - | - | - | - |
| B.2 Substandard loans | 415 | - | - | - | - | - | - | - | - | - |
| B.3 Other non-performing loans | 7 | - | - | - | - | - | - | - | - | - |
| B.4 Other exposure | 31,774 | - | - | - | - | - | - | - | - | - |
| Total B | 32,274 | - | - | - | - | - | - | - | - | - |
| Total at 31 December 2011 | 3,116,535 | 20,192 | 149,300 | 2,366 | 20,271 | 33 | - | - | - | - |
| Total at 31 December 2010 | 2,253,018 | 18,984 | 234,229 | 3,211 | 54,889 | 7,216 | 5,585 | - | - | - |

B.3 Geographical breakdown of cash and off-balance-sheet credit exposure to banks

| EXPOSURE/GEOGRAPHICAL AREA | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|--------------------------------------|----------------|----------------------|--------------------------|----------------------|---------------|----------------------|--------------|----------------------|-------------------|----------------------|
| | Net exposure | Total value adjustm. | Net exposure | Total value adjustm. | Net exposure | Total value adjustm. | Net exposure | Total value adjustm. | Net exposure | Total value adjustm. |
| A. Cash exposure | | | | | | | | | | |
| A.1 Bad loans | - | - | 40 | 1,943 | - | - | - | - | - | - |
| A.2 Substandard loans | - | - | - | - | - | - | - | - | - | - |
| A.3 Restructured loans | - | - | - | - | - | - | - | - | - | - |
| A.4 Expired loans | - | - | - | - | - | - | - | - | - | - |
| A.5 Other exposure | 624,698 | 953 | 336,710 | 252 | 3,780 | - | - | - | - | - |
| Total A | 624,698 | 953 | 336,750 | 2,195 | 3,780 | - | - | - | - | - |
| B. Off-balance sheet exposure | | | | | | | | | | |
| B.1 Bad loans | - | - | - | - | - | - | - | - | - | - |
| B.2 Substandard loans | - | - | - | - | - | - | - | - | - | - |
| B.3 Other non-performing loans | - | - | - | - | - | - | - | - | - | - |
| B.4 Other exposure | 5,222 | - | 431 | - | - | - | - | - | - | - |
| Total B | 5,222 | - | 431 | - | - | - | - | - | - | - |
| Total at 31 December 2011 | 629,920 | 953 | 337,181 | 2,195 | 3,780 | - | - | - | - | - |
| Total at 31 December 2010 | 562,866 | 707 | 449,703 | 2,157 | 22,109 | 39 | - | - | 6,996 | - |

B.4 Big risks (as per surveillance regulations)

The sixth update to Circular No. 263, “New Prudential Supervisory Provisions Concerning Banks” of 27 December 2010, revised prudential rules governing risk concentration to bring them into line with the provisions of Directive 2009/111/EC. In detail, under the new rules, “big risks” are identified as exposures equal to or greater than 10% of capital for regulatory purposes, by reference to the carrying amount of “exposures” rather than the amount weighted for counterparty risk.

Accordingly, risk positions that constitute “big risks” are identified by reference to both carrying amounts and weighted amounts.

| BIG RISKS | 31.12.2011 | 31.12.2010 |
|--------------------|-------------------|-------------------|
| a) Carrying amount | 3,427,610 | 2,385,605 |
| b) Weighted amount | 478,575 | 373,638 |
| c) Number | 19 | 19 |

C. Securitisation and Disposal of Assets

C.1 Securitisation

The securitisations portfolio contains only asset-backed securities (ABS) issued by European entities with underlying securities attributable exclusively to European originators.

The portfolio is made up of senior securities with ratings not less than investment grade.

The portfolio includes products mostly with underlying residential and commercial mortgages (RMBS/CMBS).

| TYPE OF UNDERLYING ASSETS/ EXPOSURE | CASH EXPOSURE | | | | | | TOTAL NET EXPOSURE |
|---|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|-----------------------|
| | SENIOR | | MEZZANINE | | JUNIOR | | |
| | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | |
| Cash exposure | | | | | | | |
| A. With own underlying assets: | - | - | - | - | - | - | |
| a) Non-performing loans | - | - | - | - | - | - | |
| b) Other | - | - | - | - | - | - | |
| B. With third-party underlying assets: | 68,046 | 67,582 | 8,279 | 6,602 | - | - | 74,184 |
| a) Non-performing loans | - | - | 4,821 | 3,465 | - | - | 3,465 |
| b) Other | 68,046 | 67,582 | 3,458 | 3,137 | - | - | 70,719 |

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

| TYPE OF UNDERLYING ASSETS/EXPOSURE | CASH EXPOSURE | | | | | |
|------------------------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | BOOK VALUE | ADJUST. REVERSALS | BOOK VALUE | ADJUST. REVERSALS | BOOK VALUE | ADJUST. REVERSALS |
| A. Cash exposure | 67,582 | - 464 | 6,602 | - 1,677 | - | - |
| B. Guarantees issued | - | - | - | - | - | - |
| C. Lines of credit | - | - | - | - | - | - |

| PORTFOLIO | TYPE OF UNDERLYING ASSETS/ EXPOSURE | ISIN CODE | UNDERLYING | CASH EXPOSURE | | | | | | |
|--------------|--|---|--------------|----------------------------|-------------------|--------------|-------------------|----------------|-------------------|----------|
| | | | | SENIOR | | MEZZANINE | | JUNIOR | | |
| | | | | Book value | Adjust. reversals | Book value | Adjust. reversals | Book value | Adjust. reversals | |
| A.1 | loans | AYT CAJAS N 10 FRN 30/06/2015 | ES0312342001 | mortgage | 14,545 | - 125 | - | - | - | - |
| A.2 | loans | BANCAJA N6 TITULUZ FRN 20/02/2036 | ES0312885017 | RMBS | 2,354 | - | - | - | - | - |
| A.3 | loans | CAIXA D' ESTALVIS FRN 28/01/2043 | ES0313252001 | RMBS | 999 | - | - | - | - | - |
| A.4 | loans | abs BBVA RMBS2 FRN 17/09/2050 | ES0314148018 | RMBS | 1,285 | - | - | - | - | - |
| A.5 | loans | SANTANDER HIP3 FRN 18/01/2050 | ES0338093018 | RMBS | 2,063 | - | - | - | - | - |
| A.6 | loans | MBS BANCAJA FRN 23/07/2050 | ES0361797014 | RMBS/CMBS | 5,678 | - | - | - | - | - |
| A.7 | loans | AYT KUTXA HIPOTECARIO II FRN 15/10/2059 | ES0370154009 | RMBS | 1,230 | - | - | - | - | - |
| A.8 | loans | LOCAT SEC VEHICLE FRN 12/12/2024 A | IT0003733083 | Leasing | 276 | - | - | - | - | - |
| A.9 | loans | FIP FUND FRN 10/01/2023 | IT0003872774 | CMBS | 4,697 | - | - | - | - | - |
| A.10 | loans | VELA MORT CL A FRN 30/07/2040 | IT0003933998 | RMBS | 799 | - 339 | - | - | - | - |
| A.11 | loans | ASTI FINANCE FRN 27/09/2041 | IT0003966477 | RMBS | 1,066 | - | - | - | - | - |
| A.12 | loans | CORDUSIO FRM 30/06/2035 | IT0004087174 | RMBS | 1,386 | - | - | - | - | - |
| A.13 | loans | ARCOBALENO FRN 28/10/2030 | IT0004095672 | Loans (Italian pharmacies) | 274 | - | - | - | - | - |
| A.14 | loans | LEASIMPRESA FRN 22/12/2025 | IT0004123722 | Leasing | 480 | - | - | - | - | - |
| A.15 | loans | APULIA FINA FRN 20/07/2044 | IT0004127574 | RMBS/CMBS | 880 | - | - | - | - | - |
| A.16 | loans | abs VOBA FIN FRN 28/06/2043 | IT0004153216 | RMBS | 152 | - | - | - | - | - |
| A.17 | loans | SESTANTE FRN 23/04/2046 CL A1 | IT0004158124 | RMBS | 505 | - | - | - | - | - |
| A.18 | loans | abs CLARIS FIN FRN 21/11/2053 | IT0004189160 | RMBS | 480 | - | - | - | - | - |
| A.19 | loans | BP MORT FRN 20/04/2043 | IT0004215320 | RMBS | 3,205 | - | - | - | - | - |
| A.20 | trading | QUARZO CL1 FRN 31/12/2019 abs | IT0004284706 | RMBS/CMBS | 15,058 | - | - | - | - | - |
| A.21 | loans | MAGELLAN MORT N 2 FRN 18/07/2036 | XS0177944690 | RMBS | 874 | - | - | - | - | - |
| A.22 | loans | LUSITANO MORT N 2 FRN 16/11/2036 | XS0178545421 | RMBS | 1,674 | - | - | - | - | - |
| A.23 | loans | abs THEMELEION MTG FRN 27/12/2036 | XS0194393640 | RMBS | 372 | - | - | - | - | - |
| A.24 | loans | EMAC MORTG CL A FRN 25/01/2037 | XS0207208165 | RMBS | 1,241 | - | - | - | - | - |
| A.25 | loans | E-MAC MORTG FRN CL A 25/04/2038 | XS0216513118 | RMBS | 1,347 | - | - | - | - | - |
| A.26 | loans | ESTIA MORTG FRN 27/10/2040 CL A | XS0220978737 | RMBS | 918 | - | - | - | - | - |
| A.27 | loans | AIRE VALLEY MORTG FRN 20/09/2066 | XS0264192989 | RMBS | 1,713 | - | - | - | - | - |
| A.28 | loans | SAGRES PELICAN FRN 15/09/2054 | XS0293657416 | RMBS | 487 | - | - | - | - | - |
| A.29 | loans | WINDERM FRN 15/10/2019 CL A | XS0293895271 | CMBS | 1,462 | - | - | - | - | - |
| A.30 | loans | FE GOLD FRN 30/07/2025 abs | IT0004068612 | Leasing | 547 | - | - | - | - | - |
| A.31 | loans | OPERA FIN abs FRN 15/02/2012 CL C | XS0218490653 | CMBS | - | - | 2,592 | - 105 | - | - |
| A.32 | loans | ITALF VEHIC CL C FRN 14/03/2023 | IT0003963433 | Leasing | - | - | 268 | - | - | - |
| A.33 | loans | ATLANTE FINANCE FRN 28/07/2047 | IT0004069040 | RMBS/CMBS | - | - | 765 | - | - | - |
| A.34 | loans | ABM LOCAT SEC FRN 12/09/2028 B | IT0004153687 | Leasing | - | - | 1,149 | - 208 | - | - |
| A.35 | loans | GRANITE MAS FRN 20/12/2054 | XS0229615603 | RMBS | - | - | 1,276 | - 114 | - | - |
| A.36 | loans | WINDERM FRN 15/10/2019 CL D | XS0293898457 | CMBS | - | - | 2,229 | - 1,250 | - | - |
| Total | | | | | 68,046 | - 464 | 8,279 | - 1,677 | - | - |

C.1.4 Exposure arising on securitisations broken down by financial-asset portfolio and type

| EXPOSURE/PORTFOLIO | TYPE OF FINANCIAL-ASSET PORTFOLIO | | | | | | |
|--------------------------------------|-----------------------------------|--------------------------------|----------------------|----------------------|---------------|---------------|---------------|
| | FIN. ASSETS HELD FOR TRADING | FINANCIAL ASSETS AT FAIR VALUE | AFS FINANCIAL ASSETS | HTM FINANCIAL ASSETS | LOANS | 31.12.2011 | 31.12.2010 |
| 1. Cash exposure | 15,058 | - | - | - | 59,126 | 74,184 | 88,916 |
| - senior | 15,058 | - | - | - | 52,525 | 67,582 | 78,057 |
| - mezzanine | - | - | - | - | 6,602 | 6,602 | 10,859 |
| - junior | - | - | - | - | - | - | - |
| 2. Off-balance sheet exposure | - | - | - | - | - | - | - |
| - senior | - | - | - | - | - | - | - |
| - mezzanine | - | - | - | - | - | - | - |
| - junior | - | - | - | - | - | - | - |

C.2 Transfer Operations

C.2.1 Transferred financial assets not written off

| TECHNICAL TYPE / PORTFOLIO | FIN. ASSETS HELD FOR TRADING | | | AFS FINANCIAL ASSETS | | | HTM FINANCIAL ASSETS | | | FINANCIAL ASSETS -BANKS | | | ATTIVITÀ FIN. VS CLIENTELA | | | TOTAL | |
|----------------------------------|------------------------------|---|---|----------------------|---|---|----------------------|---|---|-------------------------|---|---|----------------------------|---|---|-------|----------------|
| | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | | |
| A. Cash assets | - | - | - | 351,349 | - | - | 285,171 | - | - | 4,713 | - | - | - | - | - | - | 641,233 |
| 1. Debt securities | - | - | - | 351,349 | - | - | 285,171 | - | - | 4,713 | - | - | - | - | - | - | 641,233 |
| 2. Equity securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. UCITs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Financing | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5. Non-performing assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B. Derivatives | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total at 31 December 2011 | - | - | - | 351,349 | - | - | 285,171 | - | - | 4,713 | - | - | - | - | - | - | 641,233 |
| Total at 31 December 2010 | - | - | - | 382,381 | - | - | 61,585 | - | - | 5,161 | - | - | - | - | - | - | 449,127 |

C.2.2 Financial liabilities for transferred assets not written off

| LIABILITIES/ASSETS PORTFOLIO | FINANCIAL ASSETS HELD FOR TRADING | FVO FINANCIAL ASSETS | AFS FINANCIAL ASSETS | HTM FINANCIAL ASSETS | LOANS TO BANKS | LOANS TO CUSTOMERS | TOTAL |
|------------------------------------|-----------------------------------|----------------------|----------------------|----------------------|----------------|--------------------|----------------|
| 1. Due to customers | - | - | 55,520 | 41,589 | - | 4,655 | 101,764 |
| a) for fully recognised assets | - | - | 55,520 | 41,589 | - | 4,655 | 101,764 |
| b) for partially recognised assets | - | - | - | - | - | - | - |
| 2. Due to banks | - | - | 295,682 | 242,943 | - | - | 538,625 |
| a) for fully recognised assets | - | - | 295,682 | 242,943 | - | - | 538,625 |
| b) for partially recognised assets | - | - | - | - | - | - | - |
| Total at 31 December 2011 | - | - | 351.202 | 284.532 | - | 4.655 | 640.389 |
| Total at 31 December 2010 | - | - | 384.746 | 60.642 | - | 5.031 | 450.419 |

SECTION 2 – MARKET RISKS

The bank's exposure to market risk is mainly due to the trading by the Parent Company, Banca Generali, of financial instruments on its own account, while the exposure of the subsidiaries is limited and residual. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

In particular, securities measured at fair value and classified in the HFT and AFS portfolios are exposed to risk, as fluctuations in their prices impact the Group's profit and loss account and net equity.

The Group has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.

The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.

Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with high credit ratings, and ABS.

The portfolio's exposure to the equities market remains limited with respect to the bond component and derivatives transactions are absolutely marginal in extent.

The Group's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.

The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.

The Banca Generali Group holds only small amounts of securities denominated in foreign currencies.

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

2.1 Interest Rate and Price Risk – Regulatory Trading Book

Qualitative Information

A. General Aspects

The main activities of the banking group that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the corporate bond securities;
- dealings in interest rate derivatives, all of them over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The securities portfolio is characterised by a limited remaining life.

The bank's investments in structured securities are negligible.

B. Management Processes and Interest Rate Risk Measurement Techniques

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

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

| | FOURTH QUARTER 2011 | THIRD QUARTER 2011 | SECOND QUARTER 2011 | FIRST QUARTER 2011 |
|-------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| Average VaR 99% 1 day (€/000) | 1,251 | 1,170 | 882 | 925 |

Quantitative Information

1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

| TYPE/TIME-TO-MATURITY | REPAYABLE ON DEMAND | UP TO 3 MONTHS | OVER 3 MONTHS, UP TO 6 MONTHS | OVER 6 MONTHS, UP TO 1 YEAR | OVER 1 YEAR, UP TO 5 YEARS | OVER 5 YEARS, UP TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY | TOTAL |
|-----------------------------------|---------------------------|-------------------|--|--------------------------------------|-------------------------------------|---------------------------------------|---------------------|-------------------------|----------------|
| 1. Cash assets | - | 15,674 | 44 | 681 | 787 | - | 58 | - | 17,244 |
| 1.1 Debt securities | | | | | | | | | |
| - with early repayment option | - | 20 | - | - | 52 | - | - | - | 72 |
| - other entities | - | 15,654 | 44 | 681 | 735 | - | 58 | - | 17,172 |
| 1.2 Other assets | - | - | - | - | - | - | - | - | - |
| 2. Cash liabilities | - | - | - | - | - | - | - | - | - |
| 2.1 PCT liabilities | - | - | - | - | - | - | - | - | - |
| 2.2 Other liabilities | - | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | - | 148,768 | 20,406 | 4,258 | 118,287 | 226 | 169 | - | 292,114 |
| 3.1 With underlying securities | - | 95,886 | 17,852 | - | 78,287 | 226 | 169 | - | 192,420 |
| - Options | | | | | | | | | |
| + long positions | - | - | - | - | - | - | - | - | - |
| + short positions | - | - | - | - | - | - | - | - | - |
| - other | | | | | | | | | |
| + long positions | - | 4,306 | 15,255 | - | 76,815 | 113 | 61 | - | 96,550 |
| + short positions | - | 91,580 | 2,597 | - | 1,472 | 113 | 108 | - | 95,870 |
| 3.2 Without underlying securities | - | 52,882 | 2,554 | 4,258 | 40,000 | - | - | - | 99,694 |
| - Options | | | | | | | | | |
| + long positions | - | - | - | - | - | - | - | - | - |
| + short positions | - | - | - | - | - | - | - | - | - |
| - other | | | | | | | | | |
| + long positions | - | 26,441 | 1,277 | 2,129 | 20,000 | | | | 49,847 |
| + short positions | - | 26,441 | 1,277 | 2,129 | 20,000 | | | | 49,847 |

2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

| TYPE OF TRANSACTION/ INDEX | LISTED | | | NON LISTED |
|---|--------|--------|-------|------------|
| | ITALY | FRANCE | OTHER | |
| A. Equity securities | | | | |
| - long positions | 827 | 224 | 7 | 4 |
| - short positions | - | - | - | - |
| B. Equity security purchases/sales to be settled | | | | |
| - long positions | - | - | - | - |
| - short positions | - | 10 | - | - |
| C. Other derivatives on capital securities | | | | |
| - long positions | - | - | - | - |
| - short positions | - | - | - | - |
| D. Stock index derivatives | | | | |
| - long positions | - | - | - | - |
| - short positions | - | - | - | - |

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by interest-rate risk or exchange-rate risk), regardless of whether such changes are the result of factors specific to the instrument or issuer in question or are due to factors that influence all similar financial instruments traded on the market.

“Price risk” arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to OICR units held in the portfolio, however, the Group’s exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

3. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.

This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali Group are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +/- 100 basis points in the rate curve.

The next stage involves establishing the potential effects on the profit and loss account both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +106/-106 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of government bonds held for trading of -1.4/+1.4 million euros, gross of the tax effect. Since the presence of government bonds carried in the HFT portfolio is limited, the fair value delta component associated with such bonds due to the hypothesised shift in the rate curve would be equally moderate, coming to -12/+12 thousand euros.

| € thousand | HFT | AFS | HTM+L&R | LOANS** | TOTAL |
|-----------------------------|---------|---------|----------|---------|----------|
| FV equity delta (+10%) | 106 | 1,657 | - | - | 1,763 |
| FV equity delta (-10%) | - 106 | - 1,657 | - | - | - 1,763 |
| FV bonds delta (+1%) | - 1,390 | - 7,965 | - 27,815 | - 2,724 | - 39,894 |
| of which government bonds | - 12 | - 7,041 | - 23,428 | | - 30,481 |
| FV bonds delta (-1%) | 1,391 | 7,967 | 27,829 | 2,725 | 39,913 |
| of which government bonds | 12 | 7,043 | 23,439 | | 30,494 |
| Interest margin delta (+1%) | 5 | 7,827 | 5,873 | 12,252 | 25,957 |
| Interest margin delta (-1%) | - 5 | - 7,827 | - 5,873 | - 9,556 | - 23,262 |

**Loans to banks and loans to customers

2.2 Interest Rate and Price Risk – Banking Portfolio

Qualitative Information

A. General Aspect, Management Processes and Interest Rate Risk Measurement Techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Group's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and therefore net equity.

The Group has established a specific policy for managing interest-rate risk in the banking portfolio.

The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.

The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.

The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Group's banking portfolio arises from:

- trading on the interbank deposits market;
- customer lending activities and
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

Quantitative Information

1. Banking portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

| TYPE/TIME-TO-MATURITY | REPAYABLE ON DEMAND | UP TO 3 MONTHS | OVER 3 MONTHS, UP TO 6 MONTHS | OVER 6 MONTHS, UP TO 1 YEAR | OVER 1 YEAR, UP TO 5 YEARS | OVER 5 YEARS, UP TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY | TOTAL |
|-----------------------------------|------------------------|-------------------|--|--------------------------------------|----------------------------------|---------------------------------------|------------------|-------------------------|------------------|
| 1. Cash assets | 1,082,347 | 1,337,594 | 463,186 | 188,221 | 1,002,347 | 126,319 | 1,818 | - | 4,201,832 |
| 1.1 Debt securities | | | | | | | | | |
| - with early repayment option | 785 | 46,441 | - | 8,118 | 37,009 | 7,997 | - | - | 100,350 |
| - other entities | 37,497 | 1,129,064 | 453,265 | 179,559 | 963,240 | 111,519 | - | - | 2,874,144 |
| 1.2 Loans to banks | 270,072 | 69,594 | - | - | - | - | - | - | 339,666 |
| 1.3 Loans to customers | | | | | | | | | |
| - current accounts | 511,102 | 50 | 14 | 124 | 1 | - | - | - | 511,291 |
| - other loans | 262,891 | 92,445 | 9,907 | 420 | 2,097 | 6,803 | 1,818 | - | 376,381 |
| - with early repayment option | 134,163 | 91,778 | 176 | 324 | 1,892 | 1,303 | 1,818 | - | 231,454 |
| - other entities | 128,728 | 667 | 9,731 | 96 | 205 | 5,500 | - | - | 144,927 |
| 2. Cash liabilities | 2,762,456 | 394,309 | 262,675 | 437,576 | 224,288 | - | - | - | 4,081,304 |
| 2.1 Due to customers | | | | | | | | | |
| - current accounts | 2,699,816 | 140,019 | - | - | - | - | - | - | 2,839,835 |
| - other payables | 36,804 | 57,694 | 10,261 | 41,513 | 24,288 | - | - | - | 170,560 |
| - with early repayment option | | | | | | | | | |
| - other entities | 36,804 | 57,694 | 10,261 | 41,513 | 24,288 | - | - | - | 170,560 |
| 2.2 Due to banks | | | | | | | | | |
| - current accounts | 1,259 | - | - | - | - | - | - | - | 1,259 |
| - other payables | 24,577 | 196,596 | 252,414 | 396,063 | 200,000 | - | - | - | 1,069,650 |
| 2.3 Debt securities | | | | | | | | | |
| - with early repayment option | - | - | - | - | - | - | - | - | - |
| - other entities | - | - | - | - | - | - | - | - | - |
| 2.4 Other liabilities | | | | | | | | | |
| - with early repayment option | - | - | - | - | - | - | - | - | - |
| - other | - | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | - | - | - | - | - | - | - | - | - |
| 3.1 With underlying securities | | | | | | | | | |
| - Options | | | | | | | | | |
| + long positions | | | | | | | | | |
| + short positions | | | | | | | | | |
| - other | | | | | | | | | |
| + long positions | | | | | | | | | |
| + short positions | | | | | | | | | |
| 3.2 Without underlying securities | | | | | | | | | |
| - Options | | | | | | | | | |
| + long positions | | | | | | | | | |
| + short positions | | | | | | | | | |
| - other | | | | | | | | | |
| + long positions | | | | | | | | | |
| + short positions | | | | | | | | | |

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).

In further detail, the only listed securities consist of the equity investments in the parent company, Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.

The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

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

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associat-

ed with equities classified among AFS assets of +1.7/-1.7 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -8/+8 million euros, gross of the tax effect.

The fair value delta component associated with the government bonds in the banking book would amount to -30.5/+30.5 million euros as a result of the hypothesised shift in the rate curve, or 80% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +26.0/-23.3 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.

The same criteria were also applied to a sensitivity analysis of net interest income, which resulted in a potential impact on the profit and loss account of -1.9 million euros, gross of the tax effect in case of reduction of interest rates by 1% and +3.3 million euros in case of increase by the same amount.

| € thousand | ASSETS | LIABILITIES | NET |
|-----------------------------|----------|-------------|---------|
| Interest margin delta (+1%) | 25,957 | - 22,636 | 3,321 |
| Interest margin delta (-1%) | - 23,262 | 21,348 | - 1,913 |

Note: The -100 bps scenario is strictly theoretical inasmuch as rates on the short-term part of the curve are below 1%.

2.3 Exchange Rate Risk

Exchange-rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.

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

| ITEMS | CURRENCY | | | | | OTHER CURRENCIES | TOTAL CURRENCIES |
|---------------------------------|----------------|---------------|--------------|----------------|---------------|------------------|------------------|
| | US DOLLAR | JAPANESE YEN | SWISS FRANC | POUND STERLING | ICELAND KRONA | | |
| A. Financial assets | 9,040 | 10,202 | 1,033 | 3,450 | 2,142 | 684 | 26,551 |
| A.1 Debt securities | - | - | - | - | - | - | - |
| A.2 Equity securities | 9 | - | - | - | - | - | 9 |
| A.3 Loans to banks | 9,025 | 30 | 831 | 3,447 | 2,141 | 682 | 16,156 |
| A.4 Loans to customers | 6 | 10,172 | 202 | 3 | 1 | 2 | 10,386 |
| A.5 Other financial assets | - | - | - | - | - | - | - |
| B. Other assets | - | - | - | - | - | - | - |
| C. Financial liabilities | 11,939 | 10,096 | 1,028 | 3,354 | 2,069 | 349 | 28,835 |
| C.1 Due to banks | - | 10,082 | - | - | - | - | 10,082 |
| C.2 Due to customers | 11,939 | 14 | 1,028 | 3,354 | 2,069 | 349 | 18,753 |
| C.3 Debt securities | - | - | - | - | - | - | - |
| D. Other liabilities | - | - | - | - | - | - | - |
| E. Financial derivatives | - 400 | - | - 126 | - 267 | - | 10 | - 783 |
| Options | | | | | | | |
| - long positions | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |
| Other derivatives | - 400 | - | - 126 | - 267 | - | 10 | - 783 |
| - long positions | 11,831 | 520 | 373 | 18 | - | 1,790 | 14,532 |
| - short positions | 12,231 | 520 | 499 | 285 | - | 1,780 | 15,315 |
| Total assets | 20,871 | 10,722 | 1,406 | 3,468 | 2,142 | 2,474 | 41,083 |
| Total liabilities | 24,170 | 10,616 | 1,527 | 3,639 | 2,069 | 2,129 | 44,150 |
| Excess | - 3,299 | 106 | - 121 | - 171 | 73 | 345 | - 3,067 |

2.4 Derivative Financial Instruments

A. Financial Derivatives

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

| TYPES OF DERIVATIVES/ UNDERLYING ASSETS | 31.12.2011 | | 31.12.2010 | |
|--|---------------------|---------------------------|---------------------|---------------------------|
| | OVER THE COUNTER | CENTRAL COUNTERPARTIES | OVER THE COUNTER | CENTRAL COUNTERPARTIES |
| 1. Debt securities and interest rates | 20,000 | - | 45,000 | - |
| a) Options | | | | |
| b) Swaps | 20,000 | | 45,000 | |
| c) Forwards | | | | |
| d) Futures | | | | |
| e) Other | | - | | - |
| 2. Equity securities and equity indices | - | - | 1,430 | - |
| a) Options | - | - | 1,430 | - |
| b) Swaps | | | | |
| c) Forwards | | | | |
| d) Futures | | | | |
| e) Other | | | | |
| 3. Currencies and gold | 22,706 | - | 15,650 | - |
| a) Options | | | | |
| b) Swaps | | | | |
| c) Forwards | 22,706 | | 15,650 | |
| d) Futures | | | | |
| e) Other | | | | |
| 4. Goods | - | - | - | - |
| 5. Other underlying assets | - | - | - | - |
| Total | 42,706 | - | 62,080 | - |

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

| PORTFOLIO/TYPE OF DERIVATIVES | POSITIVE FV 2011 | | POSITIVE FV 2010 | |
|---|------------------|---------------------------|------------------|---------------------------|
| | OTC | CENTRAL COUNTERPARTIES | OTC | CENTRAL COUNTERPARTIES |
| A. Regulatory trading portfolio: | 695 | 2 | 199 | - |
| a) Options | - | 2 | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | 695 | - | 199 | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| B. Hedging portfolio | - | - | - | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| C. Banking portfolio – other derivatives | - | - | - | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| Total | 695 | 2 | 199 | - |

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

| PORTFOLIO/TYPE OF DERIVATIVES | NEGATIVE FV 2011 | | NEGATIVE FV 2010 | |
|---|------------------|---------------------------|------------------|---------------------------|
| | OTC | CENTRAL COUNTERPARTIES | OTC | CENTRAL COUNTERPARTIES |
| A. Regulatory trading portfolio: | 1,737 | - | 6,502 | - |
| a) Options | - | - | 73 | - |
| b) Interest rate swaps | 1,055 | - | 6,239 | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | 682 | - | 190 | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| B. Hedging portfolio | - | - | - | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| C. Banking portfolio – other derivatives | - | - | - | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| Total | 1,737 | - | 6,502 | - |

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

| CONTRACT OTHER THAN COMPENSATION AGREEMENTS | Government and central banks | Other public institutions | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|--|-------------------------------------|----------------------------------|--------------|----------------------------|----------------------------|--------------------------------|-----------------------|
| 1) Debt securities and interest rates | | | | | | | |
| - notional value | | | 20,000 | | | | |
| - positive fair value | | | | | | | |
| - negative fair value | | | 1,055 | | | | |
| - future exposure | | | 100 | | | | |
| Equity securities and equity indices | | | | | | | |
| - notional value | | | - | | | | |
| - positive fair value | | | | | | | |
| - negative fair value | | | - | | | | |
| - future exposure | | | - | | | | |
| 3) Currencies and gold | | | | | | | |
| - notional value | | | 12,402 | 889 | | 155 | 9,260 |
| - positive fair value | | | 431 | - | | 4 | 260 |
| - negative fair value | | | 292 | 29 | | 6 | 355 |
| - future exposure | | | 122 | 9 | | 1 | 92 |
| 4) Other values | | | | | | | |
| - notional value | | | | | | | |
| - positive fair value | | | | | | | |
| - negative fair value | | | | | | | |
| - future exposure | | | | | | | |

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

| LIABILITIES/ASSETS PORTFOLIO | UP TO 1 YEAR | OVER 1 YEAR, UP TO 5 YEARS | OVER 5 YEARS | TOTAL |
|--|---------------------|-----------------------------------|---------------------|---------------|
| A. Regulatory trading portfolio | 22,706 | 20,000 | - | 42,706 |
| A.1 Financial derivatives on debt securities and interest rates | - | 20,000 | - | 20,000 |
| A.2 Financial derivatives on equity securities and stock indices | - | - | - | - |
| A.3 Financial derivatives on exchange rates and gold | 22,706 | - | - | 22,706 |
| A.4 Financial derivatives on other valuables | - | - | - | - |
| B. Banking portfolio | - | - | - | - |
| B.1 Financial derivatives on debt securities and interest rates | - | - | - | - |
| B.2 Financial derivatives on equity securities and stock indices | - | - | - | - |
| B.3 Financial derivatives on exchange rates and gold | - | - | - | - |
| B.4 Financial derivatives on other valuables | - | - | - | - |
| Total at 31 December 2011 | 22,706 | 20,000 | - | 42,706 |
| Total at 31 December 2010 | 17,080 | 45,000 | - | 62,080 |

SECTION 3 - LIQUIDITY RISK

Exposure to liquidity risk derives from funding and lending transactions in the course of the Group's normal business, as well as from the presence of unquoted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to procure funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

The Group has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements). The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.

The Risk Management Service monitors that liquidity is properly managed in both the short and long term (structural liquidity) through an ALM system that allows for the detection of cash imbalances by maturity brackets, as well as through monitoring of an appropriate set of ratios.

The Internal Audit Service is responsible for third-tier controls on investment and fund-raising transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The Group has also implemented a Contingency Liquidity Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international finan-

cial; the portfolio is invested for a lesser amount into corporate issuers, with high credit ratings and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.

Moreover, the securities portfolio is characterised by a limited remaining average life.

The Group uses a maturity ladder to apply the guidelines set out in the new Prudential Supervisory provisions¹ governing the measurement of net financial position.

The maturity ladder permits an assessment of the balance of expected cash flows by comparing the assets and liabilities whose maturities fall within each individual time range. The maturity ladder permits the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or excess amounts) over the holding period considered.

Circular No. 263 of 27 December 2006, "New Prudential Supervisory Provisions Concerning Banks", as amended.

1. Breakdown of assets and liabilities by maturity

| ITEM/TIME-TO-MATURITY | ON DEMAND | OVER 1 DAY UP TO 7 DAYS | OVER 7 DAYS UP TO 15 DAYS | OVER 15 DAYS UP TO 1 MONTH | OVER 1 MONTH UP TO 3 MONTHS | OVER 3 MONTHS UP TO 6 MONTHS | OVER 6 MONTHS UP TO 1 YEAR | OVER 1 YEAR UP TO 5 YEARS | OVER 5 YEARS | INDEF. MATURITY | TOTAL |
|---|------------------|-------------------------|---------------------------|----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|----------------|-----------------|------------------|
| Cash assets | | | | | | | | | | | |
| A.1 Government securities | - | - | - | 49,952 | 250,329 | 202,153 | 163,803 | 1,284,946 | 263,950 | - | 2,215,133 |
| A.2 Other debt securities – listed | - | - | - | 33,405 | 89,529 | 55,696 | 110,654 | 413,955 | 87,411 | 3,505 | 794,155 |
| A.3 Other debt securities | - | - | - | - | - | - | - | - | - | - | - |
| A.4 UCIT units | 19,106 | - | - | - | - | - | - | - | - | - | 19,106 |
| A.5 Loans | - | - | - | - | - | - | - | - | - | - | - |
| - to banks | 269,982 | 9,253 | - | 10,000 | 40,000 | - | - | - | - | 10,341 | 339,576 |
| - to customers | 611,522 | 661 | 901 | 1,048 | 5,022 | 19,768 | 40,093 | 111,779 | 102,599 | - | 893,393 |
| Total | 900,610 | 9,914 | 901 | 94,405 | 384,880 | 277,617 | 314,550 | 1,810,680 | 453,960 | 13,846 | 4,261,363 |
| Cash liabilities | | | | | | | | | | | |
| B.1 Deposits | - | - | - | - | - | - | - | - | - | - | - |
| - from banks | 1,259 | - | - | - | 349 | 9,733 | 300,696 | 200,000 | - | - | 512,037 |
| - from customers | 2,496,090 | 140,086 | - | - | 329 | 30,501 | 172,881 | - | - | - | 2,839,887 |
| B.2 Debt securities | - | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | 53,580 | 4,987 | 69,501 | 12,786 | 166,668 | 252,940 | 136,865 | 24,304 | - | - | 721,631 |
| Total | 2,550,929 | 145,073 | 69,501 | 12,786 | 167,346 | 293,174 | 610,442 | 224,304 | - | - | 4,073,555 |
| Off-balance sheet transactions | | | | | | | | | | | |
| CO.1 Financial Derivatives with capital swap. | - | - | - | - | - | - | - | - | - | - | - |
| - long positions | - | 11,578 | 310 | 2,297 | 16,562 | 3,865 | 2,129 | 89,473 | 181 | - | 126,395 |
| - short positions | - | 15,753 | 9,559 | 34,986 | 57,722 | 3,865 | 2,129 | 1,472 | 229 | - | 125,715 |
| C.2 Financial Derivatives with capital swap | - | - | - | - | - | - | - | - | - | - | - |
| - long positions | 2 | - | - | - | - | - | - | - | - | - | 2 |
| - short positions | 1,055 | - | - | - | - | - | - | - | - | - | 1,055 |
| C.3 Deposits and loans receivable | - | - | - | - | - | - | - | - | - | - | - |
| - long positions | - | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitment to dispense funds | - | - | - | - | - | - | - | - | - | - | - |
| - long positions | - | - | - | - | 220 | - | - | 1,393 | 72 | - | 1,685 |
| - short positions | 1,685 | - | - | - | - | - | - | - | - | - | 1,685 |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | 248 | - | - | 248 |
| Total | 2,742 | 27,331 | 9,869 | 37,283 | 74,504 | 7,730 | 4,258 | 92,586 | 482 | - | 256,785 |

SECTION 4 – OPERATING RISKS

The exposure to operating risks across the various legal entities in the Group is closely linked to the type and volume of business conducted as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly financial advisors) and the direct involvement of all employees in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, inter alia, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.

The Group has established an operating risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of operating risk.

The Internal Auditing function supervises the regular conduct of the Group's operations and processes and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The functions dealing with Organisation and IT guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Group and, if necessary, implements measures to guarantee a higher general level of security.

The Risk Management function identifies and assesses the operational risks inherent in business processes (risk assessment and scoring), measures the impact of operational losses (Loss Data Collection process) and monitors the action plans adopted to mitigate material risks.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

Moreover, 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.

PART F – INFORMATION ON NET EQUITY

SECTION 1 – NET EQUITY

A. Qualitative Information

The Banca Generali Group's capital management strategy aims to ensure that the capital and ratios of Banca Generali and the banks and financial companies it controls are consistent with its risk profile and regulatory requirements.

Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the Bank of Italy.

Such rules require that banks maintain a certain level of capital for regulatory purposes, which is separate from the net equity stated in the financial statements. Regulatory capital requirements are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Moreover, the ratio of regulatory capital to risk-weighted assets must be at least 8%; the Bank of Italy verifies compliance with these requirements every six months.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information. The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Lastly, when each corporate action is undertaken, capital adequacy is evaluated and any measures to be taken in relation to net equity and/or the balance sheet aggregates that affect minimum capital requirements are identified.

B. Quantitative Information

Group net equity at 31 December 2011 amounted to 262.4 million euros, a 18.8 million euros decrease compared to the previous year due to the following changes:

| | GROUP | THIRD PARTIES | COMPREHENSIVE |
|--|----------------|---------------|----------------|
| Net equity at year-start | 274,598 | 6,621 | 281,219 |
| Dividend paid | -61,327 | -6,400 | -67,727 |
| Previous stock option plans: issue of new shares | 3,110 | 0 | 3,110 |
| New stock option plans | 1,097 | 0 | 1,097 |
| Other changes | -23 | 0 | -23 |
| Change in AFS reserves | -32,629 | 0 | -32,629 |
| Consolidated net profit | 73,419 | 3,955 | 77,374 |
| Net equity at year-end | 258,245 | 4,176 | 262,421 |
| Changes | -16,353 | -2,445 | -18,798 |

Net equity also includes minority interests amounting to 4.2 million euros, including net profit for the year of 3.9 million euros and net of 2.6 million euros disbursed as advance dividend.

B.1 Consolidated net equity: breakdown by type of company

| (€ thousand) | BANKING GROUP | INSURANCE COMPANIES | OTHER COMPANIES | CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES | TOTAL |
|---|------------------|------------------------|--------------------|--|----------------|
| 1. Share capital | 111,676 | 0 | 0 | 0 | 111,676 |
| 2. Additional paid-in capital | 3,231 | 0 | 0 | 0 | 3,231 |
| 3. Reserves | 126,729 | 0 | 0 | 0 | 126,729 |
| 4. Equity instruments | 0 | 0 | 0 | 0 | 0 |
| 5. (Treasury shares) | -248 | 0 | 0 | 0 | -248 |
| 6. Valuation reserves | -56,341 | 0 | 0 | 0 | -56,341 |
| - Financial assets available for sale | -56,341 | 0 | 0 | 0 | -56,341 |
| - Property and equipment | 0 | 0 | 0 | 0 | 0 |
| - Intangible assets | 0 | 0 | 0 | 0 | 0 |
| - Hedges of foreign investments | 0 | 0 | 0 | 0 | 0 |
| - Cash-flow hedges | 0 | 0 | 0 | 0 | 0 |
| - Exchange differences | 0 | 0 | 0 | 0 | 0 |
| - Non-current assets held for sale | 0 | 0 | 0 | 0 | 0 |
| - Actuarial gains (losses) from defined benefit plans | 0 | 0 | 0 | 0 | 0 |
| - Share of valuation reserves of investee companies valued at equity | 0 | 0 | 0 | 0 | 0 |
| - Special revaluation laws | 0 | 0 | 0 | 0 | 0 |
| 7. Net profit (loss) for the year attributable to the Group and minority interests | 77,374 | 0 | 0 | 0 | 77,374 |
| Total net equity | 262,421 | 0 | 0 | 0 | 262,421 |

B.2 Change in reserves from financial assets available for sale: breakdown

At year-end, reserves from AFS assets presented a negative value, net of the associated tax effect, of 56.3 million euros, and referred primarily to the debt securities segment.

The net negative reserves associated with government bonds amounted to 51.9 million euros, whereas the reserves associated with other types of issuers of debt securities stood at 4.3 million euros.

The latter amount includes 413 thousand 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). In accordance with IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

| ASSETS/VALUES | BANKING GROUP | | INSURANCE COMPANIES | | OTHER COMPANIES | | CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES | | TOTAL | |
|----------------------------------|------------------|------------------|---------------------|------------------|------------------|------------------|--|------------------|------------------|------------------|
| | POSITIVE RESERVE | NEGATIVE RESERVE | POSITIVE RESERVE | NEGATIVE RESERVE | POSITIVE RESERVE | NEGATIVE RESERVE | POSITIVE RESERVE | NEGATIVE RESERVE | POSITIVE RESERVE | NEGATIVE RESERVE |
| 1. Debt securities | 143 | 56,411 | | 0 | | 0 | | 0 | 143 | 56,411 |
| 2. Equity securities | 3 | 83 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 83 |
| 3. UCIT units | 11 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 4 |
| 4. Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total at 31 December 2011 | 157 | 56,498 | 0 | 0 | 0 | 0 | 0 | 0 | 157 | 56,498 |
| Total at 31 December 2010 | 263 | 23,975 | 0 | 0 | 0 | 0 | 0 | 0 | 263 | 23,975 |

B.3 Reserves from financial assets available for sale: changes

The net decrease in these reserves amounted to 32.6 million euros at 31 December 2011, up from the 22.1 million euros reported at the end of the previous year, and was due to the combined effects of:

- the mark to market of the carrying amount of the AFS portfolio (-54.7 million euros), largely attributable to the severe tension witnessed in the Italian sovereign debt segment in the fourth quarter;
- the reduction of pre-existing net negative reserves due to re-absorption in the profit and loss account through realisation and impairment (5.8 million euros);
- the positive tax effect associated with the above changes (+16.3 million euros).

| | (€ thousand) | | | | |
|---|-------------------|-----------|-----------------|-------------|----------------|
| | 31.12.2011 | | | | |
| | EQUITY SECURITIES | UCIT NEWS | DEBT SECURITIES | | TOTAL |
| | | AFS | FORMERLY AFS | | |
| 1. Amount at year-start | -1,761 | 0 | -21,038 | -913 | -23,712 |
| 2. Increases | 4,050 | 20 | 20,018 | 747 | 24,835 |
| 2.1 Fair value increases | 63 | 18 | 1,896 | | 1,977 |
| 2.2 Transfer to profit and loss of negative reserves | | | | | |
| due to impairment | 3,980 | 0 | 0 | 0 | 3,980 |
| due to disposal | 0 | 0 | 1,238 | 742 | 1,980 |
| 2.3 Other changes | 7 | 2 | 16,884 | 5 | 16,898 |
| 3. Decreases | 2,369 | 13 | 54,835 | 247 | 57,464 |
| 3.1 Fair value decreases | 2,066 | 7 | 54,626 | 0 | 56,699 |
| 3.2 Adjustments due to impairment | 0 | 0 | 0 | 0 | 0 |
| 3.3 Transfer to profit and loss of pos. reserves: due to disposal | 0 | 0 | 162 | 20 | 182 |
| 3.4 Other changes | 303 | 6 | 47 | 227 | 583 |
| 4. Amount at year-end | -80 | 7 | -55,855 | -413 | -56,341 |

SECTION 2 – NET EQUITY AND BANK SURVEILLANCE COEFFICIENTS

2.1 Capital for regulatory purposes

A. Qualitative Information

The Group's capital for regulatory purposes and capital ratios were calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IAS/IFRS, and bearing in mind the rules defined in the update to Circular Letter No. 155/91 relating to the "Instructions on Reporting Regulatory Capital and Capital Ratios".

The objective of the provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS. Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.

Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital.

Deductions from Tier 1 and Tier 2 capital include equity investments and other items (innovative capital instruments, hybrid capital instruments and subordinated assets) and the so-called "prudential filters".

The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes.

In particular, the aspects of the provisions that most affect Banca Generali Group include:

- for financial assets held for trading, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the result is a negative balance, it reduces Tier 1 capital; if it is positive, it contributes for 50% to Tier 2 capital.

Furthermore, any unrealised gains and losses on loans classified as available-for-sale are sterilised;

- for hedges, unrealised gains and losses on cash-flow hedges, which are recorded in a specific reserve, are sterilised; no filter is applied to fair-value hedges.

The **Instruction of 15 May 2010** partly changed the regulatory framework in that it introduced 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 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 AFS financial assets.

However, the election of this method, for which notice was given by 30 June 2010, 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.

In its notice of 31 March 2011, the supervisory authority also ordered the discontinuation of the use of the negative prudential filter introduced by **Notice of 11 March 2009** to achieve partial sterilisation of the long-term tax benefits deriving from the payment of substitute tax for goodwill pursuant to article 15 of Legislative Decree 178/2008.

In accordance with these instructions, in 2010 Banca Generali, when calculating its capital for regulatory purposes, 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.

As a result of the new regulation, as of financial year 2011 such filter has been removed.

1. Tier 1 Capital

Tier 1 capital includes paid-in share capital, issue premium, earnings and capital reserves, the net profit for the year, innovative and non-innovative equity instruments, net of treasury shares or units in portfolio, intangible assets, "other negative items", as well as any losses reported in the previous and current years, net of the application of positive/negative "prudential filters".

The Banca Generali Group's Tier 1 capital did not include any innovative or non-innovative equity instruments at year-end, whereas prudential filters consisted of negative reserves resulting from the measurement of available-for-sale financial assets according to the equity method.

2. Tier 2 Capital

Tier 2 capital includes valuation reserves, innovative and non-innovative equity instruments not included in Tier 1 capital, hybrid equity instruments, Tier 2 subordinated liabilities, net of non-performing loan projections due to country risk, and other negative items, net of positive/negative "prudential filters".

Banca Generali's year-end Tier 2 capital includes Tier 2 subordinated liabilities consisting of a subordinated loan, for a remaining amount of 32 million euros, granted by the German insurance subsidiary Generali Versicherung AG.

The loan was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.

The loan was contracted in the "schuldshain" contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.

The interest rate agreed upon is equal to the 12-month Euribor plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

3. Tier 3 Capital

Tier 3 capital includes subordinated liabilities that may not be calculated as part of Tier 2 capital and Tier 3 liabilities, net of the application of negative "prudential filters". This aggregate may only be used to cover market risk capital requirements – computed net of capital requirements for counterparty risk and settlement risk associated with the "regulatory trading book" – and up to a maximum of 71.4% of said market risk requirements.

The Banca Generali Group did not have Tier 3 capital at year-end.

B. Quantitative Information

Capital for regulatory purposes amounted to 236.5 million euros at 31 December 2011, on the basis of projected total dividends to be distributed of 62.7 million euros.

The increase in the aggregate of 11.2 million euros was due not only to the share of the net profit for the year allocated to the reserve (14.7 million euros), but also increases in capital caused by old and new stock-option plans (4.2 million euros), which allowed the redemption of the first tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros) to be offset in its entirety.

By contrast, the abolition of the negative prudential filter introduced to partially sterilise the long-term tax benefits arising from the goodwill redemption transactions undertaken pursuant to Article 15 of Legislative Decree 178/2008 was partly offset by the increase in negative AFS reserves.

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 | CHANGE | |
|--|----------------|----------------|----------------|---------------|
| | | | AMOUNT | % |
| Tier 1 capital | 204,862 | 185,634 | 19,228 | 10.36% |
| Tier 2 capital | 31,624 | 39,624 | -8,000 | -20.19% |
| Tier 3 capital | 0 | 0 | 0 | n.a |
| Total capital for regulatory purposes | 236,486 | 225,258 | 11,228 | 4.98% |
| Consolidated net equity | 262,421 | 281,219 | -18,798 | -6.68% |

Composition of Capital for Regulatory Purposes

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| TIER 1 CAPITAL | | |
| Share capital | 111,676 | 111,363 |
| Additional paid-in capital | 3,231 | 0 |
| Reserves | 126,729 | 107,877 |
| Net profit (loss) for the year | 77,374 | 86,351 |
| Dividends for pay-out | -62,680 | -65,352 |
| Total positive items | 256,330 | 240,239 |
| Treasury shares | -248 | -660 |
| Goodwill | -38,632 | -38,632 |
| Intangible assets | -8,139 | -9,879 |
| Total negative items | -47,019 | -49,171 |
| Prudential Tier 1 capital filters: | | |
| Negative fair value reserve for AFS debt securities | -4,000 | -884 |
| Negative fair value reserve for AFS equity securities | -73 | -1,760 |
| 50% net tax benefit redempt. of goodwill Re. Art 15 of Leg. Decree 185/09 | 0 | -2,414 |
| Total negative items | -4,073 | -5,058 |
| Total Tier 1 capital | 205,238 | 186,010 |
| 50% higher port. 10% in banks/SIMs | -376 | -376 |
| Total deductions | -376 | -376 |
| Total Tier 1 capital | 204,862 | 185,634 |
| TIER 2 CAPITAL | | |
| Valuation reserves | 0 | 0 |
| - Revaluation reserve | 0 | 0 |
| - Positive fair value reserve for AFS equity securities | 0 | 0 |
| Subordinated loan | 32,000 | 40,000 |
| Total positive items | 32,000 | 40,000 |
| Other negative items | 0 | 0 |
| Total negative items | 0 | 0 |
| Prudential filters of Tier 2 capital: | | |
| Other | 0 | 0 |
| Total positive filters | 0 | 0 |
| - Inapplicable portion (50%) of positive AFS reserve | 0 | 0 |
| - other negative items | 0 | 0 |
| Total negative filters | 0 | 0 |
| Total Tier 2 Capital | 32,000 | 40,000 |
| 50% higher port. 10% in banks/SIMs | -376 | -376 |
| Total deductions | -376 | -376 |
| Total Tier 2 Capital | 31,624 | 39,624 |
| TIER 3 CAPITAL | 0 | 0 |
| - subordinated liabilities (up to 50% of Tier 1 capital) | 0 | 0 |
| Excess capital compared to calculated amount | 0 | 0 |
| Total TIER 3 capital | 0 | 0 |
| TOTAL CAPITAL FOR REGULATORY PURPOSES | 236,486 | 225,258 |

Prudential Filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel Committee on the calculation of capital for regulatory purposes.

| | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| A. Tier 1 capital before application of prudential filters | 209,311 | 191,068 |
| B. Prudential Tier 1 capital filters: | -4,073 | -5,058 |
| B.1 Positive IAS/IFRS prudential filters (+) | 0 | 0 |
| B.2 Negative IAS/IFRS prudential filters (-) | -4,073 | -5,058 |
| C. Tier 1 capital before deductions | 205,238 | 186,010 |
| D Deductions from Tier 1 capital | -376 | -376 |
| E. TIER 1 capital (C - D) | 204,862 | 185,634 |
| F. Tier 2 capital before application of prudential filters | 32,000 | 40,000 |
| G. Prudential filters of Tier 2 capital: | 0 | 0 |
| G.1 Positive IAS/IFRS prudential filters (+) | 0 | 0 |
| G.2 Negative IAS/IFRS prudential filters (-) | 0 | 0 |
| H. Tier 2 capital before deductions | 32,000 | 40,000 |
| I. Deductions from Tier 2 capital | -376 | -376 |
| L. TIER 2 capital (H - I) | 31,624 | 39,624 |
| M. Items to deduct from total Tier 1 and Tier 2 capital | 0 | 0 |
| N. Capital for regulatory purposes (E+L-M) | 236,486 | 225,258 |
| O. TIER 3 capital | 0 | 0 |
| P. Capital for regulatory purposes, including TIER 3 (N+O) | 236,486 | 225,258 |

2.2. Capital Adequacy

A. Qualitative Information

Based on the supervisory instructions, Banca Generali's capital for regulatory purposes, since the bank is part of a banking group, must amount to at least 8% of its risk-weighted assets (total capital ratio) in relation to credit risk, which is evaluated based on the category of the counterparty, maturity, country risk and guarantees received.

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

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

Lastly, banks are required to set aside part of their regulatory capital to cover operating risk, which in the case of the banking group is calculated using the basic method set forth in Bank of Italy Circular No. 263 of 27 December 2006.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information.

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g. acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

B. Quantitative Information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority amounted to 147.3 million euros at year-end, marking an increase of 11.7 million euros compared to the previous year (+8.6%), owing not only to the increase in assets at risk, but also to the downgrade of Italian Republic's rating, which resulted in a deterioration of risk weightings for issuers associated with that index, and the increase in requirements for covering operating risk, calculated on the basis of the average net banking income for the previous three years.

The surplus with respect to the minimum capital requirements for risks set by the supervisory authority thus stood at 89.1 million euros, substantially in line (-0.5%) with to the margin reported at the end of 2010.

Total capital ratio reached 12.8% compared to the minimum capital ratio of 8% required by regulations.

| | 31.12.2011 | | 31.12.2010 | |
|---|----------------------|------------------|----------------------|------------------|
| | NON WEIGHTED AMOUNTS | WEIGHTED AMOUNTS | NON WEIGHTED AMOUNTS | WEIGHTED AMOUNTS |
| A. RISK ACTIVITY | 4,614,334 | 1,272,875 | 4,628,314 | 1,157,013 |
| A.1 Credit and counterparty risk | | | | |
| 1. Standardised method | 4,555,208 | 1,213,341 | 4,553,494 | 1,083,550 |
| 2. Internal rating method | 0 | 0 | 0 | 0 |
| 2.1 basic | 0 | 0 | 0 | 0 |
| 2.2 advanced | 0 | 0 | 0 | 0 |
| 3. Securitisation | 59,126 | 59,534 | 74,820 | 73,463 |
| B. REGULATORY CAPITAL REQUIREMENTS | | | | |
| B.1 CREDIT RISK | | 101,830 | | 92,561 |
| B.2 MARKET RISKS | | 7,861 | | 9,350 |
| 1. Standard methodology | X | 7,861 | X | 9,350 |
| 2. Internal models | X | 0 | X | 0 |
| 3. Foreign exchange risk | | 0 | | 0 |
| B.3 OPERATING RISK | X | 37,655 | X | 33,759 |
| 1. Basic method | X | 37,655 | X | 33,759 |
| 2. Standardised method | X | 0 | X | 0 |
| 3. Advanced method | X | 0 | X | 0 |
| B.4 OTHER PRUDENTIAL REQUIREMENTS | X | 0 | X | 0 |
| B.5 TOTAL PRUDENTIAL REQUIREMENTS | X | 147,346 | X | 135,670 |
| C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS | | | | |
| C.1 Risk-weighted assets | X | 1,841,825 | X | 1,695,875 |
| C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) | X | 11.12% | X | 10.95% |
| C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio) | X | 12.84% | X | 13.28% |

PART G – MERGERS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the banking group's goodwill are also stated in the interest of consistency of presentation.

SECTION 1 - TRANSACTIONS UNDERTAKEN DURING THE YEAR

In 2011 no business combination transactions were finalised.

SECTION 2 – TRANSACTIONS AFTER THE CLOSE OF THE PERIOD

In 2011, the subsidiary BG SGR spa underwent the following corporate reorganisation actions, which will be finalised in 2012:

- on **27 September 2011**, the board of directors of the company approved the resolution authorising the sale of the business unit responsible for collective asset management (BG Focus Funds) to the related party Generali Investments Italy SGR;
- on **14 December 2011**, the boards of directors of the above company and its Parent Company, Banca Generali, approved the plan for the merger of BG SGR into Banca Generali.

Both transactions are subject to the prior authorisation of the Bank of Italy and will become effective as of April 2012 and 1 September 2012, respectively.

Following the above transactions, the remaining activities of BG SGR, namely portfolio management, will be transferred to a specific specialised division of Banca Generali.

Following the sale of the fund management business unit, the activity of management under mandate of Alleanza Funds will also be terminated.

2.1 Sale of the Italian mutual fund business unit

All contractual relationships pertaining to the management of the three harmonised mutual funds (BG Focus Monetario, BG Focus Obbligazionario and BG Focus Azionario), with a total of 370 million euro in assets under management at 31 December 2011 (487 million euro at 31 December 2010), are attributable to the business unit sold.

The transaction is aimed at meeting the need for increased efficiency in the management of assets the volume of which has decreased, and for which economies of scale now appear insufficient to satisfy the requirements imposed by the asset management industry, as well as at allowing management of the tax credit claimed by the funds to be rationalised, with the resulting benefit for investors in the funds.

BG SGR will thus focus on individual portfolio management, through both direct investments in securities and funds, pursuing high standards both in terms of asset management, by aiming to offer direct or indirect access to the best management techniques and managers, and in terms of customer relationships, with the goal of achieving the highest possible customer satisfaction levels.

Banca Generali will nonetheless continue to distribute the asset management products associated with the business unit sold even after it is deconsolidated.

The total consideration agreed upon for the sale was 5.5 million euro, of which 0.3 million euro was attributable to the surplus of assets acquired over liabilities assumed, calculated according to the appraisal conducted by KPMG Advisory appended to the disclosure document drafted pursuant to Article 5 of Consob Resolution No. 17221 of 12 March 2010, published on 3 October 2011.

Since the sale qualifies as a transaction between entities under common control, to which IFRS 3 does not apply, the net capital gain of 3.8 million euro will be allocated to a net equity reserve.

Concurrently with the sale, it was also decided that BG SGR would cease to act as manager of the Alto family of funds, currently promoted by Generali Investments Italy SGR S.p.A. (and previously promoted by Fondi Alleanza SGR S.p.A. until 1 October 2011). At 31 December 2011, the assets associated with that management mandate amounted to 929 million euro.

In compliance with IFRS 5, in the consolidated balance sheet at 31 December 2011, the individually identifiable assets and liabilities associated with the business unit have been reclassified to "Non-current assets held

for sale or disposal groups” and “Liabilities associated with non-current assets held for sale or disposal groups,” respectively.

In a like manner, in the consolidated profit and loss account, income and expenses associated with the business unit sold have been reclassified to “Profit (Loss) on groups of assets held for sale, net of taxes.”

As required by IFRS 5, in order to ensure that the data are comparable, the comparative profit and loss account at 31 December 2010 and the associated Notes have also been restated according to the same criterion.

Upon reclassification, the business unit’s assets and liabilities were measured in accordance with applicable IASs/IFRSs. In addition, overall the business unit has been measured at the lesser of the carrying value and realisable value, net of selling costs.

The following table shows a reconstruction of the profit on the disposal group on the basis of the subsidiary’s financial statement figures.

The company’s balance sheet components and earnings results have been stated gross of infra-Group transactions.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|-----------------------|--------------|--------------|-------------|---------------|
| | | RESTATED | AMOUNT | % |
| Commission income | 6,673 | 9,192 | -2,519 | -27.4% |
| Commission expense | -3,082 | -4,590 | 1,508 | -32.9% |
| Other operating costs | -846 | -749 | -97 | 13.0% |
| Pre-tax result | 2,745 | 3,853 | -1,108 | -28.8% |
| Taxes | -910 | -1,280 | 370 | -28.9% |
| Total | 1,835 | 2,573 | -738 | -28.7% |

Commission income includes both the commissions paid by funds unitholders and the management commissions for the mandate received by Alleanza funds, which will terminate upon the sale of the business unit.

Commission expense refers to commissions remitted to the placement agents of the transferred funds and include charges to Banca Generali for a total amount of 2.2 million euros.

2.2 Merger of BG SGR into Banca Generali

This transaction is part of the process of rationalising the Banca Generali banking group following the approved sale of the collective asset management business unit discussed above.

The completion of this transaction, along with the simultaneous termination of the management arrangements for the Alto family’s funds, for which Generali Investments Italy SGR S.p.A is currently responsible, will entail (effective 1 October 2012) the loss by BG SGR of authorisation to provide collective asset management service.

Within this context, the choice to merge the corporate vehicle BG SGR into Banca Generali allows to grasp the opportunity to step up the efficiency of all services associated with the support and coordination of admin-

istrative, financial, corporate and human resources management activities that, although previously carried out by the Parent Company under special service agreements, required a use of resources typical of a company with all its own obligations.

From an organisational standpoint, the merger of BG SGR will be implemented by creating a division dedicated to portfolio management service within Banca Generali’s organisational structure, organised in such a way as to ensure that the unit responsible for management service will enjoy the required autonomy.

The transaction will not call for any capital increase by Banca Generali, as it already holds 100% of the share capital of the merging company. Once the required approval has been obtained from the competent supervisory authorities, the merger will enter into force on 1 September 2012, with effect for accounting and tax purposes retroactively from 1 January 2012.

Since this business combination qualifies as transaction between entities under common control, it will be accounted for in accordance with the principle of the continuity of the values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali’s 2011 financial statements and therefore will not have any effects on the consolidated financial statements of next year.

SECTION 3 - RETROSPECTIVE ADJUSTMENTS

No retrospective adjustments to business combinations carried out by the banking group in previous years were undertaken in 2011 pursuant to paragraphs 61 and B7 of IFRS 3.

The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

The banking group's goodwill amounted to 38.6 million euros at 31 December 2011, unchanged compared to 31 December 2010.

As a result, the Group's goodwill is as shown in the following table.

| (€ thousand) | 31.12.2011 | 31.12.2010 | CHANGE | |
|---------------------------|---------------|---------------|----------|-------------|
| | | | AMOUNT | % |
| Prime Consult and INA SIM | 2,991 | 2,991 | 0 | 0.0% |
| BG Fiduciaria SIM S.p.A. | 4,289 | 4,289 | 0 | 0.0% |
| Banca Del Gottardo Italia | 31,352 | 31,352 | 0 | 0.0% |
| Total | 38,632 | 38,632 | 0 | 0.0% |

In detail, the goodwill arising from the acquisition of the 100% equity investment in Banca del Gottardo Italia was recognised on the basis of the book values resulting from initial recognition in the consolidated financial statements of the common Parent Company, Assicurazioni Generali S.p.A. This value was determined on the basis of the Purchase Price Allocation (PPA) prepared by the Parent Company pursuant to IFRS 3 for the acquisition of the Swiss banking group Banca del Gottardo S.A. in 2008.

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified, pursuant to IFRS8, for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Goodwill is monitored by Banca Generali's central functions. In order to test such goodwill for impairment in accordance with IAS 36, the following CGUs have been defined within the private banking operating segment (Relationship Management CGU and Trust Management CGU), the Retail segment (Trust Management CGU and Prime Consult and INA Sim CGU) and the Corporate segment (Trust Management CGU).

1. Relationship Management CGU ("RM CGU")

The Relationship Management CGU ("RM CGU") refers to the part of the activity of Banca Generali's Private Banking Division, relating to the operations of the now merged Banca BSI Italia and Banca del Gottardo Italia, to which the goodwill arising from the acquisition is attributable in full.

This CGU, in view of the "confusion" arising following successive business merger and reorganisation operations, includes all Relationship Managers employed by Banca Generali.

The CGU's scope and future cash flows have been identified on the basis of the assets under management with the relationship managers, including management mandates received by BG SGR.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered.

Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of the hypothetical dividend flows that it is capable of generating prospectively over the chosen holding period.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the RM CGU were based on an extract of the banking group's 2012-

2014 forecast data. These data refer to the 2012-2014 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

The expected long-term growth rate after the explicit forecasting period employed to determine the terminal value was set at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at **11.3%**.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the RM CGU's carrying amount of **46.9 million euros**, the value obtained by applying the analytical method described above comes to a minimum of **63.2 million euros** and a maximum of **72.6 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 11.1%-11.6%% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

2. Trust Management CGU (TM CGU)

The Trust Management CGU (TM CGU) coincides substantially with the equity investment in BG Fiduciaria SIM. For the purposes of the application of IAS 36 in connection with IFRS 8, since the CGU in question is transversal to the operating segments identified for IFRS 8, cash flows were allocated between the Private Banking, Retail and Corporate segments according to AUM, thereby avoiding overlapping between segments. Since the profitability of the assets attributed to the three segments is similar and costs are also allocated on the basis of AUM, the fact that the TM CGU passed the impairment test means that the goodwill attributed to the Private Banking, Retail and Corporate segments also passed the test.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered.

Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of a company is a function of the dividend flows that it is capable of generating prospectively over the chosen holding period.

The empirical control method employed was the comparable market multiples method.

The earnings and cash flow projections for the TM CGU were drawn from the banking group's 2012-2014 forecast data. These data refer to the 2012-2014 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

The expected long-term growth rate after the explicit forecasting period employed to determine the terminal value was set at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at **12.0%**.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the TM CGU's carrying amount of **14.5 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **18.4 million euros** and a maximum of **19.7 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 11.7%-12.2%% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

3. Prime Consult and INA Sim CGU

The CGU "Prime Consult and INA Sim" ("CGU ex sim") refers to the part of the activity of Banca Generali's Retail Division, relating to the operations of the stock brokerage companies Prime Consult SIM Spa and INA SIM spa, merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered. Specifically, the following were used to determine value in use:

- the CGU's earnings and cash flow projections, supplemented by management analyses of specific aspects; the Banca Generali Group's forecast data are based on the 2012-2014 Economic and Financial Plan, as approved by the Board of Directors, and cash-flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information;

- analytical valuation methods based on the discounting of expected future cash flows (cash flow method);
- a fixed cost of capital of **11.3%**, constructed according to the Capital Asset Pricing Model;
- the terminal value determined according to the perpetual return method on the basis of growth rate of 2%.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the Prime Consult and INSA SIM CGU's carrying amount of **17.3 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **82.0 million euros** and a maximum of **93.6 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 11.1%-11.6%% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

PART H – TRANSACTIONS WITH RELATED PARTIES

PROCEDURAL ASPECTS

In implementation of CONSOB Regulation No. 17221 of 10 March 2010 and subsequent amendments, on 5 November 2010, Banca Generali Board of Directors – upon the favourable opinion of the Internal Control Committee – approved procedures that ensure transparency and substantial and procedural fairness of transactions with related parties (“Procedure for Related Party Transactions” or “Procedure”).

This Procedure, which has been fully implemented from 1 January 2011, establishes the criteria for identification of related parties, the investigative and deliberative rules for related party transactions and the subsequent disclosure obligations to the corporate boards and the market.

Based on CONSOB Regulations and the Procedure, the following parties are considered as Banca Generali’s related parties:

- subsidiaries of the banking group;
- the parent company Assicurazioni Generali, its subsidiaries (companies subject to common control) and pension funds established for the benefit of Generali Group employees;
- Key management personnel of the Bank and the parent company Assicurazioni Generali (key managers), close relatives of the above personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Group are also considered related parties.

With specific regard to key managers, the following persons have been designated as such:

- directors, statutory auditors, the General Manager, the Vice Deputy General Manager and the other Deputy General Manager of Banca Generali, as well as persons holding similar positions at the Group’s subsidiaries;
- representatives of the parent company identified as such in the corresponding procedure regarding transactions with related parties adopted by that company.

The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- Highly significant RP Transactions – that is transac-

tions exceeding the threshold of 5% of at least one of the significance indicators provided by CONSOB Resolution No. 17221, reduced to 2.5% for transactions carried out with a parent company that is listed on regulated markets or with undertakings thereto related which are in turn related to the Company – must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee.

- (i) Moderately Significant RP Transactions – falling short of the threshold defining Highly Significant RP Transactions – must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions.
- Transactions for modest amounts, the value of which, determined in accordance with CONSOB resolution, shall not exceed the threshold of 500,000 euros (350,000 euros for unsecured loans) are excluded from the regulation on approval and disclosure.

On the basis of the indicator consisting of the consolidated regulatory capital, the threshold of highly significant transactions currently stands at around 11.8 million euros, reduced to 5.9 million euros for transactions with the parent company Assicurazioni Generali and the latter’s related entities.

In addition to transactions for modest amounts, in accordance with CONSOB Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- share-based remuneration plans approved by the General Shareholders’ Meeting within the meaning of Article 114-bis of the TUF, and related implementing transactions;
- resolutions regarding the remuneration of directors entrusted with specific tasks other than that determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of key management personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
- Ordinary Transactions and any and all related financial activities, falling within the category of transfers of resources concluded at arm’s-length or standard terms, in the normal course of day-to-day business

operations – including, with regard to transactions to be effected through subsidiaries within the meaning of Article 2359 of the Italian Civil Code, the day-to-day business operations of the latter;

- transactions with or between Subsidiaries and Associates, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

1. Disclosure of Directors and Executives Compensation

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

| 31.12.2011 | | | | |
|---|--------------|------------|--------------------------|--------------|
| | DIRECTORS | AUDITORS | KEY MANAGEMENT PERSONNEL | TOTAL |
| Short-term benefits (current comp. and social security charges) (1) | 1,980 | 184 | 3,768 | 5,932 |
| Post-employment benefits (2) | 200 | 0 | 569 | 769 |
| Other long-term benefits (3) | 789 | 0 | 1,284 | 2,073 |
| Severance indemnities (4) | 0 | 0 | 0 | 0 |
| Share-based payments (5) | 0 | 0 | 0 | 0 |
| Total | 2,969 | 184 | 5,621 | 8,774 |

(1) Includes current remuneration and social security charges payable by the company and short-term benefits

(2) Includes the company's pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations

(3) Includes 40% of the bonus with access gate

(4) Includes charges for early retirement incentives

(5) Includes the cost of stock option plans determined based on IFRS 2 criteria and recorded in the financial statements

The table presents the total expenses recognised in the profit and loss account presented in the consolidated annual financial statements on the basis of the application of international accounting principles (IASs/IFRSs). It therefore also includes the social security charges for which the Company is liable, the allocation to the provision for post-employment benefits, the expenses associated with stock-option plans determined in accordance with IFRS 2 and the estimate of productivity bonuses accrued during the year on the basis of the provisions of the remuneration policy.

It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other Group companies.

In further detail, the item "Other long-term benefits" includes the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the Banking Group's new remuneration policy. That item also includes the charge to profit and loss accrued during the year in connection with the Long-Term Incentive Plan, calculated on the basis of best estimate procedures in relation to expectations

concerning the achievement of the objectives set.

For a more detailed analysis of these incentives, the reader is referred to Part A of these Explanatory Notes and the document concerning remuneration policies drafted pursuant to CONSOB Resolution No. 18049 of 23 December 2011.

2. Disclosure of Related Party Transactions

Highly significant transactions or transactions of an atypical and unusual nature

In 2011 the Banking Group did not carry out any transactions qualifying as "highly significant", unusual, entered into at non-market or standard conditions which, in accordance with the Procedure on Related Party Transactions, would have been subject to market disclosure and the obligation of publishing an information memorandum, except the following ones:

- on 27 September 2011, the board of directors of the subsidiary BG SGR approved the resolution authorising the sale of the business unit responsible for collective asset management (BG Focus Funds) to the

related party Generali Investments Italy SGR;

- on 14 December 2011, the boards of directors of the above company and its parent, Banca Generali, approved the plan for the merger of BG SGR into Banca Generali.

For information concerning the sale of the business unit to the subsidiary Generali Investments Italy SGR, the reader is referred to the disclosure document drafted pursuant to Article 5 of CONSOB Resolution No. 17221 of 12 March 2010, made public on 3 October 2011.

The merger by absorption of BG SGR is considered a related party transaction pursuant to CONSOB Resolution No. 17221 of 12 March 2010 and the related party procedure adopted by Banca Generali inasmuch as it is between Banca Generali and a subsidiary. However, in application of Article 8 of the Procedure and Article 14 of the CONSOB Rules and Procedures, the above transaction meets the conditions for exclusion from the application of the procedures for related party transactions set out therein.

It should be noted that the obligation to draft the disclosure document provided for in Article 70 of the Rules for Issuers does not apply to the above transaction inasmuch as that transaction does not exceed the significance threshold set out in Annex 3B to those Rules.

Other information concerning the aforementioned reorganisation transactions within the banking group is provided in Part G of these Explanatory Notes.

In addition, Banca Generali did not undertake transactions “of an atypical or unusual nature” of a sort that would have had “effects on the safeguarding of the company assets, the protection of minority shareholders or the completeness and accuracy of information, including accounting information, concerning the issuer” with either related parties or entities other than related parties.

Other Significant Transactions

During 2011, no transactions were approved qualifying as “moderately significant” transactions, which are subject to the prior binding opinion of the Internal Control Committee, nor any other ordinary individual transactions carried out on an arm’s length basis, qualifying as “highly significant” transactions, subject to disclosure to the Supervisory Authority, except the following transactions.

On 14 December 2011 the temporary credit facility of up to 60 million euros granted to Generali Bank AG for interbank transactions was extended through 31 December 2012.

Ordinary or Recurring Transactions

As part of its normal business operations, Banca Generali Group has numerous financial and commercial relationships with the companies previously defined as related parties.

Such relationships are normally established under market conditions and on the basis of assessments of mutual expediency in accordance with the internal procedures cited above.

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 product, as well as banking products and services.

Finally, as part of its normal operations, the Banking 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 2011.

In 2011 there were no provisions for doubtful loans relating to current balances with related parties, nor were there losses bad debts.

Intra-group related party transactions are not included in this report, since they are eliminated on consolidation.

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

2.1 Balance Sheet Data

| (€ thousand) | Parent Company Assicurazioni Generali | AG Group subsidiaries | Other related parties | 31.12.2011 | 31.12.2010 | % weight % 2011 |
|---|---|--------------------------|-----------------------------|----------------|----------------|--------------------|
| Financial assets held for trading | 183 | 0 | 0 | 183 | 226 | 0.52% |
| AFS financial assets | 530 | 1,279 | 0 | 1,809 | 1,936 | 0.14% |
| Financial assets held to maturity | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Loans to customers | 20,636 | 23,634 | 1,967 | 46,237 | 43,407 | 4.76% |
| Loans to banks | 0 | 51,537 | 0 | 51,537 | 37,842 | 10.02% |
| Property, equipment and intangible assets | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Tax assets (AG tax consolidation) | 12,022 | 0 | 0 | 12,022 | 26,753 | 15.60% |
| Other assets | 376 | 143 | 0 | 519 | 1,771 | 0.32% |
| Financial assets held for sale | 0 | 224 | 0 | 224 | 0 | 33.19% |
| Total assets | 33,747 | 76,817 | 1,967 | 112,531 | 111,935 | 2.47% |
| Due to banks | 0 | 30,284 | 0 | 30,284 | 31,434 | 2.83% |
| Due to customers | 265,957 | 585,547 | 2,426 | 853,930 | 818,643 | 28.07% |
| Financial liabilities held for trading | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Tax payables | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Other liabilities | 372 | 296 | 0 | 668 | 688 | 0.79% |
| Financial liabilities held for sale | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Total liabilities | 266,329 | 616,127 | 2,426 | 884,882 | 850,765 | 19.45% |
| Guarantees issued | 0 | 3,244 | 0 | 3,244 | 3,029 | 9.24% |

2.1.1 Equity Transactions with Assicurazioni Generali Group

The overall exposure to the parent company Assicurazioni Generali, its subsidiaries and associates amounted to 110.6 million euros, or 2.4% of total assets. The overall debt position instead reached 882.5 million euros, corresponding to 19.4% of assets.

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

shareholdings in subsidiaries of the Generali insurance group refer to a 15% stake in Simgenia Sim and to the shares held in consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services).

Loans to banks of the Generali Group amounted to 51.5 million euros and refer to the following transactions.

| COMPANY | RELATIONSHIP | TYPE OF TRANSACTION | 31.12.2011 | |
|------------------|------------------|------------------------|---------------|------------|
| | | | AMOUNT | REVENUES |
| Generali Bank AG | Controlled by AG | Term deposits | 50,090 | 776 |
| BSI SA | Controlled by AG | Currency deposits | 1,447 | 85 |
| Total | | | 51,537 | 861 |

The exposure to Generali Bank was entirely made up of time deposits maturing within the financial year. Currently, Generali Bank has already been granted a credit line by Banca Generali of 40 million euros with an indefinite maturity (callable loan) and for an additional amount of 60 million euros, expiring instead on 31 December 2012.

Exposure to Banca BSI SA consists of the positive balances of foreign currency accounts held with BSI SA and used to cover debt positions in foreign currency held with customers.

Exposures to Generali Group companies recognised as loans to customers, including assets held for sale, amounted to 44.5 million and refer to the following transactions:

| COMPANY | RELATIONSHIP | TYPE OF TRANSACTION | 31.12.2011 | |
|--------------------------------------|----------------------------|-------------------------------------|---------------|--------------|
| | | | AMOUNT | REVENUES |
| Assicurazioni Generali | Parent Company | Gesav policy | 20,584 | 1,026 |
| Citylife srl | Subsidiary of the AG Group | Grant to BT in current account | 6,667 | 245 |
| Investimenti marittimi | Associate of the AG Group | Grant to MLT in current account | 10,369 | 300 |
| Generali Factoring spa | Subsidiary of the AG Group | Loan facility in current account | 0 | 14 |
| Genertellife | Subsidiary of the AG Group | Policy placement | 6,049 | 0 |
| Other companies | Subsidiary of the AG Group | Operating loans | 825 | 0 |
| Other exposures with Group companies | Subsidiary of the AG Group | Temporary current account exposures | 0 | 5 |
| Total | | | 44,494 | 1,590 |

Amounts due from parent company recognised as tax assets correspond to tax losses, withholding taxes and other tax credits transferred by the banking group companies to Assicurazioni Generali for the purposes of the domestic tax consolidation activated by the latter. This position is part of the broader credit position of the Generali Group against Tax authorities and is dependent upon the timing of its reversal. During the first half of 2011 Assicurazioni Generali repaid an amount of 10 million euros.

Amounts due to customers attributable to related party transactions involving current accounts, term deposits and repurchase agreements totalled 851.5 million euros. Of this amount, 265.9 million was due to the Parent Company and are mainly comprised of current account deposits. At the end of 2011, however, there was also a term deposit of the subsidiary Flandria amounting to 140 million euros. The above item also includes the subordinated loan granted by Generali Versicherung in the remaining amount of 32.4 million euros, gross of the interest accrued.

Amounts due to banks of the insurance group, consisted for 20.1 million euros of deposits made by BSI SA as collateral for certain impaired loans resulting from the acquisition of Banca del Gottardo Italia (collateral deposits), while the residual amount consisted of the negative balance of foreign exchange deposits with the same counterparty and trade payables.

Finally, a total of 3.2 million euros in guarantees has been issued for Generali Group companies, of which 2.5 million euros on behalf of Citylife.

2.1.2 Equity transactions with other Related Parties

Exposures to key managers of the banking group and its parent, Assicurazioni Generali, totalled 2.0 million euros.

This refers in particular to residential mortgage loan transactions carried out under the same conditions as those applied to other managers of the banking and insurance group.

Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the banking and insurance group.

The other related parties include the close family members of key managers and entities subject to significance influence by such persons. In this regard, it should be noted that there were no exposures to such parties.

| (€ thousand) | KEY MANAGEMENT PERSONNEL |
|---------------------|-----------------------------|
| Loans to customers | 1,967 |
| Due to customers | 2,426 |
| Guarantees issued | |
| Guarantees received | |

2.2 Profit and Loss Account Data

| (€ thousand) | Parent Company Assicurazioni Generali | AG Group subsidiaries | 31.12.2011 | 31.12.2010 | % weight % 2011 |
|--|---|--------------------------|----------------|----------------|--------------------|
| Interest income | 1,028 | 1,423 | 2,451 | 1,645 | 3.09% |
| Interest expense | -2,787 | -6,682 | -9,469 | -5,510 | 31.38% |
| Net interest income | -1,759 | -5,259 | -7,018 | -3,865 | -14.31% |
| Commission income | 202 | 64,711 | 64,913 | 76,974 | 18.51% |
| Commission expense | 0 | -6,422 | -6,422 | -17,614 | 3.95% |
| Net commissions | 202 | 58,289 | 58,491 | 59,360 | 31.12% |
| Dividends | 35 | 0 | 35 | 20 | 0.04% |
| Gain (loss) on trading | 0 | 0 | 0 | 0 | 0.00% |
| Operating income | -1,522 | 53,030 | 51,508 | 55,515 | 21.14% |
| General and administrative expense | -3,527 | -11,957 | -15,484 | -15,085 | 19.71% |
| Staff expenses | 132 | 426 | 558 | 395 | -0.86% |
| Net adjustments of property, equipment and intangible assets | 0 | 0 | 0 | 0 | 0.00% |
| Other net operating profit | 0 | 222 | 222 | 241 | 2.56% |
| Net operating expense | -3,395 | -11,309 | -14,704 | -14,449 | 10.60% |
| Operating profit | -4,917 | 41,721 | 36,804 | 41,066 | 35.07% |

In the previous table, income and charges towards related parties associated with the transferred business unit have been included into the original items.

2.2.1 Profit and loss relationships with Generali Group companies

At 31 December 2011 the profit and loss components recognised in the financial statements with regard to transactions with companies of the Generali Group amounted to 39.0 million euros, that is 37.2% of operating profit.

Overall net interest accrued in dealings with members of the group is negative and amounted to -7.0 million euros, with interest expense paid to such companies (9.5 million euros) accounting for 31.4% of the total item recognised in the profit and loss account.

Within that item, the interest expense paid to Generali Versicherung in connection with the subordinated loan granted amounts to 1.6 million euros, 7.2 million euros

is associated with the interest on funding contributed by customers consisting of Generali Group companies and the remaining 0.7 million euros refers to interest accrued on the collateral deposits of BSI S.A.

Commission income paid back by companies of the insurance group amounted to 64.9 million, equal to 18.5% of the aggregate amount and was broken down as follows:

| | 31.12.2011 |
|------------------------------------|---------------|
| Commissions for asset management | 2,323 |
| Distribution of insurance products | 62,590 |
| Total | 64,913 |

In the distribution of insurance products, commissions retroceded refer mainly to ongoing dealings with Genertellife.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the banking group but do not fall within the IAS 24 perimeter. The fees for such services, which amounted to 3.4 million euros, are normally charged directly against the UCITS' assets. The fees concerned refer mainly to the activity of Generali Investments Italy SGR.

The net operating costs reported by the bank in relation to transactions with related parties of the Generali Group amounted to 14.7 million euros and refer for 10.6% to outsourced services in the insurance, leasing, administrative and information technology sector.

| | 31.12.2011 |
|---|-------------------|
| Insurance services | 2,914 |
| Property services | 4,420 |
| Administration, IT and logistics services | 7,783 |
| Financial services | 145 |
| Staff services | -558 |
| Total administrative expense | 14,704 |

The administrative expenses incurred in relation to the parent company, Assicurazioni Generali, amounted to 3.4 million euros, of which 3.0 million euros refer to insurance services and the remainder primarily to rentals for property leases.

Among the other companies of the insurance group, information technology, administration and logistics services rendered by Generali Business Solution Srl (GBS) on the basis of existing outstanding contracts amount to 7.2 million euros.

The cost of property services relating to the lease of office, branch network and the bank's operating outlet premises refers mainly to Generali Properties (2.7 million euros), whereas the remainder pertains to a large number of other group companies.

Direction and Coordination

Pursuant to Article 2497-bis of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of this company's latest Financial Statements is reported hereunder.

2010 HIGHLIGHTS OF ASSICURAZIONI GENERALI

| (€ million) | FY 2010 |
|--|----------------|
| Net profit | 633.8 |
| Aggregate dividend | 700.6 |
| Increase | 28.6% |
| Total net premiums | 8,731.4 |
| Total gross premiums | 9,617.5 |
| Total gross premiums from direct business | 7,114.0 |
| Change on equivalent terms (a) | 1.3% |
| Total gross premiums from indirect business | 2,503.5 |
| Change on equivalent terms (a) | 6.9% |
| Acquisition and administration costs | 1,273.1 |
| Expense ratio (b) | 14.6% |
| Life Segment | |
| Life net premiums | 5,499.0 |
| Life gross premiums | 5,689.6 |
| Change on equivalent terms (a) | 3.7% |
| Life gross premiums from direct business | 3,867.6 |
| Change on equivalent terms (a) | 3.2% |
| Life gross premiums from indirect business | 1,822.0 |
| Change on equivalent terms (a) | 4.9% |
| Life acquisition and administration costs | 574.4 |
| Expense ratio (b) | 10.4% |
| Non-life Segment | |
| Non-life segment net premiums | 3,232.4 |
| Non-life gross premiums | 3,927.9 |
| Change on equivalent terms (a) | 1.1% |
| Non-life gross premiums from direct business | 3,246.4 |
| Change on equivalent terms (a) | -0.4% |
| Non-life gross premiums from indirect business | 681.5 |
| Change on equivalent terms (a) | 12.8% |
| Non-life acquisition and administration costs | 698.7 |
| Expense ratio (b) | 21.7% |
| Loss ratio (c) | 77.5% |
| Combined ratio (d) | 99.2% |
| Current financial result | 2,504.4 |
| Technical provisions | 40,689.1 |
| Life segment technical provisions | 33,898.0 |
| Non-life segment technical provisions | 6,791.1 |
| Investments | |
| Capital and reserves | 14,324.8 |

(a) At constant exchange rates

(b) Ratio of administrative expense to total premiums

(c) Ratio of accrued claims to accrued premiums

(d) Total (b) + (c).

The highlights of the parent company Assicurazioni Generali S.p.A shown above were taken from the company's financial statements for the year ended 31 December 2010. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm entrusted by Banca Generali.

PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

A. QUALITATIVE INFORMATION

Payment Agreements Based on Own Equity Instruments

At 31 December 2011 the payment agreements based on own equity instruments activated by Banca Generali consisted of:

- two stock-option plans, one for Financial Advisors and the other for certain of the Group's directors relating to Banca Generali's listing on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A., approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two stock-option plans reserved respectively for Financial Advisors and Network Managers and Relationship Managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010;
- a stock-option plan approved by Banca BSI Italia on 19 January 2007 for the company's then-Chairman, inherited through the merger with the company, currently being executed.

The main features of the aforementioned plans are detailed below.

1. Stock Option Plans for Employees and Financial Advisors related to the listing

The stock-option plans approved by the Board of Directors on 24 May 2006, ratified by the extraordinary Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA, organised and managed by Borsa Italiana S.p.A., called for:

- the granting to employees of companies belonging to Banca Generali Group the issuance of a maximum amount of 1,113,130 new ordinary shares;
- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, the issuance of a maximum of 4,452,530 shares.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting had passed a resolution for a split-table capital increase, subject to the admission of the company's shares to trading on the electronic share market (MTA) for a maximum notional amount of 5,565,660,00 euros, through the issuance of a maximum of 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the MTA on 15 November 2006. On 15 December 2006, 4,452,530 options were assigned to Financial Advisors and 818,500 options to Group executives; the strike price of both sets of options was 9.046 euros.

The plans' rules and procedures called for advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). The plan called for a single three-year vesting period for managers, with the possibility of exercising the options over the following three years.

On 9 October 2009, Banca Generali's Board of Directors resolved to amend the plans' rules and procedures to include a three-year extension of the strike period of the options granted. That amendment was approved by the Shareholders' Meeting on 21 April 2010. Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for Financial Advisors - 31/03/2014;
- for employed managers - 15/12/2015.

All other plan conditions, from the strike price of 9.0 euros per share, to the obligation to reinvest 50% of capital gains in Banca Generali shares and retain said shares for at least 12 months, remain unchanged.

During 2011, 313,433 options were exercised, of which 87,000 were exercised by salaried managers. In addition, 34,450 options were cancelled due to termination of the agreements with the Financial Advisors to whom they had been assigned.

At the end of 2011, the options assigned under the plan for employees of banking group companies therefore totalled 736,500, whereas the option rights granted to Financial Advisors stood at 2,163,503.

1.1 Accounting effects of the extension of the stock-option plans

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 financial statements, in which the transactions concerned were originally recognised.

At present, since the vesting period has concluded, the above plans have entered a purely executive phase, resulting in accounting effects on equity, analysed in Section B below, solely in relation to the exercise of vested option rights by beneficiaries.

2. Rules for the Stock Option Plan for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010

The stock-option plans approved by the Shareholders' Meeting on 21 April 2010 called for:

- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers of a maximum of 2,300,000 shares to be issued;
 - the granting to Banca Generali's Relationship Managers of a maximum amount of 200,000 ordinary shares to be issued;
- the assignment of options by 30 June 2011, after having verified that overall and individual targets for the development of inflows by 31 December 2010 have been reached;
 - the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

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

The following is a summary of the salient characteristics of the plans in question.

| | |
|--|--|
| RECIPIENTS | <p>1) Financial advisors under standard agency agreements at 1 July 2009, provided not on notice;</p> <p>2) Financial advisors engaged after the end of the Reference Period;</p> <p>3) the Network Managers on whom the Company conferred as of 1 July 2009, a specific additional appointment as Sales Manager for Italy, Area Manager, Private Banking Manager or District Manager, provided that the said additional appointment is not revoked and continues to remain in full force and effect through to the expiry of the Reference Period.</p> <p>3) any and all employees still in the service of Banca BSI Italia as Relationship Managers or Unit Coordinators of Relationship Managers, and not placed on notice of termination as of 30 September 2009.</p> |
| PERFORMANCE CONDITIONS | <p>Granting of the Options to the Plan Recipients is contingent upon the satisfaction of:</p> <ul style="list-style-type: none"> • overall net inflow targets set by the Board of Directors at 2.0 billion euros for 2010; • individual net inflow targets set by the Plan's Management Committee. <p>Individual targets call for a minimum net inflow access threshold, above which the options granted are proportional to the net inflow level achieved.</p> <p>Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be assigned, an allotment will be conducted.</p> |
| REFERENCE PERIOD AND MEASUREMENT PARAMETERS | <p>The following must be considered for participation in the Plan:</p> <ol style="list-style-type: none"> 1. the net inflows achieved in the fourth quarter of 2009 and all of 2010 arising from application of the "Tax Amnesty"; 2. the remaining net inflows achieved in 2010, calculated according to the normal rules applicable to semi-annual incentive plans. |
| VESTING CONDITIONS | <p>The assigned Options shall be exercisable as follows:</p> <ul style="list-style-type: none"> - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2011; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2012; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2013; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2014; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2015; - the remaining one sixth of the Options, as of 1 July 2016. <p>The Rules and Procedures state that if the relationship between the Recipients/Grantees and the Company is terminated for any reason or the associated notice period is underway, the Recipient shall forfeit, effective immediately, the right to be granted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of Financial Advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010).</p> <p>In such case, only the options that have already become exercisable may be exercised.</p> |
| EXERCISE PERIOD | <p>The assigned Options must be exercised by 30 June 2017 at the very latest.</p> <p>The shares may be freely disposed of and are not subject to any restrictions.</p> |
| EFFECTIVE DATE OF THE PLAN | <p>The Plan shall take effect as soon as the Plan Management Committee identifies the Recipients of the Options, provided that, by such time:</p> <ul style="list-style-type: none"> • Banca Generali's General Shareholders' Meeting approves the capital increase covering the Plan; • the Board of Directors determines that the overall performance targets set during the session of the Board of Directors during which the financial statement results for 2010 are discussed have been met; • the Delegated Organ determines that the individual Recipients have, in fact, met the individual performance targets previously established. <p>The latter condition must be determined to have been satisfied by 15 May 2011 and the Options must be granted to the entitled parties by 30 June 2011.</p> |
| STRIKE PRICE | <p>The Strike Price of the Options represents the arithmetic mean of the Reference Prices of the Shares as quoted on the electronic share market (MTA) during the period between the date on which the Options were assigned, and the same day of the calendar month immediately preceding the aforesaid assignment date.</p> |

In this regard, it should be noted that the review of the achievement of the overall inflow goals was conducted by the Board of Directors on 14 March 2011, whereas the review of the achievement of the individual goals assigned to the various categories of recipients was conducted by the Plan Management Committee on 13 May 2011.

The option rights were effectively assigned to the entitled parties on 7 June 2011.

The exercise price of the shares was determined on the basis of the plans Regulations, based on the arithmetic mean of the reference price of "Banca Generali SpA ordinary shares" listed on the electronic share market (MTA) managed by Borsa Italiana SpA, in the period from the current date to the same day of the previous month, amounting to 10.7118 euros.

The first tranche of options, accounting for one-sixth of the total options assigned, became eligible for exercise effective 1 July 2011.

2.11 Measurement of fair value and accounting effects

Valuation of the stock option plan is based on the fair value of the options assigned, calculated with reference to the options final assignment date.

In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate assignment, with the determination of a specific fair value.

The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.

The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.

In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.

Considering the particular situation of market volatility that occurred during the option assignment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) and 30 June 2011, the date specified in the Rules and Procedures as the final deadline for assignment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.

Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

3. Stock Option Plans for the Subsidiary Banca BSI Italia's Top Management

On 19 January 2007, Banca BSI Italia's Board of Directors approved a stock-option plan for the bank's Chairman, who is not employed by the bank and was therefore not covered by the stock-option plan of the parent company reserved for managers employed by the Group.

The plan called for 60,000 options on shares of Banca Generali's ordinary stock to be granted effective 19 January 2007 at the strike price of 10.546 euros, the arithmetic mean of the listed prices of Banca Generali

shares on the MTA surveyed from the grant date of the rights to the same date of the previous solar month, with a three-year vesting period ending on 19 January 2010 and the possibility of exercise in one or more instalments during the following three years, or by 19 January 2013.

In service of the plan, Banca BSI Italia purchased 60,000 shares in its parent company, Banca Generali, on the market.

Following the merger with Banca BSI Italia, effective 1 January 2010, the plan beneficiary's employment was terminated for reasons not of said beneficiary's choosing. Accordingly, the plan vested under the surviving company, Banca Generali.

In 2011, the assignee exercised 40,000 option rights.

The value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 0.7 million euros.

That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares assigned, was added to the share premium reserve (3.2 million euros) pursuant to the supervisory authority's instructions (Circular No. 262/2005, paragraph 5, The Statement of Changes in Net Equity).

At the end of 2011, the IFRS 2 reserve associated with the old 2006 plans therefore stood at 7.6 million euros, of which 5.6 million euros may be attributed to the options assigned to Financial Advisors, whereas the reserve associated with the new plans totalled 1.0 million euros.

The total IFRS 2 equity reserve allocated at year-end and including the new plans amounted to 8.6 million euros.

B. QUANTITATIVE INFORMATION

The expenses recognised in profit and loss in 2011 in connection with the stock-option plans for Financial Advisors and salaried Relationship Managers authorised in 2010 totalled 1.0 million euros.

During 2011, owing to the favourable performance of the market price of Banca Generali stock in the first half of the year, 313,433 option rights deriving from the old 2006 stock option plans related to the listing were exercised, for a total amount of proceeds for the bank of 2.7 million euros.

| (€ thousand) | Top managers | Average prices | Financial Advisors | Average prices | Employed managers | Average prices | Total | Average prices | Average maturity |
|--|----------------|----------------|--------------------|----------------|-------------------|----------------|------------------|----------------|------------------|
| A. Amount at year-start | 60,000 | 10.00 | 2,424,386 | 9.00 | 823,500 | 8.78 | 3,307,886 | 8.97 | 2013-2015 |
| B. Increases | 0 | - | 2,300,000 | - | 200,000 | - | 2,500,000 | 10.71 | X |
| B.1 Newly issued shares | | | 2,300,000 | 10.71 | 200,000 | 10.72 | 2,500,000 | 10.71 | 2017 |
| B.2 Other changes | 0 | - | 0 | | 0 | 9.00 | 0 | - | X |
| C. Decreases | -40,000 | 10.00 | -269,260 | 9.00 | -87,000 | 9.00 | -396,260 | 9.11 | X |
| C.1 Cancelled | | | -42,827 | 9.00 | 0 | 9.00 | -42,827 | 9.00 | X |
| C.2 Exercised | -40,000 | 10.00 | -226,433 | 9.00 | -87,000 | 9.00 | -353,433 | 9.12 | X |
| C.3 Expired | | | | | | | 0 | - | X |
| C.4 Other changes | | | 0 | | 0 | | 0 | - | X |
| D. Amount at year-end | 20,000 | 10.00 | 4,455,126 | 9.89 | 936,500 | 9.17 | 5,411,626 | 9.76 | 2013-2017 |
| E. Options that can be exercised at the end of the year | 20,000 | - | 2,545,440 | - | 769,833 | - | 3,335,273 | - | X |
| Strike price | 0 | | 934 | | 81 | | 1,016 | | |
| IFRS 2 reserve | 55 | | 6,562 | | 2,021 | | 8,638 | | |

PART L – SEGMENT REPORTING

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions (so-called "management approach").

The banking Group identifies the following three main business areas:

- the Retail Channel, which refers to the total earnings generated for the Group by the network of Financial Advisors, most of whom are employed by Banca Generali, and their respective clients;
- the Private Channel, which refers to the total earnings generated for the Group by the network of Private Bankers and Relationship Managers, reporting to the "Banca Generali Private Banking Division" and by their respective clients;
- the Corporate Channel, which refers to the total earnings generated for the Group by the financial activities of the Finance Department and the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

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

Based on the periodical reports analysed by the Management, the Group assesses the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments.

The financial aggregates presented for each segment therefore consist of net interest, net commissions and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

It should be noted in this regard that internal revenues can be identified solely with reference to the interest margin; in fact, since net commissions are generated directly by volumes of gross deposits and Assets Under Management relating to the individual segments they are generated in full as external revenues.

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 of 1.18% at 31 December 2011 and 0.57% at 31 December 2010.

In addition, the Corporate segment's commission margin includes the entire amount of Performance fees accrued for the year.

All the revenue components presented are measured using the same accounting criteria adopted to prepare the Group's consolidated financial statements so that segment data can be reconciled more easily with consolidated data.

The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations and not reclassified based on IFRS 5.

Moreover, below the tables, by way of additional quantitative information analysed by the management to evaluate the Group's performance, a breakdown is given of assets under management at year-end and net inflows for the year ended 31 December 2011, along with the comparative figures, by operating segment.

Distribution by Business Segment: Profit and Loss Account Figures

| BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT | 31 DECEMBER 2011 | | | | | 31 DECEMBER 2010 | | | | |
|---|------------------|-----------------|-------------------|--------------|-----------------|------------------|-----------------|-------------------|--------------|-----------------|
| | RETAIL CHANNEL | PRIVATE CHANNEL | CORPORATE CHANNEL | GIL | TOTAL | RETAIL CHANNEL | PRIVATE CHANNEL | CORPORATE CHANNEL | GIL | TOTAL |
| Interest income and similar revenues | 5,594 | 6,841 | 66,770 | 26 | 79,231 | 2,683 | 5,469 | 48,243 | 11 | 56,406 |
| Notional interest | 8,612 | 3,544 | -12,156 | | 0 | 4,479 | 2,490 | -6,969 | | 0 |
| Interest expense and similar charges | -5,472 | -4,460 | -20,241 | 0 | -30,173 | -2,085 | -1,926 | -9,144 | -2 | -13,157 |
| NET INTEREST INCOME | 8,734 | 5,925 | 34,374 | 26 | 49,059 | 5,077 | 6,033 | 32,130 | 9 | 43,249 |
| Commission income | 175,208 | 109,116 | 42,307 | 28,512 | 355,144 | 169,078 | 103,651 | 73,532 | 27,108 | 373,369 |
| of which subscriptions | 25,858 | 5,919 | 1,830 | 177 | 33,784 | 25,776 | 5,092 | 2,809 | | 33,677 |
| of which management | 142,096 | 96,610 | 14,607 | 28,144 | 281,457 | 134,571 | 88,746 | 9,526 | 26,908 | 259,751 |
| of which performance | 0 | 0 | 9,800 | | 9,800 | 0 | 0 | 40,509 | | 40,509 |
| of which other | 7,254 | 6,587 | 16,071 | 191 | 30,102 | 8,731 | 9,813 | 20,688 | 200 | 39,432 |
| Commission expense | -84,978 | -37,556 | -19,339 | -21,782 | -163,655 | -84,431 | -41,227 | -29,779 | -19,953 | -175,390 |
| NET COMMISSIONS | 90,230 | 71,561 | 22,968 | 6,730 | 191,489 | 84,647 | 62,424 | 43,753 | 7,155 | 197,979 |
| Gain (loss) on trading | 0 | 849 | -86,410 | -10 | -85,571 | 0 | 0 | -60,830 | | -60,830 |
| Dividends and similar income | 0 | 0 | 92,259 | | 92,259 | 0 | 0 | 73,990 | | 73,990 |
| NET BANKING INCOME | 98,964 | 78,334 | 63,192 | 6,746 | 247,236 | 89,724 | 68,457 | 89,043 | 7,164 | 254,388 |
| Staff expenses | | | | | -66,748 | | | | | -64,294 |
| Other general and administrative expense | | | | | -77,337 | | | | | -76,411 |
| Net adjustments/reversal of property, equipment and intangible assets | | | | | -4,127 | | | | | -4,102 |
| Other operating expenses/income | | | | | 8,662 | | | | | 8,786 |
| Net operating expense | | | | | -139,550 | | | | | -136,021 |
| Operating profit | | | | | 107,686 | | | | | 118,367 |
| Reversal value of loans | | | | | -2,163 | | | | | -1,919 |
| Adjustments of other assets | | | | | -3,816 | | | | | -2,390 |
| Net provisions | | | | | -10,068 | | | | | -19,197 |
| Gain (loss) from the disposal of equity investments | | | | | -1 | | | | | |
| Operating profit before taxation | | | | | 91,638 | | | | | 94,861 |
| Income taxes for the year on current operations | | | | | -14,264 | | | | | -8,510 |
| Profit (loss) from assets available for sale | | | | | 0 | | | | | 0 |
| Minority interests (+/-) for the year | | | | | -3,955 | | | | | -4,144 |
| Net profit | | | | | 73,419 | | | | | 82,207 |
| (€ million) | | | | | | | | | | |
| Assets under management | 13,679 | 9,576 | 2,693 | 5,559 | 31,507 | 13,691 | 9,899 | 3,415 | 6,096 | 33,101 |
| Net Inflows | 769 | 491 | n.a | n.a | 1,260 | 741 | 528 | n.a | n.a | 1,270 |
| Financial advisors/RM | 1,154 | 317 | n.a | n.a | 1,471 | 1,192 | 307 | n.a | n.a | 1,499 |

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.

Accordingly, for comments on the Group's balance sheet figures, the reader is referred to the other sections of these Notes.

The following table allocates the balance of consolidated intangible assets, showing separately goodwill, between the three segments.

| <i>(€ thousand)</i> | 31 DECEMBER 2011 | | | | |
|--|-------------------------|------------------------|----------------------|------------|--------------|
| | RETAIL CHANNEL | PRIVATE CHANNEL | CORP. CHANNEL | GIL | TOTAL |
| Goodwill | 4,416 | 33,110 | 1,106 | 0 | 38,632 |
| Intangible assets (client relationships) | - | 5,720 | - | 0 | 5,720 |

In accordance with the requirements of IFRS 8.33, we report that the Group's business is substantially evenly distributed throughout Italy. The management does not receive any reports on performance by geographical area.

In accordance with the requirements of IFRS 8.34, we report that the Group does not have customers representing more than 10% of consolidated revenue.

Trieste, 13 March 2012

THE BOARD OF DIRECTORS



CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

INDEPENDENT AUDITORS' REPORT

**PURSUANT TO ART. 14 AND 16
OF LEGISLATIVE DECREE N. 39
DATED JANUARY 27, 2010**



**Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)**

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

1. We have audited the consolidated financial statements of Banca Generali S.p.A. and its subsidiaries, (the "Banca Generali Group") as of and for the year ended December 31, 2011, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 29, 2011. As reported in the notes and comments, consolidated financial statements of the prior year have been restated in accordance with IFRS 5. The arrangements for restatement of comparative data and related information presented in the notes and comments have been reviewed for the audit of the consolidated financial statements at December 31, 2011.
3. In our opinion, the consolidated financial statements of the Banca Generali Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Generali Group for the year then ended.

4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the ABC Group as of December 31, 2011.

Milan, April 2, 2012

Reconta Ernst & Young S.p.A.
Signed by: Stefano Cattaneo, Partner





FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

**BOARD OF DIRECTORS
13 MARCH 2012**



ECONOMIC AND FINANCIAL HIGHLIGHTS

| OPERATING HIGHLIGHTS | 31.12.2011 | 31.12.2010 | CHANGE % |
|---|---------------|---------------|--------------|
| <i>(€ million)</i> | | | |
| Net interest income | 48.0 | 42.7 | 12.5 |
| Net commissions | 93.4 | 72.2 | 29.3 |
| Dividends and net profit from trading | 6.7 | 13.1 | -49.1 |
| Net banking income | 148.1 | 128.1 | 15.7 |
| Staff expenses | -53.8 | -51.7 | 3.9 |
| Other general and administrative expense | -72.7 | -70.8 | 2.7 |
| Amortisation and depreciation | -3.5 | -3.5 | 0.6 |
| Other operating income | 9.0 | 8.3 | 8.4 |
| Net operating expense | -121.0 | -117.7 | 2.8 |
| Operating profit | 27.1 | 10.4 | 161.7 |
| Provisions | -10.3 | -18.5 | -44.4 |
| Gains on equity investments | 64.5 | 115.5 | -44.2 |
| Net adjustments of loans and other assets | -5.8 | -4.2 | 36.4 |
| Profit before taxation | 75.5 | 103.1 | -26.7 |
| Net profit | 68.6 | 106.9 | -35.8 |
| Cost / income ratio | 79.3% | 89.2% | -11.1 |
| EBITDA | 30.6 | 13.8 | 121.4 |
| ROE | 51.15% | 66.63% | -23.2 |
| EPS - EARNINGS PER SHARE (UNITS OF EURO) | 0.614 | 0.964 | -36.3 |

| NET INFLOWS | 31.12.2011 | 31.12.2010 | CHANGE % |
|------------------------------------|--------------|--------------|-------------|
| <i>(€ million) (Assoreti data)</i> | | | |
| Mutual funds | -11 | 451 | -102.4 |
| Discretionary accounts | -177 | 314 | 156.4 |
| Insurance / Pension funds | 713 | 1,171 | -39.1 |
| Securities / Current accounts | 735 | -666 | -210.4 |
| Total | 1,260 | 1,270 | -0.8 |

| ASSETS UNDER MANAGEMENT & CUSTODY (AUM/C) | 31.12.2011 | 31.12.2010 | CHANGE % |
|---|-------------|-------------|-------------|
| <i>(€ billion) (Assoreti data)</i> | | | |
| Mutual funds | 5.9 | 6.6 | -11.2 |
| Discretionary accounts | 2.8 | 3.4 | -15.6 |
| Insurance / Pension funds | 7.3 | 6.8 | 7.3 |
| Securities / Current accounts | 7.2 | 6.8 | 6.2 |
| Total | 23.3 | 23.6 | -1.4 |

| NET EQUITY | 31.12.2011 | 31.12.2010 | CHANGE % |
|---------------------------------|------------|------------|----------|
| <i>(€ million)</i> | | | |
| Net equity | 211.4 | 232.5 | -9.1 |
| Capital for regulatory purposes | 198.5 | 193.0 | 2.8 |
| Excess capital | 94.2 | 98.6 | -4.5 |
| Solvency margin | 15.22% | 16.35% | -6.9 |







FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

ACCOUNTING STATEMENTS

**BOARD OF DIRECTORS
13 MARCH 2012**



BALANCE SHEET

| ASSETS | | 31.12.2011 | 31.12.2010 |
|---------------------|-----------------------------------|----------------------|----------------------|
| 10. | Cash and deposits | 73,955,408 | 7,949,961 |
| 20. | Financial assets held for trading | 34,924,648 | 119,554,264 |
| 40. | AFS financial assets | 1,318,944,457 | 1,533,226,557 |
| 50. | Financial assets held to maturity | 1,415,699,984 | 608,117,663 |
| 60. | Loans to banks | 483,540,723 | 447,827,439 |
| 70. | Loans to customers | 948,834,446 | 824,562,163 |
| 100. | Equity investments | 39,417,137 | 39,417,137 |
| 110. | Property and Equipment | 5,204,130 | 4,601,586 |
| 120. | Intangible assets | 34,917,172 | 36,116,587 |
| | - goodwill | 29,410,091 | 29,410,091 |
| 130. | Tax receivables | 69,347,575 | 64,605,171 |
| | a) current | 11,342,626 | 24,726,199 |
| | b) prepaid | 58,004,949 | 39,878,972 |
| 150. | Other assets | 73,832,224 | 63,277,698 |
| Total assets | | 4,498,617,904 | 3,749,256,226 |

| NET EQUITY AND LIABILITIES | | 31.12.2011 | 31.12.2010 |
|---|--|----------------------|----------------------|
| 10. | Due to banks | 1,070,857,721 | 450,208,473 |
| 20. | Due to customers | 3,070,157,252 | 2,929,686,983 |
| 30. | Securities issued | 0 | 188,732 |
| 40. | Financial liabilities held for trading | 1,736,694 | 6,501,986 |
| 80. | Tax payables | 1,930,665 | 3,119,078 |
| | a) current | 716,567 | 1,932,131 |
| | b) deferred | 1,214,098 | 1,186,947 |
| 100. | Other liabilities | 81,327,148 | 72,172,654 |
| 110. | Employee termination indemnities | 3,041,147 | 3,379,432 |
| 120. | Provisions for liabilities and contingencies | 58,195,401 | 51,501,005 |
| | b) other provisions | 58,195,401 | 51,501,005 |
| 130. | Valuation reserves | -56,340,860 | -23,711,626 |
| 160. | Reserves | 84,429,475 | 38,575,083 |
| 170. | Additional paid-in capital | 3,231,225 | 0 |
| 180. | Share capital | 111,676,183 | 111,362,750 |
| 190. | Treasury shares (-) | -247,592 | -660,299 |
| 200. | Net profit (loss) for the year (+/-) | 68,623,445 | 106,931,975 |
| Total net equity and liabilities | | 4,498,617,904 | 3,749,256,226 |

PROFIT AND LOSS ACCOUNT

| | 31.12.2011 | 31.12.2010 |
|---|---------------------|---------------------|
| 10. Interest income and similar revenues | 78,963,488 | 56,444,115 |
| 20. Interest expense and similar charges | -30,932,285 | -13,736,636 |
| 30. Net interest income | 48,031,203 | 42,707,479 |
| 40. Commission income | 218,585,648 | 213,342,696 |
| 50. Commission expense | -125,190,359 | -141,121,014 |
| 60. Net commissions | 93,395,289 | 72,221,682 |
| 70. Dividends and similar income | 156,717,713 | 189,444,959 |
| 80. Net income (loss) from trading activities | -87,582,806 | -71,029,489 |
| 100. Gain (loss) from sales or repurchase of: | 2,021,900 | 10,188,500 |
| a) receivables | 893,048 | 3,339,204 |
| b) AFS financial assets | 1,329,560 | 6,894,410 |
| c) Financial assets held to maturity | -200,708 | -45,114 |
| 120. Net banking income | 212,583,299 | 243,533,131 |
| 130. Net adjustments/reversals due to impairment of: | -5,777,143 | -4,235,270 |
| a) receivables | -1,960,773 | -1,844,862 |
| b) AFS financial assets | -3,980,606 | -1,625,518 |
| c) Financial assets held to maturity | 164,236 | -764,890 |
| 140. Net income from banking operations | 206,806,156 | 239,297,861 |
| 150. General and administrative expense: | -126,492,037 | -122,525,628 |
| a) staff expenses | -53,764,346 | -51,721,141 |
| b) other general and administrative expense | -72,727,691 | -70,804,487 |
| 160. Net provisions for liabilities and contingencies | -10,266,860 | -18,473,317 |
| 170. Net adjustments/reversals of property and equipment | -1,644,542 | -1,712,076 |
| 180. Net adjustments of intangible assets | -1,839,687 | -1,749,657 |
| 190. Other operating expense/income | 8,967,710 | 8,271,082 |
| 200. Operating expense | -131,275,416 | -136,189,596 |
| 240. Gains (loss) from disposal of investments | -982 | 0 |
| 250. Profit (loss) from operating activities before income taxes | 75,529,758 | 103,108,265 |
| 260. Income taxes for the year on operating activities | -6,906,313 | 3,823,710 |
| 270. Profit (loss) from operating activities net of taxes | 68,623,445 | 106,931,975 |
| 290. Net profit (loss) for the year | 68,623,445 | 106,931,975 |

STATEMENT OF COMPREHENSIVE INCOME

| ITEMS | 31.12.2011 | 31.12.2010 |
|---|--------------------|--------------------|
| 10 Net profit of the year | 68,623,445 | 106,931,975 |
| Other income net of income taxes | | |
| 20 AFS financial assets | -32,629,234 | -22,070,737 |
| 110 Total other income net of income taxes | -32,629,234 | -22,070,737 |
| 120 Comprehensive income | 35,994,211 | 84,861,238 |

STATEMENT OF CHANGES IN NET EQUITY

| (€ thousand) | Share capital | | | Reserves | | Valuation reserves | Equity instruments | Treasury shares | Net profit (loss) for the year | Net equity |
|--|--------------------|----------|-----------------------|----------------------|----------|--------------------|--------------------|-----------------|--------------------------------|--------------------|
| | a) ord. shares | b) other | Share premium reserve | a) retained earnings | b) other | | | | | |
| Net equity at 31.12.2010 | 111,362,750 | - | - | 38,575,083 | - | -23,711,626 | - | -660,299 | 106,931,975 | 232,497,883 |
| Change in opening balances | - | - | - | - | - | - | - | - | - | 0 |
| Amounts at 01.01.2010 | 111,362,750 | - | - | 38,575,083 | - | -23,711,626 | - | -660,299 | 106,931,975 | 232,497,883 |
| Allocation of net income of the previous year | - | - | - | 45,604,590 | - | - | - | - | -106,931,975 | -61,327,385 |
| - Reserves | - | - | - | 45,604,590 | - | - | - | - | -106,931,975 | -61,327,385 |
| - Dividends and other allocations | - | - | - | - | - | - | - | - | - | - |
| Change in reserves | - | - | - | - | - | - | - | - | - | - |
| Transactions on net equity | 313,433 | - | 3,231,225 | 249,802 | - | - | - | 412,707 | - | 4,207,167 |
| - Issue of new shares | 313,433 | - | 3,231,225 | -846,755 | - | - | - | 412,707 | - | 3,110,610 |
| - Purchase of treasury shares | - | - | - | - | - | - | - | - | - | - |
| - Interim Dividends | - | - | - | - | - | - | - | - | - | - |
| - Change in equity instruments | - | - | - | - | - | - | - | - | - | - |
| - Derivatives on treasury shares | - | - | - | - | - | - | - | - | - | - |
| - Stock option | - | - | - | 1,096,557 | - | - | - | - | - | 1,096,557 |
| Comprehensive income | - | - | - | - | - | -32,629,234 | - | - | 68,623,445 | 35,994,211 |
| Net equity at 31.12.2011 | 111,676,183 | - | 3,231,225 | 84,429,475 | - | -56,340,860 | - | -247,592 | 68,623,445 | 211,371,876 |

| (€ thousand) | Share capital | | | Reserves | | Valuation reserves | Equity instruments | Treasury shares | Net profit (loss) for the year | Net equity |
|--|--------------------|----------|-----------------------|----------------------|----------|--------------------|--------------------|-------------------|--------------------------------|--------------------|
| | a) ord. shares | b) other | Share premium reserve | a) retained earnings | b) other | | | | | |
| Net equity at al 31.12.2009 | 111,313,176 | - | 22,308,906 | 67,220,501 | - | -1,602,155 | - | -3,851,460 | 54,485,482 | 249,874,450 |
| Change in opening balances | - | - | - | - | - | - | - | - | - | - |
| Amounts at 01.01.2009 | 111,313,176 | - | 22,308,906 | 67,220,501 | - | -1,602,155 | - | -3,851,460 | 54,485,482 | 249,874,450 |
| Allocation of net income of the previous year | - | - | - | 4,601,403 | - | - | - | - | -54,485,482 | -49,884,079 |
| - Reserves | - | - | - | 4,790,726 | - | - | - | - | -4,790,726 | - |
| - Dividends and other allocations | - | - | - | -189,323 | - | - | - | - | -49,694,756 | -49,884,079 |
| Change in reserves | - | - | -22,042,293 | -29,992,774 | - | -38,734 | - | -619,060 | - | -52,692,861 |
| Transactions on net equity | 49,574 | - | -266,613 | -3,254,047 | - | - | - | 3,810,221 | - | 339,135 |
| - Issue of new shares | 49,574 | - | -266,613 | -3,268,214 | - | - | - | 3,810,221 | - | 324,968 |
| - Purchase of treasury shares | - | - | - | - | - | - | - | - | - | - |
| - Interim Dividends | - | - | - | - | - | - | - | - | - | - |
| - Change in equity instruments | - | - | - | - | - | - | - | - | - | - |
| - Derivatives on treasury shares | - | - | - | - | - | - | - | - | - | - |
| - Stock option | - | - | - | 14,167 | - | - | - | - | - | 14,167 |
| Comprehensive income | - | - | - | - | - | -22,070,737 | - | - | 106,931,975 | 84,861,238 |
| Net equity at 31.12.2010 | 111,362,750 | - | 3,231,225 | 38,575,083 | - | -23,711,626 | - | -660,299 | 106,931,975 | 232,497,883 |

CASH FLOW STATEMENT

| INDIRECT METHOD | 31.12.2011 | 31.12.2010 |
|---|---------------------|---------------------|
| A. OPERATING ACTIVITIES | | |
| 1. Operations | 6,742,429 | -1,988,498 |
| - Net profit (loss) for the year | 68,623,445 | 106,931,975 |
| - Gain/loss on financial assets held for trading | 2,324,922 | 6,660,072 |
| - Gain/loss on hedging assets | 0 | - |
| - Net adjustments due to impairment | 5,777,143 | 3,470,380 |
| - Net adjustments of property, equipment and intangible assets | 3,484,229 | 3,461,733 |
| - Net provisions for liabilities and contingencies and other costs/revenues | 6,694,396 | 6,490,126 |
| - Taxes included in taxes not paid | 10,383,073 | - 11,216,798 |
| - Adjustments of discontinued operations | 0 | - |
| - Other adjustments | -90,544,779 | - 117,785,986 |
| 2. Liquidity generated by/used for financial assets (+/-) | 79,004,238 | 77,003,755 |
| - Financial assets held for trading | 82,326,998 | 99,485,765 |
| - Financial assets measured at fair value | 0 | - |
| - Financial assets available for sale | 164,518,018 | - 81,905,969 |
| - Loans to banks: repayable on demand | -50,396,051 | - 121,892,899 |
| - Loans to banks: other receivables | 13,953,997 | 255,625,425 |
| - Loans to customers | -129,738,754 | - 86,530,077 |
| - Other assets | -1,659,970 | 12,221,510 |
| 3. Net liquidity generated by/used for financial liabilities (+/-) | 772,030,060 | -198,906,730 |
| - Due to banks: repayable on demand | 557,887,363 | - 28,998,362 |
| - Due to banks: other payables | 58,383,367 | 330,576,300 |
| - Due to customers | 149,573,007 | - 455,405,203 |
| - Securities issued | -188,732 | - 568,038 |
| - Financial liabilities held for trading | -6,501,986 | - 494,360 |
| - Financial liabilities measured at fair value | 0 | - |
| - Other liabilities | 12,877,041 | - 44,017,067 |
| Net liquidity generated by/used for operating activities | 857,776,728 | -123,891,473 |
| B. INVESTING ACTIVITIES | | |
| 1. Liquidity generated by | 210,922,967 | 332,347,932 |
| - Disposal of equity investments | 0 | - |
| - Dividends received | 64,458,630 | 115,454,475 |
| - Disposal of held-to-maturity financial assets | 146,464,337 | 216,893,457 |
| - Disposal of property and equipment | 0 | - |
| - Disposal of intangible assets | 0 | - |
| - Disposal of business units | 0 | - |
| 2. Liquidity used for | -944,477,473 | -158,084,961 |
| - Purchase of equity investments | 0 | - 80,000 |
| - Purchase of held-to-maturity financial assets | -941,578,935 | - 156,710,665 |
| - Purchase of property and equipment | -2,258,266 | - 665,397 |
| - Purchase of intangible assets | -640,272 | - 628,899 |
| - Purchase of business units | 0 | - |
| Net liquidity generated by/used for investing activities | -733,554,506 | 174,262,971 |

| INDIRECT METHOD | 31.12.2011 | 31.12.2010 |
|---|--------------------|--------------------|
| C. FUNDING ACTIVITIES | | |
| - Issue/purchase of treasury shares | 3,110,610 | 325,068 |
| - Issue/purchase of equity instruments | 0 | - |
| - Distribution of dividends and other | -61,327,385 | -49,884,079 |
| Net liquidity generated by/used for funding activities | -58,216,775 | -49,559,011 |
| NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR | | |
| + liquidity generated; (-) liquidity used | 66,005,447 | 812,487 |
| Reconciliation | | |
| Cash and cash equivalents at year-start | 7,949,961 | 7,137,474 |
| Liquidity generated /used in the year | 66,005,447 | 812,487 |
| Cash and cash equivalents - effects of exchange rate fluctuations | 0 | 0 |
| Cash and cash equivalents at year-end | 73,955,408 | 7,949,961 |

Legend: + liquidity generated; (-) liquidity used





FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

NOTES AND COMMENTS

**BOARD OF DIRECTORS
13 MARCH 2012**



| | | |
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PART A – ACCOUNTING POLICIES

PART A.1 – GENERAL

Section 1 - Declaration of Compliance with International Accounting Standards

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

The consolidated annual report at 31 December 2011 was prepared based on the “Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups”, which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 through a Provision dated 22 December 2005, as amended on 18 November 2009. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the

Explanatory Notes.

In preparing the annual financial statements, Banca Generali adopted the IAS/IFRS in force at 31 December 2011 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2011, several amendments to the IASs/IFRSs, and IFRIC documents entered into force and new IFRICs were issued.

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

| INTERNATIONAL ACCOUNTING STANDARDS EFFECTIVE FROM 2011 | ENDORSEMENT REGULATIONS | PUBLICATION DATE | EFFECTIVE DATE |
|--|--------------------------------|-------------------------|-----------------------|
| Amendments to IFRS 1, Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters | 574/2010 | 01/07/2010 | 01/01/2011 |
| Amendments to IAS 24 - Related Parties | 632/2010 | 20/07/2010 | 01/01/2011 |
| Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement | 633/2010 | 20/07/2010 | 01/01/2011 |
| IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments | 662/2010 | 24/07/2010 | 01/01/2011 |
| Improvements to International Financial Reporting Standards 2010 | 149/2011 | 19/02/2011 | 01/01/2011 |

| INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2011 AND EFFECTIVE AFTER 31 DECEMBER 2011 | | | |
|---|----------|------------|------------|
| IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets | 305/2011 | 23/11/2011 | 01/01/2012 |

Section 2 – Preparation Criteria

The annual report consists of the following documents:

- Balance Sheet
- Profit and Loss Account
- Statement of Other Comprehensive Income
- Statement of Changes in Net Equity
- Cash Flow Statement
- Notes and Comments

The report is accompanied by a Directors' report on the bank's operations and situation.

According to the provisions of Article 3, paragraph 3-bis, of Legislative Decree No. 87/1992, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the consolidated report on operations and the separate report on operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the financial statements of Banca Generali S.p.A. were prepared in euros. All amounts in the accounting statements are expressed in euro units, while the figures in the Notes and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The financial statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes, and in line with the general assumptions set out in the Framework for the Preparation and Presentation of Financial Statements drafted by the IASB. There were no derogations of the application of international accounting standards (IAS/IFRS).

The Directors' Report on Operations and the Notes on the Accounts include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The financial statements and Notes include figures for the period under review, as well as comparative data at 31 December 2010.

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

In further detail, the directors are reasonably certain that the bank will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Accounting Statement Contents

The Accounting Statements and the Notes have been prepared in accordance with Bank of Italy's Circular No. 262/2005 and the first update published on 18 November 2009.

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

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

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

Cash flows are broken down into:

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

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

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

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

Section 3 – Events Occurred after the Balance Sheet Date

The draft Financial Statements of Banca Generali was approved by the Board of Directors in their meeting held on 13 March 2012, when they also authorised its disclosure.

No events occurred after 31 December 2011 and until publication of the annual report was authorised, that would make it necessary to adjust the results presented in the financial statements at that date.

Section 4 – Other Issues

Non-recurring Significant Events and Transactions

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

Merger of BG SGR S.p.A.

On 14 December 2011, the Boards of Directors of Banca Generali and BG SGR S.p.A., a fully-owned subsidiary of Banca Generali, approved the plan for the merger of BG SGR into Banca Generali, drafted pursuant to the combined provisions of Articles 2501-ter and 2505 of the Italian Civil Code.

The transaction is part of the larger scheme aimed at rationalising and increasing the efficiency of Banca Generali's management activities, in the framework of which BG SGR had previously approved the sale of the collective asset management business unit to Generali Investments Italy SGR in September.

The merger is expected to enter into effect on 1 September 2012 (or another date to be specified in the merger instrument), with retroactive effect for accounting and tax purposes from 1 January 2012.

Following the above transactions, the remaining activities of BG SGR, namely portfolio management, will be transferred to a specific specialised division of Banca Generali.

A more complete description of the transaction is presented in Part G of the Explanatory Notes concerning business combinations.

National Tax Consolidation Option

In 2004, the Parent Company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Audit

The financial statements of Banca Generali S.p.A. are audited by Reconta Ernst & Young.

PART A.2 – MAIN ITEMS OF THE ACCOUNTS

Accounting Policies

This section sets out the accounting policies adopted for the preparation of the financial statements as of 31 December 2011, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

During the year, the accounting policies adopted by the Bank underwent amendment and integrations in the following areas:

- expenses functionally related to staff;
- the Long-Term Incentive Plan;
- amendments to the contractual scheme for portfolio development indemnities.

Expenses functionally related to staff

In its bulletin of 13 February 2012, the Bank of Italy provides additional clarification concerning the classification of certain expenses incurred by companies functionally related to services rendered by personnel, integrating the indications set out in the previous bulletin of 16 February 2011.

In further detail, it is clarified that certain types of expenses (including reimbursements of expenses incurred in rendering professional services and medical examinations compulsorily required by employers) are to be classified under 150 b) Other general and administrative expense and not 150 a) Staff expenses.

Such cases may indeed be considered disbursements not representing remuneration for professional services rendered but rather pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

A similar arrangement may also be adopted for other types of expenses incurred by companies in connection with activity carried out by employees.

Accordingly, in application of the instructions provided by the Bank of Italy, certain indirect staff expenses amounting to 1,567 thousand euros, primarily consisting of individual reimbursements of travel expenses incurred by employees not constituting remuneration were reclassified among general and administrative expense. The same indirect expenses amounting to 1,246 thousand euros were also reclassified among administrative expenses in the comparative situation for 2010.

The Long-Term Incentive Plan

During its shareholders' meetings of 24 April 2010 and 30 April 2011, Assicurazioni Generali introduced a new type of long-term retention plan addressed to the key

managers of the Insurance Group.

Such plans, with the additions required to comply with industry regulations concerning remuneration policies, were also approved and incorporated into the Company's remuneration structure by Banca Generali during the meeting of its Board of Directors held on 13 October 2011.

In brief, the new incentive plans present the following characteristics:

- they are indefinite in duration, structured in six-year rolling cycles;
- each cycle is linked to the targets set in three-year strategic plans; in particular, the 2010 plan is linked to the targets set in the 2010-2012 strategic plan, whereas the 2011 plan is linked with the following 2011-2013 strategic plan;
- each cycle is sub-divided into two three-year components:
 - **the first three years:** at the end of this period, if and to the extent that certain absolute performance targets have been met, a monetary incentive is to be paid out, with an obligation or option to reinvest a share of such incentive (differing in amount depending on the segment to which the recipients belong) in shares of Assicurazioni Generali;
 - **the second three years:** at the end of the period, for each share purchased by investing a percentage of the incentive disbursed at the end of the previous three years, the beneficiary obtains a potential right to receive from Assicurazioni Generali, at no cost, a number of shares depending on the positioning of Assicurazioni Generali in the rankings of a group of peers prepared on the basis of their respective total shareholders' returns (relative performances).

Under IASs/IFRSs, both the 2010 and 2011 plans are eligible for accounting treatment on a separate basis, partly as expenses for long-term employee benefits within the scope of IAS 19 Employee Benefits, and partly within the scope of IFRS 2.

The IAS 19 expense portion, calculated according to best estimate procedures on the basis of the achievement of the predetermined objectives set, is charged to profit and loss, among staff expenses, over a three-year vesting period (2010-2012 for the 2010 plan or 2011-2013 for the 2011 plan).

In addition, pursuant to IFRS 2, the value of the stock-granting plan is measured on the basis of the grant date fair value of the bonus shares potentially to be granted.

The impact on the profit and loss account has therefore been determined and allocated annually according to the option vesting period, i.e. over a period of six years from the grant date.

Since the arrangement calls for the shares of the parent to be granted directly by said parent to the employees of a subsidiary, the charge to the profit and loss account will be recognised through a balancing entry to an equity reserve, inasmuch as it is similar to a capital contribution by the parent.

At 31 December 2011, the total charge accrued in connection with the monetary bonus planned for the first three years of both the 2010 and 2011 plans, according to the estimate procedures adopted and the assumptions concerning the achievement of objectives, was 1.9 million euros, whereas the share attributable to 2011 stood at 1.3 million euros.

Considering that the approval of the 2010 plan, linked to the 2010-2012 three-year strategic plan, was only formalised by the Bank's competent decision-making bodies after the date of authorisation of the publication of the 2010 financial statements, during that year the obligation associated with the adoption of the authorisation was covered by a specific accrual to a provision for risks and charges recognised pursuant to IAS 37, in the amount of **1.9 million euros**.

Accordingly, in 2011 that provision was used to cover the expense accrued in the previous year (associated with the 2010 plan only) in the amount of **0.6 million euros**, whereas the remainder was released to the profit and loss account.

The 2011 profit and loss account therefore shows expenses associated with the Long-Term Incentive Plan, allocated among staff expenses, of **1.3 million euros** and net proceeds from the release of the IAS 37 provision set aside in the previous year (2010) of **1.3 million euros**, recognised under item 160, net provisions for risks and charges.

Amendments to the contractual scheme for portfolio development indemnities

The portfolio development scheme calls for financial advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.

The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-

over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.

In relation to recent market practices in the area, during the reporting year a thorough contractual revisitation of the scheme was carried out and entered into effect on 1 January 2012.

The new system introduces a rule commonly applied on the market, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.

Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the financial advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, with that amount reduced to 70% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

By contrast, there have been no changes in the way in which the specific provision covering the obligations associated with the scheme is determined, which involves an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the financial advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.

Due to the changes described above, at 31 December 2011 the provision allocated to account for outstanding obligations towards the sales network in respect of portfolio development indemnities, as limited to cases of death and permanent disability, stood at **0.6 million euros**, compared to the **3.6 million euros** allocated at the end of the previous year.

Accordingly, the surplus provision was partially released to the profit and loss account for **3.0 million euros**.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

1. Financial Assets Held for Trading

Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.

Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives that are not closely related to the host contract but meet the definition of a derivative are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

Measurement

After initial recognition financial assets held for trading are measured at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where such instruments are not traded, the notional value of financial instruments, quotes from brokers or

placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors.

Values drawn from recent comparable transactions are also used.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

2. AFS financial assets

Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:

- equity investments not held for trading;
- other equity interests and units not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or with Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.

Such assets may also be recognised upon reclassifi-

cation from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in net equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss (for loans or debt securities) or through net equity (for equity securities). Under no circumstances may the amount of such reversals exceed the amortised cost that would have been attributable to the instrument

had no previous impairment been recognised.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

3. Financial Assets Held to Maturity

Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

Recognition

Initial recognition of these assets takes place on the settlement date.

Upon initial recognition, financial assets classified to this category are measured at their fair value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

When a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.

Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original

effective interest rate. The amount of the loss is taken through profit and loss.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

4. Loans

Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act (TUB) and Consolidated Finance Act (TUF).

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

Recognition

Loans are initially recognised at the date of disbursement or, in the case of debt securities, at the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from available-for-sale assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

Measurement

Subsequent to initial recognition, loans are recognised at *amortised cost*, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the *effective interest-rate method*) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- *Bad loans*: loans to parties in a state of insolvency or substantially equivalent situation;
- *Substandard loans*: loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;
- *Restructured loans*: loans in which a syndicate of banks (or a “single lender”) grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- *Expired loans*: loans to parties that, at the end of the period, show payables past due or expired by more than 90 days.

Loans classified as *bad loans*, *substandard loans*, or *restructured loans* are normally subject to an **analytical assessment process**.

The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing. Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.

Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are **tested collectively for impairment**. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.

In further detail, a probability of default and loss given default value is attributed to each class of assets having similar characteristics in terms of exposure, the borrower’s industry, type of collateral and other significant factors, based on a historical/statistical approach.

Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Derecognition

Receivables are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

5. Financial Assets at Fair Value

At this time, none of the Bank's financial assets are classified under this category.

6. Hedging Transactions

Types of Hedging Transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance-sheet items attributable to particular risks;
- hedges of a net investment in foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flow) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

7. Equity investments

Classification

This item includes equity investments in subsidiary and associate companies.

Subsidiaries are entities in which the bank directly or indirectly holds more than half of the voting rights, or when, despite having a lower percentage of voting rights, the bank has the power to appoint the majority of directors or determine financial and operating policies of the entity. In assessing voting rights, "potential" rights that can be currently exercised or converted into actual voting rights at any time are taken into account.

Companies are considered associates when the bank holds 20% or more of the voting power and, due to specific legal or economic ties, is presumed to have significant influence.

Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement

Equity investments are measured at cost and adjusted for impairment.

When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the investment.

If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

8. Property and Equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.

They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.

They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.

If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

9. Intangible Assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and to restrict the access of others to those benefits.

The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

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

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software expenses recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and future economic rewards are expected from them.

Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Commissions paid to the network in relation to no-load asset-management products are considered as addi-

tional charges incurred to promote the signing of the related agreements; the future economic benefit associated with these expenses consists of the contractual rights to receive periodic commissions from the management company.

Such expenses arise in relation to products (e.g., units of collective investment undertakings – UCITs, discretionary accounts - GPF) for which the management company does not charge commissions at the time the investment is made, but rather charges “tunnel commissions” (in addition to usual “management commissions”) when the customer divests in two to four years.

Commissions paid by the “distributor” to its sales network, which are commensurate to the commissions on corresponding “load” products, are not immediately offset by up-front fees paid by the “management company”; instead, these are recovered over time by means of the other two commission categories.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).

In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

Software expenses are typically amortised over a three-year period.

Other capitalised costs associated with legacy systems are amortised over a five-year period.

Multi-year no-load commissions are amortised based on the period the “tunnel” is in force and the estimated time to divestment by the customers.

For *brands* acquired on the incorporation of subsidiaries, the useful life is estimated at ten years.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The impairment test for goodwill is presented in Section 1.2 “Annual Changes in Goodwill” in Part G of these Notes.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset’s carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

10. Non-current Assets Held for Sale or Disposal Groups

The asset item “Non-current assets held for sale or disposal groups” and liability item “Liabilities associated with assets held for sale or disposal groups” include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.

The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, “Profit (Loss) on groups of assets available for sale, net of taxes”.

11. Current and Deferred Taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences – without time limits – between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali – as a result of its exercise of the option provided by the Italian tax consolidation scheme – to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.

Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under “tax assets” and deferred tax liabilities are recorded under “tax liabilities”.

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.

Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.

Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or demerger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Finance Act) introduced the new paragraph 2-ter into **Article 176 of the Consolidated Income Tax Law (hereinafter TUIR)** that allows entities to recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million, 14% up to 10 million and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).

The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced several additional possibilities for optional realignment of tax and balance-sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recogni-

tion for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.

However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.

That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, **paragraphs 12 to 14 of Article 23 of Legislative Decree 98/2011** (known as the "Summer Manoeuvre") introduced the new paragraphs 10-bis and 10-ter to Article 10 of Legislative Decree 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.

The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-ter).

The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments is to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

- 1) Redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the

basis of the provisions of Article 15, paragraph 10, of Legislative Decree 185/2008;

- 2) Redemption of other intangible assets (client relationships arising from the above transaction) undertaken in 2010 on the basis of the amounts carried in the financial statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-ter, of the TUIR;
- 3) Redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011.

With respect to the first two transactions, the reader is referred to the detailed discussion presented in the corresponding Part A of the Explanatory Notes to the 2010 financial statements, whereas with regard to the redemption transaction for goodwill associated with the investment in BG Fiduciaria the reader is referred to Part C of these Explanatory Notes.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.

IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

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

1. Recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. Immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. Recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over the years to coincide with the non-accounting deduction of the redeemed amortized amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be believed to be recoverable on the basis of future taxable income.

12. Provisions for Liabilities and Contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.

This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

13. Debt and Securities Issued

Classification

Due to banks, Due to customers and Securities issued include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Due to banks and due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or the debt securities are issued.

Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.

The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

14. Financial Liabilities Held for Trading

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

15. Financial Liabilities Measured at Fair Value

There are currently no financial liabilities measured at fair value.

16. Foreign Currency Transactions

Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

17. Other Information

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Loans income, in the form of the coupons accrued on securities and the difference between the spot and forward prices of securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.

The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Share-based payments

In accordance with IFRS 2 "Share-Based Payments", as amended in 2010, share-based benefit plans for staff and financial consultants are recognised as costs on the statement of operations based in the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the condi-

tions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Employee termination indemnities

Under IAS 19 "Employee Benefits", until 31 December 2006 termination indemnity was considered as a "post-employment benefit" classified as a "defined benefit plan". The benefit was therefore reported in the financial statements based on the actuarial value determined using the "Projected Unit Credit Method".

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must – depending on the employees' choice – be allocated to a supplementary pension fund or maintained within the company and transferred to a special fund managed by Italy's national security institute (INPS).

The entry into force of the aforementioned reform led to a change in the accounting treatment of the termination indemnity, in terms of both the amounts accrued until 31 December 2006, as well as the amounts accrued starting on 1 January 2007.

More specifically:

- termination indemnities accrued by personnel **starting on 1 January 2007** are considered a **defined contribution plan**, whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. The amounts accrued must, however, be determined **based on the contributions owed without applying an actuarial calculation**;
- termination indemnities accrued by personnel **up to 31 December 2006** are considered a "defined benefit plan", and therefore must be calculated using actuarial methods; however, after 31 December 2006, such methods no longer involve the proportional allocation of the benefit to the period of service worked. This is because the service period in question is considered fully completed as a result of the change in the accounting nature of termination indemnities accruing beginning on 1 January 2007.

As a result of the legislative changes, employees' termination indemnities were recalculated at 31 December 2006 using the new actuarial method. The difference resulting from the actuarial calculation is deducted from the defined benefit plan, and, in accordance with

IAS 19, the related gains or losses are charged to the profit and loss account (including actuarial components that had not been previously recognized, in accordance with the corridor method).

Productivity Bonuses for Salaried Employees

Pursuant to the first update to Circular No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item "Other liabilities".

More specifically, in accordance with IAS 19 Employee Benefits, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expense in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have as their balancing entry in equity the item for provisions for risks and charges:

- the share of the variable remuneration of managers of the banking group deferred up to two years and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
- the long-term incentive plans authorised by the parent, Assicurazioni Generali, for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:

- incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
- allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore attributed in their entirety to the item for net provisions for risks and charges.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue commissions are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading commissions on securities trading are recognised when the service is rendered; Portfolio management, advisory and mutual fund management commissions are recognised according to the length of the service. Commissions considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Use of estimates and assumptions in the preparation of the financial statements for the year

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

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

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

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

- determining the amount of provisions for risks and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Testing Financial Instruments for Impairment

In accordance with IAS 39, the portfolio of securities not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans) is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evi-

dence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).

In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involved the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 36 months

from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information drawn from the market.

For corporate debt securities classified to the AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating Agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- **purchase cost**, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- **the current fair value**.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- **the book value of the asset**; and
- **the present value of estimated future cash flows** discounted at the financial asset's original effective interest rate.

For ABSs, the decrease is determined based on losses on the tranche of the security held.

Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&R) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.

In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (Standard & Poor's Cumulative Average Default Rates By Rating, 1981 - 2009) and using a market loss given default (LGD) between 60% and 70%.

For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.

In any event, Italian government bonds are excluded from such testing of securities in the HTM portfolio.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.

In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.

The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the Bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

PART A.3 – INFORMATION ON FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The arm's length concept requires that counterparties are fully operational and are not forced to wind up or significantly scale back operations or undertake transactions under unfavourable conditions.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

On the basis of the approach to determining fair value, international accounting standard IFRS 7 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation.

- **Level 1:** prices quoted on active markets for identical instruments;
- **Level 2:** prices quoted on non-active markets for the same instrument or on active markets for similar instruments or calculated through the use of valuation techniques, in which all significant inputs are based on estimation parameters observable on the market;
- **Level 3:** valuation techniques where a significant input for measurement at fair value is based on non-observable market data.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, that is to say whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.

Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

For securities not quoted on active markets, the procedure calls for the analysis of:

- 1) prices of similar instruments quoted on active or inactive markets; and
- 2) inputs other than quotations observably directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. a **single contributor** on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value on the basis of, for example:

- **Bloomberg Bondtrade Composite** (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
- **Bloomberg Generic Number** (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
- **Markit European ABS**, a consensus platform for measuring ABS-type instruments;

3. a reference to current market values of other essentially identical or similar instruments.

UCITS not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

A.3.1 Transfers between portfolios

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

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

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

| TYPE OF FINANCIAL INSTRUMENT | FROM | TO | DATE OF TRANSF. | 31/12/2011 | 31/12/2011 | INCOME COMPONENTS WITH NO TRANSFER | | INCOME COMPONENTS FOR THE YEAR | |
|---|------------|------------|-----------------|----------------|----------------|------------------------------------|--------------|--------------------------------|--------------|
| | | | | BOOK VALUE | FAIR VALUE | VALUATION | OTHER | VALUATION | OTHER |
| <i>(€ thousand)</i> | | | | | | | | | |
| Equity securities | TRA | AFS | 1/7/08 | 1,938 | 1,938 | -922 | 0 | -922 | 0 |
| Debt securities | TRA | HTM | 1/7/08 | 230,490 | 221,514 | -2,950 | 6,139 | -2 | 5,971 |
| Debt securities | AFS | HTM | 30/9/08 | 40,511 | 39,929 | -52 | 754 | 11 | 1,009 |
| Total HTM portfolio | | | | 271,001 | 261,443 | -3,002 | 6,893 | 9 | 6,980 |
| Debt securities | TRA | LOANS | 1/7/08 | 84,750 | 67,607 | -11,528 | 567 | -220 | 2,301 |
| Debt securities | AFS | LOANS | 1/7/08 | 5,336 | 5,007 | -490 | 1,123 | -433 | 128 |
| Total loan portfolio (banks and clients) | | | | 90,086 | 72,614 | -12,018 | 1,690 | -653 | 2,429 |
| Total reclassified financial assets | | | | 363,025 | 335,995 | -15,942 | 8,583 | -1,566 | 9,409 |

During 2011, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date the portfolios concerned therefore presented a total carrying amount of 363.0 million euros, down sharply from the 552.7 million reported at the end of the previous year (-189.7 million euros). This amount includes the increases for the amortised costs gradually reaching maturity.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2011 would have entailed negative differences compared to book values, before taxes of 27.0 million euros, compared to 17.8 million euros at the end of 2010.

Had the Bank not opted to reclassify such securities, they would have registered greater capital losses through profit and loss and equity in 2011 of 14.4 million euros, equal to the difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The negative contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to 0.9 million euros due to the lesser interest recognised according to the effective interest rate method.

A.3.2 Fair Value Hierarchy

International accounting standard IFRS 7 - Financial Instruments: Disclosures, approved by the IASB in March 2009, requires that entities that apply IASs/IFRSs provide adequate disclosure of the fair value measurements used for each class of financial instrument, with especial reference to:

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

The information on the fair value hierarchy requires that financial assets designated at fair value be reclassified according to a level-based hierarchy that reflects the significance of the inputs used in valuations, as explained in further detail in the premise of the Section.

A.3.2.1 Accounting portfolios: breakdown by fair-value levels

| FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE | 31.12.2011 | | | | TOTAL |
|--|------------------|---------------|---------------|--------------|------------------|
| | L1 | L2 | L3 | AT COST | |
| 1. Financial assets held for trading | 1,777 | 15,852 | 17,296 | 0 | 34,925 |
| 2. Financial assets at fair value | 0 | 0 | 0 | 0 | 0 |
| 3. AFS financial assets | 1,224,387 | 70,153 | 16,268 | 8,136 | 1,318,944 |
| 4. Hedging derivatives | 0 | 0 | | 0 | 0 |
| Total | 1,226,164 | 86,005 | 33,564 | 8,136 | 1,353,869 |
| 1. Financial liabilities held for trading | 0 | 1,737 | 0 | 0 | 1,737 |
| 2. Financial Liabilities at fair value | 0 | 0 | 0 | 0 | 0 |
| 3. Hedging derivatives | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 1,737 | 0 | 0 | 1,737 |

| FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE | 31.12.2010 | | | | TOTAL |
|--|------------------|---------------|---------------|--------------|------------------|
| | L1 | L2 | L3 | AT COST | |
| 1. Financial assets held for trading | 87,878 | 14,006 | 17,670 | | 119,554 |
| 2. Financial assets at fair value | | | | | - |
| 3. AFS financial assets | 1,442,976 | 69,224 | 17,837 | 3,190 | 1,533,227 |
| 4. Hedging derivatives | | | | | - |
| Total | 1,530,854 | 83,230 | 35,507 | 3,190 | 1,652,781 |
| 1. Financial liabilities held for trading | | 6,502 | | | 6,502 |
| 2. Financial Liabilities at fair value | | | | | - |
| 3. Hedging derivatives | | | | | - |
| Total | - | 6,502 | - | - | 6,502 |

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of assets and liabilities held for trading and the portfolio of AFS financial assets comprised 90.6% of financial assets eligible for allocation to class L1. This category consists largely of Italian government bonds. It also includes, to a limited extent (6.4 million euros), equities listed on Italian and European regulated markets.

By contrast, financial assets allocated to the L2 trading portfolio consist of units of money-market UCITS not listed on regulated markets (15.1 million euros) and bank bonds from Italy and the major Euro Area nations. The Level 2 portfolio also includes derivative financial assets and liabilities consisting of interest rate swaps (IRs) and currency outright valued according to observable market parameters.

A.3.2.2 Accounting portfolios: annual changes in financial assets at fair value (level L3)

| | FINANCIAL ASSETS | | |
|---------------------------------|------------------|-------------------|--------------|
| | TRADING | AFS AT FAIR VALUE | AFS AT COST |
| 1. Amount at year-start | 17,670 | 17,837 | 3,190 |
| 2. Increases | 893 | 13,538 | 4,977 |
| 2.1 Purchases | | 4,721 | 4,977 |
| 2.2 Gains through: | | | |
| 2.2.1 Profit and loss | | 1,059 | |
| - of which: Capital gains | | | |
| 2.2.2 Net equity | | | |
| 2.3 Transfers from other levels | 893 | 6,974 | |
| 2.4 Other increases | | 784 | |
| of which business combinations | | | 0 |
| 3. Decreases | 1,267 | 15,107 | 31 |
| 3.1 Sales | | 2,333 | |
| 3.2 Redemptions | 1,018 | 6,443 | |
| 3.3 Losses through: | | | |
| 3.3.1 Profit and loss | 249 | | |
| - of which: capital losses | 249 | | |
| 3.3.2 Net equity | | 281 | |
| 3.4 Transfers to other levels | | 5,168 | 31 |
| 3.5 Other decreases | | 882 | |
| 4. Amount at year-end | 17,296 | 16,268 | 8,136 |

The L3 financial assets in the trading portfolio consist solely of:

- the investment in the Quarzo 1 bond, a securitisation of residential mortgage-backed securities (RMBS) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Assicurazioni Generali Group;
- an interest in a speculative hedge fund issued by Finanziaria Internazionale Group companies;
- a defaulted Landesbanki bond, written off.
- an investment in a sub-fund of the BG Selection SICAV, previously classified to L2.

The L3 financial assets in the AFS portfolio include equities of 4.8 million euros, consisting of the equity interest in the private-equity vehicle Athena Private Equity, subject to impairment in previous years, whereas the remainder (11.5 million euros) is represented by unlisted debt securities issued by Italian banks and financial institutions set to mature in 2012 and 2013.

By contrast, financial assets measured at purchase cost in the absence of reliable estimates of fair value include 3.2 million euros in “minor equity investments” (CSE, GBS Caricese, SWIFT, etc.) and the equity interest in Veneto Banca (5.0 million euros) acquired during the year.

The two Lehman issues in default (1.2 million euros) were sold, resulting in a realised gain of approximately 1.0 million euros.

A.3.3 Information on “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in the financial statements in question.

PART B – INFORMATION ON THE BALANCE SHEET ASSETS

SECTION 1 CASH AND DEPOSITS - ITEM 10

1.1 Breakdown of cash and deposits

| ITEMS / VALUES | 31.12.2011 | 31.12.2010 |
|---------------------------------------|---------------|--------------|
| (€ thousand) | | |
| a) Cash | 13,955 | 7,950 |
| b) Demand deposits with central banks | 60,000 | - |
| Total | 73,955 | 7,950 |

SECTION 2 FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: categories

| ITEMS / VALUES | 31.12.2011 | | | 31.12.2010 | | |
|--------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| (€ thousand) | | | | | | |
| A. Cash | | | | | | |
| 1. Debt securities | 710 | 1,021 | 15,099 | 85,301 | 687 | 16,250 |
| 1.1 Structured securities | - | - | - | - | 634 | - |
| 1.2 Other debt securities | 710 | 1,021 | 15,099 | 85,301 | 53 | 16,250 |
| 2. Equity securities | 1,062 | - | - | 2,577 | - | - |
| 3. UCIT units | 5 | 14,134 | 2,197 | - | 13,120 | 1,420 |
| 4. Loans | - | - | - | - | - | - |
| 4.1 Repurchase agreements | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| Total A | 1,777 | 15,155 | 17,296 | 87,878 | 13,807 | 17,670 |
| B. Derivatives | | | | | | |
| 1. Financial derivatives | - | 697 | - | - | 199 | - |
| 1.1 From trading | - | 697 | - | - | 199 | - |
| 1.2 Related to the fair value option | - | - | - | - | - | - |
| 1.3 Other | - | - | - | - | - | - |
| 2. Credit derivatives | - | - | - | - | - | - |
| 2.1 From trading | - | - | - | - | - | - |
| 2.2 Related to the fair value option | - | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - | - |
| Total B | - | 697 | - | - | 199 | - |
| Total (A+B) | 1,777 | 15,852 | 17,296 | 87,878 | 14,006 | 17,670 |

Notes

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

2. A more detailed description of the fair value category of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.

2.2 Financial assets held for trading: debtors/issuers

| ITEMS / VALUES | 31.12.2011 | 31.12.2010 |
|----------------------------------|---------------|----------------|
| <i>(€ thousand)</i> | | |
| A. Cash | | |
| 1. Debt securities | 16,830 | 102,238 |
| a) Governments and central banks | 57 | 79,558 |
| b) Other public institutions | - | - |
| c) Banks | 1,695 | 6,578 |
| d) Other issuers | 15,078 | 16,102 |
| 2. Equity securities | 1,062 | 2,577 |
| a) Banks | 2 | 3 |
| b) Other issuers | 1,060 | 2,574 |
| - insurance companies | 384 | 1,782 |
| - financial companies | 2 | 10 |
| - non-financial companies | 674 | 782 |
| - other entities | - | - |
| 3. UCIT units | 16,336 | 14,540 |
| 4. Loans | - | - |
| a) Governments and central banks | - | - |
| b) Other public institutions | - | - |
| c) Banks | - | - |
| d) Other parties | - | - |
| Total A | 34,228 | 119,355 |
| B. Derivatives | | |
| a) Banks | 434 | 35 |
| b) Customers | 263 | 164 |
| Total B | 697 | 199 |
| Total (A+B) | 34,925 | 119,554 |

2.3 Financial assets held for trading: year changes

| (€ thousand) | DEBT SECURITIES | EQUITY SECURITIES | UCIT UNITS | LOANS | TOTAL |
|--|--------------------|----------------------|------------------|-------|------------------|
| A. Amount at year-start | | | | - | 119,355 |
| B. Increases | 2,416,906 | 2,862,826 | 1,560,364 | - | 6,840,096 |
| B1. Purchases | 2,415,939 | 2,862,176 | 1,560,071 | - | 6,838,186 |
| B2. Positive changes in fair value | 2 | 105 | - | - | 107 |
| B3. Other changes | 965 | 545 | 293 | - | 1,803 |
| of which business combination transactions | | | | | |
| C. Decreases | 2,502,314 | 2,864,341 | 1,558,568 | - | 6,925,223 |
| C1. Sales | 2,498,629 | 2,726,510 | 1,556,819 | - | 6,781,958 |
| C2. Repayments | 1,017 | - | - | - | 1,017 |
| C3. Negative changes in fair value | 476 | 131 | 1,739 | - | 2,346 |
| C4. Transfer to other portfolios | - | - | - | - | - |
| C5. Other changes | 2,192 | 137,700 | 10 | - | 139,902 |
| D. Amount at year-end | 16,830 | 1,062 | 16,336 | - | 34,228 |

Notes

- Item "B.3 Other changes - increases" includes final dividend accruals, final premiums/discounts, and gains on disposal.
- Item "C.5 Other changes - decreases" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.
This item also includes losses for 137,583 thousand euros on the disposal of equity securities under trading operations with futures-based hedging.

SECTION 4 AVAILABLE-FOR-SALE FINANCIAL ASSETS – ITEM 40

4.1 Available-for-sale financial assets: categories

| ITEMS / VALUES | 31.12.2011 | | | 31.12.2010 | | |
|-----------------------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| (€ thousand) | | | | | | |
| 1. Debt securities | 1,219,080 | 69,111 | 11,446 | 1,435,959 | 69,224 | 12,720 |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2. Other debt securities | 1,219,080 | 69,111 | 11,446 | 1,435,959 | 69,224 | 12,720 |
| 2. Equity securities | 5,307 | - | 12,958 | 7,017 | - | 8,307 |
| 2.1 Valued at fair value | 5,307 | - | 4,822 | 7,017 | - | 5,117 |
| 2.2 Valued at cost | - | - | 8,136 | - | - | 3,190 |
| 3. UCIT UNITS | - | 1,042 | - | - | - | - |
| 4. Loans | - | - | - | - | - | - |
| Total | 1,224,387 | 70,153 | 24,404 | 1,442,976 | 69,224 | 21,027 |

Notes

- The portfolio of equity securities includes 8,136 thousand euros for equity investments valued at the cost of acquisition in absence of reliable estimates of fair value. It includes the residual 15% investment in Simgenia (1,033 thousand euros), equity securities which fall into the category of what are known as "minor equity investments" and largely related to service agreements concluded by the Group (CSE, GBS Caricese, SWIFT, etc.), usually non-negotiable (2,126 thousand euros), and investments in Veneto Banca (4,977 thousand euros) acquired during the year.
- AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not fully recoverable. Following the test impairment losses for an amount of 3,980 thousand euros were recognised on equity securities, due to the fact that the fair value automatic relevant threshold compared to the book value had been exceeded (significant of prolonged loss).
- The two default positions made up of debt securities issued by Lehman Brothers holding, for a countervalue of amortised cost of 8,721 thousand euros and with write-downs in the previous years amounting to 7,421 thousand euros, were transferred in the year, with a gain of 1,034 thousand euros.
- A more detailed description of the Fair value category of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.
- The item includes assets sold but not written off, which refer to titles used in repurchase agreements amounting to 351,349 thousand euros.

4.2 Available-for-sale financial assets: debtors/issuers

| ITEMS / VALUES | 31.12.2011 | 31.12.2010 |
|----------------------------------|------------------|------------------|
| <i>(€ thousand)</i> | | |
| 1. Debt securities | 1,299,637 | 1,517,903 |
| a) Governments and central banks | 1,130,509 | 1,352,479 |
| b) Other public institutions | - | - |
| c) Banks | 154,123 | 143,863 |
| d) Other issuers | 15,005 | 21,561 |
| 2. Equity securities | 18,265 | 15,324 |
| a) Banks | 5,919 | 1,762 |
| b) Other issuers | 12,346 | 13,562 |
| - insurance companies | 654 | 840 |
| - financial companies | 6,430 | 6,561 |
| - non-financial companies | 5,255 | 6,161 |
| - other entities | 7 | - |
| 3. UCIT units | 1,042 | - |
| 4. Loans | - | - |
| a) Governments and central banks | - | - |
| b) Other public institutions | - | - |
| c) Banks | - | - |
| d) Other parties | - | - |
| Total | 1,318,944 | 1,533,227 |

4.4 Available-for-sale financial assets: year changes

| (€ thousand) | DEBT SECURITIES | EQUITY SECURITIES | UCIT UNITS | LOANS | TOTAL |
|--|--------------------|----------------------|--------------|-------|------------------|
| A. Amount at year-start | 1.517.903 | 15.324 | - | - | 1.533.227 |
| B. Increases | 591.608 | 9.332 | 1.049 | - | 601.989 |
| B1. Purchases | 576.322 | 5.269 | 1.000 | - | 582.591 |
| B2. Positive changes in fair value | 1.896 | 63 | 18 | - | 1.977 |
| B3. Reversal value | - | 3.980 | - | - | 3.980 |
| - P&L | - | X | - | - | - |
| - net equity | - | 3.980 | - | - | 3.980 |
| B4. Transfer from other portfolios | - | - | 31 | - | 31 |
| B5. Other changes | 13.390 | 20 | - | - | 13.410 |
| of which business combination transactions | - | - | - | - | - |
| C. Decreases | 809.874 | 6.391 | 7 | - | 816.272 |
| C1. Sales | 232.736 | 17 | - | - | 232.753 |
| C2. Repayments | 514.005 | - | - | - | 514.005 |
| C3. Negative changes in fair value | 54.626 | 2.363 | 7 | - | 56.996 |
| C4. Write-downs of non-performing loans | - | 3.980 | - | - | 3.980 |
| - P&L | - | 3.980 | - | - | 3.980 |
| - net equity | - | - | - | - | - |
| C5. Transfer to other portfolios | - | 31 | - | - | 31 |
| C6. Other changes | 8.507 | - | - | - | 8.507 |
| D. Amount at year-end | 1.299.637 | 18.265 | 1.042 | - | 1.318.944 |

Notes

- Item "B.5 Other changes - increases" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals matured at the reporting date and gains on disposals, net of any transfers of equity reserves.
- The item C.6 "Other changes - decreases" includes interest adjustment arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
- Item B.3 "Reversal value" in equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the profit and loss account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the profit and loss account.

SECTION 5

HELD-TO-MATURITY FINANCIAL ASSETS

5.1 Held-to-maturity financial assets: categories

| TYPE OF TRANSACTIONS/VALUES | 31.12.2011 | | | | 31.12.2010 | | | |
|-----------------------------|------------------|------------------|----------------|---------------|----------------|----------------|----------------|---------------|
| | FV | | | | FV | | | |
| (€ thousand) | BOOK VALUE | L1 | L2 | L3 | BOOK VALUE | L1 | L2 | L3 |
| 1. Debt securities | 1,415,700 | 1,216,873 | 127,494 | 41,050 | 608,118 | 344,205 | 173,951 | 73,799 |
| 1.1 Structured securities | - | - | - | - | - | - | - | - |
| 1.2. Other debt securities | 1,415,700 | 1,216,873 | 127,494 | 41,050 | 608,118 | 344,205 | 173,951 | 73,799 |
| 2. Loans | - | - | - | - | - | - | - | - |
| Total | 1,415,700 | 1,216,873 | 127,494 | 41,050 | 608,118 | 344,205 | 173,951 | 73,799 |

Notes

1. Held-to-maturity financial assets were subjected to analytical impairment testing but no impairment was detected. To take into account the financial market turbulence in the Euro area, however, a collective reserve was established to cover potential losses for a total amount of 601 thousand euros, with reversals amounting to 164 thousand euros.
2. A more detailed analysis of the fair value category of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.
3. The item includes assets sold but not written off, which refer to titles used in repurchase agreements amounting to 285,171 thousand euros.

5.2. Held-to-maturity financial assets: debtors/issuers

| ITEMS / VALUES | 31.12.2011 | 31.12.2010 |
|----------------------------------|------------------|----------------|
| (€ thousand) | | |
| 1. Debt securities | 1,415,700 | 608,118 |
| a) Governments and central banks | 1,064,024 | 113,223 |
| b) Other public institutions | - | - |
| c) Banks | 295,239 | 411,604 |
| d) Other issuers | 56,437 | 83,291 |
| 2. Loans | - | - |
| a) Governments and central banks | - | - |
| b) Other public institutions | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| Total | 1,415,700 | 608,118 |

5.4. Held-to-maturity financial assets: year changes

| (€ thousand) | DEBT SECURITIES | LOANS | TOTAL |
|------------------------------------|------------------|-------|------------------|
| A. Amount at year-start | 608,118 | - | 608,118 |
| B. Increases | 964,065 | - | 964,065 |
| B1. Purchases | 941,579 | - | 941,579 |
| B2. Reversal value | 165 | - | 165 |
| B3. Transfer from other portfolios | - | - | - |
| B4. Other changes | 22,321 | - | 22,321 |
| C. Decreases | 156,483 | - | 156,483 |
| C1. Sales | 14,661 | - | 14,661 |
| C2. Repayments | 131,804 | - | 131,804 |
| C3. Adjustments | - | - | - |
| C4. Transfer to other portfolios | - | - | - |
| C5. Other changes | 10,018 | - | 10,018 |
| D. Amount at year-end | 1,415,700 | - | 1,415,700 |

Notes

1. Other increases (B.4) include dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. Other decreases (C.5) include dividend accruals, final adjustments at amortised cost established according to the effective interest rate effective at the end of the previous year and losses on disposal.
3. Item C1, "Sales," includes debt securities nearing maturity or subject to significant downgrades of their credit ratings with respect to the initial measurement, resulting in a significant decrease in applicable capital requirements and with an impact on the collective reserve through profit and loss.

SECTION 6 LOANS TO BANKS — ITEM 60

6.1 Loans to banks: categories

| TYPE OF TRANSACTIONS/VALUES | | |
|---|----------------|----------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| A. Loans to central banks | 10,341 | 11,680 |
| 1. Term deposits | - | - |
| 2. Mandatory reserve | 10,341 | 11,680 |
| 3. Repurchase agreements | - | - |
| 4. Other | - | - |
| B. Loans to banks | 473,200 | 436,147 |
| 1. Current accounts and demand deposits | 238,924 | 188,524 |
| 2. Term deposits | 59,343 | 71,341 |
| 3. Other: | 428 | 980 |
| 3.1 Repurchase agreements | - | - |
| 3.2 Finance lease | - | - |
| 3.3 Other | 428 | 980 |
| 4. Debt securities | 174,505 | 175,302 |
| 4.1 Structured securities | - | - |
| 4.2. Other debt securities | 174,505 | 175,302 |
| Total (book value) | 483,541 | 447,827 |
| Total (fair value) | 466,863 | 442,426 |

Notes

1. A specific impairment test was conducted on debt portfolio classified among loans to banks and customers but no impairment was detected. Moreover, a 752 thousand euro collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.
2. The item includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 4,713 thousand euros.

Breakdown of loans to banks — other transactions

| TYPE OF TRANSACTIONS/VALUES | | |
|-----------------------------|------------|------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| Operating loans | 333 | 943 |
| Other operating receivables | 95 | 37 |
| Total | 428 | 980 |

SECTION 7 LOANS TO CUSTOMERS - ITEM 70

7.1 Loans to customers: categories

| TYPE OF TRANSACTIONS/VALUES (€ thousand) | 31.12.2011 | | 31.12.2010 | |
|--|------------------|----------------------|------------------|----------------------|
| | Performing loans | Non-performing loans | Performing loans | Non-performing loans |
| 1. Current accounts | 507,486 | 9,734 | 441,581 | 14,576 |
| 2. Repurchase agreements | - | - | - | - |
| 3. Loans | 218,079 | 20,728 | 101,685 | 6,470 |
| 4. Credit cards, personal loans and loans on wages | - | - | - | - |
| 5. Finance lease | - | - | - | - |
| 6. Factoring | - | - | - | - |
| 7. Other transactions | 105,662 | 2,495 | 106,387 | 8,568 |
| 8. Debt securities | 81,185 | 3,465 | 139,645 | 5,650 |
| 8.1 Structured securities | - | - | - | - |
| 8.2 Other debt securities | 81,185 | 3,465 | 139,645 | 5,650 |
| Total (book value) | 912,412 | 36,422 | 789,298 | 35,264 |
| Total (fair value) | 901,362 | 34,265 | 781,645 | 34,154 |

Notes

- The Item "Debt securities" includes a Gesav capitalisation policy of 20,584 thousand euros, with tradability option.
- Debt securities classified under "Loans to customers" include two impaired positions (net book value of 3,465 thousand euros) arising on third-party securitisation transactions which led to an impairment of 1,355 thousand euros, conventionally classified under non-performing loans - sub-standard loans.
- Debt securities classified among "Loans to customers" were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not fully recoverable. Subsequently, an impairment loss amounting to 552 thousand euros was detected; it was fully attributable to two positions already impaired in the previous years.
- Moreover, a 794 thousand euro collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.
- Operating loans include non-performing positions of a net amount of 1,379 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process, or for which the term for reimbursement has otherwise lapsed.

Breakdown of loans to customers - other transactions

| TYPE OF TRANSACTIONS/VALUES (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| Other short- and long-term loans | 38,398 | 32,551 |
| Personal loans | 7,065 | 11,606 |
| Interest-bearing daily margins Italian Stock Exchange | 4,061 | 4,403 |
| Sums advanced to financial advisors | 26,733 | 31,020 |
| Operating loans | 29,676 | 32,573 |
| Interest-bearing caution deposits | 342 | 306 |
| Amounts to be collected | 1,882 | 2,496 |
| Total | 108,157 | 114,955 |

7.2 Loans to customers: debtors/issuers

| TYPE OF TRANSACTIONS/VALUES (€ thousand) | 31.12.2011 | | 31.12.2010 | |
|---|------------------|----------------------|------------------|----------------------|
| | Performing loans | Non-performing loans | Performing loans | Non-performing loans |
| 1. Debt securities | 81,185 | 3,465 | 139,645 | 5,650 |
| a) Governments | - | - | - | - |
| b) Other public institutions | - | - | - | - |
| c) Other issuers | 81,185 | 3,465 | 139,645 | 5,650 |
| - non-financial companies | - | - | 980 | - |
| - financial companies | 55,659 | 3,465 | 103,205 | 5,650 |
| - insurance companies | 25,526 | - | 35,460 | - |
| - other entities | - | - | - | - |
| 2. Loans | 831,227 | 32,957 | 649,653 | 29,614 |
| a) Governments | - | - | - | - |
| b) Other public institutions | - | - | - | - |
| c) Other parties | 831,227 | 32,957 | 649,653 | 29,614 |
| - non-financial companies | 246,135 | 25,075 | 188,274 | 23,052 |
| - financial companies | 81,174 | 1,512 | 85,785 | 479 |
| - insurance companies | 326 | - | 5,899 | - |
| - other entities | 503,592 | 6,370 | 369,695 | 6,083 |
| Total | 912,412 | 36,422 | 789,298 | 35,264 |

SECTION 10 EQUITY INVESTMENTS - ITEM 100

10.1 Equity investments in subsidiary companies, entities under common control or subject to significant influence: disclosure on type of relations

| NAME | REGISTERED OFFICE | % HELD | % OF VOTING RIGHTS |
|--|-------------------|--------|--------------------|
| A. Subsidiary companies wholly controlled | | | |
| 1. Bg Fiduciaria Sim S.p.A. | Trieste | 100% | 100% |
| 2. Bg Sgr S.p.A. | Trieste | 100% | 100% |
| 3. Generali Fund Management S.A. | Luxembourg | 51% | 51% |
| 4. Generfid S.p.A. | Milan | 100% | 100% |

10.2 Equity investments in subsidiary companies, entities under common control or subject to significant influence: accounting disclosures

| NAME | TOTAL ASSETS | REVENUE | NET PROFIT (LOSS) | NET EQUITY | BOOK VALUE | FAIR VALUE (LISTED) |
|--|----------------|----------------|-------------------|---------------|---------------|---------------------|
| A. Subsidiary companies wholly controlled | | | | | | |
| 1. Bg Fiduciaria Sim S.p.A. (1) | 18,068 | 12,815 | 1,332 | 10,218 | 11,779 | X |
| 2. Bg Sgr S.p.A. | 37,365 | 31,299 | 2,049 | 29,246 | 25,393 | X |
| 3. Generfid S.p.A. | 704 | 697 | 136 | 526 | 245 | X |
| 4. Generali Fund Management S.A. | 89,029 | 188,237 | 69,612 | 46,298 | 2,000 | X |
| Total | 145,166 | 233,048 | 73,129 | 86,288 | 39,417 | - |

Notes

1. The difference between the carrying value and equity investment in BG Fiduciaria and the relevant net equity is due to the goodwill paid to acquire the company. Pursuant to IAS 36, this item was tested for impairment but no impairment was detected.

10.3 Equity investments: year changes

| | 31.12.2011 | 31.12.2010 |
|--------------------------------|---------------|----------------|
| A. Amount at year-start | 39,417 | 143,992 |
| B. Increases | - | 9,580 |
| B1. Purchases | - | 9,580 |
| B2. Reversal value | - | - |
| B3. Revaluations | - | - |
| B4. Other changes | - | - |
| C. Decreases | - | 114,155 |
| C1. Sales and repayments | - | - |
| C2. Adjustments | - | - |
| of which permanent write-downs | - | - |
| C3. Other changes | - | 114,155 |
| D. Amount at year-end | 39,417 | 39,417 |
| E. Total revaluations | - | - |
| F. Total adjustments | - | - |

SECTION 11 PROPERTY AND EQUIPMENT - ITEM 110

11.1 Breakdown of property and equipment: assets valued at cost

| ASSETS/VALUES | | |
|---|-------------------|-------------------|
| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
| A. Operating assets | | |
| 1.1 Owned assets | 5,204 | 4,602 |
| a) land | - | - |
| b) buildings | - | - |
| c) furniture | 2,797 | 2,997 |
| d) electronic equipment | 1,155 | 178 |
| e) other | 1,252 | 1,427 |
| 1.2 Acquired under finance lease | - | - |
| a) land | - | - |
| b) buildings | - | - |
| c) furniture | - | - |
| d) electronic equipment | - | - |
| e) other | - | - |
| Total A | 5,204 | 4,602 |
| B. Assets held as investments | | |
| 2.1 Owned assets | - | - |
| a) land | - | - |
| b) buildings | - | - |
| 2.2 Acquired under finance lease | - | - |
| a) land | - | - |
| b) buildings | - | - |
| Total B | - | - |
| Total (A + B) | 5,204 | 4,602 |

11.3 Operating assets: year changes

| | LAND | BUILDINGS | FURNITURE | ELECTRONIC EQUIPMENT | OTHER | TOTAL |
|---|------|-----------|-----------|----------------------|-------|--------|
| A. Gross amount at year-start | - | - | 16,550 | 3,409 | 7,317 | 27,276 |
| A.1 Total net impairment | - | - | 13,553 | 3,231 | 5,890 | 22,674 |
| A.2 Net amount at year-start | - | - | 2,997 | 178 | 1,427 | 4,602 |
| B. Increases: | | | 700 | 1,252 | 341 | 2,293 |
| B.1 Purchases | | | 700 | 1,252 | 341 | 2,293 |
| B.2 Capitalised improvement costs | | | | | | - |
| B.3 Reversal value | | | | | | - |
| a) Net equity | | | | | | - |
| b) P&L | | | | | | - |
| B.4 Fair value positive change in | | | | | | - |
| a) Net equity | | | | | | - |
| b) P&L | | | | | | - |
| B.5 Exchange gains | | | | | | - |
| B.6 Transfer of buildings held as investments | | | | | | - |
| B.7 Other changes | | | - | - | - | - |
| of which business combination transactions | | | - | - | - | - |
| C. Decreases: | | | 900 | 275 | 516 | 1,691 |
| C.1 Sales | | | - | - | 5 | 5 |
| C.2 Depreciation | | | 869 | 266 | 510 | 1,645 |
| C.3 Adjustments due to impairment | | | | | | - |
| recognised in | | | | | | - |
| a) Net equity | | | | | | - |
| b) P&L | | | | | | - |
| C.4 Fair value negative changes in | | | | | | - |
| a) Net equity | | | | | | - |
| b) P&L | | | | | | - |
| C.5 Exchange losses | | | | | | - |
| C.6 Transfers to: | | | | | | - |
| a) property and equipment held as investments | | | | | | - |
| b) assets held for sale | | | | | | - |
| C.7 Other changes | | | 31 | 9 | 1 | 41 |
| of which business combination transactions | | | - | - | - | - |
| D. Net amount at year-end | | | 2,797 | 1,155 | 1,252 | 5,204 |
| D.1 Total net impairment | | | 14,391 | 3,497 | 6,394 | 24,282 |
| D.2 Gross amount at year-end | | | 17,188 | 4,652 | 7,646 | 29,486 |
| E. Valued at cost | | | 2,797 | 1,155 | 1,252 | 5,204 |

SEZIONE 12

INTANGIBLE ASSETS - ITEM 120

12.1 Intangible assets: categories

| ASSETS/VALUES (€ thousand) | 31.12.2011 | | 31.12.2010 | |
|---|-----------------------|-------------------------|-----------------------|-------------------------|
| | SPECIFIED MATURITY | UNSPECIFIED MATURITY | SPECIFIED MATURITY | UNSPECIFIED MATURITY |
| A.1 Goodwill | | 29,410 | | 29,410 |
| A.2 Other intangible assets | 5,507 | - | 6,707 | - |
| A.2.1 Assets valued at cost: | 5,507 | - | 6,707 | - |
| a) Internally generated intangible assets | - | - | - | - |
| b) Other Assets | 5,507 | - | 6,707 | - |
| A.2.2 Assets valued at fair value : | - | - | - | - |
| a) Internally generated intangible assets | - | - | - | - |
| b) Other Assets | - | - | - | - |
| Total | 5,507 | 29,410 | 6,707 | 29,410 |

12.2 Intangible assets: year changes

| (€ thousand) | Goodwill | Other intangible assets internally generated | | Other intangible assets Other | | Total |
|--|---------------|---|-------------------------|----------------------------------|-------------------------|---------------|
| | | Specified maturity | Unspecified maturity | Specified maturity | Unspecified maturity | |
| A. Gross amount at year-start | 29,410 | | | 46,054 | | 75,464 |
| A.1 Total net impairment | | | | 39,347 | | 39,347 |
| A.2 Net amount at year-start | 29,410 | - | - | 6,707 | - | 36,117 |
| B. Increases | - | - | - | 640 | - | 640 |
| B.1 Purchases | - | - | - | 640 | - | 640 |
| B.2 Increase of internal intangible assets | - | - | - | - | - | - |
| B.3 Reversal value | - | - | - | - | - | - |
| B.4 Fair value positive changes in | - | - | - | - | - | - |
| - Net equity | - | - | - | - | - | - |
| - P&L | - | - | - | - | - | - |
| B.5 Exchange gains | - | - | - | - | - | - |
| B.6 Other changes | - | - | - | - | - | - |
| of which business combination transactions | - | - | - | - | - | - |
| C. Decreases | - | - | - | 1,840 | - | 1,840 |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Adjustments | - | - | - | 1,840 | - | 1,840 |
| - Amortisation | - | - | - | 1,840 | - | 1,840 |
| - Write-downs | - | - | - | - | - | - |
| + shareholders' equity | - | - | - | - | - | - |
| + P&L | - | - | - | - | - | - |
| C.3 Fair value negative changes | - | - | - | - | - | - |
| - Net equity | - | - | - | - | - | - |
| - P&L | - | - | - | - | - | - |
| C.4 Transfer to non-current assets | | | | | | |
| held for sale and disposal groups | - | - | - | - | - | - |
| C.5 Exchange losses | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | - | - | - |
| of which business combination transactions | - | - | - | - | - | - |
| D. Amount at year-end | 29,410 | - | - | 5,507 | - | 34,917 |
| D.1 Total net adjustments | | | | 41,187 | | 41,187 |
| E. Gross amount at year-end | 29,410 | | | 46,694 | | 76,104 |
| F. Valued at cost | 29,410 | - | - | 5,507 | - | 34,917 |

Breakdown of goodwill

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|-------------------------------|---------------|---------------|
| Prime Consult Sim and Ina Sim | 2,991 | 2,991 |
| BG Fiduciaria SIM S.p.A. | - | - |
| Banca del Gottardo | 26,419 | 26,419 |
| Total | 29,410 | 29,410 |

Breakdown of intangible assets - other assets

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| Charges associated with the implementation of legacy CSE procedures | 2,037 | 2,819 |
| Transactions with customers (former Banca del Gottardo) | 3,149 | 3,675 |
| Other software costs | 213 | 86 |
| Commissions to be amortised | 56 | 61 |
| Trademarks | - | - |
| Advance payments on intangible assets | 52 | 66 |
| Total | 5,507 | 6,707 |

The Banca Generali's goodwill and intangible assets arising from the acquisition of Banca del Gottardo (customer relationships) were tested to impairment in accordance with IAS 36, without detecting any impairment losses. Tests' execution procedures and results are analysed in greater detail in Part G of the Notes.

SECTION 13 TAX ASSETS AND LIABILITIES - ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

Breakdown of item 130 (Assets): tax assets

| TYPE OF TRANSACTIONS/VALUES | | |
|---|---------------|---------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| Current taxation | 11,343 | 24,726 |
| - IRES arising on National Tax Consolidation | 10,623 | 24,611 |
| - IRAP | 605 | - |
| - IRPEG refund receivables | 115 | 115 |
| Deferred tax receivables | 58,005 | 39,879 |
| With impact on profit and loss account | 31,269 | 29,410 |
| - IRES | 27,532 | 26,418 |
| - IRAP | 3,737 | 2,992 |
| With impact on net equity | 26,736 | 10,469 |
| - IRES | 22,866 | 9,122 |
| - IRAP | 3,870 | 1,347 |
| Total | 69,348 | 64,605 |

Notes

1. Current tax assets represent the net positive unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
2. In light of the participation of Banca Generali to the national tax consolidation programme of Assicurazioni Generali, payments on account, withholdings paid, and IRES taxable amounts (+/-) were conferred to, used and liquidated by the consolidating company. Current IRES tax assets are therefore a receivable from Assicurazioni Generali.

Breakdown of tax liabilities - item 80

| TYPE OF TRANSACTIONS/VALUES | | |
|---|--------------|--------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| Current taxation | 717 | 1,932 |
| - Substitute tax (1) | 291 | 640 |
| - IRAP | 426 | 1,292 |
| Deferred tax liabilities | 1,214 | 1,187 |
| With impact on profit and loss account | 1,140 | 1,066 |
| - IRES | 1,068 | 1,011 |
| - IRAP | 72 | 55 |
| With impact on net equity | 74 | 121 |
| - IRES | 63 | 106 |
| - IRAP | 11 | 15 |
| Total | 1,931 | 3,119 |

Notes

- (1) Remaining instalment of the substitute tax on the redemption of the intangible assets pursuant to Article 176, paragraph 2-ter of TUIR, to be paid in 2012.

13.1 Breakdown of deferred tax assets

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| With impact on profit and loss account | 31,269 | 29,410 |
| Previous fiscal losses (1) | 1,120 | 1,096 |
| Provisions for liabilities and contingencies | 17,584 | 15,306 |
| Write-down of held-for-trading securities before 2008 | 425 | 422 |
| Write-down of securities in the AFS portfolio | 316 | 886 |
| Write-downs on debt securities | 71 | 144 |
| Credit devaluation | 1,122 | 1,283 |
| Redeemed goodwill (pursuant to Art. 15, para. 10, of Legislative Decree 185/08) | 9,072 | 9,845 |
| Consolidated goodwill of BG Fiduciaria (Art. 15, para. 10-ter) | 1,379 | - |
| Other operating expenses | 180 | 428 |
| With impact on net equity | 26,736 | 10,469 |
| Measurement at fair value of AFS financial assets | 26,736 | 10,469 |
| Total | 58,005 | 39,879 |

Notes

(1) Prior fiscal losses refer to the tax benefit for taxable amounts not used within the national tax consolidation programme of Assicurazioni Generali at the presentation date of the tax return for 2010 (CNM form 2011).

Losses are broken down as follows:

Banca Generali (2008): 214 thousand euros
 Banca BSI Italia (2008): 906 thousand euros

13.2 Breakdown of deferred tax liabilities

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| With impact on profit and loss account | 1,140 | 1,066 |
| Goodwill, excluding off-balance sheet items | 575 | 501 |
| Provision for post-employment benefits (IAS 19) | 254 | 254 |
| Provision for risks on loans, after off-balance sheet items | 311 | 311 |
| With impact on net equity | 74 | 121 |
| Measurement at fair value of AFS financial assets | 74 | 121 |
| Total | 1,214 | 1,187 |

SECTION 13 TAX ASSETS AND LIABILITIES - ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

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

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| 1. Amount at year-start | 29,410 | 8,020 |
| 2. Increases | 9,413 | 27,869 |
| 2.1 Deferred tax assets for the year | 8,814 | 17,668 |
| a) relative to prior years | 322 | 191 |
| b) change in accounting criteria | - | - |
| c) reversal value | - | - |
| d) other | 8,492 | 17,477 |
| 2.2 New taxes or increases in tax rates | 575 | - |
| 2.3 Other increases | 24 | 10,201 |
| of which adjustment of prepaid taxes for the national tax consolidation | 24 | 1,096 |
| of which business combination transactions | - | 9,105 |
| 3. Decreases | 7,554 | 6,479 |
| 3.1 Deferred tax receivables eliminated in the year | 7,324 | 6,475 |
| a) transfers | 6,366 | 6,071 |
| b) write-downs for non-recoverability | 777 | 404 |
| c) change in accounting criteria | 181 | - |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | 230 | 4 |
| of which business combinations | - | - |
| 4. Amount at year-end | 31,269 | 29,410 |

Notes

- The difference between the change of deferred tax assets in the P&L (1,835 thousand euros) and the overall change in the balance sheet (1,859 thousand euros) is exclusively attributable to the adjustments of tax losses contributed for the national tax consolidation programme.
- Item 2.1 d) refers to 1,379 thousand euros for the goodwill redemption at consolidated level related to the investment in the subsidiary BG Fiduciaria, in accordance with Article 15, paragraph 10-ter, of Legislative Decree 185/2008, introduced by the Legislative Decree DL 98/2011 (so called "Summer Manoeuvre").
- The change reported in item 2.2 refers to the 0.75% increase of the IRAP standard tax rate regarding also banks and other financial institutes, effective 2011 and introduced by Legislative Decree 98/2011.

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

| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
|--|-------------------|-------------------|
| 1. Amount at year-start | 1,066 | 665 |
| 2. Increases | 77 | 2,834 |
| 2.1 Deferred tax liabilities for the year | 67 | 65 |
| a) relative to prior years | - | - |
| b) change in accounting criteria | - | - |
| c) reversal value | - | - |
| d) other | 67 | 65 |
| 2.2 New taxes or increases in tax rates | 10 | - |
| 2.3 Other increases | - | 2,769 |
| of which business combinations | - | 2,769 |
| 3. Decreases | 3 | 2,433 |
| 3.1 Deferred tax payables eliminated during the period | 3 | 2,433 |
| a) transfers | 3 | 2 |
| b) change in accounting criteria | - | - |
| c) other (1) | - | 2,431 |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | - | - |
| 4. Amount at year-end | 1,140 | 1,066 |

SEZIONE 13 TAX ASSETS AND LIABILITIES - ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

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

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| 1. Amount at year-start | 10,469 | 1,679 |
| 2. Increases | 17,698 | 10,045 |
| 2.1 Deferred tax assets for the year | 17,440 | 10,045 |
| a) relative to prior years | - | - |
| b) change in accounting criteria | - | - |
| c) other | 17,440 | 10,045 |
| 2.2 New taxes or increases in tax rates | 258 | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 1,431 | 1,255 |
| 3.1 Deferred tax receivables eliminated in the year | 1,431 | 1,255 |
| a) transfers | 1,407 | 1,255 |
| b) write-downs for non-recoverability | 24 | - |
| c) change in accounting criteria | - | - |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | - | - |
| 4. Amount at year-end | 26,736 | 10,469 |

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

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|------------|--------------|
| 1. Amount at year-start | 121 | 1,326 |
| 2. Increases | 2 | - |
| 2.1 Deferred tax liabilities for the year | - | - |
| a) relative to prior years | - | - |
| b) change in accounting criteria | - | - |
| c) other | - | - |
| 2.2 New taxes or increases in tax rates | 2 | - |
| 2.3 Other increases | - | - |
| 3. Decreases | 49 | 1,205 |
| 3.1 Deferred tax payables eliminated during the period | 49 | 1,205 |
| a) transfers | 49 | 1,205 |
| b) change in accounting criteria | - | - |
| c) other | - | - |
| 3.2 Decreases in tax rates | - | - |
| 3.3 Other decreases | - | - |
| 4. Amount at year-end | 74 | 121 |

SECTION 15 OTHER ASSETS - ITEM 150

15.1 Breakdown of other assets

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| Fiscal items | 14,140 | 15,781 |
| Advances paid to fiscal authorities - current account withholdings (1) | 5,178 | 10,008 |
| Advances paid to fiscal authorities - stamp duty | 8,022 | 5,125 |
| Excess payment of substitute tax for tax shield | 634 | 375 |
| Other sums due from fiscal authorities | 146 | 96 |
| Sums due from fiscal authorities for indirect taxes to be refunded | 160 | 177 |
| Leasehold improvements | 1,196 | 1,172 |
| Operating loans not related to financial transactions | 439 | 723 |
| Sundry advances to suppliers and employees | 9,025 | 5,324 |
| Cheques under processing | 9,653 | 12,765 |
| C/a cheques drawn on third parties under processing | 1,317 | 5,110 |
| Our c/a cheques under processing c/o service | 8,207 | 7,620 |
| Cheques - other amounts under processing | 129 | 35 |
| Other amounts to be debited under processing | 18,152 | 11,246 |
| Amounts to be settled in the clearing house (debits) | 3,618 | 2,620 |
| Clearing accounts for securities and funds procedure | 9,780 | 8,049 |
| Other amounts to be debited under processing | 4,754 | 577 |
| Amounts receivable for legal disputes related to non-credit transactions | 5,226 | 5,239 |
| Trade receivables from customers and banks that cannot be traced back to specific items | 2,303 | 189 |
| Other amounts | 13,698 | 10,839 |
| Prepayments for the new supplementary commissions fo FAs | 12,529 | 8,229 |
| Due from Assicurazioni Generali for claims to be settled | 22 | 1,190 |
| Other accrued income and deferred charges that cannot be traced back to specific items | 1,100 | 984 |
| Sundry amounts | 47 | 436 |
| Total | 73,832 | 63,278 |

(1) Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account and the related payable to fiscal authorities.

PART B – INFORMATION ON THE BALANCE SHEET LIABILITIES

SECTION 1 DUE TO BANKS - ITEM 10

1.1 Due to banks: categories

| TYPE OF TRANSACTIONS/VALUES | | |
|--|------------------|----------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| 1. Due to central banks | 500,696 | - |
| 2. Due to banks | 570,162 | 450,208 |
| 2.1 Current accounts and demand deposits | 1,259 | 35,873 |
| 2.2 Term deposits | 10,082 | 9,391 |
| 2.3 Loans | 538,625 | 382,950 |
| 2.3.1 Repurchase agreements | 538,625 | 382,950 |
| 2.3.2 Other | - | - |
| 2.4 Liabilities for repurchase commitments of own equity instruments | - | - |
| 2.5 Other debts | 20,196 | 21,994 |
| Total | 1,070,858 | 450,208 |
| Total (fair value) | 1,070,858 | 450,208 |

Notes

1. Other liabilities refers to deposits made by BSI SA as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

SECTION 2 DUE TO CUSTOMERS - ITEM 20

2.1 Due to customers: categories

| TYPE OF TRANSACTIONS/VALUES | | |
|---|------------------|------------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| 1. Current accounts and demand deposits | 2,528,676 | 2,685,716 |
| 2. Term deposits | 344,262 | 78,400 |
| 3. Loans | 134,149 | 107,881 |
| 3.1 Repurchase agreements | 101,764 | 67,469 |
| 3.2 Other | 32,385 | 40,412 |
| 4. Liabilities for repurchase commitments of own equity instruments | 0 | 0 |
| 5. Other debts | 63,070 | 57,690 |
| Total | 3,070,157 | 2,929,687 |
| Total (fair value) | 3,070,157 | 2,929,687 |

Notes

1. Item 5 "Other liabilities" refers for 39,667 thousand euros to the stock of bank drafts issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group and other amounts available to customers and, for the remaining amount, to trade payables to the sales network.

2.2 Due to customers: subordinated debts

| TIPOLOGIA OPERAZIONI/VALUES | | |
|---|---------------|---------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| Due to customers: subordinated debts | 32,385 | 40,412 |
| Generali Versicherung subordinated loan | 32,385 | 40,412 |

Notes

Item 3.2. "Loans - Other" includes a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A. under the contractual form known as *Schuldschein* (loan), with a repayment schedule that calls for five annual instalments 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.

SECTION 3 SECURITIES ISSUED - ITEM 30

3.1 Securities issued: categories

| TYPE OF SECURITY/VALUES | 31.12.2011 | | | | | 31.12.2010 | | | |
|-------------------------|------------|----|----|----|------------|------------|------------|----|--|
| | | FV | | | | FV | | | |
| (€ thousand) | BOOK VALUE | L1 | L2 | L3 | BOOK VALUE | L1 | L2 | L3 | |
| A. Securities | - | - | - | - | 189 | - | 189 | - | |
| 1. Bonds | - | - | - | - | - | - | - | - | |
| 1.1 structured | - | - | - | - | - | - | - | - | |
| 1.2 other | - | - | - | - | - | - | - | - | |
| 2. Other securities | - | - | - | - | 189 | - | 189 | - | |
| 2.1 structured | - | - | - | - | - | - | - | - | |
| 2.2 other | - | - | - | - | 189 | - | 189 | - | |
| Total | - | - | - | - | 189 | - | 189 | - | |

Notes

1. Securities issued refer solely to certificates of deposit issued. There are no extant certificates of deposit in foreign currencies guaranteed by DCS (Domestic currency swaps).

SECTION 4

FINANCIAL LIABILITIES HELD FOR TRADING — ITEM 40

4.1 Financial liabilities held for trading: categories

| TYPE OF TRANSACTIONS/VALUES | 31.12.2011 | | | 31.12.2010 | | | | |
|--------------------------------------|---------------|------------|--------------|---------------|------------|----|--------------|----|
| | Nominal Value | Fair Value | | Nominal Value | Fair Value | | | |
| (€ thousand) | | L1 | L2 | L3 | | L1 | L2 | L3 |
| A. Cash liabilities | | | | | | | | |
| 1. Due to banks | - | - | - | - | - | - | - | - |
| 2. Due to customers | - | - | - | - | - | - | - | - |
| 3. Debt securities | - | - | - | - | - | - | - | - |
| 3.1 Bonds | - | - | - | - | - | - | - | - |
| 3.1.1 Structured | - | - | - | - | - | - | - | - |
| 3.1.2 Other bonds | - | - | - | - | - | - | - | - |
| 3.2 Other securities | - | - | - | - | - | - | - | - |
| 3.2.1 Structured | - | - | - | - | - | - | - | - |
| 3.2.2 Other | - | - | - | - | - | - | - | - |
| Total A | | - | | | | - | | |
| B. Derivatives | | | | | | | | |
| 1. Financial derivatives | | - | 1,737 | - | | - | 6,502 | - |
| 1.1 Trading | X | - | 1,737 | - | X | - | 6,502 | - |
| 1.2 Related to the fair value option | X | - | - | - | X | - | - | - |
| 1.3 Other | X | - | - | - | X | - | - | - |
| 2. Credit derivatives | | - | - | - | | - | - | - |
| 2.1 Trading | X | - | - | - | X | - | - | - |
| 2.2 Related to the fair value option | X | - | - | - | X | - | - | - |
| 2.3 Other | X | - | - | - | X | - | - | - |
| Total B | | - | 1,737 | - | | - | 6,502 | - |
| Total (A+B) | | - | 1,737 | - | | - | 6,502 | - |

(*) FV* fair value measured without taking account of issuer's credit merit changes compared to issue date.

SECTION 8

TAX LIABILITIES — ITEM 80

Breakdown of tax liabilities - item 80

Section 13 (Assets) provides an analysis.

SECTION 10

OTHER LIABILITIES — ITEM 100

10.1 Breakdown of other liabilities

| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
|---|-------------------|-------------------|
| Trade payables | 12,628 | 17,162 |
| Due to suppliers | 10,963 | 12,341 |
| Due for payments on behalf of third parties | 1,665 | 4,821 |
| Due to staff and social security institutions | 10,275 | 13,301 |
| Due to staff for accrued holidays etc. | 2,779 | 2,946 |
| Due to staff for productivity bonuses | 3,881 | 6,765 |
| Contributions to be paid to social security institutions | 1,810 | 1,754 |
| Contributions to advisors to be paid to Enasarco | 1,805 | 1,836 |
| Tax authorities | 6,629 | 6,006 |
| Withholding taxes to be paid to tax authorities on behalf of employees and contract workers | 1,408 | 1,273 |
| Withholding taxes to be paid to tax authorities on behalf of customers | 3,047 | 3,862 |
| Notes to be paid in to collection services | 2,174 | 852 |
| VAT payable | - | 19 |
| Amounts to be debited under processing | 45,441 | 31,702 |
| Bank transfers, cheques and other sums payable | 2,325 | 4,671 |
| Amounts to be settled in the clearing house (credits) | 21,775 | 10,770 |
| Liabilities from reclassification of portfolio subject to collection (SBF) | 749 | 1,083 |
| Other amounts to be debited under processing | 20,592 | 15,178 |
| Sundry items | 6,354 | 4,002 |
| Amounts to be credited | 267 | 274 |
| Sums made available to customers | 13 | 4 |
| Sundry items | 5,947 | 3,561 |
| Accrued expenses and deferred income | 127 | 163 |
| Total | 81,327 | 72,173 |

SECTION 11 PROVISIONS FOR TERMINATION INDEMNITY — ITEM 110

11.1 Provisions for termination indemnity: year changes

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|--------------|--------------|
| A. Amount at year-start | 3,379 | 2,932 |
| B. Increases | 189 | 1,009 |
| B.1 Provisions for the year | 177 | 448 |
| B.2 Other increases | 12 | 561 |
| of which business combination transactions | - | 561 |
| C. Decreases | 527 | 562 |
| C.1 Amounts paid | 527 | 562 |
| C.2 Other decreases | - | - |
| of which business combination transactions | - | - |
| D. Amount at year-end | 3,041 | 3,379 |

11.2 Other information

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

The provision was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| Current service cost | 3 | 1 |
| Interest cost | 186 | 129 |
| Curtailment effect | - | - |
| Actuarial gains & losses | -12 | 318 |
| (Corridor method) | | |
| Total provisions for the financial year | 177 | 448 |
| Recorded value | 3,041 | 3,379 |
| Actuarial gains & losses not recognised | 89 | 392 |
| (Corridor method) | | |
| Actuarial value | 3,130 | 3,771 |
| Value calculated Re. Art. 2120 of the Italian Civil Code | 4,436 | 4,565 |

SECTION 12 PROVISIONS FOR LIABILITIES AND CONTINGENCIES — ITEM 120

12.1 Breakdown of provisions for liabilities and contingencies

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| (€ thousand) | | |
| 1. Company provisions for pensions | - | - |
| 2. Provisions for liabilities and contingencies | 58,195 | 51,501 |
| 2.1 Litigation | 11,179 | 9,016 |
| 2.2 Staff | 8,961 | 5,653 |
| 2.3 Other | 38,055 | 36,832 |
| Total | 58,195 | 51,501 |

Breakdown of other provisions for liabilities and contingencies

| (€ thousand) | 31.12.2010 | 31.12.2009 |
|--|---------------|---------------|
| Provision for staff expenses | 8,961 | 5,653 |
| Provisions for legal disputes | 11,179 | 9,016 |
| Provision for risks related to litigations connected with FA's embezzlements | 5,850 | 4,862 |
| Provision for other legal disputes with financial advisors | 1,189 | 1,130 |
| Provision for risks related to legal disputes with staff | 739 | 774 |
| Provision for other legal disputes | 3,401 | 2,250 |
| Provisions for termination indemnity for financial advisors | 9,156 | 11,717 |
| Provision for termination indemnity | 8,082 | 7,753 |
| Provision for portfolio overcommission indemnities | 1,074 | 3,964 |
| Provisions for risks related to network incentives | 28,899 | 24,794 |
| Provision for network development incentives | 24,974 | 22,025 |
| Provisions for managers incentives with access gate | 1,875 | 1,083 |
| Provision for commissions – travel incentives and tenders | 1,900 | 1,500 |
| Provision for commissions - other | 31 | 67 |
| Provision for loyalty bonuses | 119 | 119 |
| Other provisions for risks and contingences | - | 321 |
| Total | 58,195 | 51,501 |

SECTION 12 PROVISIONS FOR LIABILITIES AND CONTINGENCIES — ITEM 120

12.2 Provisions for liabilities and contingencies: year changes

| ITEMS/VALUES | | | |
|---------------------------------------|-------------------------|------------------|---------------|
| (€ thousand) | PROVISIONS FOR PENSIONS | OTHER PROVISIONS | TOTAL |
| A. Amount at year-start | - | 51,501 | 51,501 |
| B. Increases | - | 21,915 | 21,915 |
| B.1 Provisions for the year | - | 21,915 | 21,915 |
| B.2 Other increases | - | - | - |
| of which business combinations | | | |
| C. Decreases | - | 15,221 | 15,221 |
| C.1 Use in the year | - | 8,310 | 8,310 |
| C.2 Other decreases | - | 6,911 | 6,911 |
| of which business combinations | - | 58,195 | 58,195 |
| D. Amount at year-end | | | |

Provisions for liabilities and contingencies: details of movements

| (€ thousand) | 31.12.2010 | Uses | Surplus | Other changes | Provisions | 31.12.2011 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Provision for staff expenses | 5,653 | | | | 7,096 | 8,961 |
| Provisions for legal disputes | 9,016 | -1,248 | -418 | - | 3,829 | 11,179 |
| Provision for risks related to litigations connected with FA's embezzlements | 4,862 | -726 | -105 | - | 1,819 | 5,850 |
| Provision for other legal disputes with financial advisors | 1,130 | -328 | -10 | - | 397 | 1,189 |
| Provision for risks related to legal disputes with staff | 774 | -35 | - | - | - | 739 |
| Provision for other legal disputes | 2,250 | -159 | -303 | - | 1,613 | 3,401 |
| Provisions for termination indemnity for financial advisors | 11,717 | -722 | -3,163 | - | 1,324 | 9,156 |
| Provision for termination indemnity | 7,753 | -460 | -86 | - | 875 | 8,082 |
| Provision for portfolio overcommission indemnities | 3,964 | -262 | -3,077 | - | 449 | 1,074 |
| Provisions for risks related to network incentives | 24,794 | -5,039 | -522 | - | 9,666 | 28,899 |
| Provision for risks related to network development incentives | 22,025 | -3,490 | -522 | - | 6,961 | 24,974 |
| Provisions for managers incentives with access gate | 1,083 | - | - | - | 792 | 1,875 |
| Provision for commissions – travel incentives and tenders | 1,500 | -1,500 | - | - | 1,900 | 1,900 |
| Provision for commission plans | 67 | -49 | - | - | 13 | 31 |
| Provision for loyalty bonuses | 119 | - | - | - | - | 119 |
| Other provisions for risks and contingences | 321 | -230 | -91 | - | - | - |
| Total | 51,501 | -8,310 | -6,829 | -82 | 21,915 | 58,195 |

12.4 Provisions for liabilities and contingencies — other provisions

Provision for staff expenses

These provisions include the following amounts:

- management's variable compensation accrued during the year, payment of which is deferred beyond the following year by contract, contingent upon the satisfaction of certain conditions;
- short-term variable compensation conditional on the achievement of objectives the determination of which is deferred until a date after the authorisation of these financial statements for publication;
- other allocations intended to support a company reorganisation plan to be launched following the merger of BG SGR, informal incentives and other expenses associated with personnel classification, for which the conditions set out in IAS 39 are not currently believed to be met.

The first aggregate includes:

- the share of the variable compensation of managers of the banking group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in the banking group's new remuneration policy;
- the estimate of the variable compensation provided for in the new long-term retention programme introduced within the Assicurazioni Generali Group and approved by Banca Generali.

Provisions for legal disputes

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

Provisions for advisors' termination indemnity

These include provisions for termination indemnities paid to the sales network pursuant to Article 1751 of the Italian Civil Code and the portfolio development indemnity called for in the agency agreement. In particular, the portfolio development scheme calls for financial advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily remove from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed. In relation to recent market practices in the area, during the reporting

year a thorough contractual revisitation of the scheme was carried out and entered into effect on 1 January 2012, as further described in Part A of these Explanatory Notes. The above-mentioned revision resulted in the partial release of the provision in the amount of 3.0 million euros.

For both provisions, the expense associated with existing obligations at year-end is assessed according to a statistical-actuarial method, with the aid of independent professionals, for financial advisors in regular service, and through a specific assessment, for financial advisors who have left service.

Provisions for network incentives

These provisions refer mainly to past Group commitments related to several recruitment plans for middle-term expansion of managed portfolios. Considering that this type of plan has not been activated since 2009, provisions now refer solely to programmes in the final phases.

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in the company for one or more years (up to 5 or 7 years).

This amount includes also allocations for performance-based incentive programmes, including the "BG Premier Club Trip", and for other commission plans (supplementary allowances, stabilisers, objective-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuing employment in the network or the achievement of sales objectives.

SECTION 14

COMPANY NET EQUITY — ITEMS 130.150, 160, 170, 180, 190 AND 200

14.1 Breakdown of capital and treasury shares

| | UNIT VALUE | NUMBER | NOMINAL VALUE (euro) | BOOK VALUE (€ thousand) |
|------------------------|------------|--------------------|-------------------------|----------------------------|
| Share capital | | | | |
| - ordinary shares | 1,00 | 111,676,183 | 111,676,183 | 111,676 |
| Treasury shares | | | | |
| - ordinary shares | 1,00 | -30,071 | -30,071 | -248 |
| | | 111,646,112 | 111,646,112 | 111,428 |

14.2 Capital - No. of shares: year changes

| ITEMS/TYPE | ORDINARY | OTHER |
|--|--------------------|-------|
| A. Existing shares at year-start | 111,362,750 | - |
| - paid up | 111,362,750 | - |
| - partially paid | - | - |
| A.1 Treasury shares (-) | -70,071 | - |
| A.2 Outstanding shares: at year-start | 111,292,679 | - |
| B. Increases | 353,433 | - |
| B.1 Newly issued shares | | |
| - against payment: | 313,433 | - |
| - business combination transactions | - | - |
| - bonds conversion | - | - |
| - exercise of warrant | 313,433 | - |
| - other | - | - |
| - for free | - | - |
| - to staff | - | - |
| - to directors | - | - |
| - other | - | - |
| B.2 Sale of treasury shares | 40,000 | - |
| B.3 Other changes | - | - |
| C. Decreases | - | - |
| C.1 Cancellation | - | - |
| C.2 Purchase of treasury shares | - | - |
| C.3 Disposal of companies | - | - |
| C.4 Other changes | - | - |
| D. Outstanding shares: at year-end | 111,646,112 | - |
| D.1 Treasury shares (+) | 30,071 | - |
| D.2 Existing shares at year-end | 111,676,183 | - |
| - paid up | 111,676,183 | - |
| - partially paid | - | - |

14.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 111,676,183 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

During the year, the company also allocated 40,000 own shares for the stock option plan reserved for the Chairmain approved by the company Banca BSI Italia Spa merged into Banca Generali, for a book value of 412 thousand euros.

During the year, as a result of the exercise of options within the stock option plan reserved for financial advisors, 313,433 newly issued shares were issued, for a total of 313 thousand euros.

14.4 Income reserves: further information

| | 31.12.2010 | Distribution of dividends | Purchase of treasury shares | Sales of treasury shares | Issue of treasury shares | Other | 31.12.2011 |
|--|---------------|---------------------------|-----------------------------|--------------------------|--------------------------|-----------|---------------|
| Legal reserve | 22,263 | 52 | - | - | - | - | 22,315 |
| Restricted reserve for treasury shares | 660 | - | - | -412 | - | - | 248 |
| Restricted reserve for shares of the parent company | 1,455 | - | - | - | - | -742 | 713 |
| Extraordinary reserve | - | - | - | - | - | - | - |
| Unrestricted reserve | - | - | - | 412 | - | 742 | 1,154 |
| Contribution to stock grant AG | - | - | - | - | - | 81 | 81 |
| Merger surplus | - | - | - | - | - | - | - |
| Negative reserve arising on BSI merger | - | - | - | - | - | - | - |
| Share-based payments reserve (IFRS2) | 8,469 | - | - | -847 | 1,016 | - | 8,638 |
| Reserve from income (loss) carried forward | 5,728 | 45,552 | - | - | - | - | 51,280 |
| Reserve from first-time application | - | - | - | - | - | - | - |
| Reserve from the disposal of the equity investment in Simgenia | - | - | - | - | - | - | - |
| Total | 38,575 | 45,604 | - | -847 | 1,016 | 81 | 84,429 |

As required by article 2427, paragraph 7-bis, of the Italian Civil Code, the following table contains an analytical illustration of net equity items, including an indication of their origins, possible draw-downs and distribution, and draw-downs made during previous years.

| | 31.12.2011 | Possible draw-downs | Restricted portion | Unrestricted portion | Distributable portion | Draw-downs (2011-2008) | |
|--|----------------|---------------------|--------------------|----------------------|-----------------------|------------------------|--------|
| | | | | | | Dividends | Losses |
| Share capital | 111,676 | | - | - | - | | |
| Additional paid-in capital | 3,231 | ABC (3) | - | 3,231 | - | | |
| Reserves | 84,429 | - | 961 | 83,468 | 52,515 | -1,523 | - |
| Legal reserve | 22,315 | B | - | 22,315 | - | - | - |
| Restricted reserve for treasury shares | 248 | B | 248 | - | - | - | - |
| Reserve for shares of the parent company | 713 | B | 713 | - | - | - | - |
| Extraordinary reserve | - | ABC | - | - | - | -1,523 | - |
| Unrestricted reserve | 1,154 | ABC | - | 1,154 | 1,154 | - | - |
| Merger surplus | - | ABC | - | - | - | - | - |
| Contribution to stock grant AG | 81 | ABC | - | 81 | 81 | - | - |
| Share-based payments reserve | 8,638 | ABC (4) | - | 8,638 | - | - | - |
| Reserve from income (loss) carried forward | 51,280 | ABC | - | 51,280 | 51,280 | - | - |
| Reserve from the disposal of the equity investment in Simgenia | - | ABC | - | - | - | - | - |
| Reserve from first-time application | - | ABC | - | - | - | - | - |
| Valuation reserves | -56,341 | | -56,341 | - | - | | |
| Revaluation reserves | - | ABC | - | - | - | - | - |
| Negative fair value reserve for AFS debt securities (2) | -56,269 | | -56,269 | - | - | - | - |
| Negative fair value reserve for AFS UCITs (2) | 8 | | 8 | - | - | - | - |
| Negative fair value reserve for AFS equity securities (2) | -80 | | -80 | - | - | - | - |
| Net profit (loss) for the year | 68,623 | ABC | | 68,623 | 68,603 | | |
| Net equity for accounting purposes | 211,618 | | -55,380 | 155,322 | 121,118 | | |

(1) Availability refers to possible draw-downs for:

- A capital increases
- B replenishment of losses
- C distribution to shareholders

(2) Restricted reserve pursuant to article 6 of Legislative Decree 38/2005.

(3) May not be distributed until the legal reserve has reached 1/5th of share capital.

(4) The reserve can only be used for stock option plan.

PART B – INFORMATION ON THE BALANCE SHEET

OTHER INFORMATION

1. Guarantees issued and commitments

| TRANSACTION | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| 1) Financial guarantees issued | 20,139 | 16,186 |
| a) Banks | 5,220 | 3,999 |
| b) Customers | 14,919 | 12,187 |
| 2) Commercial guarantees issued | 14,981 | 12,783 |
| a) Banks | - | - |
| b) Customers | 14,981 | 12,783 |
| 3) Irrevocable commitment to dispense funds | 93,689 | 85,861 |
| a) Banks | 91,580 | 84,642 |
| i) of certain use | 91,580 | 49,695 |
| ii) of uncertain use | - | 34,947 |
| b) Customers | 2,109 | 1,219 |
| i) of certain use | - | - |
| ii) of uncertain use | 2,109 | 1,219 |
| 4) Underlying commitments to credit derivatives: hedging sales | - | - |
| 5) Assets pledged as collateral of third-party bonds | - | - |
| 6) Other commitments | - | - |
| of which securities receivable for put option issued | - | - |
| Total | 128,809 | 114,830 |

Notes

- Financial guarantees to banks include the commitment to FITD (interbank deposit protection fund) amounting to 5,220 thousand euros.
- Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
- Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.

2. Assets pledged as collateral for own liabilities and commitments

| PORTFOLIO | 31.12.2011 | 31.12.2010 |
|--------------------------------------|------------------|----------------|
| 1. Financial assets held for trading | - | - |
| 2. Financial assets at fair value | - | - |
| 3. AFS financial assets | 794,861 | 382,381 |
| 4. HTM financial assets | 605,172 | 61,585 |
| 5. Loans to banks | 157,030 | 5,161 |
| 6. Loans to customers | 19,257 | - |
| 7. Property and equipment | - | - |
| 8. Intangible assets | - | - |
| Total | 1,576,320 | 449,127 |

Notes

- Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB.

OTHER INFORMATION

4. Management and trading on behalf of third parties

| TYPE OF SERVICE | 31.12.2011 | 31.12.2010 |
|--|-------------------|-------------------|
| 1. Execution of orders on behalf of clients | 29,226,667 | 21,253,450 |
| a) Purchases | 14,855,900 | 9,985,042 |
| 1. settled | 14,781,136 | 9,943,403 |
| 2. to be settled | 74,764 | 41,639 |
| b) Sales | 14,370,767 | 11,268,409 |
| 1. settled | 14,297,183 | 11,205,415 |
| 2. to be settled | 73,584 | 62,994 |
| 2. Portfolio management | - | - |
| a) individual | - | - |
| b) collective | - | - |
| 3. Custody and administration of securities | 30,606,055 | 29,025,701 |
| (Excluding asset management) | | |
| a) Third-party securities held in deposit | | |
| related to services provided as depository bank | 1,902,364 | 2,026,848 |
| 1. issued by the bank that prepares the financial statements | 7 | - |
| 2. Other securities | 1,902,357 | 2,026,848 |
| b) Other third-party securities held in deposit: other | 11,877,973 | 11,065,267 |
| 1. Issued by the bank that prepares the financial statements | 38,968 | 38,826 |
| 2. Other securities | 11,839,005 | 11,026,441 |
| c) Third-party securities deposited with third parties | 13,641,466 | 13,286,611 |
| d) Portfolio securities deposited with third parties | 3,184,252 | 2,646,975 |
| 4. Other transactions | | |

PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

SECTION 1 INTERESTS - ITEMS 10 AND 20

1.1 Breakdown of interest income and similar revenues

| (€ thousand) | DEBT SECURITIES | FINANCING | OTHER | 31.12.2011 | 31.12.2010 |
|--------------------------------------|--------------------|---------------|----------|---------------|---------------|
| 1. Financial assets held for trading | 487 | - | - | 487 | 4,271 |
| 2. Financial assets at fair value | - | - | - | - | - |
| 3. AFS financial assets | 32,945 | - | - | 32,945 | 20,066 |
| 4. HTM financial assets | 19,422 | - | - | 19,422 | 13,848 |
| 5. Loans to banks | 4,881 | 3,304 | - | 8,185 | 4,889 |
| 6. Loans to customers | 1,521 | 16,395 | - | 17,916 | 13,364 |
| 7. Financial assets at fair value | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | - | - |
| 9. Other assets | - | - | 8 | 8 | 6 |
| Total | 59,256 | 19,699 | 8 | 78,963 | 56,444 |

1. Loan to costumers - Financing includes 1,026 thousand euros (1,119 thousand euros at 31 December 2010) for the return on the capitalisation policy Gesav.

1.3 Breakdown of interest income and similar charges: further information

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|------------|------------|
| 1.3.1 Interest income on financial assets in foreign currencies | 182 | 275 |
| 1.3.2 Interest income on finance lease transactions | - | - |
| 1.3.3 Interest income on third-party funds under administration | - | - |
| Total | 182 | 275 |

1.4 Breakdown of interest expense and similar charges

| (€ thousand) | DEBTS | SECURITIES | OTHER TRANSACTIONS | 31.12.2011 | 31.12.2010 |
|---|---------------|------------|-----------------------|---------------|---------------|
| 1. Due to central banks | 954 | - | - | 954 | - |
| 2. Due to banks | 8,524 | - | - | 8,524 | 2,819 |
| 3. Due to customers | 21,421 | - | - | 21,421 | 10,835 |
| 4. Securities issued | - | - | - | - | 7 |
| 5. Financial liabilities from trading | - | - | - | - | - |
| 6. Financial liabilities measured at fair value | - | - | - | - | - |
| 7. Other liabilities and provisions | - | - | 33 | 33 | 76 |
| 8. Hedging derivatives | - | - | - | - | - |
| Total | 30,899 | - | 33 | 30,932 | 13,737 |

1.6 Breakdown of interest expense and similar charges: further information

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|------------|------------|
| 1.6.1 Interest expense on financial assets in foreign currencies | 45 | 65 |
| 1.6.2 Interest expense on finance lease liabilities | 33 | 76 |
| 1.6.3 Interest expense on third-party funds under administration | - | - |
| Total | 78 | 141 |

SECTION 2 COMMISSIONS - ITEMS 40 AND 50

2.1 Breakdown of commission income

| TYPE OF SERVICE/VALUES | | |
|---|----------------|----------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| a) Guarantees issued | 151 | 141 |
| b) Credit derivatives | - | - |
| c) Management, brokerage and consultancy services | 212,486 | 207,373 |
| 1) Trading of financial instruments | 16,980 | 19,256 |
| 2. Currency trading | - | 24 |
| 3. Asset management | - | - |
| 3.1. Individual | - | - |
| 3.2. Collective | - | - |
| 4. Custody and administration of securities | 838 | 928 |
| 5. Depository bank | - | - |
| 6. Placement of securities | 109,831 | 96,576 |
| 7. Order collection | 5,441 | 12,641 |
| 8. Consultancy activities | 259 | 64 |
| 8.1 on investments | 259 | 64 |
| 8.2 on financial structure | - | - |
| 9. Distribution of third-party services | 79,137 | 77,884 |
| 9.1. Asset management | 16,256 | 19,617 |
| 9.1.1. Individual | 15,931 | 19,323 |
| 9.1.2. Collective | 325 | 294 |
| 9.2. Insurance products | 62,270 | 56,432 |
| 9.3. Other products | 611 | 1,835 |
| d) Collection and payment services | 1,900 | 2,069 |
| e) Servicing related to securitisations | - | - |
| f) Factoring-related services | - | - |
| g) Tax collection services | - | - |
| h) Management of multilateral trading facilities | - | - |
| i) Keeping and management of current accounts | 2,952 | 3,032 |
| j) Other services | 1,097 | 728 |
| Total | 218,586 | 213,343 |

2.2 Commission income: distribution channels of products and services offered

| CHANNELS/VALUES | | |
|--|----------------|----------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| a) Group branches: | 252 | 1,687 |
| 1. Asset management | - | - |
| 2. Placement of securities | 252 | 1,687 |
| 3. Third-party products and services | - | - |
| b) External offer: | 188,716 | 172,773 |
| 1. Asset management | - | - |
| 2. Placement of securities | 109,579 | 94,889 |
| 3. Third-party products and services | 79,137 | 77,884 |
| c) Other distribution channels: | - | - |
| 1. Asset management | - | - |
| 2. Placement of securities | - | - |
| 3. Third-party products and services | - | - |
| Total | 188,968 | 174,460 |

2.3 Breakdown of commission expense

| SERVICES/VALUES | | |
|--|----------------|----------------|
| (€ thousand) | 31.12.2011 | 31.12.2010 |
| a) Guarantees received | 76 | 313 |
| b) Credit derivatives | - | - |
| c) Management and brokerage services | 123,089 | 138,732 |
| 1) Trading of financial instruments | 3,449 | 7,248 |
| 2. Currency trading | - | - |
| 3. Asset management: | - | - |
| 3.1 Own portfolio | - | - |
| 3.2 Third-party portfolio | - | - |
| 4. Custody and administration of securities | 477 | 315 |
| 5. Placement of financial instruments | - | - |
| 6. External offer of financial instruments, products, and services | 119,163 | 131,169 |
| d) Collection and payment services | 889 | 853 |
| e) Other services | 1,136 | 1,223 |
| Total | 125,190 | 141,121 |

SECTION 3 DIVIDENDS AND SIMILAR INCOME - ITEM 70

3.1 Breakdown of dividends and similar income

| ITEMS/INCOME (€ thousand) | 31.12.2011 | | 31.12.2010 | |
|--|----------------|------------|----------------|------------|
| | DIVIDENDS | UCIT UNITS | DIVIDENDS | UCIT UNITS |
| A. Financial assets held | | | | |
| for trading | 91,516 | 93 | 73,430 | 38 |
| B. AFS financial assets | 650 | - | 522 | - |
| C. Financial assets measured at fair value | - | - | - | - |
| D. Shareholdings | 64,459 | X | 115,455 | X |
| Total | 156,625 | 93 | 189,407 | 38 |

SECTION 4 NET PROFIT FROM TRADING - ITEM 80

4.1 Breakdown of net profit from trading

| TRANSACTIONS/INCOME COMPONENTS (€ thousand) | CAPITAL GAINS | INCOME FROM TRADING | CAPITAL LOSS | LOSS FROM TRADING | NET RESULT 31.12.2011 | NET RESULT 31.12.2010 |
|---|---------------|---------------------|--------------|-------------------|--------------------------|--------------------------|
| 1. Financial assets | 107 | 1,782 | 2,345 | 137,743 | -138,199 | -114,913 |
| 1.1 Debt securities | 2 | 944 | 475 | 33 | 438 | -506 |
| 1.2. Equity securities | 105 | 545 | 131 | 137,700 | -137,181 | -114,976 |
| 1.3. UCIT units | - | 293 | 1,739 | 10 | -1,456 | 569 |
| 1.4 Loans | - | - | - | - | - | - |
| 1.5 Other | - | - | - | - | - | - |
| 2. Financial liabilities from trading | - | - | - | - | - | - |
| 2.1 Debt securities | - | - | - | - | - | - |
| 2.2 Debts | - | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - | - |
| 3. Other financial assets and liabilities: exchange gains and losses | - | 935 | - | - | 935 | 1,695 |
| 4. Derivatives | - | 62,552 | 426 | 12,445 | 49,681 | 42,189 |
| 4.1 Financial derivatives: | - | 62,552 | 426 | 12,445 | 49,681 | 42,189 |
| - on debt securities and interest rates | - | 596 | 426 | 750 | -580 | -2,122 |
| interest rate swaps | - | 443 | 426 | 750 | -733 | -804 |
| swap assets | - | 153 | - | - | 153 | -1,318 |
| - on equity securities and stock indexes | - | 61,460 | - | 11,204 | 50,256 | 41,483 |
| options | - | 84 | - | 11 | 73 | -575 |
| futures | - | 61,376 | - | 11,193 | 50,183 | 42,058 |
| - on currency and gold (2) | - | 496 | - | 491 | 5 | 262 |
| - other | - | - | - | - | - | 2,566 |
| total return swap | - | - | - | - | - | 2,566 |
| 4.2 Credit derivatives | - | - | - | - | - | - |
| Total | 107 | 65,269 | 2,771 | 150,188 | -87,583 | -71,029 |

Notes

(1) It includes currency options and currency outright.

Trading activity was characterised by trading of equity securities listed on the domestic market, aimed at achieving margins through the purchase and sale of equities at the ex-dividend date. Dividends related to such transactions and recognised in item 70 amounted to 91.4 million euros.

On the whole, these transactions, which led to a gain of 4.4 million euros, were executed without assuming risk positions as equity positions in the portfolio were closely hedged by negotiating futures-based contracts on regulated markets.

SECTION 6 GAIN (LOSS) FROM TRANSFER/REPURCHASE - ITEM 100

6.1 Breakdown of gain (loss) from transfer/repurchase

| <i>(€ thousand)</i> | 31.12.2011 | | | 31.12.2010 | | |
|------------------------------|--------------|--------------|--------------|---------------|--------------|---------------|
| | GAINS | LOSSES | NET RESULT | GAINS | LOSSES | NET RESULT |
| Financial assets | | | | | | |
| 1. Loans to banks | 553 | 19 | 534 | 1,966 | 6 | 1,960 |
| 2. Loans to customers | 390 | 31 | 359 | 1,398 | 19 | 1,379 |
| 3. AFS financial assets (1) | 2,692 | 1,362 | 1,330 | 12,071 | 5,177 | 6,894 |
| 3.1 Debt securities | 2,672 | 1,362 | 1,310 | 11,981 | 5,157 | 6,824 |
| 3.2. Equity securities | 20 | | 20 | 90 | 20 | 70 |
| 3.3. UCIT units | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.4 Loans | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. HTM financial assets | 70 | 271 | -201 | 269 | 314 | -45 |
| Total assets | 3,705 | 1,683 | 2,022 | 15,704 | 5,516 | 10,188 |
| Financial liabilities | | | | | | |
| 1. Due to banks | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Due to customers | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Securities issued | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 0 | 0 | 0 | 0 | 0 | 0 |

(1) Equity reserves transferred back to the profit and loss account are illustrated in the following table.

| <i>(€ thousand)</i> | POSITIVE | NEGATIVE | NET |
|---------------------|------------|---------------|---------------|
| Debt securities | 162 | -1,237 | -1,075 |
| Equity securities | 0 | 0 | 0 |
| Total | 162 | -1,237 | -1,075 |

SECTION 8 NET ADJUSTMENTS/REVERSAL VALUE FOR IMPAIRMENT - ITEM 130

8.1 Breakdown of net adjustments to non-performing loans

| TRANSACTIONS/INCOME COMPONENTS (€ thousand) | ADJUSTMENTS | | | REVERSAL VALUE | | | | 31.12.2011 | 31.12.2010 |
|--|-------------|--------------|------------|----------------|-----------------|---------------|-----------------|---------------|---------------|
| | SPECIFIC | | PORTFOLIO | SPECIFIC | | PORTFOLIO | | | |
| | Write-offs | Other | | From interest | Other reversals | From interest | Other reversals | | |
| A. Loans to banks | - | - | 281 | - | - | - | - | -281 | -219 |
| - Loans | | | | | | | | - | - |
| - Debt securities | | | 281 | | | | | -281 | -219 |
| B. Loans to customers | 51 | 1,512 | 158 | - | - | 41 | - | -1,680 | -1,626 |
| - Loans | | 135 | | | | | | -135 | 250 |
| - Operating loans | 51 | 825 | | | | 41 | | -835 | -1,218 |
| - Debt securities | | 552 | 158 | | | | | -710 | -658 |
| C. Total | 51 | 1,512 | 439 | - | - | 41 | - | -1,961 | -1,845 |

Specific adjustments on debt securities refer to impairment test of two positions of ABS (asset backed securities) allocated among "Loans to costumers. Portfolio adjustments on debt securities classified under "Loans to customers" and "Loans to banks" amounted to 439 thousand euros (330 thousand euros at 31 December 2010) and refer to the adjustments of the collective reserves allocated to account for potential impairment on the corporate bond and ABS portfolio.

Specific adjustments refer primarily to write-downs of advanced commissions to former financial advisors and operating receivables.

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

| TRANSACTIONS/INCOME COMPONENTS (€ thousand) | ADJUSTMENTS | | | REVERSAL VALUE | | | | 31.12.2011 | 31.12.2010 |
|--|-------------|--------------|-----------|----------------|-----------------|---------------|-----------------|---------------|---------------|
| | SPECIFIC | | PORTFOLIO | SPECIFIC | | PORTFOLIO | | | |
| | Write-offs | Other | | From interest | Other reversals | From interest | Other reversals | | |
| A. Debt securities | - | - | - | - | - | - | - | - | - |
| B. Equity securities | - | 3,980 | - | - | - | - | - | -3,980 | -1,625 |
| C. UCIT units | | | | | | | | | |
| C. Loans to banks | - | - | - | - | - | - | - | - | - |
| D. Loans to customers | - | - | - | - | - | - | - | - | - |
| F. Total | - | 3,980 | - | - | - | - | - | -3,980 | -1,625 |

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

| TRANSACTIONS/INCOME COMPONENTS (€ thousand) | ADJUSTMENTS | | | REVERSAL VALUE | | | | 31.12.2011 | 31.12.2010 |
|--|-------------|----------|-----------|----------------|-----------------|---------------|-----------------|------------|-------------|
| | SPECIFIC | | PORTFOLIO | SPECIFIC | | PORTFOLIO | | | |
| | Write-offs | Other | | From interest | Other reversals | From interest | Other reversals | | |
| A. Debt securities | - | - | - | - | - | - | 164 | 164 | -765 |
| C. Loans to banks | - | - | - | - | - | - | - | - | - |
| D. Loans to customers | - | - | - | - | - | - | - | - | - |
| D. Total | - | - | - | - | - | - | 164 | 164 | -765 |

SECTION 9 GENERAL AND ADMINISTRATIVE EXPENSE - ITEM 150

Breakdown of general and administrative expense

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| 150 a) Staff expense | 53,764 | 51,722 |
| 150 b) Other general and administrative expense | 72,728 | 70,804 |
| Total | 126,492 | 122,526 |

9.1 Breakdown of staff expenses

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| 1) Employees | 51,656 | 50,271 |
| a) Wages and salaries | 30,610 | 30,393 |
| b) Social security charges | 8,138 | 7,919 |
| c) Termination indemnity | - | - |
| d) Retirement benefit plans | - | - |
| e) Provision for termination indemnity | 177 | 448 |
| f) Provision for pensions and similar costs: | - | - |
| - defined contribution | - | - |
| - defined benefit | - | - |
| g) Amounts paid to supplementary external pension funds: | 3,514 | 3,188 |
| - defined contribution | 3,514 | 3,188 |
| - defined benefit | - | - |
| h) Costs related to payment agreements based on own equity instruments | 162 | -123 |
| i) Other employee benefits | 9,055 | 8,446 |
| 2) Other staff | 617 | 496 |
| 3) Directors and Auditors | 2,788 | 1,960 |
| 4) Retired personnel | - | - |
| 5) Recovery of expenses for seconded staff from other companies | -1,313 | -1,064 |
| 6) Repayments of expenses for seconded staff from other companies | 16 | 59 |
| Total | 53,764 | 51,722 |

9.2 Average number of employees by category

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|-------------------------------------|------------|------------|
| Employees | 690 | 638 |
| a) Managers | 37 | 31 |
| b) Total executives | 159 | 128 |
| of which 3rd and 4th level | 102 | 78 |
| of which 1st and 2nd level | 58 | 50 |
| c) Employees at other levels | 494 | 479 |
| Other employees | -10 | -15 |
| Total | 680 | 623 |

Note

The average headcount of the comparison period was determined based on the simple average of the workforce at year and therefore it does not completely include the effects of the incorporation of Banca BSI SA, which took place on 1 January 2010.

Breakdown of headcount

| | 31.12.2011 | 31.12.2010 |
|-------------------------------------|------------|------------|
| Employees | 686 | 693 |
| a) Managers | 38 | 36 |
| b) Total executives | 158 | 160 |
| of which 3rd and 4th level | 100 | 103 |
| of which 1st and 2nd level | 58 | 57 |
| c) Employees at other levels | 490 | 497 |
| Other employees | -5 | -15 |
| Contract and temporary workers | 13 | 6 |
| Seconded staff from other companies | 1 | - |
| Seconded staff to other companies | -19 | -21 |
| Total | 681 | 678 |

9.4 Other employee benefits

| | 31.12.2011 | 31.12.2010 |
|--|--------------|--------------|
| Short-term productivity bonuses to be paid (CIA and Managers bonus) | 6,108 | 6,340 |
| Other long-term incentives | 1,031 | 334 |
| Charges for staff supplementary pensions | 1,239 | 1,125 |
| Expenses for missions - expense reimbursement and indemnities, and charges payable by the bank | - | - |
| Amounts replacing cafeteria indemnities | 568 | 541 |
| Training expenses | - | - |
| Transfer incentives and other indemnities | 2 | 5 |
| Allowances and charitable gifts | 107 | 80 |
| Other expenses (clothes, medical costs, etc.) | - | 21 |
| Total | 9,055 | 8,446 |

Note

Following the application of the clarification provided by the Bank of Italy in its bulletin of 13 February 2012, the following expense items were reclassified to item 180 b), "Other general and administrative expense": costs relating to individual, documented reimbursements of travel expenses (room, board and transport), the costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law. In a like manner, the costs of recruiting and training staff not considered to constitute compensation, but rather incurred for the company's benefit in the interest of the best performance of professional activity, were also reclassified. Accordingly, for the comparative year, 2010, the sum of 1,126 thousand euros has been reclassified from item a) "Staff expenses" to item 180 b) "Other general and administrative expense".

SECTION 9 GENERAL AND ADMINISTRATIVE EXPENSE - ITEM 150

9.5 Breakdown of other general and administrative expenses

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|---------------|
| Administration | 10,908 | 11,428 |
| - Advertising | 3,537 | 3,465 |
| - Consultancy and professional advice expenses | 2,499 | 3,494 |
| - Financial consultancy expenses | 725 | 370 |
| - Corporate boards and auditing firms | 288 | 470 |
| - Insurance | 2,791 | 2,724 |
| - Entertainment expenses | 431 | 380 |
| - Membership contributions | 553 | 406 |
| - Charity | 84 | 119 |
| Operations | 27,549 | 28,222 |
| - Rent and usage of premises and management of property | 13,965 | 13,918 |
| - Outsourced administrative services | 3,332 | 3,496 |
| - Post and telephone | 1,895 | 2,622 |
| - Print material | 822 | 771 |
| - Other expenses for sales network management | 2,199 | 2,469 |
| - Other expenses and purchases | 2,775 | 2,707 |
| - Other indirect staff expenses (1) | 2,561 | 2,239 |
| Information system and equipment | 25,357 | 23,576 |
| - Expenses related to outsourced IT services | 17,386 | 15,455 |
| - Fees for IT services and databases | 3,326 | 3,942 |
| - Software maintenance and servicing | 3,710 | 3,148 |
| - Fees for equipment hired and software used | 195 | 336 |
| - Other maintenance | 740 | 695 |
| Indirect taxation | 8,914 | 7,578 |
| Total | 72,728 | 70,804 |

Note

1) Other indirect staff expenses" includes 1,567 thousand euros of expenses for employees' missions, and medical and training expenses previously classified under Item 180 a) "Staff expenses." Consequently, 1,126 thousand euros, which had been classified under item 180 a) "Staff expenses" in 2010, were reclassified under item 180 b) "Other administrative expense". This item also includes expenses functionally related to staff and previously allocated to other items under "Administrative expense."

SECTION 10 NET PROVISIONS FOR LIABILITIES AND CONTINGENCIES - ITEM 160

10.1 Breakdown of net provisions for liabilities and contingencies

| (€ thousand) | 31.12.2010 | | | 31.12.2009 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | PROVISIONS | SURPLUS | NET | PROVISIONS | SURPLUS | NET |
| Provisions for risks related to staff expenses (1) | 2,277 | -2,635 | -358 | 4,095 | -1,571 | 2,524 |
| Provisions for staff expenses: long-term incentives | 0 | -1,275 | -1,275 | 1,860 | 0 | 1,860 |
| Provision for staff expenses: other | 2,277 | -1,360 | 917 | 2,235 | -1,571 | 664 |
| Provision for legal disputes | 3,829 | -418 | 3,411 | 3,259 | -73 | 3,186 |
| Provision for risks related to legal disputes with subscribers | 1,819 | -105 | 1,714 | 1,574 | -24 | 1,550 |
| Provision for risks related to legal disputes with advisors | 397 | -10 | 387 | 502 | -4 | 498 |
| Provision for risks related to legal disputes with staff | 0 | 0 | 0 | 50 | 0 | 50 |
| Provisions for risks related to legal disputes with other parties | 1,613 | -303 | 1,310 | 1,133 | -45 | 1,088 |
| Provisions for termination indemnity for financial advisors | 1,324 | -3,163 | -1,839 | 5,622 | -76 | 5,546 |
| Provision for termination indemnity for financial advisors | 875 | -86 | 789 | 1,678 | -76 | 1,602 |
| Provision for overcommission risks for financial advisors | 449 | -3,077 | -2,628 | 3,944 | 0 | 3,944 |
| Provisions for risks related to network incentives | 9,666 | -522 | 9,144 | 7,988 | -1,092 | 6,896 |
| Provision for risks related to network development incentives | 6,961 | -522 | 6,439 | 5,243 | -1,081 | 4,162 |
| Provisions for managers with access gate | 792 | 0 | 792 | 1,083 | 0 | 1,083 |
| Provision for commissions – travel incentives | 1,900 | 0 | 1,900 | 1,500 | 0 | 1,500 |
| Provision for commission plans | 13 | 0 | 13 | 67 | 0 | 67 |
| Provision for loyalty bonuses for financial advisors | 0 | 0 | 0 | 95 | -11 | 84 |
| Other provisions for risks and contingences | 0 | -91 | -91 | 321 | 0 | 321 |
| Total | 17,096 | -6,829 | 10,267 | 21,285 | -2,812 | 18,473 |

Notes

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

SECTION 11 NET ADJUSTMENTS/REVERSALS VALUE OF PROPERTY AND EQUIPMENT - ITEM 170

11.1 Breakdown of net adjustments of property and equipment

| (€ thousand) | DEPRECIATION | ADJUSTMENTS FOR IMPAIRMENT | REVERSALS | NET RESULT 31.12.2011 | NET RESULT 31.12.2010 |
|---------------------------|--------------|-------------------------------|-----------|--------------------------|--------------------------|
| A. Property and equipment | | | | | |
| A.1 Owned | 1,644 | - | - | 1,644 | 1,712 |
| - operating | 1,644 | | | 1,644 | 1,712 |
| - investment | | | | - | - |
| A.2 Leased | - | - | - | - | - |
| - operating | | | | - | - |
| - investment | | | | - | - |
| Total | 1,644 | - | - | 1,644 | 1,712 |

SECTION 12 NET ADJUSTMENTS/REVERSALS VALUE OF INTANGIBLE ASSETS - ITEM 180

12.1 Breakdown of net adjustments of intangible assets

| (€ thousand) | AMORTISATIONS | ADJUSTMENTS FOR IMPAIRMENT | REVERSALS | NET RESULT 31.12.2011 | NET RESULT 31.12.2010 |
|----------------------|---------------|----------------------------------|-----------|--------------------------|--------------------------|
| A. Intangible assets | | | | | |
| A.1 Owned | 1,840 | - | - | 1,840 | 1,750 |
| - generated in-house | - | - | - | - | - |
| - other | 1,840 | - | - | 1,840 | 1,750 |
| A.2 Leased | - | - | - | - | - |
| Total | 1,840 | - | - | 1,840 | 1,750 |

Breakdown of value adjustments of intangible assets — amortisation

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|--------------|--------------|
| Long-term no-load commissions | 49 | 82 |
| Charges associated with the implementation of legacy CSE procedures | 1,148 | 982 |
| Relations with customers | 525 | 525 |
| Other intangible assets | 118 | 161 |
| Total | 1,840 | 1,750 |

SEZIONE 13 OTHER OPERATING INCOME AND EXPENSES - ITEM 190

13.1 Breakdown of other operating expenses

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|--------------|--------------|
| Adjustments of leasehold improvements | 679 | 766 |
| Elimination of improvements to discontinued outlets | 70 | 37 |
| Indemnities and compensation for litigation and claims | 1,094 | 599 |
| Charges from accounting adjustments with customers | 290 | 338 |
| Charges for card compensation and guarantees | 152 | 491 |
| Costs associated with tax penalties and disputes | 23 | 201 |
| Other contingent liabilities and non-existent assets | 871 | 1,122 |
| Other operating expenses | 11 | 2 |
| Total | 3,190 | 3,556 |

13.2 Breakdown of other operating income

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|---------------|---------------|
| Fees for outsourcing services | 973 | 883 |
| Recovery of taxes from customers | 8,023 | 6,359 |
| Recovery of expenses from customers | 468 | 542 |
| Recovery of portfolio valuation overcommission | 93 | 136 |
| Indemnities for financial advisors' notices | 8 | 102 |
| Other recoveries of repayments and costs from financial advisors | 811 | 773 |
| Contingent assets - staff expense | 745 | 718 |
| Other contingent assets and non-existent liabilities | 777 | 2,203 |
| Insurance compensation and indemnities | 102 | 57 |
| Other income | 158 | 54 |
| Total | 12,158 | 11,827 |
| Total other net income | 8,968 | 8,271 |

SECTION 17 GAINS (LOSSES) FROM DISPOSAL OF INVESTMENTS - ITEM 240

17.1 Breakdown of gains (losses) from disposal of investments

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|------------------------|------------|------------|
| A. Buildings | 0 | 0 |
| - Gains from disposal | 0 | 0 |
| - Losses from disposal | 0 | 0 |
| B. Other assets | -1 | 0 |
| - Gains from disposal | 0 | 0 |
| - Losses from disposal | 1 | 0 |
| Net result | -1 | 0 |

SECTION 18 INCOME TAX FOR THE YEAR FOR CURRENT OPERATIONS - ITEM 260

18.1 Breakdown of income tax for the year for current operations

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---|---------------|--------------|
| 1. ° Current taxation (-) | -9,842 | -9,520 |
| 2. Change in prior year current taxes | 1,175 | -213 |
| 3. Reduction of current taxes for the year(+) | - | - |
| 4. Changes of prepaid taxation (+/-) | 1,835 | 11,189 |
| 5. Changes of deferred taxation (+/-) | -74 | 2,368 |
| 6. Taxes for the year(-) | -6,906 | 3,824 |

Current and deferred taxation included the effects of the tax redemption of goodwill and intangible assets due to the following operations.

| REDEEMABLE ITEMS | REDEEMABLE VALUE | SUBSTITUTE TAX | ADVANCE IRES | ADVANCE IRAP | | NET ECONOMIC BENEFIT |
|--|------------------|----------------|--------------|--------------|----------|----------------------|
| <i>(€ thousand)</i> | | | | | | |
| Goodwill of investment in BG Fiduciaria (Art.15, para.10-ter Leg. Decree 185/08) | 4,289 | -686 | 1,179 | 199 | 0 | 692 |
| Total redeemable assets 2011 | 4,289 | -686 | 1,179 | 199 | 0 | 692 |

| REDEEMABLE ITEMS | REDEEMABLE VALUE | SUBSTITUTE TAX | ADVANCE IRES | ADVANCE IRAP | REVERSAL OF DEFERRED TAX LIABILITIES | NET ECONOMIC BENEFIT |
|--|------------------|----------------|--------------|--------------|--------------------------------------|----------------------|
| <i>(€ thousand)</i> | | | | | | |
| Goodwill (Art.15, para. 10 of Leg. Decree 195/08) | 31,352 | -5,016 | 8,622 | 8,622 | 0 | 4,829 |
| Client relationships (Art. 176, para. 2-ter of TUIR) | 7,628 | -968 | 0 | 0 | 2,431 | 1,463 |
| Total redeemable assets 2010 | 38,980 | -5,984 | 1,223 | 1,223 | 2,431 | 6,292 |

The lesser IRAP tax recognised than in the previous year refers mainly to the application in the income tax return of the reduced IRAP rate granted by the Region of Friuli Venezia Giulia for “virtuous companies” and the deduction of expenses incurred in connection with hand-capped staff members, previously not calculated by the Bank.

The lesser IRES tax than in previous years was instead primarily balanced by expenses considered temporarily non-deductible when preparing the financial statements, for which deferred tax assets had been recognised.

The changes in deferred tax assets and liabilities for which there is no balancing entry, as presented in table 18.2 below, refer not only to the case indicated above, but also to the reversal of deferred tax assets associated with AFS equity securities reclassified in 2008 pursuant to the Ministerial Decree of 3 June 2011 aimed at “IAS compliance” and the reversal of deferred tax assets associated with receivables not arising from lending transactions for which it was deemed prudent to assess recoverability from a tax standpoint upon realisation or recognition of a loss.

18.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes for the year, including both current and deferred taxes, as set out in item 260 of the Profit & Loss Account and the theoretical IRES tax determined by applying the current applicable tax rate of 27.5% to the pre-tax profit.

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

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|----------------|----------------|
| Current taxation | -9,842 | -9,520 |
| IRES | -7,148 | -567 |
| IRAP | -2,006 | -2,948 |
| Substitute tax for redemption | -686 | -5,984 |
| Other | -2 | -21 |
| Prepaid and deferred taxation | 1,761 | 13,557 |
| IRES | 1,033 | 11,637 |
| IRAP | 728 | 1,920 |
| Prior years taxes | 1,175 | -213 |
| IRES | 339 | -92 |
| IRAP | 836 | -121 |
| Income taxes | -6,906 | 3,824 |
| Theoretical tax rate | 27.5% | 27.5% |
| Profit (loss) before taxation | 75,530 | 103,108 |
| Theoretical taxation | -20,771 | -28,355 |
| Tax income (+) expense (-): | | |
| Non-taxable income (dividends) | 17,089 | 30,365 |
| Non-deductible interest expenses (4%) | -315 | -130 |
| Impairment of equity securities PEX | -1,095 | 0 |
| Other non-deductible costs | -1,073 | -1,347 |
| IRAP (net of redemption effect) | -641 | -2,715 |
| Prior years taxes | 339 | -92 |
| Other (foreign) taxes | -2 | -21 |
| Redemption of consolidated goodwill of BG Fiduciaria | 692 | 0 |
| Redemption of goodwill and intangible assets of Banca del Gottardo | 0 | 6,292 |
| Chanfe in deferred taxes without offsetting entry | -1,130 | -173 |
| Actual tax expense | -6,906 | 3,824 |
| Total actual tax rate | 9.1% | -3.7% |
| Actual tax rate (IRES only) | 8.6% | -4.8% |
| Actual tax rate (IRAP only) | -0.6% | -1.1% |

SECTION 21 EARNINGS PER SHARE

21.1 Average number of ordinary shares after dilution

| <i>(€ thousand)</i> | 31.12.2011 | 31.12.2010 |
|---|-------------------|-------------------|
| Net profit for the period (€ thousand) | 68,623 | 106,932 |
| Net profit attributable to ordinary shares | 68,623 | 106,932 |
| Average number of outstanding shares (thousand) | 111,729 | 110,923 |
| EPS - Earnings per Share (euro) | 0.614 | 0.964 |
| Average number of outstanding shares | | |
| Diluted capital (thousand) | 114,839 | 113,630 |
| EPS - Diluted earnings per share (euro) | 0.598 | 0.941 |

PART D – COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

| ITEMS | | | | |
|--------------|---|----------------|---------------|----------------|
| (€ thousand) | | GROSS AMOUNT | INCOME TAXES | NET AMOUNT |
| 10 | Net profit (loss) for the year | X | X | 68.623 |
| | Other income | | | |
| 20 | AFS financial assets | -48,944 | 16,315 | -32,629 |
| | a) Fair value increases | -54,722 | 17,431 | -37,291 |
| | b) Transfer to profit and loss account | 5,778 | -1,348 | 4,430 |
| | - Adjustments due to impairment | 3,980 | -771 | 3,209 |
| | - Gains (losses) on disposal | 1,798 | -577 | 1,221 |
| | c) Other changes | 0 | 232 | 232 |
| 30 | Property and equipment | 0 | 0 | 0 |
| 40 | Intangible assets | 0 | 0 | 0 |
| 50 | Hedges of foreign investments | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 60 | Cash-flow hedges | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 70 | Exchange differences | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 80 | Non-current assets held for sale | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 90 | Actuarial gains (losses) from defined benefit plans | 0 | 0 | 0 |
| 100 | Share of valuation reserves of investments valued at equity | 0 | 0 | 0 |
| | a) Fair value changes | 0 | 0 | 0 |
| | b) Transfer to profit and loss account | 0 | 0 | 0 |
| | - Adjustments due to impairment | 0 | 0 | 0 |
| | - Gains (losses) on disposal | 0 | 0 | 0 |
| | c) Other changes | 0 | 0 | 0 |
| 110 | Total other income | -48,944 | 16,315 | -32,629 |
| 120 | Comprehensive income (Item 10+110) | -48,944 | 16,315 | 35,994 |

PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. General Aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.

In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.

The bank's exposure to credit risk mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost, AFS and loans to customers (both corporate and retail).

Exposure to the credit risk also derives from the presence of ABS classified in the L&R portfolio, which may become permanently impaired; this exposes the company to the risk of carrying losses through profit or loss. Securities in this portfolio are monitored at least quarterly to identify any deterioration in their credit quality.

Loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to which selected loans were issued in 2011, backed by adequate guarantees. At any rate, the ratio of loans to customers to total loans remains relatively small.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

The bank has formally defined a credit risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets forth the guidelines for the identification, measurement, monitoring and reporting of credit risk.

The bank has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The bank has defined an extensive system of powers and limits associated with loan authorisation.

In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In terms of the monitoring of loans, after they have been disbursed, the bank has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.

The Lending Department monitors the performance of loans and reports on anomalous positions.

In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Bank's overall credit exposure.

The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.

Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management department and established with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

2. Credit Risk Management Policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Regulations.

In addition to issuing loans, the Lending Department is also charged with managing and monitoring credit, with

a special focus on the performance of doubtful loans.

With reference to adoption of IAS/IFRS, Banca Generali applied what has been developed in the Basel II framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are associated with issuers with high levels of creditworthiness.

Credit Risk Mitigation Techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.

Collateral can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collateral is in the form of securities, a discount is usually applied when the loan is issued and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI SA for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity has been maintained for those positions managed with the aim of recovery and those positions that have shown a default event for which payment of the indemnity was requested from the guarantor, BSI SA.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

Non-performing financial assets

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority.

At present there are:

- bad loans;
- substandard loans;
- expired loans or outstanding over 180 days.

After value adjustments, overall impaired loans accounted for a negligible percentage of total loans to customers.

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.

Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

Doubtful receivables of a significant amount refer to Banca del Gottardo Italia's clients and are guaranteed by the framework indemnity issued by the seller BSI SA. Such positions are not effectively a credit risk for the Bank, therefore no adjustments were made.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

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

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS.

A.1.1 Breakdown of credit exposures by portfolio and credit quality (balance sheet amounts)

| PORTFOLIOS/QUALITY | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS | OTHER ASSETS | TOTAL |
|--------------------------------------|---------------|-------------------|--------------------|---------------|------------------|------------------|
| 1. Financial assets held for trading | 40 | - | - | - | 17,487 | 17,527 |
| 2. AFS financial assets | - | - | - | - | 1,299,637 | 1,299,637 |
| 3. Financial assets held to maturity | - | - | - | - | 1,415,700 | 1,415,700 |
| 4. Loans to banks | - | - | - | - | 483,541 | 483,541 |
| 5. Loans to customers | 21,743 | 7,894 | 2,948 | 3,837 | 912,412 | 948,834 |
| 6. Financial assets at fair value | - | - | - | - | - | - |
| 7. Financial assets held for sale | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | - | - | - |
| Total at 31 December 2011 | 21,783 | 7,894 | 2,948 | 3,837 | 4,128,777 | 4,165,239 |
| Total at 31 December 2010 | 16,055 | 20,107 | - | 577 | 3,464,108 | 3,500,847 |

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

| PORTFOLIOS/QUALITY | NON-PERFORMING ASSETS | | | PERFORMING LOANS | | | TOTAL (NET EXPOSURE) |
|--------------------------------------|-----------------------|------------------------|-----------------|-------------------|--------------------------|------------------|----------------------------|
| | GROSS EXPOSURE | SPECIAL ADJUSTMENTS | NET EXPOSURE | GROSS EXPOSURE | PORTFOLIO ADJUSTMENTS | NET EXPOSURE | |
| 1. Financial assets held for trading | 1,983 | 1,943 | 40 | X | X | 17,487 | 17,527 |
| 2. AFS financial assets | - | - | - | 1,299,637 | - | 1,299,637 | 1,299,637 |
| 3. Financial assets held to maturity | - | - | - | 1,415,700 | - | 1,415,700 | 1,415,700 |
| 4. Loans to banks | - | - | - | 484,746 | 1,205 | 483,541 | 483,541 |
| 5. Loans to customers | 56,428 | 20,006 | 36,422 | 914,829 | 2,417 | 912,412 | 948,834 |
| 6. Financial assets at fair value | - | - | - | X | X | - | - |
| 7. Financial assets held for sale | - | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | X | X | - | - |
| Total at 31 December 2011 | 58,411 | 21,949 | 36,462 | 4,114,912 | 3,622 | 4,128,777 | 4,165,239 |
| Total at 31 December 2010 | 63,392 | 26,653 | 36,739 | 3,367,507 | 5,661 | 3,464,108 | 3,500,847 |

A.1.2.1 Breakdown of credit exposures renegotiated under collective agreements and other performing exposures by portfolio

| PORTFOLIOS/MATURITY EXPIRED | OTHER EXPOSURES | | | | | TOTAL (NET EXPOSURE) |
|--|------------------------------|---|---|-------------------------------|------------------|----------------------------|
| | EXPIRED UP TO 3 MONTHS | EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS | EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR | EXPIRED FOR OVER 1 YEAR | NOT EXPIRED | |
| 1. Financial assets held for trading | - | - | - | - | - | 17,487 |
| 2. Financial assets available for sale | - | - | - | - | 1,299,637 | 1,299,637 |
| 3. Financial assets held to maturity | - | - | - | - | 1,415,700 | 1,415,700 |
| 4. Loans to banks | - | - | - | - | 483,541 | 483,541 |
| 5. Loans to customers | - | 768 | 8,234 | 178 | 903,232 | 912,412 |
| 6. Financial assets at fair value | - | - | - | - | - | - |
| 7. Financial assets held for sale | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | - | - | - |
| Total at 31 December 2011 | - | 768 | 8,234 | 178 | 4,119,597 | 4,128,777 |

Banca Generali's loan portfolio does not include exposures renegotiated under collective agreements such as the Italian Banking Association-Ministry for the Economy and Finances agreement (ABI-MEF agreement). Other past-due performing exposures refer not only to positions past due or expired by more than 90 days but less than 180 days, but also exposures past due by more than 180 days for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted.

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

| TYPES OF EXPOSURE/VALUES | GROSS EXPOSURE | SPECIFIC ADJUSTMENTS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE |
|--------------------------------------|----------------|----------------------|-----------------------|----------------|
| A. CASH EXPOSURE | | | | |
| a) Bad loans | 1,983 | 1,943 | - | 40 |
| b) Substandard loans | - | - | - | - |
| c) Restructured loans | - | - | - | - |
| d) Expired loans | - | - | - | - |
| b) Other Assets | 935,763 | X | 1,205 | 934,558 |
| TOTAL A | 937,746 | 1,943 | 1,205 | 934,598 |
| B. OFF-BALANCE SHEET EXPOSURE | | | | |
| a) Non-performing loans | - | - | - | - |
| b) Other | 5,653 | X | - | 5,653 |
| TOTAL B | 5,653 | - | - | 5,653 |

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.4 Cash exposure with banks: changes in gross non-performing loans

| CAUSES/CATEGORIES | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS |
|---|--------------|-------------------|--------------------|---------------|
| A. Gross exposure at year-start | 1,983 | - | - | - |
| of which: transferred positions not written off | - | - | - | - |
| B. Increases | - | - | - | - |
| B.1 Inflows from performing loans | - | - | - | - |
| B.2 Transfer from other categories | - | - | - | - |
| non-performing loans | - | - | - | - |
| B.3 Other increases | - | - | - | - |
| C. Decreases | - | - | - | - |
| C.1 Outflows to performing loans | - | - | - | - |
| C.2 Write-offs | - | - | - | - |
| C.3 Repayments | - | - | - | - |
| C.4 Gains from disposals | - | - | - | - |
| C.5 Transfer to other categories of | - | - | - | - |
| non-performing loans | - | - | - | - |
| C.6. Other decreases | - | - | - | - |
| Gross exposure at year-end | 1,983 | - | - | - |
| of which: transferred positions not written off | - | - | - | - |

A.1.5 Cash exposure with banks: change in total adjustments

| CAUSES/CATEGORIES | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS |
|---|--------------|-------------------|--------------------|---------------|
| A. Total adjustments at year-start | 1,808 | - | - | - |
| - of which: positions transferred but not written off | - | - | - | - |
| B. Increases | 135 | - | - | - |
| B.1. Adjustments | 135 | - | - | - |
| B.2 Transfers from other categories of non-performing loans | - | - | - | - |
| B.3. Other increases | - | - | - | - |
| C. Decreases | - | - | - | - |
| C.1. Reversal of adjustments | - | - | - | - |
| C.2. Reversal of collections | - | - | - | - |
| C.3. Write-offs | - | - | - | - |
| C.4. Transfer to other categories of non-performing loans | - | - | - | - |
| C.5. Other decreases | - | - | - | - |
| D. Total adjustments at year-end | 1,943 | - | - | - |
| - of which: positions transferred but not written off | - | - | - | - |

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

| TYPES OF EXPOSURE/VALUES | GROSS EXPOSURE | SPECIFIC ADJUSTMENTS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE |
|--------------------------------------|------------------|----------------------|-----------------------|------------------|
| A. CASH EXPOSURE | | | | |
| a) Bad loans | 37,231 | 15,488 | - | 21,743 |
| b) Substandard loans | 12,412 | 4,518 | - | 7,894 |
| c) Restructured loans | 2,948 | - | - | 2,948 |
| d) Expired loans | 3,837 | - | - | 3,837 |
| b) Other assets | 3,195,939 | - | 2,417 | 3,193,522 |
| TOTAL A | 3,252,367 | 20,006 | 2,417 | 3,229,944 |
| B. OFF-BALANCE SHEET EXPOSURE | | | | |
| a) Non-performing loans | 500 | - | - | 500 |
| b) Other | 31,774 | - | - | 31,774 |
| TOTAL B | 32,274 | - | - | 32,274 |

Cash exposures to customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

Non-performing exposures in the substandard category also include debt securities subject to impairment on an individual basis and operating receivables not arising from credit transactions, chiefly associated with dispute and pre-dispute positions involving terminated and other former financial advisors.

A.1.7 Cash exposure with customers: changes in gross non-performing loans

| CAUSES/CATEGORIES | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS |
|---|---------------|-------------------|--------------------|---------------|
| A. Gross exposure at year-start | 38,285 | 22,547 | - | 577 |
| - of which: positions transferred but not written off | - | - | - | - |
| B. Increases | 11,306 | 6,738 | 2,950 | 4,181 |
| B.1 Inflows from performing loans | 1,461 | 1,389 | 1,834 | 4,094 |
| B.2 Transfers from other categories of non-performing loans | 8,905 | 495 | 1,116 | - |
| B.3 Other increases | 940 | 4,854 | - | 87 |
| of which business combinations | - | - | - | - |
| C. Decreases | 12,360 | 16,873 | 2 | 921 |
| C.1 Outflows to performing loans | - | 7 | - | 3 |
| C.2 Write-offs | 6,291 | 1,463 | - | - |
| C.3 Repayments | 6,069 | 5,050 | 2 | 423 |
| C.4 Gains from disposals | - | 236 | - | - |
| C.5. Transfer to other categories of non-performing loans | - | 10,078 | - | 495 |
| C.6. Other decreases | - | 39 | - | - |
| D. Gross exposure at year-end | 37,231 | 12,412 | 2,948 | 3,837 |
| - of which: positions transferred but not written off | - | - | - | - |

1. The two default positions made up of debt Securities issued by Lehman Brothers holding, for a countervalue of amortised cost of 8,721 thousand euros and with write-downs in the previous years amounting to 7,421 thousand euros, were transferred in the year, with a gain of 1,034 thousand euros.

A.1.8 Cash exposure with customers: change in total adjustments

| CAUSES/CATEGORIES | BAD LOANS | SUBSTANDARD LOANS | RESTRUCTURED LOANS | EXPIRED LOANS |
|--|---------------|-------------------|--------------------|---------------|
| A. Total adjustments at year-start | 22,405 | 2,440 | - | - |
| - of which: positions transferred but not written off | - | - | - | - |
| B. Increases | 408 | 3,773 | - | - |
| B.1. Adjustments | 408 | 1,410 | - | - |
| B.2. Transfers from other categories of non-performing loans | - | - | - | - |
| B.3. Other increases | - | 2,363 | - | - |
| of which business combinations | - | - | - | - |
| C. Decreases | 7,325 | 1,695 | - | - |
| C.1. Reversal of adjustments | - | 14 | - | - |
| C.2. Reversal of collections | 1,034 | 272 | - | - |
| C.3. Write-offs | 6,291 | 1,409 | - | - |
| C.4. Transfer to other categories of non-performing loans | - | - | - | - |
| C.5. Other decreases | - | - | - | - |
| D. Total adjustments at year-end | 15,488 | 4,518 | - | - |
| - of which: positions transferred but not written off | - | - | - | - |

A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.

The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Cash and off-balance sheet exposures broken down by external rating classes

| RESTRUCTURED | EXTERNAL RATING CLASSES | | | | | | WITHOUT RATING | TOTAL |
|--|-------------------------|------------------|----------------|---------------|----------|--------------|------------------|------------------|
| | AAA/AA- | A+/A- | BBB+/BBB- | BB+/BB- | B+/B- | < B- | | |
| Financial assets held for trading | 80 | 64 | 20 | - | - | - | 16,666 | 16,830 |
| AFS financial assets | 86,944 | 924,071 | 43,086 | - | - | - | 245,536 | 1,299,637 |
| Financial assets held to maturity | 99,305 | 983,302 | 63,066 | 9,260 | - | 2,008 | 258,759 | 1,415,700 |
| Loans to customers | 41,778 | 9,801 | 7,465 | 2,536 | - | 2,487 | 884,767 | 948,834 |
| Loans to banks | 78,767 | 22,350 | 39,086 | - | - | 2,947 | 340,391 | 483,541 |
| A. Cash exposure | 306,874 | 1,939,588 | 152,723 | 11,796 | - | 7,442 | 1,746,119 | 4,164,542 |
| Financial derivatives | - | - | - | - | - | - | 697 | 697 |
| Credit derivatives | - | - | - | - | - | - | - | - |
| B. Derivatives | - | - | - | - | - | - | 697 | 697 |
| C. Guarantees issued | - | - | - | - | - | - | 35,120 | 35,120 |
| D. Commitment to dispense funds | - | - | - | - | - | - | 2,109 | 2,109 |
| Total | 306,874 | 1,939,588 | 152,723 | 11,796 | - | 7,442 | 1,784,045 | 4,202,468 |

A.3 Breakdown of guaranteed loans by type of guarantee

A.3.2 Guaranteed exposure with customers

| | LOAN AMOUNT | COLLATERALISED GUARANTEES (1) | | | | PERSONAL GUARANTEES (2) GUARANTEES | | | | | TOTAL (1)+(2) |
|--|----------------|-------------------------------|------------|--------------|-----------|---|-------|-------------------|--------|--------|------------------|
| | | BUILDINGS | SECURITIES | OTHER ASSETS | TOTAL | GOVERNMENTS OTHER PUBLIC INSTITUTIONS | BANKS | OTHER ENTITIES | TOTAL | | |
| 1. Guaranteed cash exposure: | 762,605 | 269,643 | 375,960 | 630,216 | 1,275,819 | - | - | 697 | 54,007 | 54,704 | 1,330,523 |
| 1.1 totally guaranteed | 711,756 | 269,372 | 350,740 | 615,262 | 1,235,374 | - | - | 697 | 49,498 | 50,195 | 1,285,569 |
| -of which non performing | 17,833 | 37,210 | 700 | 28 | 37,938 | | | | 377 | 377 | 38,315 |
| 1.2 partially guaranteed | 50,849 | 271 | 25,220 | 14,954 | 40,445 | - | - | - | 4,509 | 4,509 | 44,954 |
| -of which non performing | 7,137 | | 4,018 | | 4,018 | | | | 6 | 6 | 4,024 |
| 2. Guaranteed off-balance sheet exposures: | 27,522 | 2,711 | 17,996 | 26,131 | 46,838 | - | - | 100 | 577 | 677 | 47,515 |
| 2.1 totally guaranteed | 18,157 | 2,337 | 14,129 | 23,375 | 39,841 | - | - | 100 | 553 | 653 | 40,494 |
| -of which non performing | 340 | | 185 | 191 | 376 | | | | 85 | 85 | 461 |
| 2.2 partially guaranteed | 9,365 | 374 | 3,867 | 2,756 | 6,997 | - | - | - | 24 | 24 | 7,021 |
| -of which non performing | | | | | | | | | | | |

B. BREAKDOWN AND CONCENTRATION OF LOANS

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

| EXPOSURE/COUNTERPARTY | NET EXPOSURE | SPECIFIC VALUE ADJUSTMENTS | PORT. VALUE ADJUSTMENTS |
|--|------------------|----------------------------|-------------------------|
| A. Cash exposure | | - | - |
| 1. Government and central banks | 2,194,590 | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | - | - | - |
| e. Other loans | 2,194,590 | - | - |
| 2. Other public institutions | - | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | - | - | - |
| e. Other loans | - | - | - |
| 3. Financial companies | 214,356 | 4,553 | 930 |
| a. Bad loans | 6 | 52 | - |
| b. Substandard loans | 4,957 | 4,501 | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | 15 | - | - |
| e. Other loans | 209,378 | - | 930 |
| 4. Insurance companies | 25,852 | - | 12 |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | - | - | - |
| e. Other loans | 25,852 | - | 12 |
| 5. Non-financial companies | 285,184 | 11,215 | - |
| a. Bad loans | 16,315 | 11,215 | - |
| b. Substandard loans | 2,122 | - | - |
| c. Restructured loans | 2,948 | - | - |
| d. Expired loans | 3,689 | - | - |
| e. Other loans | 260,110 | - | - |
| 6. Other entities | 509,962 | 4,238 | 1,475 |
| a. Bad loans | 5,422 | 4,221 | - |
| b. Substandard loans | 815 | 17 | - |
| c. Restructured loans | - | - | - |
| d. Expired loans | 133 | - | - |
| e. Other loans | 503,592 | - | 1,475 |
| TOTAL A - CASH EXPOSURE | 3,229,944 | 20,006 | 2,417 |

| EXPOSURE/COUNTERPARTY | NET EXPOSURE | SPECIFIC VALUE ADJUSTMENTS | PORT. VALUE ADJUSTMENTS |
|---|---------------|----------------------------|-------------------------|
| B. Off-balance sheet exposure | | - | - |
| 1. Government and central banks | - | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | - | - | - |
| 2. Other public institutions | - | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | - | - | - |
| 3. Financial companies | 142 | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | 142 | - | - |
| 4. Insurance companies | - | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | - | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | - | - | - |
| 5. Non-financial companies | 17,370 | - | - |
| a. Bad loans | 78 | - | - |
| b. Substandard loans | 227 | - | - |
| c. Other non-performing loans | 7 | - | - |
| d. Other loans | 17,058 | - | - |
| 6. Other entities | 14,762 | - | - |
| a. Bad loans | - | - | - |
| b. Substandard loans | 188 | - | - |
| c. Other non-performing loans | - | - | - |
| d. Other loans | 14,574 | - | - |
| TOTAL B - OFF-BALANCE SHEET EXPOSURE | 32,274 | - | - |

Summary

| | NET EXPOSURE | SPECIFIC VALUE ADJUSTMENTS | PORT. VALUE ADJUSTMENTS |
|--|------------------|----------------------------|-------------------------|
| Governments and central banks | 2,194,590 | - | - |
| Public institutions | - | - | - |
| Financial companies | 214,498 | 4,553 | 930 |
| Insurance companies | 25,852 | - | 12 |
| Non-financial companies | 302,554 | 11,215 | - |
| Other entities | 524,724 | 4,238 | 1,475 |
| Overall total (A+B) at 31 December 2011 | 3,262,218 | 20,006 | 2,417 |

B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

| EXPOSURE/GEOGRAPHICAL AREA | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|--------------------------------------|------------------|-------------------------|--------------------------|-------------------------|---------------|-------------------------|--------------|-------------------------|-------------------|-------------------------|
| | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments |
| A. Cash exposure | | | | | | | | | | |
| A.1 Bad loans | 21,743 | 14,984 | - | 504 | - | - | - | - | - | - |
| A.2 Substandard loans | 4,425 | 3,012 | 3,468 | 1,506 | 1 | - | - | - | - | - |
| A.3 Restructured loans | 2,948 | - | - | - | - | - | - | - | - | - |
| A.4 Expired loans | 3,837 | - | - | - | - | - | - | - | - | - |
| A.5 Other exposure | 3,068,352 | 2,028 | 104,900 | 356 | 20,270 | 33 | - | - | - | - |
| Total A | 3,101,305 | 20,024 | 108,368 | 2,366 | 20,271 | 33 | - | - | - | - |
| B. Off-balance sheet exposure | | | | | | | | | | |
| B.1 Bad loans | 78 | - | - | - | - | - | - | - | - | - |
| B.2 Substandard loans | 415 | - | - | - | - | - | - | - | - | - |
| B.3 Other non-performing loans | 7 | - | - | - | - | - | - | - | - | - |
| B.4 Other exposure | 31,774 | - | - | - | - | - | - | - | - | - |
| Total B | 32,274 | - | - | - | - | - | - | - | - | - |
| Total at 31 December 2011 | 3,133,579 | 20,024 | 108,368 | 2,366 | 20,271 | 33 | - | - | - | - |
| Total at 31 December 2010 | 2,254,596 | 18,984 | 204,777 | 3,211 | 54,889 | 7,216 | 5,585 | - | - | - |

B.3 Geographical breakdown of cash and off-balance sheet credit exposure to banks (book value)

| EXPOSURE/GEOGRAPHICAL AREA | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|--------------------------------------|----------------|-------------------------|--------------------------|-------------------------|---------------|-------------------------|--------------|-------------------------|-------------------|-------------------------|
| | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments |
| A. Cash exposure | | | | | | | | | | |
| A.1 Bad loans | - | - | 40 | 1,943 | - | - | - | - | - | - |
| A.2 Substandard loans | - | - | - | - | - | - | - | - | - | - |
| A.3 Restructured loans | - | - | - | - | - | - | - | - | - | - |
| A.4 Expired loans | - | - | - | - | - | - | - | - | - | - |
| A.5 Other exposure | 622,335 | 953 | 308,443 | 252 | 3,780 | - | - | - | - | - |
| Total A | 622,335 | 953 | 308,483 | 2,195 | 3,780 | - | - | - | - | - |
| B. Off-balance sheet exposure | | | | | | | | | | |
| B.1 Bad loans | - | - | - | - | - | - | - | - | - | - |
| B.2 Substandard loans | - | - | - | - | - | - | - | - | - | - |
| B.3 Other non-performing loans | - | - | - | - | - | - | - | - | - | - |
| B.4 Other exposure | 5,222 | - | 431 | - | - | - | - | - | - | - |
| Total B | 5,222 | - | 431 | - | - | - | - | - | - | - |
| Total at 31 December 2011 | 627,557 | 953 | 308,914 | 2,195 | 3,780 | - | - | - | - | - |
| Total at 31 December 2010 | 561,198 | 707 | 423,603 | 2,157 | 22,109 | 39 | - | - | 6,995 | - |

B.4 Big Risks

The sixth update to Circular No. 263, “New Prudential Supervisory Provisions Concerning Banks” of 27 December 2010, revised prudential rules governing risk concentration to bring them into line with the provisions of Directive 2009/111/EC. In detail, under the new rules, “big risks” are identified as exposures equal to or

greater than 10% of capital for regulatory purposes, by reference to the carrying amount of “exposures” rather than the amount weighted for counterparty risk.

Accordingly, risk positions that constitute “big risks” are identified by reference to both carrying amounts and weighted amounts.

| GRANDI RISCHI | 31.12.2011 | 31.12.2010 |
|----------------------|-------------------|-------------------|
| a) Carrying amount | 3,582,924 | 2,509,863 |
| b) Weighted amount | 559,092 | 415,897 |
| c) Number | 25 | 25 |

C. SECURITISATION AND DISPOSAL OF ASSETS

C.1 Securitisation

The securitisations portfolio contains only asset-backed securities (ABS) issued by European entities with underlying securities attributable exclusively to European originators.

The portfolio is made up of senior securities with ratings not less than investment grade.

The portfolio includes products mostly with underlying residential and commercial mortgages (RMBS/CMBS).

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

| TYPE OF UNDERLYING ASSETS/ EXPOSURE | CASH EXPOSURE | | | | | | TOTAL NET EXPOSURE |
|---|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|--------------------------|
| | SENIOR | | MEZZANINE | | JUNIOR | | |
| | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | |
| Cash exposure | | | | | | | |
| A. With own underlying assets: | - | - | - | - | - | - | |
| a) Non-performing loans | - | - | - | - | - | - | |
| b) Other | - | - | - | - | - | - | |
| B. With third-party underlying assets: | 68,046 | 67,582 | 8,279 | 6,602 | - | - | 74,184 |
| a) Non-performing loans | - | - | 4,821 | 3,465 | - | - | 3,465 |
| b) Other | 68,046 | 67,582 | 3,458 | 3,137 | - | - | 70,719 |

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

| TYPE OF UNDERLYING ASSETS/ EXPOSURE | CASH EXPOSURE | | | | | |
|--|---------------|----------------------|---------------|----------------------|---------------|----------------------|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | BOOK VALUE | ADJUST. REVERSALS | BOOK VALUE | ADJUST. REVERSALS | BOOK VALUE | ADJUST. REVERSALS |
| A. Cash exposure | 67,582 | - 464 | 6,602 | - 1,677 | - | - |
| B. Guarantees issued | - | - | - | - | - | - |
| C. Lines of credit | - | - | - | - | - | - |

| PORTFOLIO | TYPE OF UNDERLYING ASSETS/ EXPOSURE | ISIN CODE | UNDERLYING | CASH EXPOSURE | | | | | | |
|--------------|--|--|--------------|-------------------------------|----------------------|---------------|----------------------|----------------|----------------------|----------|
| | | | | SENIOR | | MEZZANINE | | JUNIOR | | |
| | | | | BOOK VALUE | ADJUST. REVERSALS | BOOK VALUE | ADJUST. REVERSALS | BOOK VALUE | ADJUST. REVERSALS | |
| A.1 | loans | AYT CAJAS N 10 FRN 30/06/2015 | ES0312342001 | mortgage | 14,545 | - 125 | - | - | - | - |
| A.2 | loans | BANCAJA N6 TITULUZ FRN 20/02/2036 | ES0312885017 | RMBS | 2,354 | - | - | - | - | - |
| A.3 | loans | CAIXA D' ESTALVIS FRN 28/01/2043 | ES0313252001 | RMBS | 999 | - | - | - | - | - |
| A.4 | loans | abs BBVA RMBS2 FRN 17/09/2050 | ES0314148018 | RMBS | 1,285 | - | - | - | - | - |
| A.5 | loans | SANTANDER HIP3 FRN 18/01/2050 | ES0338093018 | RMBS | 2,063 | - | - | - | - | - |
| A.6 | loans | MBS BANCAJA FRN 23/07/2050 | ES0361797014 | RMBS/CMBS | 5,678 | - | - | - | - | - |
| A.7 | loans | AYT KUTXA HIPOTECARIO II FRN 15/10/2059 | ES0370154009 | RMBS | 1,230 | - | - | - | - | - |
| A.8 | loans | LOCAT SEC VEHICLE FRN 12/12/2024 A | IT0003733083 | Leasing | 276 | - | - | - | - | - |
| A.9 | loans | FIP FUND FRN 10/01/2023 | IT0003872774 | CMBS | 4,697 | - | - | - | - | - |
| A.10 | loans | VELA MORT CL A FRN 30/07/2040 | IT0003933998 | RMBS | 799 | - 339 | - | - | - | - |
| A.11 | loans | ASTI FINANCE FRN 27/09/2041 | IT0003966477 | RMBS | 1,066 | - | - | - | - | - |
| A.12 | loans | CORDUSIO FRN 30/06/2035 | IT0004087174 | RMBS | 1,386 | - | - | - | - | - |
| A.13 | loans | ARCOBALENO FRN 28/10/2030 | IT0004095672 | Loans (Italian pharmacies) | 274 | - | - | - | - | - |
| A.14 | loans | LEASIMPRESA FRN 22/12/2025 | IT0004123722 | Leasing | 480 | - | - | - | - | - |
| A.15 | loans | APULIA FINA FRN 20/07/2044 | IT0004127574 | RMBS/CMBS | 880 | - | - | - | - | - |
| A.16 | loans | abs VOBA FIN FRN 28/06/2043 | IT0004153216 | RMBS | 152 | - | - | - | - | - |
| A.17 | loans | SESTANTE FRN 23/04/2046 CL A1 | IT0004158124 | RMBS | 505 | - | - | - | - | - |
| A.18 | loans | abs CLARIS FIN FRN 21/11/2053 | IT0004189160 | RMBS | 480 | - | - | - | - | - |
| A.19 | loans | BP MORT FRN 20/04/2043 | IT0004215320 | RMBS | 3,205 | - | - | - | - | - |
| A.20 | trading | QUARZO CL1 FRN 31/12/2019 abs | IT0004284706 | RMBS/CMBS | 15,058 | - | - | - | - | - |
| A.21 | loans | MAGELLAN MORT N 2 FRN 18/07/2036 | XS0177944690 | RMBS | 874 | - | - | - | - | - |
| A.22 | loans | LUSITANO MORT N 2 FRN 16/11/2036 | XS0178545421 | RMBS | 1,674 | - | - | - | - | - |
| A.23 | loans | abs THEMELEION MTG FRN 27/12/2036 | XS0194393640 | RMBS | 372 | - | - | - | - | - |
| A.24 | loans | EMAC MORTG CL A FRN 25/01/2037 | XS0207208165 | RMBS | 1,241 | - | - | - | - | - |
| A.25 | loans | E-MAC MORTG FRN CL A 25/04/2038 | XS0216513118 | RMBS | 1,347 | - | - | - | - | - |
| A.26 | loans | ESTIA MORTG FRN 27/10/2040 CL A | XS0220978737 | RMBS | 918 | - | - | - | - | - |
| A.27 | loans | AIRE VALLEY MORTG FRN 20/09/2066 | XS0264192989 | RMBS | 1,713 | - | - | - | - | - |
| A.28 | loans | SAGRES PELICAN FRN 15/09/2054 | XS0293657416 | RMBS | 487 | - | - | - | - | - |
| A.29 | loans | WINDERM FRN 15/10/2019 CL A | XS0293895271 | CMBS | 1,462 | - | - | - | - | - |
| A.30 | loans | FE GOLD FRN 30/07/2025 abs | IT0004068612 | Leasing | 547 | - | - | - | - | - |
| A.31 | loans | OPERA FIN abs FRN 15/02/2012 CL C | XS0218490653 | CMBS | - | - | 2,592 | - 105 | - | - |
| A.32 | loans | ITALF VEHIC CL C FRN 14/03/2023 | IT0003963433 | Leasing | - | - | 268 | - | - | - |
| A.33 | loans | ATLANTE FINANCE FRN 28/07/2047 | IT0004069040 | RMBS/CMBS | - | - | 765 | - | - | - |
| A.34 | loans | ABM LOCAT SEC FRN 12/09/2028 B | IT0004153687 | Leasing | - | - | 1,149 | - 208 | - | - |
| A.35 | loans | GRANITE MAS FRN 20/12/2054 | XS0229615603 | RMBS | - | - | 1,276 | - 114 | - | - |
| A.36 | loans | WINDERM FRN 15/10/2019 CL D | XS0293898457 | CMBS | - | - | 2,229 | - 1,250 | - | - |
| TOTAL | | | | | 68,046 | - 464 | 8,279 | - 1,677 | - | - |

C.1.4 Exposure arising on securitisations broken down by portfolio and type

| EXPOSURE/PORTFOLIO | TYPE OF FINANCIAL-ASSET PORTFOLIO | | | | | 31.12.2011 | 31.12.2010 |
|--------------------------------------|-----------------------------------|--------------------------------|----------------------|----------------------|---------------|---------------|---------------|
| | FIN. ASSETS HELD FOR TRADING | FINANCIAL ASSETS AT FAIR VALUE | AFS FINANCIAL ASSETS | HTM FINANCIAL ASSETS | LOANS | | |
| 1. Cash exposure | 15,058 | - | - | - | 59,126 | 74,184 | 88,916 |
| - senior | 15,058 | - | - | - | 52,525 | 67,582 | 78,057 |
| - mezzanine | - | - | - | - | 6,602 | 6,602 | 10,859 |
| - junior | - | - | - | - | - | - | - |
| 2. Off-balance sheet exposure | - | - | - | - | - | - | - |
| - senior | - | - | - | - | - | - | - |
| - mezzanine | - | - | - | - | - | - | - |
| - junior | - | - | - | - | - | - | - |

C.2 Transfer Operations

C.2.1 Transferred financial assets not written off

| TECHNICAL TYPE /PORTFOLIO | FIN. ASSETS HELD FOR TRADING | | | AFS FINANCIAL ASSETS | | | HTM FINANCIAL ASSETS | | | FINANCIAL ASSETS -BANKS | | | FINANCIAL ASSETS - CUSTOMERS | | | TOTAL |
|----------------------------------|------------------------------|---|---|----------------------|---|---|----------------------|---|---|-------------------------|---|---|------------------------------|---|---|----------------|
| | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | |
| A. Cash assets | - | - | - | 351,349 | - | - | 285,171 | - | - | 4,713 | - | - | - | - | - | 641,233 |
| 1. Debt securities | - | - | - | 351,349 | - | - | 285,171 | - | - | 4,713 | - | - | - | - | - | 641,233 |
| 2. Equity securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. UCITs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. Financing | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5. Non-performing assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B. Derivatives | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total at 31 December 2011 | - | - | - | 351,349 | - | - | 285,171 | - | - | 4,713 | - | - | - | - | - | 641,233 |
| Total at 31 December 2010 | - | - | - | 382,381 | - | - | 61,585 | - | - | 5,161 | - | - | - | - | - | 449,127 |

A = transferred financial assets fully recognised (book value)

B = transferred financial assets partially recognised (book value)

C = transferred financial assets partially recognised (total value)

C.2.2 Financial liabilities for transferred assets not written off

| LIABILITIES/ASSETS PORTFOLIO | Financial assets held for trading | FVO financial assets | AFS financial assets | HTM financial assets | Loans to banks | Loans to customers | TOTAL |
|------------------------------------|-----------------------------------|----------------------|----------------------|----------------------|----------------|--------------------|----------------|
| 1. Due to customers | - | - | 55,520 | 41,589 | - | 4,655 | 101,764 |
| a) for fully recognised assets | - | - | 55,520 | 41,589 | - | 4,655 | 101,764 |
| b) for partially recognised assets | - | - | - | - | - | - | - |
| 2. Due to banks | - | - | 295,682 | 242,943 | - | - | 538,625 |
| a) for fully recognised assets | - | - | 295,682 | 242,943 | - | - | 538,625 |
| b) for partially recognised assets | - | - | - | - | - | - | - |
| Total at 31 December 2011 | - | - | 351,202 | 284,532 | - | 4,655 | 640,389 |
| Total at 31 December 2010 | - | - | 384,746 | 60,642 | - | 5,031 | 450,419 |

SECTION 2 – MARKET RISK

The bank's exposure to market risk is due to the trading by Banca Generali of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

In particular, securities measured at fair value and classified in the HFT and AFS portfolios are exposed to risk, as fluctuations in their prices impact the bank's profit and loss account and net equity.

The bank has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.

The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the bank's Finance Rules.

Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier controls) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Bank's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The proprietary securities portfolio is primarily invested in Italian government bonds, Euro Area government bonds and domestic and international bank securities. To a lesser extent, the portfolio is also invested in the corporate bonds of issuers with high credit standing and ABSs.

The portfolio's exposure to the equities market remains limited with respect to the bond component and derivatives transactions are absolutely marginal in extent.

The bank's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.

The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.

Banca Generali holds only small amounts of securities denominated in foreign currencies.

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

2.1 Interest Rate and Price Risk – Regulatory Trading Book

Qualitative Information

A. General aspects

The main activities of the bank that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the corporate bond securities;
- dealings in interest rate derivatives, all of them over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);

- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The securities portfolio is characterised by a limited remaining life.

The bank's investments in structured securities are negligible.

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

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

| | FOURTH QUARTER 2011 | THIRD QUARTER 2011 | SECOND QUARTER 2011 | FIRST QUARTER 2011 |
|-------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| Average VaR 99% 1 day (€/000) | 1,251 | 1,170 | 882 | 925 |

Quantitative Information

1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

| TYPE/TIME-TO-MATURITY | REPAYABLE ON DEMAND | UP TO 3 MONTHS | OVER 3 MONTHS, UP TO 6 MONTHS | OVER 6 MONTHS, UP TO 1 YEAR | OVER 1 YEAR, UP TO 5 YEARS | OVER 5 YEARS, UP TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY | TOTAL |
|-----------------------------------|---------------------|----------------|-------------------------------|-----------------------------|----------------------------|------------------------------|---------------|----------------------|---------|
| 1. Cash assets | - | 15,276 | 44 | 681 | 787 | - | 58 | - | 16,846 |
| 1.1 Debt securities | | | | | | | | | |
| - with early repayment option | - | 20 | - | - | 52 | - | - | - | 72 |
| - other entities | - | 15,256 | 44 | 681 | 735 | - | 58 | - | 16,774 |
| 1.2 Other assets | - | - | - | - | - | - | - | - | - |
| 2. Cash liabilities | - | - | - | - | - | - | - | - | - |
| 2.1 PCT liabilities | - | - | - | - | - | - | - | - | - |
| 2.2 Other liabilities | - | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | - | 148,768 | 20,406 | 4,258 | 118,287 | 226 | 169 | - | 292,114 |
| 3.1 With underlying securities | - | 95,886 | 17,852 | - | 78,287 | 226 | 169 | - | 192,420 |
| - Options | | | | | | | | | |
| + long positions | - | - | - | - | - | - | - | - | - |
| + short positions | - | - | - | - | - | - | - | - | - |
| - other | | | | | | | | | |
| + long positions | - | 4,306 | 15,255 | - | 76,815 | 113 | 61 | - | 96,550 |
| + short positions | - | 91,580 | 2,597 | - | 1,472 | 113 | 108 | - | 95,870 |
| 3.2 Without underlying securities | - | 52,882 | 2,554 | 4,258 | 40,000 | - | - | - | 99,694 |
| - Options | | | | | | | | | |
| + long positions | - | - | - | - | - | - | - | - | - |
| + short positions | - | - | - | - | - | - | - | - | - |
| - other | | | | | | | | | |
| + long positions | - | 26,441 | 1,277 | 2,129 | 20,000 | - | - | - | 49,847 |
| + short positions | - | 26,441 | 1,277 | 2,129 | 20,000 | - | - | - | 49,847 |

2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

| TYPE OF TRANSACTION/ INDEX | LISTED | | | NON LISTED |
|---|--------|--------|-------|------------|
| | ITALY | FRANCE | OTHER | |
| A. Equity securities | | | | |
| - long positions | 827 | 224 | 7 | 4 |
| - short positions | - | - | - | - |
| B. Equity security purchases/sales to be settled | | | | |
| - long positions | - | - | - | - |
| - short positions | - | 10 | - | - |
| C. Other derivatives on capital securities | | | | |
| - long positions | - | - | - | - |
| - short positions | - | - | - | - |
| D. Stock index derivatives | | | | |
| - long positions | - | - | - | - |
| - short positions | - | - | - | - |

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question or are due to factors that influence all similar financial instruments traded on the market.

“Price risk” arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to OICR units held in the portfolio.

However, the Bank’s exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

3. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.

This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primary risk factors, which for Banca Generali are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +/- 100 basis points in the rate curve.

The next stage involves establishing the potential effects on the profit and loss account both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +106/-106 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of government bonds held for trading of -1.4/+1.4 million euros, gross of the tax effect. Since the presence of government bonds carried in the HFT portfolio is limited, the fair value delta component associated with such bonds due to the hypothesised shift in the rate curve would be equally moderate, coming to -12/+12 thousand euros.

| (€ thousand) | HFT | AFS | HTM+L&R | LOANS** | TOTAL |
|-----------------------------|---------|---------|----------|---------|----------|
| FV equity delta (+10%) | 106 | 1,657 | - | - | 1,763 |
| FV equity delta (-10%) | - 106 | - 1,657 | - | - | - 1,763 |
| FV bonds delta (+1%) | - 1,390 | - 7,965 | - 27,815 | - 2,724 | - 39,894 |
| of which government bonds | - 12 | - 7,041 | - 23,428 | | - 30,481 |
| FV bonds delta (-1%) | 1,391 | 7,967 | 27,829 | 2,725 | 39,913 |
| of which government bonds | 12 | 7,043 | 23,439 | | 30,494 |
| Interest margin delta (+1%) | 5 | 7,827 | 5,873 | 12,252 | 25,957 |
| Interest margin delta (-1%) | - 5 | - 7,827 | - 5,873 | - 9,556 | - 23,262 |

**Loans to banks and loans to customers

2.2 Interest Rate and Price Risk – Banking Portfolio

Qualitative Information

A. General Aspect, Management Processes and Interest Rate Risk Measurement Techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and therefore net equity.

The bank has established a specific policy for managing interest-rate risk in the banking portfolio.

The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.

The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.

The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the bank's banking portfolio arises from:

- trading on the interbank deposits market;
- customer lending activities and
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

B. Fair Value and Cash Flow Hedging

The bank does not currently engage in fair value or cash flow hedging.

Quantitative Information

1. Banking portfolio: breakdown by time-to-maturity (according to repricing date) of financial assets and liabilities

| TYPE/TIME-TO-MATURITY | REPAYABLE ON DEMAND | UP TO 3 MONTHS | OVER 3 MONTHS, UP TO 6 MONTHS | OVER 6 MONTHS, UP TO 1 YEAR | OVER 1 YEAR, UP TO 5 YEARS | OVER 5 YEARS, UP TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY | TOTAL |
|-----------------------------------|---------------------|------------------|-------------------------------|-----------------------------|----------------------------|------------------------------|---------------|----------------------|------------------|
| 1. Cash assets | 1,028,228 | 1,337,594 | 463,186 | 188,220 | 1,002,347 | 126,319 | 1,818 | - | 4,147,712 |
| 1.1 Debt securities | | | | | | | | | |
| - with early repayment option | 785 | 46,441 | - | 8,118 | 37,009 | 7,997 | - | - | 100,350 |
| - other entities | 37,497 | 1,129,064 | 453,265 | 179,558 | 963,240 | 111,519 | - | - | 2,874,143 |
| 1.2 Loans to banks | 239,442 | 69,594 | - | - | - | - | - | - | 309,036 |
| 1.3 Loans to customers | | | | | | | | | |
| - current accounts | 517,031 | 50 | 14 | 124 | 1 | - | - | - | 517,220 |
| - other loans | 233,473 | 92,445 | 9,907 | 420 | 2,097 | 6,803 | 1,818 | - | 346,963 |
| - with early repayment option | 134,163 | 91,778 | 176 | 324 | 1,892 | 1,303 | 1,818 | - | 231,454 |
| - other entities | 99,310 | 667 | 9,731 | 96 | 205 | 5,500 | - | - | 115,509 |
| 2. Cash liabilities | 2,790,191 | 394,309 | 262,675 | 437,576 | 224,288 | - | - | - | 4,109,039 |
| 2.1 Due to customers | | | | | | | | | |
| - current accounts | 2,732,895 | 140,019 | - | - | - | - | - | - | 2,872,914 |
| - other payables | 31,511 | 57,694 | 10,261 | 41,513 | 24,288 | - | - | - | 165,267 |
| - with early repayment option | - | - | - | - | - | - | - | - | - |
| - other entities | 31,511 | 57,694 | 10,261 | 41,513 | 24,288 | - | - | - | 165,267 |
| 2.2 Due to banks | | | | | | | | | |
| - current accounts | 1,259 | - | - | - | - | - | - | - | 1,259 |
| - other payables | 24,526 | 196,596 | 252,414 | 396,063 | 200,000 | - | - | - | 1,069,599 |
| 2.3 Debt securities | | | | | | | | | |
| - with early repayment option | - | - | - | - | - | - | - | - | - |
| - other entities | - | - | - | - | - | - | - | - | - |
| 2.4 Other liabilities | | | | | | | | | |
| - with early repayment option | - | - | - | - | - | - | - | - | - |
| - other | - | - | - | - | - | - | - | - | - |
| 3. Financial derivatives | - | - | - | - | - | - | - | - | - |
| 3.1 With underlying securities | | | | | | | | | |
| - Options | | | | | | | | | |
| + long positions | | | | | | | | | |
| + short positions | | | | | | | | | |
| - other | | | | | | | | | |
| + long positions | | | | | | | | | |
| + short positions | | | | | | | | | |
| 3.2 Without underlying securities | | | | | | | | | |
| - Options | | | | | | | | | |
| + long positions | | | | | | | | | |
| + short positions | | | | | | | | | |
| - other | | | | | | | | | |
| + long positions | | | | | | | | | |
| + short positions | | | | | | | | | |

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS) and the controlling interest investments of Banca Generali.

In further detail, the only listed securities consist of the equity investments in the parent company, Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.

The remainder of the portfolio consists of former minor equity interests in unlisted companies, which represent a marginal share of financial assets, and the equity investment in Veneto Banca, a company not listed on regulated markets that was acquired during the year.

These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

Finally, there is a private equity minority interest in the Luxembourg-based Athena Private Equity SA.

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

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +1.7/-1.7 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -8/+8 million euros, gross of the tax effect.

The fair value delta component associated with the government bonds in the banking book would amount to -30.5/+30.5 million euros as a result of the hypothesised shift in the rate curve, or 80% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +26.0/-23.3 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.

The same criteria were also applied to a sensitivity analysis of net interest income, which resulted in a potential impact on the profit and loss account of -1.9 million euros, gross of the tax effect in case of reduction of interest rates by 1% and +3.3 million euros in case of increase by the same amount.

| (€ thousand) | ASSETS | LIABILITIES | NET |
|-----------------------------|----------|-------------|---------|
| Interest margin delta (+1%) | 25,957 | - 22,636 | 3,321 |
| Interest margin delta (-1%) | - 23,262 | 21,348 | - 1,913 |

Note: The -100 bps scenario is strictly theoretical inasmuch as rates on the short-term part of the curve are below 1%.

2.3 Exchange Rate Risk

Exchange-rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.

Informazioni di natura quantitativa

1. Distribuzione per valuta di denominazione delle attività, delle passività e dei derivati

| ITEMS | CURRENCY | | | | | OTHER CURRENCIES | TOTAL CURRENCIES |
|---------------------------------|----------------|---------------|--------------|----------------|---------------|------------------|------------------|
| | US DOLLAR | JAPANESE YEN | SWISS FRANC | POUND STERLING | ICELAND KRONA | | |
| A. Financial assets | 9,040 | 10,202 | 1,033 | 3,450 | 2,142 | 684 | 26,551 |
| A.1. Debt securities | - | - | - | - | - | - | - |
| A.2 Equity securities | 9 | - | - | - | - | - | 9 |
| A.3 Loans to banks | 9,025 | 30 | 831 | 3,447 | 2,141 | 682 | 16,156 |
| A.4 Loans to customers | 6 | 10,172 | 202 | 3 | 1 | 2 | 10,386 |
| A.5 Other financial assets | - | - | - | - | - | - | - |
| B. Other assets | - | - | - | - | - | - | - |
| C. Financial liabilities | 11,939 | 10,096 | 1,028 | 3,354 | 2,069 | 349 | 28,835 |
| C.1 Due to banks | - | 10,082 | - | - | - | - | 10,082 |
| C.2 Due to customers | 11,939 | 14 | 1,028 | 3,354 | 2,069 | 349 | 18,753 |
| C.3 Debt securities | - | - | - | - | - | - | - |
| D. Other liabilities | - | - | - | - | - | - | - |
| E. Financial derivatives | - 400 | - | - 126 | - 267 | - | 10 | - 783 |
| Options | | | | | | | |
| - long positions | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |
| Other derivatives | - 400 | - | - 126 | - 267 | - | 10 | - 783 |
| - long positions | 11,831 | 520 | 373 | 18 | - | 1,790 | 14,532 |
| - short positions | 12,231 | 520 | 499 | 285 | - | 1,780 | 15,315 |
| Total assets | 20,871 | 10,722 | 1,406 | 3,468 | 2,142 | 2,474 | 41,083 |
| Total liabilities | 24,170 | 10,616 | 1,527 | 3,639 | 2,069 | 2,129 | 44,150 |
| Excess | - 3,299 | 106 | - 121 | - 171 | 73 | 345 | - 3,067 |

2.4 Derivative Financial Instruments

A. Financial Derivatives

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

| TYPES OF DERIVATIVES/UNDERLYING ASSETS | 31.12.2011 | | 31.12.2010 | |
|--|------------------|------------------------|------------------|------------------------|
| | OVER THE COUNTER | CENTRAL COUNTERPARTIES | OVER THE COUNTER | CENTRAL COUNTERPARTIES |
| 1. Debt securities and interest rates | 20,000 | - | 45,000 | - |
| a) Options | | | | |
| b) Swaps | 20,000 | | 45,000 | |
| c) Forwards | | | | |
| d) Futures | | | | |
| e) Other | | - | | - |
| 2. Equity securities and equity indices | - | - | 1,430 | - |
| a) Options | - | - | 1,430 | - |
| b) Swaps | | | | |
| c) Forwards | | | | |
| d) Futures | | | | |
| e) Other | | | | |
| 3. Currencies and gold | 22,706 | - | 15,650 | - |
| a) Options | | | | |
| b) Swaps | | | | |
| c) Forwards | 22,706 | | 15,650 | |
| d) Futures | | | | |
| e) Other | | | | |
| 4. Goods | - | - | - | - |
| 5. Other underlying assets | - | - | - | - |
| Total | 42,706 | - | 62,080 | - |

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

| PORTFOLIO/TYPE OF DERIVATIVES | POSITIVE FV 2011 | | POSITIVE FV 2010 | |
|---|------------------|------------------------|------------------|------------------------|
| | OTC | CENTRAL COUNTERPARTIES | OTC | CENTRAL COUNTERPARTIES |
| A. Regulatory trading portfolio: | 695 | 2 | 199 | - |
| a) Options | - | 2 | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | 695 | - | 199 | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| B. Hedging portfolio | - | - | - | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| C. Banking portfolio – other derivatives | - | - | - | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| Total | 695 | 2 | 199 | - |

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

| PORTFOLIO/TYPE OF DERIVATIVES | NEGATIVE FV 2011 | | NEGATIVE FV 2010 | |
|---|------------------|------------------------|------------------|------------------------|
| | OTC | CENTRAL COUNTERPARTIES | OTC | CENTRAL COUNTERPARTIES |
| A. Regulatory trading portfolio: | 1,737 | - | 6,502 | - |
| a) Options | - | - | 73 | - |
| b) Interest rate swaps | 1,055 | - | 6,239 | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | 682 | - | 190 | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| B. Hedging portfolio | - | - | - | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| C. Banking portfolio – other derivatives | - | - | - | - |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swap swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| Total | 1,737 | - | 6,502 | - |

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

| CONTRACT OTHER THAN COMPENSATION AGREEMENTS | GOVERNMENT AND CENTRAL BANKS | OTHER PUBLIC INSTITUTIONS | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
|--|-------------------------------------|----------------------------------|--------------|----------------------------|----------------------------|--------------------------------|-----------------------|
| 1) Debt securities and interest rates | | | | | | | |
| - notional value | | | 20,000 | | | | |
| - positive fair value | | | | | | | |
| - negative fair value | | | 1,055 | | | | |
| - future exposure | | | 100 | | | | |
| 2) Equity securities and equity indices | | | | | | | |
| - notional value | | | - | | | | |
| - positive fair value | | | | | | | |
| - negative fair value | | | - | | | | |
| - future exposure | | | - | | | | |
| 3) Currencies and gold | | | | | | | |
| - notional value | | | 12,402 | 889 | | 155 | 9,260 |
| - positive fair value | | | 431 | - | | 4 | 260 |
| - negative fair value | | | 292 | 29 | | 6 | 355 |
| - future exposure | | | 122 | 9 | | 1 | 92 |
| 4) Other values | | | | | | | |
| - notional value | | | | | | | |
| - positive fair value | | | | | | | |
| - negative fair value | | | | | | | |
| - future exposure | | | | | | | |

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

| LIABILITIES/ASSETS PORTFOLIO | UP TO 1 YEAR | OVER 1 YEAR, UP TO 5 YEARS | OVER 5 YEARS | TOTAL |
|--|---------------|-------------------------------|--------------|---------------|
| A. Regulatory trading portfolio | 22,706 | 20,000 | - | 42,706 |
| A.1 Financial derivatives on debt securities and interest rates | - | 20,000 | - | 20,000 |
| A.2 Financial derivatives on equity securities and stock indices | - | - | - | - |
| A.3 Financial derivatives on exchange rates and gold | 22,706 | - | - | 22,706 |
| A.4 Financial derivatives on other valuables | - | - | - | - |
| B. Banking portfolio | - | - | - | - |
| B.1 Financial derivatives on debt securities and interest rates | - | - | - | - |
| B.2 Financial derivatives on equity securities and stock indices | - | - | - | - |
| B.3 Financial derivatives on exchange rates and gold | - | - | - | - |
| B.4 Financial derivatives on other valuables | - | - | - | - |
| Total at 31 December 2011 | 22,706 | 20,000 | - | 42,706 |
| Total at 31 December 2010 | 17,080 | 45,000 | - | 62,080 |

SECTION 3 - LIQUIDITY RISK

Liquidity risk is manifested in the form of the breach of payment obligations, which may be caused by an inability to procure funding (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk).

Liquidity risk also includes the risk of fulfilling payment obligations at above-market costs, incurring a high cost of funding, or (and, in some occasions, simultaneously) incurring capital losses on the divestment of assets.

The bank has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements). The Bank also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.

The Risk Management Service monitors that liquidity is properly managed in both the short and long term (structural liquidity) through an ALM system that allows for the detection of cash imbalances by maturity brackets, as well as through monitoring of an appropriate set of ratios.

The Internal Audit Service is responsible for third-tier controls on investment and fund-raising transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international financials; the portfolio is invested for a lesser amount into corporate issuers, with high credit ratings and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.

Moreover, the securities portfolio is characterised by a limited remaining average life.

The Bank uses a maturity ladder to apply the guidelines set out in the new Prudential Supervisory provisions¹ governing the measurement of net financial position.

The maturity ladder permits an assessment of the balance of expected cash flows by comparing the assets and liabilities whose maturities fall within each individual time range. The maturity ladder permits the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or surpluses) over the holding period considered.

¹ Circular No. 263 of 27 December 2006, "New Prudential Supervisory Provisions Concerning Banks", as amended.

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

| ITEM /TIME-TO-MATURITY | ON DEMAND | OVER 1 DAY UP TO 7 DAYS | OVER 7 DAYS UP TO 15 DAYS | OVER 15 DAYS UP TO 1 MONTH | OVER 1 MONTH UP TO 3 MONTHS | OVER 3 MONTHS UP TO 6 MONTHS | OVER 6 MONTHS UP TO 1 YEAR | OVER 1 YEAR UP TO 5 YEARS | OVER 5 YEARS | INDEF. MATURITY | TOTAL |
|--|------------------|-------------------------|---------------------------|----------------------------|-----------------------------|------------------------------|----------------------------|---------------------------|----------------|-----------------|------------------|
| Cash assets | | | | | | | | | | | |
| A.1 Government securities | - | - | - | 49,952 | 249,931 | 202,153 | 163,802 | 1,284,946 | 263,950 | - | 2,214,734 |
| A.2 Other debt securities – listed | - | - | - | 33,405 | 89,529 | 55,696 | 110,654 | 413,955 | 87,411 | 3,505 | 794,155 |
| A.3 Other debt securities | - | - | - | - | - | - | - | - | - | - | - |
| A.4 UCIT units | 19,106 | - | - | - | - | - | - | - | - | - | 19,106 |
| A.5 Loans | - | - | - | - | - | - | - | - | - | - | - |
| - to banks | 239,352 | 9,253 | - | 10,000 | 40,000 | - | - | - | - | 10,341 | 308,946 |
| - to customers | 588,033 | 661 | 901 | 1,048 | 5,022 | 19,768 | 40,093 | 111,779 | 102,599 | - | 869,904 |
| Total | 846,491 | 9,914 | 901 | 94,405 | 384,482 | 277,617 | 314,549 | 1,810,680 | 453,960 | 13,846 | 4,206,845 |
| Cash liabilities | | | | | | | | | | | |
| B.1 Deposits | - | - | - | - | - | - | - | - | - | - | - |
| - from banks | 1,259 | - | - | - | 349 | 9,733 | 300,696 | 200,000 | - | - | 512,037 |
| - from customers | 2,529,169 | 140,086 | - | - | 329 | 30,501 | 172,881 | - | - | - | 2,872,966 |
| B.2 Debt securities | - | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | 48,276 | 4,987 | 69,501 | 12,786 | 166,668 | 252,940 | 136,865 | 24,304 | - | - | 716,327 |
| Total | 2,578,704 | 145,073 | 69,501 | 12,786 | 167,346 | 293,174 | 610,442 | 224,304 | - | - | 4,101,330 |
| Off-balance sheet transactions | | | | | | | | | | | |
| C.1 Financial Derivatives with capital swap. | - | - | - | - | - | - | - | - | - | - | - |
| - long positions | - | 11,578 | 310 | 2,297 | 16,562 | 3,865 | 2,129 | 89,473 | 181 | - | 126,395 |
| - short positions | - | 15,753 | 9,559 | 34,986 | 57,722 | 3,865 | 2,129 | 1,472 | 229 | - | 125,715 |
| C.2 Financial Derivatives with capital swap | - | - | - | - | - | - | - | - | - | - | - |
| - long positions | 2 | - | - | - | - | - | - | - | - | - | 2 |
| - short positions | 1,055 | - | - | - | - | - | - | - | - | - | 1,055 |
| C.3 Deposits and loans receivable | - | - | - | - | - | - | - | - | - | - | - |
| - long positions | - | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitment to dispense funds | - | - | - | - | - | - | - | - | - | - | - |
| - long positions | - | - | - | - | 220 | - | - | 1,393 | 72 | - | 1,685 |
| - short positions | 1,685 | - | - | - | - | - | - | - | - | - | 1,685 |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | 248 | - | - | 248 |
| Total | 2,742 | 27,331 | 9,869 | 37,283 | 74,504 | 7,730 | 4,258 | 92,586 | 482 | - | 256,785 |

SECTION 4 – OPERATING RISKS

A. General Aspects

The bank's exposure to operating risks across the various legal entities in the bank is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly financial advisors) and the direct involvement of all employees in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, inter alia, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.

The bank has established an operating risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of operating risk.

The Internal Auditing function supervises the regular conduct of the Group's operations and processes and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The functions dealing with Organisation and IT guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Group and, if necessary, implements measures to guarantee a higher general level of security.

The Risk Management function identifies and assesses the operational risks inherent in business processes (risk assessment and scoring), measures the impact of operational losses (Loss Data Collection process) and monitors the action plans adopted to mitigate material risks.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

Moreover, Banca Generali has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services.

PART F - INFORMATION ON NET EQUITY

SECTION 1 –NET EQUITY

A. Qualitative Information

The main objective of the bank's management strategy for net equity is to ensure that its equity and ratios are consistent with its risk profile and regulatory requirements.

The bank is subject to the equity adequacy requirements established by the Basel Committee in accordance with the guidelines set forth by the Bank of Italy.

Such rules require that banks maintain a certain level of capital for regulatory purposes, which is separate from the net equity stated in the financial statements. Regulatory capital requirements are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Moreover, the ratio of regulatory capital to risk-weighted assets must be at least 8%; the Bank of Italy verifies conformity with these requirements every three months.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information. Lastly, when corporate actions are undertaken, capital adequacy is evaluated and any measures to be taken in relation to net equity and/or the balance sheet items that affect minimum capital requirements are identified.

B. Quantitative Information

Banca Generali's net equity at 31 December 2011 amounted to 211.4 million euros, a 21.1 million euro decrease compared to the previous year, due to the following changes.

| | |
|--|----------------|
| Net equity at year-start | 232,498 |
| Dividend paid | -61,327 |
| Previous stock option plans: issue of new shares | 3,110 |
| New stock option plans | 1,096 |
| Other changes | 0 |
| Change in AFS reserves | -32,629 |
| Net profit (loss) for the year | 68,623 |
| Net equity at year-end | 211,371 |
| Changes | -21,127 |

B.1 Breakdown of Net Equity Attributable to the Company

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|--|----------------|----------------|
| 1. Share capital | 111,676 | 111,363 |
| 2. Additional paid-in capital | 3,231 | - |
| 3. Reserves | 84,430 | 38,575 |
| - retained earnings | 84,430 | 38,575 |
| a) legal reserve | 22,315 | 22,263 |
| b) statutory reserve | - | - |
| c) treasury shares | 248 | 660 |
| d) other | 61,867 | 15,652 |
| - other | - | - |
| 4. Equity instruments | - | - |
| 5. (Treasury shares) | - 248 | - 660 |
| 6. Valuation reserves | - 56,341 | - 23,712 |
| - Financial assets available for sale | - 56,341 | - 23,712 |
| - Property and equipment | - | - |
| - Intangible assets | - | - |
| - Hedges of foreign investments | - | - |
| - Cash-flow hedges | - | - |
| - Exchange differences | - | - |
| - Non-current assets held for sale | - | - |
| - Actuarial gains (losses) | - | - |
| from defined benefit plans | - | - |
| - Share of valuation reserves | - | - |
| of investee companies valued at equity | - | - |
| - Special revaluation laws | - | - |
| 7. Net profit (loss) for the year | 68,623 | 106,932 |
| Total net equity | 211,371 | 232,498 |

B.2 Reserves from financial assets available for sale: breakdown

At year-end, reserves from AFS assets presented a negative value, net of the associated tax effect, of 56.3 million euros, and referred primarily to the debt securities segment.

The net negative reserves associated with government bonds amounted to 51.9 million euros, whereas the reserves associated with other types of issuers of debt securities stood at 4.3 million euros.

The latter amount includes 413 thousand 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). In accordance with IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

| ASSETS/VALUES | 31.12.2011 | | | 31.12.2010 | | |
|----------------------|------------------|------------------|----------------|------------------|------------------|----------------|
| | POSITIVE RESERVE | NEGATIVE RESERVE | TOTAL | POSITIVE RESERVE | NEGATIVE RESERVE | TOTAL |
| 1. Debt securities | 143 | -56,411 | -56,268 | 250 | 22,201 | -21,951 |
| 2. Equity securities | 3 | -83 | -80 | 13 | 1,774 | -1,761 |
| 3. UCIT units | 11 | -4 | 7 | 0 | 0 | 0 |
| 3. Financing | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 157 | -56,498 | -56,341 | 263 | 23,975 | -23,712 |

B.3 Reserves from financial assets available for sale: changes

The net decrease in these reserves amounted to 32.6 million euros at 31 December 2011, up from the 22.1 million euros reported at the end of the previous year, and was due to the combined effects of:

- the mark to market of the carrying amount of the AFS portfolio (-54.7 million euros), largely attributable to the severe tension witnessed in the Italian sovereign debt segment in the fourth quarter;
- the reduction of pre-existing net negative reserves due to re-absorption in the profit and loss account through realisation and impairment (5.8 million euros);
- the positive tax effect associated with the above changes (+16.3 million euros).

| (€ thousand) | | | | | |
|---|-------------------|------------|-----------------|--------------|----------------|
| | 31.12.2011 | | | | |
| | EQUITY SECURITIES | UCIT UNITS | DEBT SECURITIES | | TOTAL |
| | | | AFS | FORMERLY AFS | |
| 1. Amount at year-start | -1,761 | 0 | -21,038 | -913 | -23,712 |
| 2. Increases | 4,050 | 20 | 20,018 | 747 | 24,835 |
| 2.1 Fair value increases | 63 | 18 | 1,896 | | 1,977 |
| 2.2 Transfer to profit and loss of negative reserves | | | | | 0 |
| due to impairment | 3,980 | 0 | 0 | 0 | 3,980 |
| due to disposal | 0 | 0 | 1,238 | 742 | 1,980 |
| 2.3 Other changes | 7 | 2 | 16,884 | 5 | 16,898 |
| 3. Decreases | 2,369 | 13 | 54,835 | 247 | 57,464 |
| 3.1 Fair value decreases | 2,066 | 7 | 54,626 | 0 | 56,699 |
| 3.2 Adjustments due to impairment | 0 | 0 | 0 | 0 | 0 |
| 3.3 Transfer to profit and loss of pos. reserves: due to disposal | 0 | 0 | 162 | 20 | 182 |
| 3.4 Other changes | 303 | 6 | 47 | 227 | 583 |
| 4. Amount at year-end | -80 | 7 | -55,855 | -413 | -56,341 |

SECTION 2 – NET EQUITY AND BANK SURVEILLANCE COEFFICIENTS

2.1 Capital for regulatory purposes

Qualitative Information

The Group's capital for regulatory purposes and capital ratios were calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IAS/IFRS, and bearing in mind the rules defined in the update to Circular Letter No. 155/91 relating to the "Instructions on Reporting Regulatory Capital and Capital Ratios".

The objective of the provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS.

Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.

Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital.

Deductions from Tier 1 and Tier 2 capital include equity investments and other items (innovative equity instruments, hybrid equity instruments and subordinated assets) issued by the entity and the so-called "prudential filters".

The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes.

In particular, the aspects of the provisions that most affect Banca Generali are as follows:

- for financial assets held for trading, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the result is a negative balance, it reduces Tier 1 capital; if it is positive, it contributes for 50% to Tier 2 capital.

Furthermore, any unrealised gains and losses on loans classified as available-for-sale are sterilised;

- for hedges, unrealised gains and losses on cash-flow hedges, which are recorded in a specific reserve, are sterilised; no filter is applied to fair-value hedges.

The **Instruction of 15 May 2010** partly changed the regulatory framework in that it introduced 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 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 AFS financial assets.

However, the election of this method, for which notice was given by 30 June 2010, 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.

In its notice of 31 March 2011, the supervisory authority also ordered the discontinuation of the use of the negative prudential filter introduced by **Notice of 11 March 2009** to achieve partial sterilisation of the long-term tax benefits deriving from the payment of substitute tax for goodwill pursuant to article 15 of Legislative Decree 178/2008.

In accordance with these instructions, in 2010 Banca Generali, when calculating its capital for regulatory purposes, 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.

As a result of the new regulation, as of financial year 2011 such filter has been removed.

1. Tier 1 Capital

Tier 1 capital includes paid-in share capital, issue premium, earnings and capital reserves, the net profit for the year, innovative and non-innovative equity instruments, net of treasury shares or units in portfolio, intangible assets, “other negative items”, as well as any losses reported in the previous and current years, net of the application of positive/negative “prudential filters”.

Banca Generali’s Tier 1 capital did not include any innovative or non-innovative equity instruments at year-end, whereas prudential filters consisted of negative reserves resulting from the measurement of available-for-sale financial assets according to the equity method.

2. Tier 2 Capital

Tier 2 capital includes valuation reserves, innovative and non-innovative equity instruments not included in Tier 1 capital, hybrid equity instruments, Tier 2 subordinated liabilities, net of non-performing loan projections due to country risk, and other negative items, net of positive/negative “prudential filters”.

Banca Generali’s year-end Tier 2 capital includes Tier 2 subordinated liabilities consisting of a subordinated loan, for a remaining amount of 32 million euros, granted by the German insurance subsidiary Generali Versicherung AG.

The loan was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.

The loan was contracted in the “schuldschein” contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.

The interest rate agreed upon is equal to the 12-month Euribor plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

3. Tier 3 Capital

Tier 3 capital includes subordinated liabilities that may not be calculated as part of Tier 2 capital and Tier 3 liabilities, net of the application of negative “prudential filters”. This aggregate may only be used to cover market risk capital requirements – computed net of capital requirements for counterparty risk and settlement risk associated with the “regulatory trading book” – and up to a maximum of 71.4% of said market risk requirements.

Banca Generali did not have Tier 3 capital at year-end.

B. Quantitative Information

The following is a brief account of the structure of the Group's capital for regulatory purposes, broken down into its main Tier 1 and Tier 2 components.

Capital for regulatory purposes amounted to 198.5 million euros at 31 December 2011, on the basis of projected total dividends to be distributed of 61.4 million euros.

The increase in the aggregate of 5.5 million euros was due not only to the share of the net profit for the year allocated to the reserve (7.2 million euros), but also in-

creases in capital caused by old and new stock-option plans (4.2 million euros), which allowed the redemption of the first tranche of the subordinated loan obtained from Generali Versicherung AG (-8 million euros) to be offset in its entirety.

By contrast, the abolition of the negative prudential filter introduced to partially sterilise the long-term tax benefits arising from the goodwill redemption transactions undertaken pursuant to Article 15 of Legislative Decree 185/2008 was partly offset by the increase in negative AFS reserves.

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 | DIFFERENCE |
|--|----------------|----------------|-----------------|
| Tier 1 capital | 166,908 | 153,414 | 13,494 |
| Tier 2 capital | 31,591 | 39,591 | - 8,000 |
| Tier 3 capital | - | - | - |
| Total capital for regulatory purposes | 198,499 | 193,005 | 5,494 |
| Net equity for accounting purposes | 211,371 | 232,498 | - 21,127 |

Composition of Capital for Regulatory Purposes

| ITEMS/VALUES | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| TIER 1 CAPITAL | | |
| Share capital | 111,676 | 111,363 |
| Additional paid-in capital | 3,231 | 0 |
| Reserves | 84,430 | 38,575 |
| Net profit (loss) for the year | 68,623 | 106,932 |
| Dividends for pay-out | -61,405 | -61,211 |
| Total positive items | 206,555 | 195,659 |
| Treasury shares | -248 | -660 |
| Goodwill | -29,410 | -29,410 |
| Intangible assets | -5,507 | -6,707 |
| Negative fair value reserve for equity securities and UCITs | -72 | -1,761 |
| Negative fair value reserve for AFS debt securities | -4,001 | -884 |
| 50% net tax benefit of redempt. of goodwill Re. Art. 15 of Leg. Decree 185/08 | 0 | -2,414 |
| Total negative items | -39,238 | -41,836 |
| Total Tier 1 capital | 167,317 | 153,823 |
| Investment in Simgenia | -409 | -409 |
| Total deductions | -409 | -409 |
| Total Tier 1 capital | 166,908 | 153,414 |
| TIER 2 CAPITAL | | |
| Valuation reserves | 0 | 0 |
| - Revaluation reserve | 0 | 0 |
| - Positive reserve from AFS debt securities | 0 | 0 |
| Subordinated liabilities (up to 50% of Tier 1 capital) | 32,000 | 40,000 |
| Total positive items | 32,000 | 40,000 |
| Inapplicable portion (50%) of positive AFS reserve | 0 | 0 |
| Other negative items | 0 | 0 |
| Total negative items | 0 | 0 |
| Total Tier 2 Capital | 32,000 | 40,000 |
| Investment in Simgenia | -409 | -409 |
| Total deductions | -409 | -409 |
| Total Tier 2 Capital | 31,591 | 39,591 |
| Total capital for regulatory purposes | 198,499 | 193,005 |

Prudential Filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel Committee on the calculation of capital for regulatory purposes.

| | 31.12.2011 | 31.12.2010 |
|---|----------------|----------------|
| A. Tier 1 capital before application of prudential filters | 171,390 | 158,882 |
| B. Prudential Tier 1 capital filters: | - 4,073 | - 5,059 |
| B.1 Positive IAS/IFRS prudential filters (+) | - | - |
| B.2 Negative IAS/IFRS prudential filters (-) | - 4,073 | - 5,059 |
| C. Tier 1 capital before deductions | 167,317 | 153,823 |
| D Deductions from Tier 1 capital | - 409 | - 409 |
| E. TIER 1 capital (C - D) | 166,908 | 153,414 |
| F. Tier 2 capital before application of prudential filters | 32,000 | 40,000 |
| G. Prudential filters of Tier 2 capital: | - | - |
| G.1 Positive IAS/IFRS prudential filters (+) | - | - |
| G.2 Negative IAS/IFRS prudential filters (-) | - | - |
| H. Tier 2 capital before deductions | 32,000 | 40,000 |
| I. Deductions from Tier 2 capital | - 409 | - 409 |
| L. TIER 2 capital (H - I) | 31,591 | 39,591 |
| M. Items to deduct from total Tier 1 and Tier 2 capital | - | - |
| N. Capital for regulatory purposes (E+L-M) | 198,499 | 193,005 |
| O. TIER 3 capital | - | - |
| P. Capital for regulatory purposes, including TIER 3 (N+O) | 198,499 | 193,005 |

2.2. Capital Adequacy

A. Qualitative Information

Based on the supervisory instructions, Banca Generali's capital for regulatory purposes, since the bank is part of a banking group, must amount to at least 8% of its risk-weighted assets (total capital ratio) in relation to credit risk, which is evaluated based on the category of the counterparty, maturity, country risk and guarantees received, with a forfait reduction of 25%.

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

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

Lastly, banks are required to set aside part of their regulatory capital to cover operating risk, which in the case of the banking group is calculated using the basic method set forth in Bank of Italy Circular No. 263 of 27 December 2006.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases of historical information.

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g. acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

B. Quantitative Information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority amounted to 104.3 million euros at year-end, marking an increase of 9.9 million euros compared to the previous year (+10.5%), owing not only to the increase in assets at risk, but also to the downgrade of Italian Republic's rating, which resulted in a deterioration of risk weightings for issuers associated with that index, and the increase in requirements for covering operating risk, calculated on the basis of the average net banking income for the previous three years.

The surplus with respect to the minimum capital requirements for risks set by the supervisory authority thus stood at 94.2 million euros, down (-4.5%) compared to the margin reported at the end of 2010.

Total capital ratio amounted to 15.22%, compared to a minimum requirement of 8%, net of the lump-sum reduction of 25% required by the new regulations (Basel 2) for banks belonging to Italian banking groups.

| | 31.12.2011 | | 31.12.2010 | |
|---|----------------------|------------------|----------------------|------------------|
| | NON WEIGHTED AMOUNTS | WEIGHTED AMOUNTS | NON WEIGHTED AMOUNTS | WEIGHTED AMOUNTS |
| A. RISK ACTIVITY | 4,385,188 | 1,240,826 | 4,415,434 | 1,106,355 |
| A.1 Credit and counterparty risk | | | | |
| 1. Standardised method | 4,326,062 | 1,181,292 | 4,340,614 | 1,032,892 |
| 2. Internal rating method | - | - | - | - |
| 2.1 basic | - | - | - | - |
| 2.2 advanced | - | - | - | - |
| 3. Securitisation | 59,126 | 59,534 | 74,820 | 73,463 |
| B. REGULATORY CAPITAL REQUIREMENTS | | | | |
| B.1 CREDIT RISK | | 99,266 | | 88,508 |
| B.2 MARKET RISKS | | 7,861 | | 9,349 |
| 1. Standard methodology | X | 7,861 | X | 9,349 |
| 2. Internal models | X | - | X | - |
| 3. Foreign exchange risk | | - | | - |
| B.3 OPERATING RISK | X | 31,996 | X | 28,029 |
| 1. Basic method | X | 31,996 | X | 28,029 |
| 2. Standardised method | X | - | X | - |
| 3. Advanced method | X | - | X | - |
| B.4 OTHER PRUDENTIAL REQUIREMENTS | X | - | X | - |
| B.5 TOTAL PRUDENTIAL REQUIREMENTS (3) | X | 104,342 | X | 94,414 |
| C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS | | | | |
| C.1 Risk-weighted assets | X | 1,304,275 | X | 1,180,175 |
| C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) | X | 12.80% | X | 13.00% |
| C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio) | X | 15.22% | X | 16.35% |

(3) The amount takes into account the 25% reduction of requirements.

PART G – MERGERS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the company's goodwill are also stated in the interest of consistency of presentation.

SECTION 1 - TRANSACTIONS UNDERTAKEN DURING THE YEAR

No business combinations directly involving Banca Generali were undertaken in 2011.

SECTION 2 – TRANSACTIONS AFTER THE CLOSE OF THE PERIOD

On 14 December 2011, the Boards of Directors of Banca Generali and BG SGR S.p.A., a fully-owned subsidiary of Banca Generali, approved the plan for the merger of BG SGR into Banca Generali, drafted pursuant to the combined provisions of Articles 2501-ter and 2505 of the Italian Civil Code.

The transaction is part of the larger scheme aimed at rationalising and increasing the efficiency of Banca Generali's management activities, in the framework of which BG SGR had previously approved the sale of the collective asset management business unit to Generali Investments Italy SGR in September 2011.

The merger is expected to enter into effect on 1 September 2012 (or another date to be specified in the merger instrument), with retroactive effect for accounting and tax purposes from 1 January 2012.

Following the above transactions, the remaining activities of BG SGR, namely portfolio management, will be transferred to a specific specialised division of Banca Generali.

SECTION 3 - RETROSPECTIVE ADJUSTMENTS

No retrospective adjustments to business combinations carried out by the banking group in previous years were undertaken in 2011 pursuant to paragraphs 61 and B7 of IFRS 3.

The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

At 31 December 2011, goodwill reported by Banca Generali totalled 29.4 million euros, including 26.4 million for the portion of goodwill from the acquisition of Banca Del Gottardo Italia by Banca BSI Italia and inherited following the latter's merger.

This value was initially recognised in the financial statements of Banca BSI Italia for an amount of 31.3 million euros, based on the book values shown for the first time recognition in the consolidated financial statements of the mutual parent company Assicurazioni Generali S.p.A, at the time of the acquisition of the Swiss banking Group Banca del Gottardo S.A in 2008, as determined following the PPA – Purchase Price Allocation process, prepared in accordance with IFRS3.

As illustrated in the previous paragraphs, a portion of this goodwill, amounting to 4.9 million euros, relating to retail customer management mandates, was subsequently eliminated by Banca BSI Italia following the contribution of the portfolio management unit to BG SGR.

| (€ thousand) | 31.12.2011 | 31.12.2010 |
|---------------------------|---------------|---------------|
| Prime Consult and INA SIM | 2,991 | 2,991 |
| Banca Del Gottardo Italia | 26,419 | 26,419 |
| Total | 29,410 | 29,410 |

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified, pursuant to IFRS8, for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Goodwill is monitored by Banca Generali's central functions.

The following CGUs have been defined in order to perform the impairment test for such goodwill in accordance with IAS 36

- Relationship Management CGU falling within the Private banking operating segment
- Prime Consult and INA Sim CGU, falling within the Retail segment.

1. Relationship Management CGU ("RM CGU")

The Relationship Management CGU ("RM CGU") refers to the part of the activity of Banca Generali's Private Banking Division, relating to the operations of the now merged Banca BSI Italia and Banca del Gottardo Italia, to which the goodwill arising from the acquisition is attributable in full.

This CGU, in view of the "confusion" arising following successive business merger and reorganisation operations, includes all Relationship Managers employed by Banca Generali.

The scope of the CGU and related future revenue flows have hence been identified in relation to Assets Under Management managed by them, including management mandates conferred on BG SGR, since Banca Generali receives the related profits through annual dividends.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered.

Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of the hypothetical dividend flows that it is capable of generating prospectively over the chosen holding period.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the RM CGU were based on an extract of the banking group's 2012-2014 forecast data. These data refer to the 2012-2014 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

The expected long-term growth rate after the explicit forecasting period employed to determine the terminal value was set at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at **11.3%**.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the RM CGU's carrying amount of **46.9 million euros**, the value obtained by applying the analytical method described above comes to a minimum of **63.2 million euros** and a maximum of **72.6 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 11.7%-12.2% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

2. Prime Consult and INA Sim CGU

The “**Prime Consult and INA Sim**” CGU (“CGU ex sim”) refers to the part of the activity of Banca Generali’s Retail Division, relating to the operations of the stock brokerage companies Prime Consult SIM Spa and INA SIM spa, merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered. Specifically, the following were used to determine value in use:

- the CGU’s earnings and cash flow projections, supplemented by management analyses of specific aspects; the Banca Generali Group’s forecast data are based on the 2012-2014 Economic and Financial Plan, as approved by the Board of Directors, and cash-flow projections constructed on the basis of the Group’s historical experience and in accordance with external sources of financial information;
- analytical valuation methods based on the discounting of expected future cash flows (cash flow method);
- a fixed cost of capital of **11.3%**, constructed according to the Capital Asset Pricing Model;
- the terminal value determined according to the perpetual return method on the basis of growth rate of 2%.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the Prime Consult and INA SIM CGU’s carrying amount of **17.3 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **82.0 million euros** and a maximum of **93.6 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 11.1%-11.6%% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

PART H – TRANSACTIONS WITH RELATED PARTIES

PROCEDURAL ASPECTS

In implementation of Consob Regulation No. 17221 of 10 March 2010 and subsequent amendments, on 5 November 2010, Banca Generali Board of Directors – upon the favourable opinion of the Internal Control Committee – approved procedures that ensure transparency and substantial and procedural fairness of transactions with related parties (“Procedure for Related Party Transactions” or “Procedure”).

This Procedure, which has been fully implemented from 1 January 2011, establishes the criteria for identification of related parties, the investigative and deliberative rules for related party transactions and the subsequent disclosure obligations to the corporate boards and the market.

Based on CONSOB Regulations and the Procedure, the following parties are considered as Banca Generali’s related parties:

- subsidiaries of the banking group;
- the parent company Assicurazioni Generali, its subsidiaries (companies subject to common control) and pension funds established for the benefit of Generali Group employees;
- Key management personnel of the Bank and the parent company Assicurazioni Generali (key managers), close relatives of the above personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Group are also considered related parties.

With specific regard to key managers, the following persons have been designated as such:

- directors, statutory auditors, the General Manager, the Vice Deputy General Manager and the other Deputy General Manager of Banca Generali, as well as persons holding similar positions at the Group’s subsidiaries;
- representatives of the parent company identified as such in the corresponding procedure regarding transactions with related parties adopted by that company.

The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- Highly significant RP Transactions – that is transactions exceeding the threshold of 5% of at least one of the significance indicators provided by CONSOB Resolution No. 17221, reduced to 2.5% for transactions carried out with a parent company that is listed on regulated markets or with undertakings thereto related which are in turn related to the Company – must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee.
- (i) Moderately Significant RP Transactions – falling short of the threshold defining Highly Significant RP Transactions – must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions.
- Transactions for modest amounts, the value of which, determined in accordance with CONSOB resolution, shall not exceed the threshold of 500,000 euros (350,000 euros for unsecured loans) are excluded from the regulation on approval and disclosure.

On the basis of the indicator consisting of the consolidated regulatory capital, the threshold of highly significant transactions currently stands at around 11.9 million euros, reduced to 5.8 million euros for transactions with the parent company Assicurazioni Generali and the latter’s related entities.

In addition to transactions for modest amounts, in accordance with CONSOB Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- share-based remuneration plans approved by the General Shareholders’ Meeting within the meaning of Article 114-bis of the TUF, and related implementing transactions;
- resolutions regarding the remuneration of directors entrusted with specific tasks other than that determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of key management personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
- ordinary Transactions and any and all related financial activities, falling within the category of transfers of resources concluded at arm’s-length or standard

terms, in the normal course of day-to-day business operations – including, with regard to transactions to be effected through subsidiaries within the meaning of Article 2359 of the Italian Civil Code;

- transactions with or between Subsidiaries and Associates, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

1. Disclosure of Directors and Executives Compensation

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

| | 31.12.2011 | | | |
|---|-------------------|-----------------|---|--------------|
| | DIRECTORS | AUDITORS | KEY MANAGEMENT PERSONNEL | TOTAL |
| Short-term benefits (current comp. and social security charges) | 1.607 | 118 | 2.199 | 3.924 |
| Post-employment benefits | 200 | - | 307 | 507 |
| Other long-term benefits | 789 | - | 914 | 1.703 |
| Severance indemnities | - | - | - | - |
| Share-based payments | - | - | - | - |
| Total | 2.596 | 118 | 3.421 | 6.135 |

(1) Includes current remuneration and social security charges payable by the company and short-term benefits

(2) Includes the company's pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations

(3) Includes 40% of the bonus with access gate

(4) Includes charges for early retirement incentives

(5) Includes the cost of stock option plans determined based on IFRS 2 criteria and recorded in the financial statements

The table presents the total expenses recognised in the profit and loss account presented in the annual financial statements on the basis of the application of international accounting principles (IASs/IFRSs). It therefore also includes the social security charges for which the Company is liable, the allocation to the provision for post-employment benefits, the expenses associated with stock-option plans determined in accordance with IFRS 2 and the estimate of productivity bonuses accrued during the year on the basis of the provisions of the remuneration policy.

It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other Group companies.

In further detail, the item "Other long-term benefits" includes the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the Bank's new remuneration policy. That item also includes the charge to profit and loss accrued during the year in connection with the Long-Term Incentive Plan, calculated on the basis of best estimate procedures in relation to expectations concerning the achievement of the objectives set.

For a more detailed analysis of these incentives, the reader is referred to Part A of these Explanatory Notes and the document concerning remuneration policies drafted pursuant to CONSOB Resolution No. 18049 of 23 December 2011.

New document concerning remuneration policy

In Resolution No. 18049 of 23 December 2011, CONSOB introduced new, more systematic rules for the remuneration paid by listed companies, simplifying and rationalising previous provisions.

In this context, the new Article 84-ter of the Rules for Issuers, adopted by CONSOB Resolution No. 11971/99, as amended, now calls for listed companies to provide a remuneration report drafted in accordance with the outline set out in the new Annex 3A including the following information at least 21 days prior to the scheduled date of the annual shareholders' meeting called to approve the financial statements:

- the shares in the Bank held by members of the Parent Company's administrative and control bodies, general managers and, in aggregate form, key management personnel, as previously set out in Article 79 of the Rules for Issuers No. 11971/99;

- the stock options assigned to members of the administrative body, general managers and key management personnel, previously required by Article 78 of CONSOB Resolution No. 11971/99, as amended;
- the compensation paid to members of the Bank's administrative and control bodies, general managers and, in aggregate form, key management personnel, along with the stock-option plans for members of administrative and control bodies, general managers and key management personnel, as previously set out in Article 78 of CONSOB Resolution No. 11971/99, as amended.

Accordingly, the obligation to present that information in the directors' report on operations and explanatory notes to the annual financial statements has been repealed.

For detailed information concerning remuneration policies, including the information previously presented in this Part H of the Explanatory Notes, the reader is therefore referred to the specific document concerning remuneration policies instituted by the aforementioned CONSOB Resolution.

2. Disclosure of Related Party Transactions

Highly significant transactions or transactions of an atypical and unusual nature

In 2011 the Group did not carry out any transactions qualifying as "highly significant", unusual, entered into at non-market or standard conditions which, in accordance with the Procedure on Related Party Transactions, would have been subject to market disclosure and the obligation of publishing an information memorandum, except the following ones:

- on 27 September 2011, the board of directors of the subsidiary BG SGR approved the resolution authorising the sale of the business unit responsible for collective asset management (BG Focus Funds) to the related party Generali Investments Italy SGR;
- on 14 December 2011, the boards of directors of the above company and its parent, Banca Generali, approved the plan for the merger of BG SGR into Banca Generali.

For information concerning the sale of the business unit to the subsidiary Generali Investments Italy SGR, the reader is referred to the disclosure document drafted pursuant to Article 5 of CONSOB Resolution No. 17221 of 12 March 2010, made public on 3 October 2011.

The merger by absorption of BG SGR is considered a related party transaction pursuant to CONSOB Resolution No. 17221 of 12 March 2010 and the related party procedure adopted by Banca Generali inasmuch as it is between Banca Generali and a subsidiary. However, in application of Article 8 of the Procedure and Article 14 of the CONSOB Rules and Procedures, the above transaction meets the conditions for exclusion from the application of the procedures for related party transactions set out therein.

Other information concerning the aforementioned reorganisation transactions within the banking group is provided in Part G of these Explanatory Notes.

It should be noted that the obligation to draft the disclosure document provided for in Article 70 of the Rules for Issuers does not apply to the above transaction inasmuch as that transaction does not exceed the significance threshold set out in Annex 3B to those Rules.

In addition, Banca Generali did not undertake transactions "of an atypical or unusual nature" of a sort that would have had "effects on the safeguarding of the company assets, the protection of minority shareholders or the completeness and accuracy of information, including accounting information, concerning the issuer" with either related parties or entities other than related parties.

Other Significant Transactions

During 2011, no transactions were approved qualifying as “moderately significant” transactions, which are subject to the prior binding opinion of the Internal Control Committee, nor any other ordinary individual transactions carried out on an arm’s length basis, qualifying as “highly significant” transactions, subject to disclosure to the Supervisory Authority, except the following transactions.

On 14 December 2011 the temporary credit facility of up to 60 million euros granted to Generali Bank AG for interbank transactions was extended through 31 December 2012.

Ordinary or Recurring Transactions

As part of its normal business operations, Banca Generali has numerous financial and commercial relationships with the companies previously defined as related parties.

Such relationships are normally established under market conditions and on the basis of assessments of mutual expediency in accordance with the internal procedures cited above.

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 ser-

vices, a number of agreements were established regarding the placement by the financial advisors of asset-management and insurance product, as well as banking products and services.

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

Intragroup transactions with subsidiaries are attributable to ordinary internal operations and consist of:

- transactions aimed at investing liquidity with the Parent Company and, to a lesser extent, obtaining financing in support of the financial needs of the companies concerned;
- outsourcing arrangements in the areas of administration, operations, legal affairs, control and the secondment of staff;
- agreements with product companies for the distribution of the respective financial products and services through the Group’s financial advisors network.

No transactions other than those completed as part of normal banking relationships with private and corporate customers were carried out during 2011.

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

2.1 Balance Sheet Data

| (€ thousand) | SUBSIDIARY COMPANIES BANKING GROUP | PARENT COMPANY ASSICURAZIONI STOCK | OTHER SUBSIDIARIES GENERALI GROUP | 31.12.2011 | % WEIGHT % 2011 | 31.12.2010 |
|---|------------------------------------|------------------------------------|-----------------------------------|----------------|-----------------|----------------|
| Financial assets held for trading | - | 183 | - | 183 | 0.5% | 226 |
| Financial assets available for sale | - | 530 | 1,165 | 1,695 | 0.1% | 1,822 |
| Financial assets held to maturity (HTM) | - | - | - | - | 0.0% | - |
| Loans to banks | - | - | 51,537 | 51,537 | 10.7% | 37,842 |
| Loans to customers | 26,136 | 20,636 | 23,365 | 70,137 | 7.4% | 73,939 |
| Equity investments | 39,417 | - | - | 39,417 | 100.0% | 39,417 |
| Tax assets (AG tax consolidation) | - | 10,623 | - | 10,623 | 15.3% | 24,611 |
| Property, equipment and intangible assets | - | - | - | - | 0.0% | - |
| Other assets | 156 | 328 | 137 | 621 | 0.4% | 1,907 |
| Total assets | 65,709 | 32,300 | 76,204 | 108,504 | 2.4% | 179,764 |
| Due to banks | - | - | 30,233 | 30,233 | 2.8% | 31,368 |
| Due to customers | 33,079 | 265,952 | 583,831 | 882,862 | 28.8% | 830,511 |
| Financial liabilities held for trading | - | - | - | - | 0.0% | - |
| Other liabilities | 100 | 358 | 38 | 496 | 0.6% | 385 |
| Total liabilities | 33,179 | 266,310 | 614,102 | 880,412 | 19.6% | 862,264 |
| Guarantees issued | - | - | 3,244 | 3,244 | 9.2% | 529 |

2.1.1 Equity Transactions with Assicurazioni Generali Group

The overall exposure to the parent company Assicurazioni Generali, its subsidiaries and associates amounted to 108.5 million euros, or 2.4% of total assets. The overall debt position instead reached 880.4 million euros, corresponding to 19.6% of assets.

As part of asset management, HFT and AFS financial assets claimed from the parent company refer to shares

of Assicurazioni Generali held in the corresponding portfolios of Banca Generali. As part of the AFS portfolio, shareholdings in subsidiaries of the Generali insurance group refer to a 15% stake in Simgenia Sim and to the shares held in consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services).

Loans to banks of the Generali Group amounted to 51.5 million euros and refer to the following transactions.

| COMPANY | RELATIONSHIP | TYPE OF TRANSACTION | 31.12.2011 | |
|------------------|------------------|---------------------|---------------|------------|
| | | | AMOUNT | REVENUES |
| Generali Bank AG | Controlled by AG | Term deposits | 50,090 | 776 |
| BSI SA | Controlled by AG | Currency deposits | 1,447 | 85 |
| TOTAL | | | 51,537 | 861 |

The exposure to Generali Bank was entirely made up of time deposits maturing within the financial year. Currently, Generali Bank has already been granted a credit line by Banca Generali of 40 million euros with an indefinite maturity (callable loan) and for an additional amount of 60 million euros, expiring instead on 31 December 2012.

Exposure to Banca BSI SA consists of the positive balances of foreign currency accounts held with BSI SA and used to cover debt positions in foreign currency held with customers.

Exposures to Generali Group companies recognised as loans to customers amounted to 44.0 million and refer to the following transactions:

| COMPANY | RELATIONSHIP | TYPE OF TRANSACTION | 31.12.2011 | |
|--|----------------------------|-------------------------------------|---------------|--------------|
| | | | AMOUNT | REVENUES |
| Assicurazioni Generali | Parent Company | Gesav policy | 20,584 | 1,026 |
| Citylife srl | Subsidiary of the AG Group | Grant to BT in current account | 6,667 | 245 |
| Investimenti marittimi | Associate of the AG Group | Grant to MLT in current account | 10,369 | 300 |
| Generali Factoring spa | Subsidiary of the AG Group | Current account loan | 0 | 14 |
| Genertellife | Subsidiary of the AG Group | Policy placement | 6,049 | 0 |
| Operating receivables from companies of the Generali Group | | Policy placement | 332 | 0 |
| Other exposures with Group companies | | Temporary current account exposures | 0 | 5 |
| TOTAL | | | 44,001 | 1,590 |

Amounts due from parent company recognised as tax assets correspond to tax losses, withholding taxes and other tax credits transferred by the banking group companies to Assicurazioni Generali for the purposes of the domestic tax consolidation activated by the latter. This position is part of the broader credit position of the Generali Group against Tax authorities and is dependent upon the timing of its reversal. During the first half of 2011 Assicurazioni Generali repaid an amount of 10 million euros.

Amounts due to customers attributable to related party transactions involving current accounts, term deposits and repurchase agreements totalled 849.8 million euros. Of this amount, 265.9 million was due to the Parent Company and are mainly comprised of current account deposits. At the end of 2011, however, there was also a term deposit of the subsidiary Flandria amounting to 140 million euros. The above item also includes the subordinated loan granted by Generali Versicherung in the remaining amount of 32.4 million euros, gross of the interest accrued.

Amounts due to banks of the insurance group, consisted for 20.1 million euros of deposits made by BSI SA as collateral for certain impaired loans resulting from the acquisition of Banca del Gottardo Italia (collateral deposits), while the residual amount consisted of the negative balance of foreign exchange deposits with the same counterparty.

Finally, a total of 3.4 million euros in guarantees has been issued for Generali Group companies, of which 2.5 million euros on behalf of Citylife.

2.1.2 Equity relationships with banking group companies

Within the banking group, the exposure to subsidiaries amounted to 26.1 million euros, of which 5.9 million euros refers to the account credit facility granted to BG Fiduciaria, whereas the remainder consists of operating receivables associated with financial product distribution activity.

Funding from group companies amounted to 33.1 million euros and consists solely of the balances of current account deposits.

2.1.3 Equity transactions with other Related Parties

Exposures to key managers of the banking group and its parent, Assicurazioni Generali, totalled 2.0 million euros.

This refers in particular to residential mortgage loan transactions carried out under the same conditions as those applied to other managers of the banking and insurance group.

Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the banking and insurance group.

The other related parties include the close family members of key managers and entities subject to significance influence by such persons. In this regard, it should be noted that there were no exposures to such parties.

| (€ thousand) | KEY MANAGEMENT PERSONNEL |
|---------------------|--------------------------|
| Loans to customers | 1,967 |
| Due to customers | 2,426 |
| Guarantees issued | |
| Guarantees received | |

2.2 Profit and Loss Account Data

| (€ thousand) | SUBSIDIARY COMPANIES BANKING GROUP | PARENT COMPANY ASSICURAZIONI GENERALI | OTHER SUBSIDIARIES GENERALI GROUP | 31.12.2011 | % WEIGHT % 2011 |
|------------------------------------|------------------------------------|---------------------------------------|-----------------------------------|----------------|-----------------|
| Interest income | 141 | 1,028 | 1,423 | 2,592 | 3.3% |
| Interest expense | -763 | -2,787 | -6,682 | -10,232 | 33.1% |
| Net interest | -622 | -1,759 | -5,259 | -7,640 | -15.9% |
| Commission income | 92,194 | 202 | 63,539 | 155,935 | 71.3% |
| Commission expense | 0 | 0 | -274 | -274 | 0.2% |
| Net commissions | 92,194 | 202 | 63,265 | 155,661 | 166.7% |
| Dividends | 64,459 | 35 | 0 | 64,494 | 41.2% |
| Gain (loss) on trading | 0 | | 0 | - | 0.0% |
| Operating income | 156,031 | -1,522 | 58,006 | 212,515 | 100.0% |
| General and administrative expense | -580 | -3,460 | -10,343 | -14,383 | 19.8% |
| Staff expenses | 509 | 172 | 415 | 1,096 | -2.0% |
| Adjustments | | 0 | | - | 0.0% |
| Other net operating profit | 747 | | 222 | 969 | 10.8% |
| Net operating expense | 676 | -3,288 | -9,706 | -12,318 | 10.2% |
| Operating profit | 156,707 | -4,810 | 48,300 | 200,197 | 218.62% |

2.2.1 Profit and loss relationships with Generali Group companies

At 31 December 2011, the profit and loss components recognised in the financial statements with regard to transactions with companies of the Generali Group amounted to 43.5 million euros, that is 47.5% of operating profit, including dividends from shareholdings.

Overall net interest accrued in dealings with members of the insurance group is negative and amounted to -7.0 million euros, with interest expense paid to such companies (9.5 million euros) accounting for 30.6% of the total item recognised in the profit and loss account.

Within that item, the interest expense paid to Generali Versicherung in connection with the subordinated loan granted amounts to 1.6 million euros, whereas 7.2 million euros is associated with the interest on funding contributed by customers consisting of Generali Group companies and the remaining 0.7 million euros refers to interest accrued on the collateral deposits of BSI S.A.

Commission income paid back by companies of the insurance group amounted to 63.7 million, equal to 30.2% of the aggregate amount and was broken down as follows:

| | BANKING GROUP | GENERALI GROUP | 31.12.2011 |
|---|---------------|----------------|----------------|
| Commissions for the placement of UCITS | 74,478 | 1,255 | 75,733 |
| Distribution of insurance products | 0 | 62,486 | 62,486 |
| Distribution of asset management products | 15,898 | 0 | 15,898 |
| Trading commissions | 1,818 | 0 | 1,818 |
| | 92,194 | 63,741 | 155,935 |

In the distribution of insurance products, commissions retroceded refer mainly to ongoing dealings with Genertellife.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the banking group but do not fall within the IAS 24 perimeter. The fees for such services, which amounted to 3.4 million euros, are normally charged directly against the UCITS' assets. The fees concerned refer mainly to the activity of Generali Investments Italy SGR.

The net operating costs reported by the bank in relation to transactions with related parties of the Generali Group amounted to 13.0 million euros and refer for 10.7% to outsourced services in the insurance, leasing, administrative and information technology sector.

| | BANKING GROUP | GENERALI GROUP | 31.12.2011 |
|---|---------------|----------------|---------------|
| Insurance services | 0 | 2,845 | 2,845 |
| Property services | 0 | 4,082 | 4,082 |
| Administration, IT and logistics services | -765 | 6,509 | 5,744 |
| Financial services | 580 | 145 | 725 |
| Staff services | -491 | -587 | -1,078 |
| Total administrative expense | -676 | 12,994 | 12,318 |

The administrative expenses incurred in relation to the parent company, Assicurazioni Generali, amounted to 3.5 million euros, of which 2.9 million euros refer to insurance services and the remainder primarily to rentals for property leases.

Among the other companies of the insurance group, information technology, administration and logistics services rendered by Generali Business Solution Srl (GBS) on the basis of existing outstanding contracts amount to 6.6 million euros.

The cost of property services relating to the lease of office, branch network and the bank's operating outlet premises refers mainly to Generali Properties (2.3 million euros), whereas the remainder pertains to a large number of other group companies.

2.2.2 Profit and loss account relationships with banking group companies

Total profit and loss account components recognised in connection with transactions undertaken with companies belonging to the banking group amounted to 156.7 million euros at 31 December 2011 and mainly consisted of:

- commission income given back to the Group's product companies in connection with the distribution of financial products and services by such companies;
- dividends paid by Group companies.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the banking group but do not fall within the IAS 24 perimeter. The fees for such services, which amounted to 7.8 million euros, are normally charged directly against the UCITS' assets.

With respect to aggregate operating expenses, the services rendered by the Parent Company to members of the banking group are highly limited and refer essentially to the exchange of staff and the outsourcing of major administrative services.

Direction and Coordination

Pursuant to Article 2497-bis of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of this company's latest Financial Statements is reported hereunder.

2010 HIGHLIGHTS OF ASSICURAZIONI GENERALI

| (€ million) | FY 2010 |
|--|----------------|
| Net profit | 633.8 |
| Aggregate dividend | 700.6 |
| Increase | 28.6% |
| Total net premiums | 8,731.4 |
| Total gross premiums | 9,617.5 |
| Total gross premiums from direct business | 7,114.0 |
| Change on equivalent terms (a) | 1.3% |
| Total gross premiums from indirect business | 2,503.5 |
| Change on equivalent terms (a) | 6.9% |
| Acquisition and administration costs | 1,273.1 |
| Expense ratio (b) | 14.6% |
| Life Segment | |
| Life net premiums | 5,499.0 |
| Life gross premiums | 5,689.6 |
| Change on equivalent terms (a) | 3.7% |
| Life gross premiums from direct business | 3,867.6 |
| Change on equivalent terms (a) | 3.2% |
| Life gross premiums from indirect business | 1,822.0 |
| Change on equivalent terms (a) | 4.9% |
| Life acquisition and administration costs | 574.4 |
| Expense ratio (b) | 10.4% |
| Non-life Segment | |
| Non-life segment net premiums | 3,232.4 |
| Non-life gross premiums | 3,927.9 |
| Change on equivalent terms (a) | 1.1% |
| Non-life gross premiums from direct business | 3,246.4 |
| Change on equivalent terms (a) | -0.4% |
| Non-life gross premiums from indirect business | 681.5 |
| Change on equivalent terms (a) | 12.8% |
| Non-life acquisition and administration costs | 698.7 |
| Expense ratio (b) | 21.7% |
| Loss ratio (c) | 77.5% |
| Combined ratio (d) | 99.2% |
| Current financial result | 2,504.4 |
| Technical provisions | 40,689.1 |
| Life segment technical provisions | 33,898.0 |
| Non-life segment technical provisions | 6,791.1 |
| Investments | 64,505.2 |
| Capital and reserves | 14,324.8 |

(a) At constant exchange rates.

(b) Ratio of administrative expense to total premiums

(c) Ratio of accrued claims to accrued premiums

(d) Total (b) + (c).

The highlights of the parent company Assicurazioni Generali S.p.A shown above were taken from the company's financial statements for the year ended 31 December 2010. These are available together with the Independent Auditor's Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm entrusted by Banca Generali.

PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

A. QUALITATIVE INFORMATION

Payment Agreements Based on Own Equity Instruments

At 31 December 2011 the payment agreements based on own equity instruments activated by Banca Generali consisted of:

- two stock-option plans, one for Financial Advisors and the other for certain of the Group's directors relating to Banca Generali's listing on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A., approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two stock-option plans reserved respectively for Financial Advisors and network managers and Relationship Managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010;
- a stock-option plan approved by Banca BSI Italia on 19 January 2007 for the company's then-Chairman, inherited through the merger with the company, currently being executed.

The main features of the aforementioned plans are detailed below.

1. Stock Option Plans for Employees and Financial Advisors related to the listing

The stock-option plans approved by the Board of Directors on 24 May 2006, ratified by the extraordinary Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA, organised and managed by Borsa Italiana S.p.A., called for:

- the granting to employees of companies belonging to Banca Generali Group the issuance of a maximum amount of 1,113,130 new ordinary shares;
- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, the issuance of a maximum of 4,452,530 shares.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting had passed a resolution for a split-table capital increase, subject to the admission of the company's shares to trading on the electronic share market (MTA) for a maximum notional amount of 5,565,660,00 euros, through the issuance of a maximum of 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the MTA on 15 November 2006. On 15 December 2006, 4,452,530 options were assigned to Financial Advisors and 818,500 options to Group executives; the strike price of both sets of options was 9.046 euros.

The plans' rules and procedures called for advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). The plan called for a single three-year vesting period for managers, with the possibility of exercising the options over the following three years.

On 9 October 2009, Banca Generali's Board of Directors resolved to amend the plans' rules and procedures to include a three-year extension of the strike period of the options granted. That amendment was approved by the Shareholders' Meeting on 21 April 2010. Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for Financial Advisors - 31/03/2014;
- for employed managers - 15/12/2015.

All other plan conditions, from the strike price of 9.0 euros per share, to the obligation to reinvest 50% of capital gains in Banca Generali shares and retain said shares for at least 12 months, remain unchanged.

During 2011, 313,433 options were exercised, of which 87,000 were exercised by salaried managers. In addition, 34,450 options were cancelled due to termination of the agreements with the Financial Advisors to whom they had been assigned.

At the end of 2011, the options assigned under the plan for employees of banking group companies therefore totalled 736,500, whereas the option rights granted to Financial Advisors stood at 2,163,503.

1.1 Accounting effects of the extension of the stock-option plans

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 financial statements, in which the transactions concerned were originally recognised.

At present, since the vesting period has concluded, the above plans have entered a purely executive phase, resulting in accounting effects on equity, analysed in Section B below, solely in relation to the exercise of vested option rights by beneficiaries.

2. Rules for the Stock Option Plan for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010

The stock-option plans approved by the Shareholders' Meeting on 21 April 2010 called for:

- the granting to Banca Generali's Financial Advisors, area managers and business managers and the private bankers of a maximum of 2,300,000 shares to be issued;
- the granting to Banca Generali's Relationship Managers of a maximum amount of 200,000 ordinary shares to be issued;
- the assignment of options by 30 June 2011, after having verified that overall and individual targets for the development of inflows by 31 December 2010 have been reached;
- the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

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

The following is a summary of the salient characteristics of the plans in question.

| | |
|--|--|
| Recipients | <p>1) Financial advisors under standard agency agreements at 1 July 2009, provided not on notice;</p> <p>2) Financial advisors engaged after the end of the Reference Period;</p> <p>3) the Network Managers on whom the Company conferred as of 1 July 2009, a specific additional appointment as Sales Manager for Italy, Area Manager, Private Banking Manager or District Manager, provided that the said additional appointment is not revoked and continues to remain in full force and effect through to the expiry of the Reference Period.</p> <p>3) any and all employees still in the service of Banca BSI Italia as Relationship Managers or Unit Coordinators of Relationship Managers, and not placed on notice of termination as of 30 September 2009.</p> |
| Performance conditions | <p>Granting of the Options to the Plan Recipients is contingent upon the satisfaction of:</p> <ul style="list-style-type: none"> • overall net inflow targets set by the Board of Directors at 2.0 billion euros for 2010; • individual net inflow targets set by the Plan's Management Committee. <p>Individual targets call for a minimum net inflow access threshold, above which the options granted are proportional to the net inflow level achieved.</p> <p>Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be assigned, an allotment will be conducted.</p> |
| Reference period and measurement parameters | <p>The following must be considered for participation in the Plan:</p> <ol style="list-style-type: none"> 1. the net inflows achieved in the fourth quarter of 2009 and all of 2010 arising from application of the "Tax Amnesty"; 2. the remaining net inflows achieved in 2010, calculated according to the normal rules applicable to semi-annual incentive plans. |
| Vesting conditions | <p>The assigned Options shall be exercisable as follows:</p> <ul style="list-style-type: none"> - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2011; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2012; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2013; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2014; - up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2015; - the remaining one sixth of the Options, as of 1 July 2016. <p>The Rules and Procedures state that if the relationship between the Recipients/Grantees and the Company is terminated for any reason or the associated notice period is underway, the Recipient shall forfeit, effective immediately, the right to be granted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of Financial Advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010).</p> <p>In such case, only the options that have already become exercisable may be exercised.</p> |
| Exercise period | <p>The assigned Options must be exercised by 30 June 2017 at the very latest.</p> <p>The shares may be freely disposed of and are not subject to any restrictions.</p> |
| Effective date of the Plan | <p>The Plan shall take effect as soon as the Plan Management Committee identifies the Recipients of the Options, provided that, by such time:</p> <ul style="list-style-type: none"> • Banca Generali's General Shareholders' Meeting approves the capital increase covering the Plan; • the Board of Directors determines that the overall performance targets set during the session of the Board of Directors during which the financial statement results for 2010 are discussed have been met; • the Delegated Organ determines that the individual Recipients have, in fact, met the individual performance targets previously established. <p>The latter condition must be determined to have been satisfied by 15 May 2011 and the Options must be granted to the entitled parties by 30 June 2011.</p> |
| Strike Price | <p>The Strike Price of the Options represents the arithmetic mean of the Reference Prices of the Shares as quoted on the electronic share market (MTA) during the period between the date on which the Options were assigned, and the same day of the calendar month immediately preceding the aforesaid assignment date.</p> |

In this regard, it should be noted that the review of the achievement of the overall inflow goals was conducted by the Board of Directors on 14 March 2011, whereas the review of the achievement of the individual goals assigned to the various categories of recipients was conducted by the Plan Management Committee on 13 May 2011.

The option rights were effectively assigned to the entitled parties on 7 June 2011.

The exercise price of the shares was determined on the basis of the plans Regulations, based on the arithmetic mean of the reference price of "Banca Generali SpA ordinary shares" listed on the electronic share market (MTA) managed by Borsa Italiana SpA, in the period from the current date to the same day of the previous month, amounting to 10.7118 euros.

The first tranche of options, accounting for one-sixth of the total options assigned, became eligible for exercise effective 1 July 2011.

2.11 Measurement of fair value and accounting effects

Valuation of the stock option plan is based on the fair value of the options assigned, calculated with reference to the options final assignment date.

In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate assignment, with the determination of a specific fair value.

The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.

The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.

In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equi-

ties of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.

Considering the particular situation of market volatility that occurred during the option assignment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) and 30 June 2011, the date specified in the Rules and Procedures as the final deadline for assignment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.

Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

3. Stock Option Plans for the Subsidiary Banca BSI Italia's Top Management

On 19 January 2007, Banca BSI Italia's Board of Directors approved a stock-option plan for the bank's Chairman, who is not employed by the bank and was therefore not covered by the stock-option plan of the parent company reserved for managers employed by the Group.

The plan called for 60,000 options on shares of Banca Generali's ordinary stock to be granted effective 19 January 2007 at the strike price of 10.546 euros, the arithmetic mean of the listed prices of Banca Generali shares on the MTA surveyed from the grant date of the rights to the same date of the previous solar month, with a three-year vesting period ending on 19 January 2010 and the possibility of exercise in one or more instalments during the following three years, or by 19 January 2013.

In service of the plan, Banca BSI Italia purchased 60,000 shares in its parent company, Banca Generali, on the market.

Following the merger with Banca BSI Italia, effective 1 January 2010, the plan beneficiary's employment was terminated for reasons not of said beneficiary's choosing. Accordingly, the plan vested under the surviving company, Banca Generali.

In 2011, the assignee exercised 40,000 option rights.

B. QUANTITATIVE INFORMATION

The expenses recognised in profit and loss in 2011 in connection with the stock-option plans for Financial Advisors and salaried Relationship Managers authorised in 2010 totalled 1.0 million euros.

During 2011, owing to the favourable performance of the market price of Banca Generali stock in the first half of the year, 313,433 option rights deriving from the old 2006 stock option plans related to the listing were exercised, for a total amount of proceeds for the bank of 2.7 million euros.

The value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 0.7 million euros.

That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares assigned, was added to the share premium reserve (3.1 million euros) pursuant to the supervisory authority's instructions (Circular No. 262/2005, paragraph 5, The Statement of Changes in Net Equity).

At the end of 2011, the IFRS 2 reserve associated with the old 2006 plans therefore stood at 7.6 million euros, of which 5.6 million euros may be attributed to the options assigned to Financial Advisors, whereas the reserve associated with the new plans totalled 1.0 million euros.

The total IFRS 2 equity reserve allocated at year-end and including the new plans amounted to 8.6 million euros.

| (€ thousand) | TOP MANAGERS | AVERAGE PRICES | FINANCIAL ADVISORS | AVERAGE PRICES | EMPLOYED MANAGERS | AVERAGE PRICES | TOTAL | AVERAGE PRICES | AVERAGE MATURITY |
|--|-----------------|-------------------|-----------------------|-------------------|----------------------|-------------------|------------------|-------------------|---------------------|
| A. Amount at year-start | 60,000 | 10.00 | 2,424,386 | 9.00 | 823,500 | 8.78 | 3,307,886 | 8.97 | 2013-2015 |
| B. Increases | 0 | - | 2,300,000 | - | 200,000 | - | 2,500,000 | 10.71 | X |
| B.1 Newly issued shares | | | 2,300,000 | 10.71 | 200,000 | 10.72 | 2,500,000 | 10.71 | 2017 |
| B. 2 Other changes | 0 | - | 0 | | 0 | 9.00 | 0 | - | X |
| C. Decreases | -40,000 | 10.00 | -269,260 | 9.00 | -87,000 | 9.00 | -396,260 | 9.11 | X |
| C.1 Cancelled | | | -42,827 | 9.00 | 0 | 9.00 | -42,827 | 9.00 | X |
| C.2 Exercised | -40,000 | 10.00 | -226,433 | 9.00 | -87,000 | 9.00 | -353,433 | 9.12 | X |
| C.3 Expired | | | | | | | 0 | - | X |
| C.4 Other changes | | | 0 | | 0 | | 0 | - | X |
| D. Amount at year-end | 20,000 | 10.00 | 4,455,126 | 9.89 | 936,500 | 9.17 | 5,411,626 | 9.76 | 2013-2017 |
| E. Options that can be exercised at the end of the year | 20,000 | - | 2,545,440 | - | 769,833 | - | 3,335,273 | - | X |
| Strike price | 0 | | 934 | | 81 | | 1,016 | | |
| IFRS 2 reserve | 55 | | 6,562 | | 2,021 | | 8,638 | | |

Trieste, 13 March 2012

THE BOARD OF DIRECTORS





FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2011

INDEPENDENT AUDITORS' REPORT

**PURSUANT TO ART. 14 AND 16
OF LEGISLATIVE DECREE N. 39
DATED JANUARY 27, 2010**



**Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)**

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

1. We have audited the financial statements of Banca Generali S.p.A. as of and for the year ended December 31, 2011, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 29, 2011.
3. In our opinion, the financial statements of Banca Generali S.p.A. at December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Generali S.p.A. for the year then ended.

4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the financial statements of Banca Generali S.p.A. as of December 31, 2011.

Milan, April 2, 2012

Reconta Ernst & Young S.p.A.
Signed by: Stefano Cattaneo, Partner



BOARD OF AUDITORS' REPORT



"BANCA GENERALI S.P.A."

Sede Legale in Trieste, Via Machiavelli 4

Capitale Sociale deliberato di Euro 119.378.836,00 sott. e vers. di Euro 111.693.843,00

Iscrizione al Registro delle Imprese di Trieste, c.f. 00833240328

Iscritta all'Albo delle Banche al n. 5358

Capogruppo del gruppo bancario "Banca Generali" iscritto all'albo dei Gruppi bancari
Società soggetta alla direzione e coordinamento di Assicurazioni Generali S.p.A.

***Relazione del Collegio Sindacale all'Assemblea degli Azionisti, convocata per
l'approvazione del Bilancio al 31 dicembre 2011, ai sensi dell'art. 153 D. Lgs.
58/98 e dell'art. 2429 comma 3 c.c.***

Signori Azionisti,

abbiamo esaminato la Relazione Finanziaria Annuale al 31 dicembre 2011, composta da:

- il progetto di Bilancio della Società "Banca Generali S.p.A." al 31 dicembre 2011, individuale e consolidato, comprensivo della Nota integrativa e degli schemi di dettaglio;
- la Relazione sulla Gestione, inclusiva della Relazione annuale sul governo societario e gli assetti proprietari ai sensi dell'art. 123 bis del D.Lgs 58/1998;

redatta dagli amministratori, e regolarmente trasmessa al Collegio Sindacale.

A livello di Gruppo, tra i fatti di rilievo da segnalare vi sono:

- la delibera del Consiglio di Amministrazione di BG SGR del 27 settembre 2011, di cessione del ramo d'azienda afferente la gestione collettiva del risparmio, a favore della parte correlata Generali Investment Italy Sgr; e
- le delibere di fusione per incorporazione di BG SGR in Banca Generali dei rispettivi Consigli di Amministrazione del 14 dicembre 2011;

entrambe le operazioni, avranno efficacia nel corso dell'esercizio 2012; nella Nota integrativa sono riportate le principali caratteristiche di tali operazioni.

Nel corso dell'esercizio, ad eccezione delle due operazioni sopra indicate, non sono state effettuate altre operazioni con parti correlate rilevanti, atipiche o inusuali, non ricorrenti, o comunque considerate tali da avere effetti sulla salvaguardia del patrimonio aziendale o sulla completezza e correttezza delle informazioni, anche contabili, relative all'emittente e quindi tali da configurare obblighi di informativa al mercato.

L'attività di vigilanza attribuita al Collegio Sindacale, a norma di legge, ed in particolare ai sensi dell'art. 149 del D. Lgs. 58/98 è stata svolta nel corso dell'esercizio in ossequio ai principi di comportamento del Collegio Sindacale raccomandati dal *Consiglio Nazionale dei Dottori*

Commercialisti e degli Esperti Contabili, tenuto conto altresì delle disposizioni della *Consob* e di *Banca d'Italia*, nonché in ottemperanza a quanto prescritto dall'art. 19 del D.Lgs 39/10.

Il Collegio informa l'assemblea dei soci di avere svolto nel corso dell'esercizio le seguenti attività:

- ha partecipato ad una riunione dell'Assemblea dei Soci;
- ha partecipato alle 12 riunioni del Consiglio di Amministrazione, controllando che quanto deliberato e posto in essere fosse conforme alla legge e allo Statuto sociale e non presentasse caratteri di imprudenza né desse luogo a profili di conflitto di interesse. Nel corso dell'esercizio vi è stata una riunione dei consiglieri non esecutivi ed una di quelli indipendenti;
- ha partecipato alle 12 riunioni del Comitato per il Controllo Interno (ora Comitato Controllo e Rischi);
- ha partecipato, a mezzo del proprio Presidente, alle 4 riunioni del Comitato per le Remunerazioni;
- ha partecipato a 2 riunioni dell'Organismo di Vigilanza;
- si è riunito periodicamente per espletare le proprie verifiche, verbalizzando sul proprio libro n. 22 interventi;
- ha richiesto ed ottenuto dall'Amministratore Delegato, dal Direttore Generale, dal Dirigente preposto alla redazione dei documenti contabili societari, e dagli altri Dirigenti della Società, informazioni in merito alle operazioni più significative svolte dalla Società e dà atto che le stesse non sono state ritenute manifestamente imprudenti o azzardate, in potenziale conflitto di interessi, in contrasto con le delibere assembleari o tali da compromettere l'integrità del patrimonio aziendale;
- ha intrattenuto scambi di informativa con i Collegi sindacali delle società del Gruppo;
- ha verificato le disposizioni impartite dalla società alle società controllate, ai sensi dell'art. 114, comma 2 del D.Lgs. 58/1998 e ritiene le stesse adeguate;
- ha rilasciato i pareri di legge, tra cui i seguenti principali:
 - politiche di remunerazione;
 - approvazioni e modifiche di Regolamenti e Policy Aziendali;
 - modifiche rilevanti della struttura organizzativa;
 - pareri ex art. 136 del T.U. Legge Bancaria, con riferimento alle obbligazioni degli esponenti bancari;
 - processo ICAAP;
 - nomina del Responsabile della neo istituita *U.O. Anti Money Laundering Compliance* (antiriciclaggio).

- ha verificato il possesso dei requisiti di indipendenza dei propri componenti, della società di revisione ed ha trovato adeguate le procedure adottate dal Consiglio di Amministrazione per verificare il medesimo requisito nel suo ambito;
- ha sistematicamente seguito l'attività del Sistema di Controllo Interno, esprimendo le proprie osservazioni in merito alle relazioni annuali sull'attività svolta e sui programmi da realizzare, verificando lo stato di attuazione dei piani di attività ed i risultati conseguiti. Il Sistema di Controllo Interno, ritenuto adeguato nel suo complesso, è articolato nel seguente modo: controlli di linea - effettuati dai responsabili delle singole unità operative; controlli di conformità - svolti dal Servizio Compliance; controlli sulla gestione dei rischi - svolti dai responsabili delle singole unità operative e dal Servizio Risk Management; attività di revisione interna - svolta dal Servizio Internal Audit;
- ha verificato l'andamento dei reclami degli investitori, che per il numero esiguo e per i motivi che li hanno originati non sono da collegare a carenze nelle procedure interne e nell'organizzazione della Società;
- ha verificato in generale il rispetto da parte della Banca degli obblighi di corrispondenza e di invio di comunicazioni con gli Organi di Vigilanza, nonché della normativa di settore;
- dà atto che la Società ha ottemperato agli obblighi in materia di antiriciclaggio con particolare riferimento al D.Lgs 21-11-2007 n.231 e successive modifiche ed integrazioni, ed alle disposizioni della Banca d'Italia e dell'UIF, compresa la formazione del personale. A decorrere dal 1° settembre 2011, è stata istituita a livello accentrato, e quindi con operatività per tutte le Società del Gruppo Bancario, la Funzione Antiriciclaggio denominata "Unità Organizzativa Anty Money Laundering Compliance", nell'ambito del Servizio Compliance della Direzione Legale e Compliance allo scopo di adeguare la struttura organizzativa di Banca Generali alle prescrizioni del Provvedimento di Banca d'Italia del 10 marzo 2011;
- dà atto che la Società ha ottemperato agli obblighi relativi alla "privacy" relativamente al trattamento dei dati personali e alla redazione del Documento Programmatico sulla Sicurezza secondo le disposizioni del D.Lgs. 196/03 e delle altre vigenti in materia;
- dà atto che l'organismo di Vigilanza nel corso dell'esercizio ha vigilato sul funzionamento e l'osservanza del Modello di Organizzazione e Gestione (MOG), ed ha verificato l'aggiornamento e la conseguente idoneità dello stesso a prevenire nel tempo la commissione dei reati richiamati dalla norma. Dall'attività svolta non sono emerse irregolarità riconducibili ai reati contemplati nell'ambito delle disposizioni del D. Lgs. 231/2001;
- ha valutato e verificato l'adeguatezza del sistema amministrativo-contabile nonché la sua affidabilità nel rappresentare correttamente i fatti di gestione, mediante l'informativa ricevuta

dai Dirigenti preposti, dalla Società di Revisione e dall'ottenimento di informazioni dirette dai responsabili delle rispettive funzioni e dall'esame dei documenti aziendali. Per quanto riguarda l'applicazione della Legge 262/2005 e le previsioni di cui alla lettera a) dell'art. 19 del D. Lgs.39/10, il Collegio sindacale ha, tra l'altro, monitorato i processi e le attività svolte dalla Banca, nell'ambito delle attività di Financial Accounting Risk Governance, finalizzate a valutare, nel continuo, l'adeguatezza delle procedure amministrative e contabili e della conseguente informativa finanziaria. Nella relazione sul sistema di corporate governance sono descritte le principali caratteristiche del "modello di financial reporting risk" adottato dalla Banca. La società incaricata della revisione legale ha anticipato che la relazione di cui al terzo comma dell'art. 19 del D.Lgs. 39/2010 non evidenzierà carenze significative nel sistema di controllo interno in relazione al processo di informativa finanziaria;

- ha acquisito conoscenza e vigilato sull'adeguatezza dell'assetto organizzativo della Società;
- dà atto che la società, è dotata, tra l'altro, dei seguenti principali codici e procedure:
 - internal dealing;
 - informazioni privilegiate, ed ha istituito il registro delle persone Informate;
 - operazioni con parti correlate: nella relazione sulla gestione ed in nota integrativa sono riportate le operazioni con parti correlate e la relativa informativa;
 - operazioni con soggetti con funzioni di direzione, amministrazione e controllo della Banca: la Banca applica la disciplina speciale di cui all'art.136 del D.Lgs 285/1993 (TUB);
 - policy in materia di esecuzione e trasmissione di ordini;
 - policy in materia di conflitti di interesse;
 - regolamento interno;
- dà atto che la società ha aderito al Codice di Autodisciplina delle Società Quotate;
- dà atto che la società ha aderito al Codice Etico del Gruppo Generali ;
- ha verificato che la Banca si è dotata di regolamenti, processi e strutture atte al monitoraggio ed al presidio dei rischi connessi con l'attività bancaria (di mercato, di credito, di liquidità, operativi e di compliance), descritti nella Relazione sulla Gestione e nella Nota Integrativa;
- ritiene che il processo di determinazione del capitale interno ICAAP sia adeguato e dà atto che la Banca ha adempiuto ai relativi obblighi in materia;
- dà atto che nel corso del 2011 la Banca ha operato nell'osservanza delle "Procedure in materia di operazioni con parti correlate";
- dà inoltre atto che nel corso del 2011 la società ha intrattenuto rapporti intragruppo di natura finanziaria, commerciale e di fornitura di servizi, in relazione ai quali gli amministratori hanno fornito informazioni nella relazione sulla gestione e nella nota integrativa. Si tratta di operazioni

ordinarie poste in essere con obiettivi di razionalizzazione e di economicità;

- dà atto che Banca Generali aderisce al consolidato fiscale di Assicurazioni Generali S.p.A.;
- dà atto che nella relazione sulla gestione e nella nota integrativa vi sono le informazioni in merito al possesso di azioni proprie e di azioni della società controllante, a fronte delle quali sono state stanziare le relative riserve indisponibili;
- dà atto che la Banca rispetta i requisiti patrimoniali (patrimonio di vigilanza e coefficiente di solvibilità) previsti dalla normativa di vigilanza. La Banca si è avvalsa dell'opzione di cui al provvedimento della Banca d'Italia del 18 maggio 2010 per la sterilizzazione, ai fini del patrimonio di vigilanza, delle plusvalenze e minusvalenze patrimoniali derivanti dalla valutazione al *fair value* delle attività finanziarie disponibili per la vendita appartenenti al comparto dei titoli governativi dell'area Euro; ed ha inoltre disattivato il filtro prudenziale negativo introdotto per la sterilizzazione parziale dei benefici fiscali derivanti da operazioni di affrancamento dell'avviamento, come da Comunicato dell'Organo di vigilanza del 31 marzo 2011;
- dà atto che nella nota integrativa sono illustrati nel dettaglio gli effetti sul patrimonio netto e sul conto economico derivanti dall'utilizzo nei precedenti esercizi della facoltà prevista dalla modifica alla IAS 39, e IFRS 7, emanata dallo IASB in data 13 ottobre 2008, in ordine alla riclassificazione di alcune categorie di titoli;
- dà atto che nella Relazione sul sistema di Corporate Governance vi è l'informativa di cui all'art.123 bis del TUF;
- dà atto che la Società ha predisposto la Relazione sulla Remunerazione; politiche in materia di remunerazione del Gruppo bancario e resoconto sull'applicazione delle politiche stesse nell'esercizio 2011;
- dà atto che nel corso dell'esercizio non sono pervenute denunce ai sensi dell'art. 2408 del Codice Civile;
- dà atto che nel corso dell'esercizio non sono pervenuti esposti.

Prende atto che la Società è soggetta alla direzione ed al coordinamento della Società controllante "Assicurazioni Generali s.p.a." e che sono stati assolti i relativi obblighi di legge.

Il controllo contabile periodico, la verifica della Relazione Semestrale e la revisione del Bilancio individuale e consolidato sono stati conferiti alla Società di Revisione "Reconta Ernst & Young S.p.A.". Il Collegio ha esaminato il piano delle attività di revisione contabile 2011 ed ha scambiato periodicamente con la Società di Revisione reciproche informazioni; la stessa non ha mai comunicato fatti o circostanze o irregolarità che dovessero essere portate a conoscenza del Collegio. La Società di revisione ha verificato nel corso dell'esercizio 2011 la regolare tenuta della contabilità

sociale e la corretta rilevazione dei fatti di gestione nelle scritture contabili e, in occasione del bilancio chiuso al 31 dicembre 2011, la corrispondenza dello stesso alle risultanze delle scritture contabili. La Società di Revisione ha comunicato che la relazione sul bilancio d'esercizio al 31 dicembre 2011, attualmente in corso di emissione, non conterrà rilievi.

Il Collegio segnala che nel corso dell'esercizio sono stati conferiti i seguenti ulteriori incarichi alla società di revisione "Reconta Ernst & Young S.p.A." e a società appartenenti al medesimo network, come descritto nella Nota Integrativa, ed in particolare:

- la Reconta Ernst & Young S.p.A. ha prestato servizi per l'effettuazione di specifiche procedure di verifica concordate con la Banca su rapporti intrattenuti con la clientela, aventi ad oggetto i relativi Asset Under Management;
- lo Studio Legale e Tributario di Ernst & Young ha prestato servizi per l'attestazione di conformità in relazione alla procedura Qualified intermediaries (QI) richiesta dall'Internal Revenue Service (IRS);
- la Ernst & Young Financial-Business Advisors S.p.A. ha prestato servizi per supporto tecnico e metodologico in relazione al progetto di produzione del Resoconto ICAAP; al processo di produzione del "Terzo pilastro" previsto dalla normativa di Basilea II; al progetto per la definizione del framework generale sul "Risk Appetite"; all'aggiornamento del piano di Risk Assessment della sicurezza informatica.

La società di revisione ha anticipato che è in corso di rilascio la dichiarazione dell'insussistenza di alcuna delle cause di incompatibilità circa le situazioni ed i soggetti indicati dall'art. 17 del D. Lgs. n. 39/2010 e dagli articoli di cui al Capo I-bis del Titolo VI (Revisione contabile - Incompatibilità) del Regolamento Emittenti adottato con delibera CONSOB n. 11971 del 14 maggio 1999 e successive modifiche ed integrazioni. In relazione a quanto sopra indicato, non sono emerse evidenze o situazioni tali da compromettere l'indipendenza della Società di Revisione ed i relativi costi sono stati ritenuti adeguati.

Il Dirigente preposto alla redazione dei documenti contabili societari e l'Amministratore Delegato, hanno rilasciato la dichiarazione e le attestazioni di conformità previste dalla normativa, in tema di comunicazioni contabili e di Bilanci.

Il Collegio ha comunque vigilato sull'impostazione generale data al Bilancio e sulla sua conformità alla legge ed al rispetto della normativa specifica per la redazione dei bilanci bancari.

Il Bilancio d'Esercizio è stato redatto in applicazione del D.Lgs. n. 38/2005, secondo i principi contabili emanati dallo IASB e le relative interpretazioni dell'IFRC, è stato inoltre predisposto sulla base delle "Istruzioni per la redazione del bilancio delle imprese e del bilancio consolidato delle Banche e delle società finanziarie capogruppo di gruppi bancari", emanate dalla Banca d'Italia. La

nota integrativa illustra i criteri di valutazione adottati e fornisce, tutte le informazioni necessarie previste dalla normativa vigente, comprese le informazioni sui rischi di credito, di mercato, di liquidità e operativi. La relazione predisposta dagli amministratori illustra l'andamento della gestione, evidenziando l'evoluzione in atto e quella prospettica, nonché il processo di sviluppo e di riorganizzazione del gruppo bancario avvenuto nel corso dell'anno.

Nel corso dell'attività di vigilanza, come sopra descritta, non sono emersi altri fatti significativi che richiedessero la segnalazione ai competenti Organi di controllo o la menzione nella presente Relazione.

Con riferimento al Bilancio Consolidato del Gruppo Banca Generali, il Collegio dà atto che lo stesso è stato redatto in applicazione del D.Lgs. n. 38/2005, secondo i principi contabili emanati dallo IASB e le relative interpretazioni dell'IFRC. E' stato inoltre predisposto sulla base delle "Istruzioni per la redazione del bilancio delle imprese e del bilancio consolidato delle Banche e delle società finanziarie capogruppo di gruppi bancari", emanate dalla Banca d'Italia. L'area di consolidamento include la capogruppo Banca Generali S.p.A. e le controllate B.G. Fiduciaria Sim S.p.A., BG SGR S.p.A.; Generfid S.p.A. e Generali Fund Management S.A.

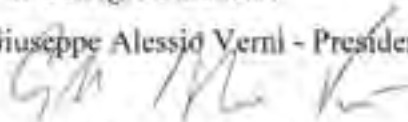
Premesso quanto sopra il Collegio ritiene che il Bilancio per l'esercizio 2011, così come presentatoVi dal Consiglio di Amministrazione, possa essere da Voi approvato ed esprime parere favorevole in merito alla destinazione dell'utile di 68.623.445,00 Euro così come proposta dal Consiglio di Amministrazione.

Il Collegio ricorda che con l'approvazione del Bilancio d'esercizio 2011 viene a scadere altresì il proprio mandato e ringrazia pertanto per la fiducia accordata.

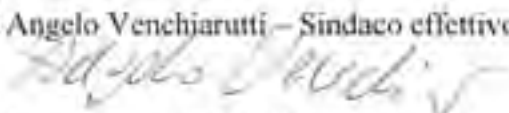
Trieste 30. marzo 2012

Il Collegio Sindacale

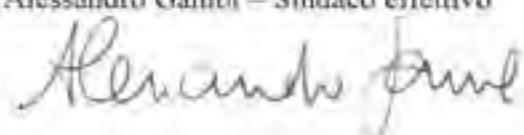
dott. Giuseppe Alessio Verni - Presidente



prof. Angelo Venchiarutti - Sindaco effettivo



dott. Alessandro Gambi - Sindaco effettivo





ATTESTATION

**PURSUANT TO ARTICLE 154-BIS,
PARAGRAPH 5 OF LEGISLATIVE
DECREE 58/98**



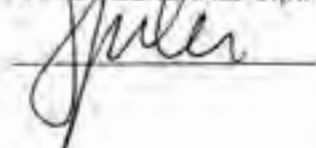
Attestation to the Annual Financial Report Pursuant to Art. 81-ter of CONSOB Regulation 11971 Dated 14 May 1999, as Further Amended and Extended

1. The undersigned Giorgio Angelo Girelli, in his capacity as Chief Executive Officer, and Giancarlo Fancel, in his capacity as Manager in charge of the Financial Reports of Banca Generali S.p.A., taking into account the provisions set out in article 154-bis, paragraphs 3 and 4, of the Legislative Decree dated 24 February 1998, Nr. 58, hereby declare that the administrative and accounting procedures for preparing the Annual Financial Report for the year 2011:
 - are appropriate in light of the features of the company, and
 - have been actually applied.
2. The appropriateness of administrative and accounting procedures for preparing the Annual Financial Report at 31 December 2011 was assessed using a process established by Banca Generali S.p.A. based on the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which is generally accepted as a reference framework worldwide.
3. The undersigned further declare that:
 - 3.1 the Annual Financial Report at 31 December 2011:
 - a) was prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) Nr. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of the Italian Civil Code, and of Legislative Decree Nr. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
 - b) reflects the accounting books and records;
 - c) provides a true and fair view of the asset, liabilities, profit or loss and financial position of the issuer and all its consolidated companies.
 - 3.2 The Directors' report on operations includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

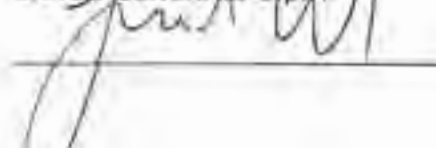
Trieste, 13 March 2012

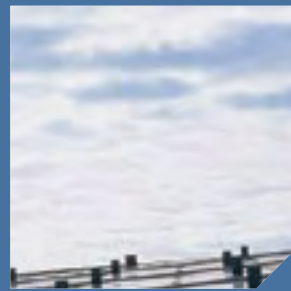
Giorgio Angelo Girelli
Chief Executive Officer

BANCA GENERALI S.p.A.



Giancarlo Fancel
Manager in Charge of
the Company's Financial Reports
BANCA GENERALI S.p.A.







ANNEXES

**BOARD OF DIRECTORS
13 MARCH 2012**



ANNEX 1

DISCLOSURE OF COMPENSATION FOR AUDITING PURSUANT TO ARTICLE 149-duodecies OF CONSOB REGULATION 11971

The following table shows a breakdown of the compensation paid by Banca Generali and the companies of the Banking Group to the independent auditors Reconta Ernst & Young S.p.A. engaged to audit the financial statements in accordance with legislative decree No. 58/98, as well as the entities in the network to which the auditing firm belongs.

| TYPE OF SERVICE | SERVICE PROVIDER | BANCA GENERALI | BANKING GROUP |
|-----------------|--|----------------|---------------|
| Audit | Reconta Ernst & Young S.p.A. | 165 | 337 |
| Certification | Reconta Ernst & Young S.p.A. | 10 | 11 |
| | Studio Legale e Tributario Ernst & Young S.p.A. | - | - |
| Tax consultancy | Studio Legale e Tributario Ernst & Young S.p.A. | - | - |
| Other services | Ernst & Young Financial-Business Advisors S.p.A. | 196 | 196 |
| | Studio Legale e Tributario Ernst & Young S.p.A. | 13 | 16 |
| Total | | 384 | 560 |

Notes:

1. Amounts net of VAT and out-of-pocket expenses

2. The auditing firm also audits the annual report on BG SGR fund management, for an annual fee of 45,000 Euro.





CALL CENTER:
FREE-TOLL NUMBER (FROM ITALY ONLY)
800-155-155

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TEL.: +39 040 7777 111