



BANCA GENERALI S.P.A.

# CONSOLIDATED INTERIM REPORT

as of 30.06.2014



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## as of 30.06.2014

BOARD OF DIRECTORS - 29 JULY 2014

# Banca Generali S.p.A.

## Administration and control bodies

### BOARD OF DIRECTORS

<b>Paolo Vagnone</b>	Chairman
<b>Piermario Motta</b>	Chief Executive Officer
<b>Philippe Donnet</b>	Director
<b>Mario Francesco Anaclerio</b>	Director
<b>Paolo Baessato</b>	Director
<b>Giovanni Brugnoli</b>	Director
<b>Fabio Genovese</b>	Director
<b>Anna Gervasoni</b>	Director
<b>Angelo Miglietta</b>	Director
<b>Ettore Riello</b>	Director

### BOARD OF STATUTORY AUDITORS

<b>Giuseppe Alessio Verni</b>	Chairman
<b>Alessandro Gambi</b>	Acting Auditor
<b>Angelo Venchiarutti</b>	Acting Auditor
<b>Luca Camerini</b>	Alternate Auditor
<b>Anna Bruno</b>	Alternate Auditor

### GENERAL MANAGER

**Piermario Motta**

### MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS

**Stefano Grassi**

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# GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

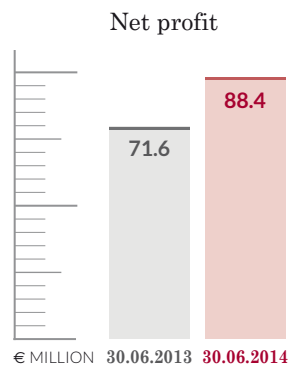
# Group economic and financial highlights

## Consolidated figures

(€ MILLION)	30.06.2014	30.06.2013	CHANGE %
Net interest income	55.3	63.6	-13.1
Net fees	128.3	118.9	7.9
Dividends and net result of financial operations	45.8	6.2	633.5
<b>Net banking income</b>	<b>229.3</b>	<b>188.8</b>	<b>21.5</b>
Staff expenses	-37.4	-34.4	8.7
Other general and administrative expense	-60.0	-52.0	15.3
Amortisation and depreciation	-2.1	-2.4	-13.8
Other operating income/expense	21.0	14.4	46.2
<b>Net operating expense</b>	<b>-78.4</b>	<b>-74.5</b>	<b>5.3</b>
<b>Operating profit</b>	<b>150.9</b>	<b>114.3</b>	<b>32.0</b>
Provisions	-25.8	-21.4	20.6
Adjustments	-4.5	-1.5	208.7
<b>Profit before taxation</b>	<b>120.6</b>	<b>91.5</b>	<b>31.8</b>
<b>Net profit</b>	<b>88.4</b>	<b>71.6</b>	<b>23.5</b>

## Performance indicators

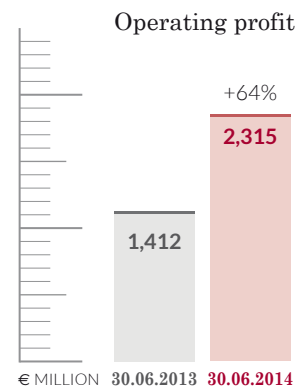
	30.06.2014	30.06.2013	CHANGE %
Cost/Income ratio	33.3%	38.2%	-12.7
EBTDA	153.0	116.7	31.0
ROE	25.5%	26.0%	-1.9
ROA	1.2%	1.1%	15.0
EPS - Earning per share (euro)	0.767	0.628	22.1





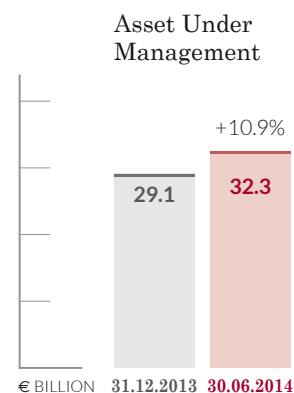
## Net inflows

(€ MILLION - ASSORETI DATA)	30.06.2014	30.06.2013	CHANGE %
Mutual funds and SICAVs	512	1,020	-49.8
Asset management	163	78	109.0
Insurance/Pension funds	1,385	489	183.2
Securities/Current accounts	255	-175	245.7
<b>Total</b>	<b>2,315</b>	<b>1,412</b>	<b>64.0</b>



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

(€ BILLION - ASSORETI DATA)	30.06.2014	31.12.2013	CHANGE %
Mutual funds and SICAVs	9.2	8.4	9.2
Asset management	3.5	3.2	10.4
Insurance/Pension funds	11.1	9.7	15.0
Securities/Current accounts	8.5	7.9	7.9
<b>Total</b>	<b>32.3</b>	<b>29.1</b>	<b>10.9</b>

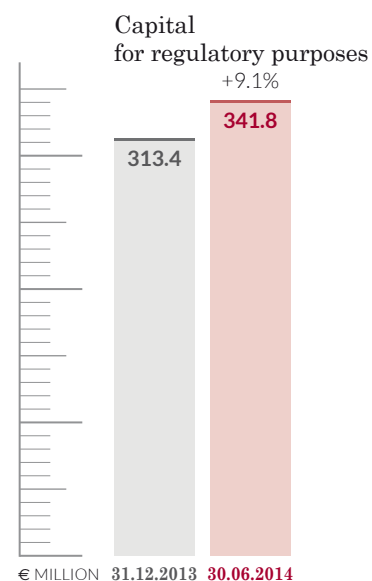


## Net equity

(€ MILLION)	30.06.2014	31.12.2013	CHANGE %
Net equity	470.4	469.1	0.3
Own funds (*)	341.8	313.4	9.1
Excess capital	146.8	144.3	1.7
Total capital ratio (*)	14.02%	14.83%	-5.4

Figures at 30 June 2013, restated pursuant to IFRS 5.

(\*) Own funds and solvency ratio at 31 December 2013, determined based on Basel II rules.





# INTERIM REPORT ON OPERATIONS



# 1. Summary of Half-Year Operations

The Banca Generali Group closed the first six months of 2014 with a net profit of 88.4 million euros, up by 23.5% on the excellent result achieved in the first half of 2013, thus achieving the best half-yearly result in the banking Group's history.

This new milestone reflects the steady increase of both net inflows and AUMs. Banca Generali's total net inflows for the first six months of the year, entirely gathered from retail customers, reached 2.3 billion euros, recording the best half-yearly performance in the bank's history.

Net banking income totalled 229.3 million euros, with a significant improvement of 40.5 million euros compared to the first half of 2013 (+21.5%), due chiefly to the excellent net income from financial operations (+39.6 million euros) — achieved by leveraging the positive performance arising from the decline in the spreads on Italian government debt — as well as the strong increase of the asset management fee income (+18.7%), which offset the reduction of net interest income (-13.1%). Moreover, owing to the acceleration reported in the second quarter of the year, non-recurring performance fees reached 20.7 million euros, thus nearing the highly remarkable results of the first half of 2013.

Net operating expense amounted to 78.4 million euros, showing a more modest growth (+5.3%) reflecting the significant commitments for the implementation of the new service model and the constant upgrading of the bank's digital platform. In addition, at the end of the second quarter legal and advisory fees were recognised in relation to the acquisition of Credit Suisse's business line.

Net provisions and adjustments amounted to 30.3 million euros, up by 7.4 million euros compared to the same period of 2013 (+32.5%), and consisted primarily of accruals relating to incentives, development and contractual indemnities of the Financial Planner network, as well as prudential adjustments to non-performing loans to customers.

The total value of assets managed by the Group on behalf of customers, considered for Assoreti reporting purposes, amounted to 32.3 billion euros at 30 June 2014, up by 10.9% compared to the figure at the end of 2013, placing the Group at the top of the

market of reference.

In addition to this, assets under management also included 1.6 billion euros in deposits of assets under administration of companies of the Generali Group and 0.8 billion euros in mutual funds and discretionary accounts (GPF and GPM) distributed directly by management companies or parties outside the Banking Group for an overall total of 34.7 billion euros.

In the first quarter of 2014, in an economic context still characterised by uncertainties and a weak economic recovery of the Euro Area, in addition to a high level of unemployment and low inflation rates, the Banking Group continued to increase its market share by developing its competitive edge, consisting of a specific combination of high-quality products, networks and service. In this context, the Banking Group's activity focused mainly on implementing and innovating the products managed by the subsidiary BG Fund Management Luxembourg and the search for innovative insurance products promoted and managed by the subsidiary Genertellife.

In addition, in a complex macroeconomic scenario that is bringing to light an increasing need for professional financial advice, the Banking Group continued to strive to enhance its sales network through a selection and recruitment policy aimed at high standing professionals, the implementation of tools supporting the sales network's advisory activity — in particular through the ongoing implementation of the new advisory service model — and, finally, technical and managerial training programmes for its private bankers and financial planners.

With a view to increasing its market share and enhancing its distribution network, the acquisition of the Italian private banking operations of Credit Suisse Italia was approved in July and is expected to be completed in late 2014, subject to the supervisory authorities' authorisation. Through this transaction the Bank will acquire 60 professionals totalling approximately 2.2 billion euros in AUM.

Finally, in the context of the Generali Group's internal reorganisation process, the partial de-merger of the subsidiary Generali Fund Management became effective on 1 July 2014. In brief, the transaction involved the de-merger of the business line managing the funds and SICAVs distributed by the Generali Group's

insurance companies, coinciding, from a capital and financial standpoint, with the minority interests recognised in Banca Generali's financial statements. Accordingly, following the de-merger, Generali Fund Management, which has since been renamed BG Fund Management and has become a fully-owned subsidiary of Banca Generali, will only manage funds and SICAVs distributed to retail customers, primarily of the Banca Generali Group.

Before analysing the Bank's revenues and financial results for the first six months of 2014, macroeconomic information for the main economic regions of the world is reported below, to provide a better understanding of the factors that influenced the results of the Banking Group.

## 2. Macroeconomic context

In the first half of 2014, general **economic data** outlined a global economy in gradual improvement. After an especially severe winter season, which slowed the American recovery, the United States economy returned to an upwards trend, buoyed by a stronger job market and robust private consumption. The Euro Area, which emerged from stagnation in 2013, grew at a modest pace, while nonetheless showing broader signs of improvement in a more uniform manner across all countries in the region. Although surveys indicate that businesses continue to regard the future as uncertain, the expectations of European consumers improved in harmony with the turnaround of the job market, which at an overall level resumed generation of new jobs. Growth in China slowed further in the first few months of the year, to then stabilise at a slightly lower rate than at the end of 2013. Accordingly, the authorities adopted various fiscal and monetary stimulus measures targeting specific sectors, without changing the overall nature of the country's economic policy. The global scenario also benefited from monetary policies that remained highly accommodating. On the one hand, the Federal Reserve proceeded with its tapering of government bond purchases, while keeping liquidity plentiful. On the other, faced with a scenario of lower-than-expected inflation, the ECB responded by rendering its monetary policy more accommodating through specific measures aimed at supporting the real economy. In this context, equity and bond markets were strengthened and the major foreign exchange pairings remained stable.

During the half-year, rates on the Euro Area interbank market held stable until mid-May, after which they declined rapidly in response to the more accommodating stance taken by the ECB. The ECB lowered its benchmark rate range by 10bps, bringing its refinancing rate to 0.15% and the deposit rate to negative territory for the first time at -0.1%. It also announced the introduction of long-term refinancing operations with the specific objective of supporting banking credit for non-financial companies (TLTROs). These operations will have initial funds of 400 billion euros, very long maturities (through autumn 2018) and fixed rates (the refinancing rate plus 10bps). The three-month Euribor – which since the beginning of the year had fluctuated

around the level of 0.3% reached at the end of 2013 – closed the period at 0.21%, whereas starting in mid-May the EONIA rate fluctuated within the range of 0.05%-0.10%. The period continued to show a decline in the Bundesbank's loans to other Central Banks, as measured by the Target2 system, which provide a good approximation of capital movements within the Euro Area.

In this scenario, the equity markets of Developed Countries and Emerging Countries showed an overall positive performance. The MSCI World index rose by 6%, the S&P500 by 7.1% and the Topix by 1.3%. In Europe, the benchmark index for the entire area (the DJ Stoxx 600) grew by 4.2%, while the Euro Area benchmark (the DJ Euro Stoxx) climbed 3.8%. Exchanges in Emerging Markets showed diverging performances in euro according to the reference area: +5.8% overall (the MSCI Emerging Markets index in euro), +23.1% in India and -0.3% in China. The market sectors that performed best in Europe were utilities, real estate, health and energy, whereas technology, retail sales, media, and industrial goods and services showed below-average performance.

In the reporting period, there was a downtrend in bond yields on the markets of reference (Treasuries and Bunds). In further detail, within the Euro Area yields responded to the new scenario of lower-than-expected inflation with a decline, falling to 1.25% at the end of June from 1.94% at the beginning of the year on ten-year maturities. There was a similar, but less marked, decline in U.S. bond yields, which closed the half-year at 2.52%, down from 3.01%, on the same maturities. In this context, and in response to the constant decline in systemic risk in Europe, the trend towards narrower spreads between countries within the European Monetary Union continued, with spreads ending the quarter at levels similar to those recorded in spring 2011. On the Italian market, the process of falling spreads was more accentuated than elsewhere, extending across the entire curve: at the end of the half-year, yields on two-year securities went to 0.60% (-65bps compared to the end of 2013), those on five-year securities to 1.35% (-130bps), those on ten-year securities to 2.85% (-130bps) and those on 30-year securities to 3.98% (-90bps). The

spread between the ten-year BTP and Bund fell to 160 points from 218 points at the end of 2013.

On currency markets, due to the substantial stability of economic policies, the Euro/Dollar exchange rate fluctuated in the upper portion of the range reached at the end of the previous year (1.35-1.40). The euro-yen cross showed a similar, but narrower range of fluctuation, holding around the average of 140.

Lastly, commodities prices showed an uptrend. Oil prices (WTI) rose from about 97 dollars a barrel in early January to over 105 at the end of the six-month period, slightly below the high for the period. Over the same period, gold increased from 1,202 dollars an ounce to a high of slightly above 1,400, to then decline to close the period at 1,322.

## Outlook

In the coming months, the major international organisations foresee a reinforcement of global activity thanks to accelerating growth in the economies of developed countries. They believe that, on the whole, systemic risks have been reduced, while also drawing attention to the delicate nature of an inflation scenario of lower rates than previously expected in advanced economies. In this regard, the International Monetary Fund has urged economic policy authorities not to curtail the abundant supply of liquidity in an abrupt fashion. In the case of emerging countries, it has also issued a reminder that further selective adjustments are necessary in the areas of both current account balances and inflation. In Europe, economic policies continue to be coordinated, and the ECB has further tightened stress tests for banks in view of the launch of the Banking Union.



### 3. Banca Generali’s competitive positioning

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

reference are asset management and distribution through Financial Advisor networks.

#### 3.1 The asset management market

The first half of 2014 saw the continuation of the uptrend in the retail asset management industry that began in 2013, following a long period of crisis. In 2013, in fact, the industry had reported its strongest net inflow performance of the past 13 years (+50 billion euros), with an increase in assets under management that once more exceeded the levels recorded in December 2007. In the first six months of the year, the net inflows reported by the asset management industry in Italy (the Assogestioni market) amounted to 38 billion euros, largely attributable to the UCITS segment.

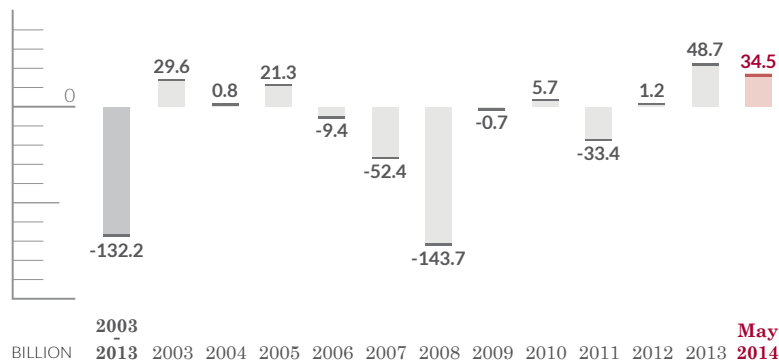
Inflows were also driven in the last period by renewed interest in investments in UCITS by investors through bank branches (over 80% of total inflows according to an estimate by Assoreti). In fact, for many years this segment of the market had constantly recorded high outflows, in clear contrast with to the inflows shown by distribution through Financial Advisors.

Until this reheightened attention towards banks in 2013, this allowed the Financial Advisor sector, which is characterised by an approach with a greater advisory component and is less affected by the funding problems within the banking system, to achieve gradual consolidation of market share now equal to more than one-fifth of the total and constantly increasing over the years.

In particular, in the first five months of 2014, the UCITS market recorded significant net inflows amounting to 34.5 billion euros, two thirds of which represented by foreign UCITS.

The UCITS market in Italy since 2003

(€ billion)



Source: Assogestioni data updated May 2014.

## 3.2 The Assoreti market

In the first five months of 2014, net inflows reported by the Assoreti market (total distribution activity through financial advi-

sors) exceeded by 23% the already extremely positive results registered in 2013.

(€ MILLION)	31.05.2014	31.05.2013	CHANGES
Asset management	4,660	7,309	-2,649
Insurance products	3,202	3,777	-575
Assets under administration and custody	1,284	-3,661	4,945
<b>Total</b>	<b>9,146</b>	<b>7,425</b>	<b>1,721</b>

Source: Assoreti data updated May 2014.

In terms of composition, growth was more balanced than in 2013, with positive values for all components of inflows, although fi-

ancial asset management instruments remained dominant.

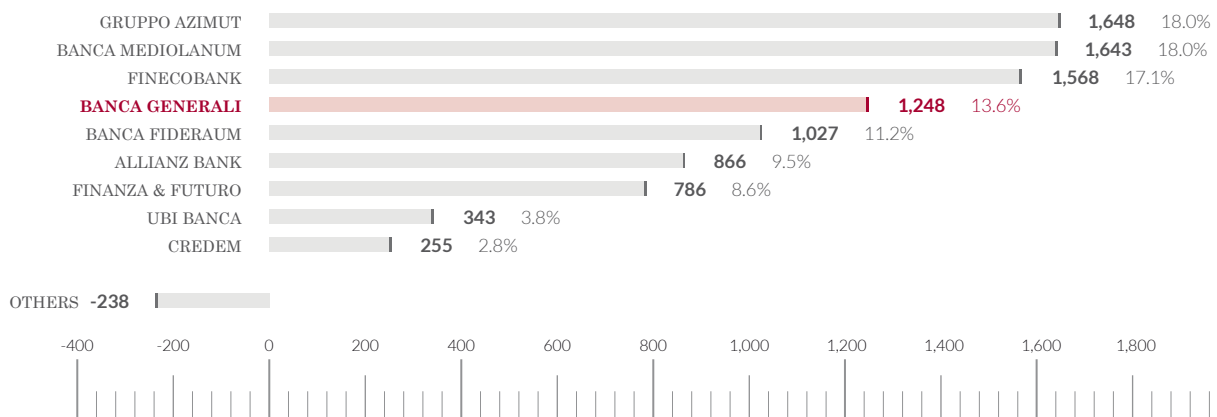
## 3.3 Banca Generali

Within this highly positive scenario, Banca Generali remained among the market leaders in terms of net inflows through Financial Advisors, with an amount exceeding the record levels

of 2013 and a market shares in line with the 13.6% reported at year-end.

### Assoreti total net inflows – 9.1 billion euros

(May 2014, € million)

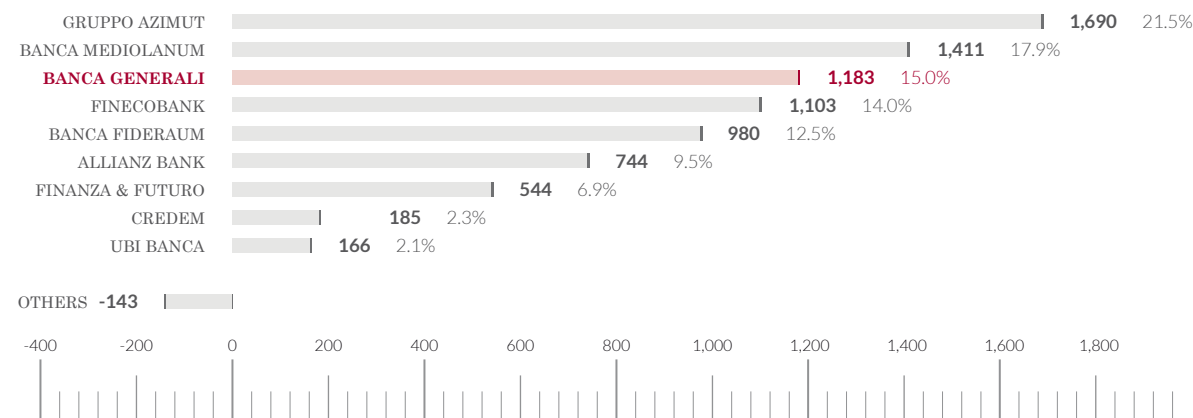


Source: Assoreti.

The figure is even stronger if one considers the asset management and insurance segments together.

## Assoreti net AUM and insurance inflows – 7.9 billion euros

(May 2014, € million)



Source: Assoreti.

The June figures in particular show a strong acceleration of the Bank's net inflows. There are two components of this acceleration: one is ordinary, tied to the high level of attractiveness of Banca Generali's commercial offerings, and the other is extraordinary, relating to a series of recruitments concentrated at the end of the half-year involving financial advisors who previously worked at Simgenia SIM, a company belonging to the Assicurazioni Generali Group that discontinued operation at the end of June. Over 1,000 financial advisors, who also acted as insurance agents, had been working at Simgenia SIM. Just 69 of these advisors received mandates from Banca Generali; some of

the others were transferred to other brokerage firms, while the majority continued to serve as insurance agents only. The new inflows attributable to the new financial advisors are approximately 0.65 billion euros. Net of those inflows, Banca Generali's net inflows through June 2014 (1.7 billion euros) nonetheless represent an approximately 20% improvement on the excellent result achieved in 2013. Attention should be drawn to the insurance performance, which was influenced by the launch of an innovative multi-line policy that accounted for approximately 50% of inflows. Overall, (financial and insurance) managed assets inflows exceeded two billion euros.

## Net inflows of Banca Generali

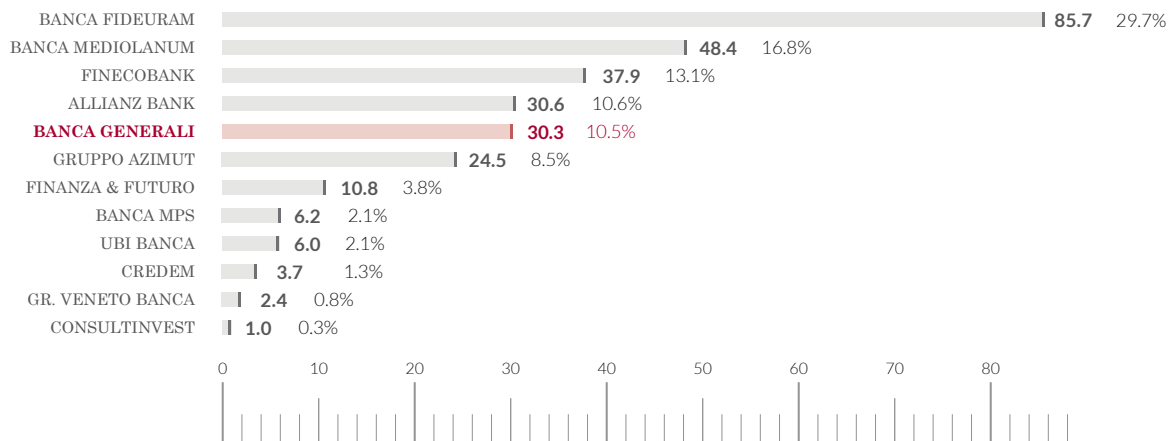
(€ MILLION)	BG GROUP 30.06.2014	BG GROUP 30.06.2013	YOY CHANGES VS 30.06.2013	
			AMOUNT	%
<b>Total assets under management</b>	<b>675</b>	<b>1,098</b>	<b>-423</b>	<b>-39%</b>
Funds and SICAVs	512	1,020	-508	-50%
GPF/GPM	163	78	85	109%
<b>Total insurance products</b>	<b>1,385</b>	<b>489</b>	<b>896</b>	<b>183%</b>
<b>Total assets under administration and custody</b>	<b>255</b>	<b>-175</b>	<b>430</b>	<b>-</b>
<b>Total assets placed by the network</b>	<b>2,315</b>	<b>1,412</b>	<b>903</b>	<b>64%</b>

Banca Generali also ranked among the top five competitors on the market in terms of AUM at March 2014, with a further

slight increase in market share to 10.5% compared to year-end 2013.

## Assoreti total assets – 288 billion euros

(March 2014, € billion)



Source: Assoreti.

Considering the asset under management figures as at June for Banca Generali only – as illustrated in the summary table containing a breakdown by macro-aggregate – and comparing them with the figures from December 2013, it may be observed that AUM increased by approximately 11% during the half-year. The assets in question refer to the Assoreti market, and therefore to the Financial Advisor operating area.

As for the net inflows, a part of this increase (about 0.68 billion) is attributable to the recruitment of former Simgenia Sim financial advisors. Net of this amount, AUM increased nonetheless

significantly by 9% in the half-year, rising sharply in all areas, especially the insurance one. This growth is partly attributable to the net inflows reported in the paragraph above, partly to the strong performances of the products in which customers' assets are invested.

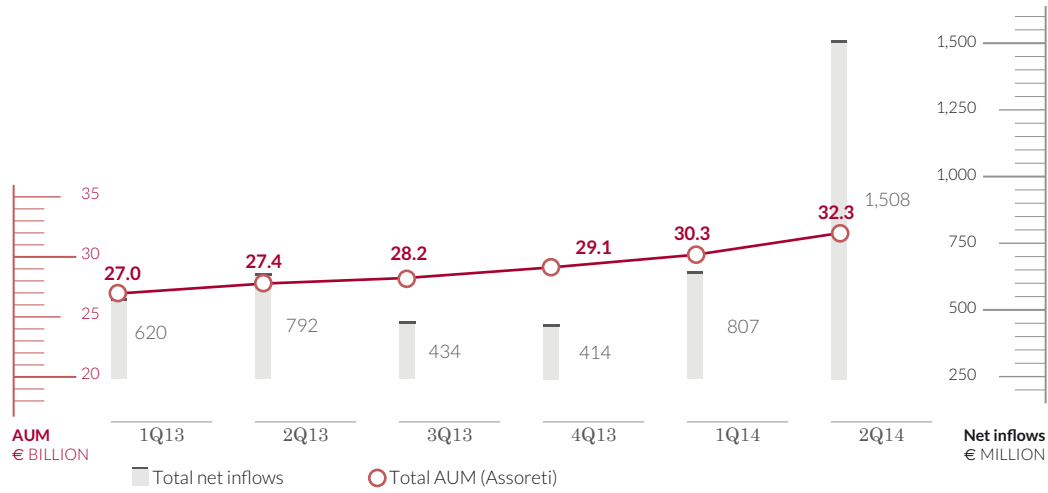
Finally, the percentage invested in asset management and insurance products increased to the detriment of asset administration and custody products, although the latter component increased in absolute terms, driven by the revaluation of securities held in customers' portfolios.

## Banca Generali's total assets

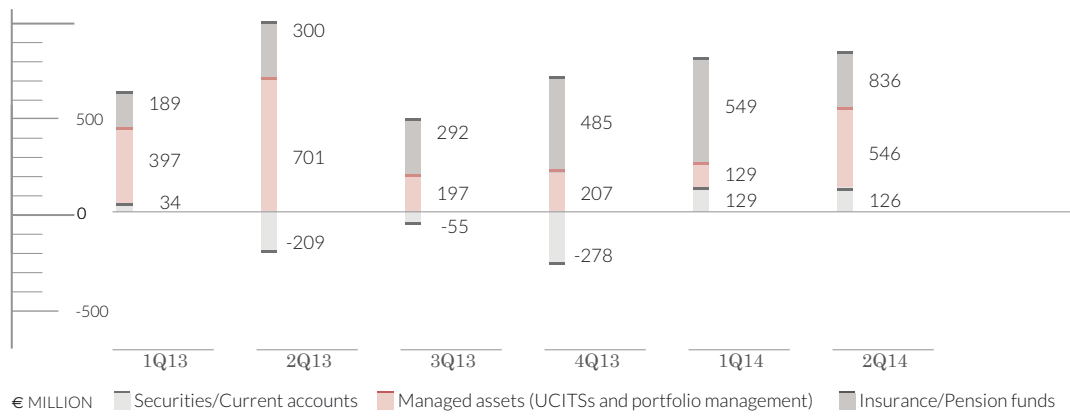
(€ MILLION)	BG GROUP 30.06.2014	BG GROUP 31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
<b>Total assets under management</b>	<b>12,684</b>	<b>11,581</b>	<b>1,103</b>	<b>9.5%</b>
Funds and SICAVs	9,197	8,423	774	9.2%
GPF/GPM	3,487	3,158	329	10.4%
<b>Total insurance products</b>	<b>11,125</b>	<b>9,676</b>	<b>1,450</b>	<b>15.0%</b>
<b>Total assets under administration and custody</b>	<b>8,480</b>	<b>7,859</b>	<b>621</b>	<b>7.9%</b>
<b>Total assets placed by the network</b>	<b>32,289</b>	<b>29,115</b>	<b>3,173</b>	<b>10.9%</b>

Source: Assoreti.

### AUM evolution and net inflows



### Quarterly net inflows breakdown



## 4. Group indirect inflows

The Banking Group's indirect inflows (not limited to the "Assoreti market") consist of inflows from retail and corporate customers through the sale of third-party and group products — asset man-

agement, insurance products and assets under administration and custody (securities portfolios).

### 4.1 Asset management and insurance products

#### Banking Group asset management products

In the asset management sector, in the first half of 2014 the Banking Group worked in the wealth management field through

the portfolio management services of Banca Generali, BG Fund Management and BG Fiduciaria.

(€ MILLION)	BG GROUP 30.06.2014	BG GROUP 31.12.2013 <sup>(*)</sup>	CHANGES VS 31.12.2013	
			AMOUNT	%
Funds and SICAVs	7,511	6,575	936	14.2%
<i>of which: attributable to the banking group GPF</i>	1,126	1,139	-12	-1.1%
GPF/GPM	3,374	3,322	52	1.6%
<b>Total assets managed by the banking group, net of discretionary accounts, included in the GPF of the banking group</b>	<b>9,759</b>	<b>8,758</b>	<b>1,001</b>	<b>11.4%</b>

(\*) Excluding net inflows of the former GIL business line for 7,899 million euros.

Total assets invested in mutual funds and SICAVs managed by the Banking Group amounted to 9.8 billion euros, with a growth of 1.0 billion euros (+11.4%) compared to the end of 2013.

The increase was almost entirely attributable to investments in collective products (UCITS). Group's investments in collective products are currently represented exclusively by Luxembourg SICAVs and are promoted by BG Fund Management, a subsidiary of Banca Generali, with own management or management mandate granted to third parties.

In fact, the aggregate no longer includes the indirect inflows relating to the business unit of BG Fund Management Luxembourg SA responsible for management of the funds/SICAVs distributed by the Generali Group's insurance companies (former GIL unit), de-merged effective 1 July 2014 and classified as a disposal group in this half-yearly report pursuant to IFRS 5.

At 30 June 2014, net inflows gathered by this business unit amounted to 13,909 million euros, compared to 7,899 million euros at the end of the previous year (+6,010 million euros).

#### Third-party asset management products

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

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

In June 2014, third-party assets amounted to 3,914 million euros, with an increase of 0.6 billion euros. This was due to the adoption

of the so-called “open architecture,” which affords customers access to a very wide range of investment products, including at an international level, in support of the advisory approach that characterises Banca Generali’s products and services.

In addition, with reference to the placement of third-party products, it should also be noted that over the years investments directed towards the Luxembourg umbrella fund-of-funds BG Fund Management also increased significantly. The SICAV is promoted directly by the Banca Generali Group but invests primarily in third-party UCITSs. Moreover, and in confirmation of the product’s multi-manager orientation, at the end of 2009 and during the following years management of the majority of sub-funds

has been 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. A similar strategy has been recently adopted for the BG Sicav sub-funds. Overall, 73% of BG Selection and BG Sicav sub-funds resort to third-party management. Accordingly, in the funds and SICAV sector, the diversification achieved through third-party products, whether directly or indirectly through the SICAVs of BG Fund Management, represents about 84% of retail customers’ total investments in UCITSs.

(€ MILLION)	BG GROUP 30.06.2014	BG GROUP 31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
Funds and SICAVs	3,721	3,290	431	13.1%
GPF/GPM	193	-	193	n.a.
<b>Total third-party asset management products</b>	<b>3,914</b>	<b>3,290</b>	<b>624</b>	<b>19.0%</b>

### Third-party insurance products

Almost all assets invested in insurance and retirement products consist of traditional and unit-linked Genertellife policies, companies of the Assicurazioni Generali Group. Such assets stood at 11,125 million euros at the end of June 2014, up 15% compared to December 2013. This result was mainly

due to the considerable new business written during the year, less redemptions and expiring contracts, largely attributable to the innovative multi-class policy “Stile Libero”, which gathered approximately 0.7 billion euros for the reporting period.

(€ MILLION)	BG GROUP 30.06.2014	BG GROUP 31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
Insurance products (unit-linked, policies, etc)	11,125	9,676	1,450	15.0%
<b>Total third-party insurance products</b>	<b>11,125</b>	<b>9,676</b>	<b>1,450</b>	<b>15.0%</b>

## 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 2013, these amounted to 6,217 million euros at market value, compared to 6.191 million euros reported at the end of 2013.

(€ MILLION)	BG GROUP 30.06.2014	BG GROUP 31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
<b>Indirect inflows of assets under administration and custody of the banking group (market value)</b>	<b>6,217</b>	<b>6,191</b>	<b>26</b>	<b>0.4%</b>
<i>of which:</i>				
- securities portfolios of the Generali Group's clients	309	335	-26	-7.6%
- other customers' securities portfolios	5,908	5,857	51	0.9%

## 5. Operating result and performance of the main equity aggregates

As a consequence of the partial de-merger by the Luxembourg subsidiary GFM S.A. of the unit responsible for managing funds/SICAVs distributed by the Generali Group's insurance companies effective 1 July 2014, the assets and liabilities associated with the business unit and the unit's half-yearly profit and loss performance have been accounted for in accordance with IFRS 5. In further detail, the assets and liabilities of the de-merged unit as at 30 June 2014 have been classified as disposal groups

and associated liabilities, respectively, whereas the profit and loss components associated with the unit have been grouped into a single item presenting the profits and losses of disposal groups.

Accordingly, the profit and loss figures for the same period of the previous year have also been restated in the interest of greater comparability.

### 5.1 Profit and loss results

The Group's net profit at the end of the first half of 2014 was 88.4 million euros, up by 23.5% compared to the already excellent re-

sult reported at the end of the same period in 2013.

(€ THOUSAND)	30.06.2014	30.06.2013 RESTATED (*)	CHANGES	
			AMOUNT	%
<b>Net interest</b>	<b>55,281</b>	<b>63,632</b>	<b>-8,351</b>	<b>-13.1%</b>
<b>Net fees</b>	<b>128,279</b>	<b>118,925</b>	<b>9,354</b>	<b>7.9%</b>
Dividends	772	856	-84	-9.8%
Net result of financial operations	44,994	5,383	39,611	735.9%
<b>Net operating income</b>	<b>229,326</b>	<b>188,796</b>	<b>40,530</b>	<b>21.5%</b>
Staff expenses	-37,372	-34,386	-2,986	8.7%
Other general and administrative expense	-59,980	-52,030	-7,950	15.3%
Net adjustments of property, equipment and intangible assets	-2,074	-2,406	332	-13.8%
Other operating expense/income	20,982	14,356	6,626	46.2%
<b>Net operating expense</b>	<b>-78,444</b>	<b>-74,466</b>	<b>-3,978</b>	<b>5.3%</b>
<b>Operating profit</b>	<b>150,882</b>	<b>114,330</b>	<b>36,552</b>	<b>32.0%</b>
Net adjustments for non-performing loans	-3,724	-555	-3,169	571.0%
Net adjustments of other assets	-767	-900	133	-14.8%
Net provisions	-25,797	-21,396	-4,401	20.6%
Gain (loss) from equity investments	-10	-4	-6	150.0%
<b>Operating profit before taxation</b>	<b>120,584</b>	<b>91,475</b>	<b>29,109</b>	<b>31.8%</b>
Income taxes for the period	-31,881	-19,885	-11,996	60.3%
Gains from non-current assets held for sale	2,867	2,487	380	15.3%
Profit attributable to minority interests	-3,127	-2,487	-640	25.7%
<b>Net profit</b>	<b>88,443</b>	<b>71,590</b>	<b>16,853</b>	<b>23.5%</b>

(\*) Restated in accordance with IFRS5.



**Net operating income** amounted to 229.3 million euros, with an increase of 40.5 million euros (+21.5%) compared to the previous year, due to several factors:

- the contribution of non-recurring components of operating profit (66.4 million euros), chiefly attributable to the excellent result of financial activities (45.7 million euros) achieved by leveraging the positive performance arising from the decline in the spreads on Italian government debt and the strong increase of the asset management fee income (20.7 million euros), which neared the extremely high levels of the first half of 2013;
- the increase in management fees of over 26 million euros (+18.7%), in line with the significant rise in average AUM compared to the first half of the previous year, which allowed the stabilisation of net fees, offsetting the lower contribution of non-recurring performance-related components;
- the decline in net interest (-8.4 million euros), affected primarily by the dramatic decline in yields on the Italian government bond market.

**Net operating expense** amounted to 78.4 million euros, showing a more modest growth (+5.3%) reflecting the significant commitments for the implementation of the new service model and the constant updating of the bank's digital platform. In addition, at the end of the second quarter legal and advisory fees were recognised in relation to the acquisition of Credit Suisse's business line.

The **cost/income ratio**, which measures the ratio of operating costs, gross of value adjustments to tangible and intangible assets, to net operating income, decreased to 33.3%, confirming

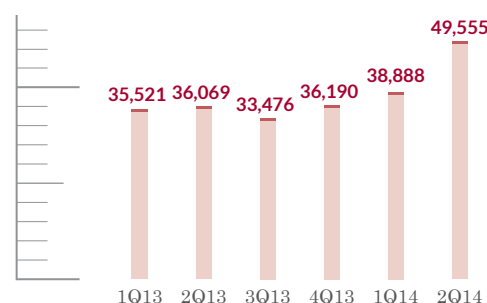
the positive operating leverage effect, which saw the cost performance outpaced by the revenue performance.

Net provisions and adjustments amounted to 30.3 million euros, up by 7.4 million euros compared to the same period of 2013 (+32.5%), and consisted primarily of accruals relating to incentives, development and contractual indemnities of the Financial Planner network, as well as prudential adjustments to non-performing loans to customers.

**Operating profit before taxation** thus was 120.6 million euros, up by 31.8 million euros compared to the same period of 2013.

Finally, the net profit for the period was affected by the greater taxes accrued, which, however, were essentially related to the increase during the reporting period in the taxable income generated by the Group's Italian companies in relation to consolidated operating profit before taxation.

Quarterly net profit (€ thousand)



#### Quarterly evolution of the profit & loss account

(€ THOUSAND)	2Q2014	1Q2014	4Q2013	3Q2013	2Q2013	1Q2013
<b>Net interest</b>	<b>26,608</b>	<b>28,673</b>	<b>29,515</b>	<b>28,695</b>	<b>30,151</b>	<b>33,481</b>
<b>Net fees</b>	<b>70,677</b>	<b>57,602</b>	<b>60,919</b>	<b>46,544</b>	<b>58,152</b>	<b>60,773</b>
Dividends	751	21	7	52	848	8
Net result of financial operations	26,688	18,306	7,690	4,992	4,032	1,351
<b>Net operating income</b>	<b>124,724</b>	<b>104,602</b>	<b>98,131</b>	<b>80,283</b>	<b>93,183</b>	<b>95,613</b>
Staff expenses	-19,298	-18,074	-18,192	-16,905	-16,718	-17,668
Other general and administrative expense	-29,423	-30,557	-27,603	-25,594	-28,247	-23,783
Net adjustments of property, equipment and intangible assets	-1,043	-1,031	-1,377	-1,262	-1,254	-1,153
Other operating expense/income	10,627	10,355	10,749	6,061	10,317	4,040
<b>Net operating expense</b>	<b>-39,137</b>	<b>-39,307</b>	<b>-36,423</b>	<b>-37,700</b>	<b>-35,902</b>	<b>-38,564</b>
<b>Operating profit</b>	<b>85,587</b>	<b>65,295</b>	<b>61,708</b>	<b>42,583</b>	<b>57,281</b>	<b>57,049</b>
Net adjustments for non-performing loans	-3,379	-345	-3,931	-429	212	-767
Net adjustments of other assets	-178	-589	-254	-4	-302	-598
Net provisions	-15,410	-10,387	-4,132	2,629	-10,661	-10,735
Gain (loss) from equity investments	-	-10	-	-	-	-4
<b>Operating profit before taxation</b>	<b>66,620</b>	<b>53,964</b>	<b>53,391</b>	<b>44,779</b>	<b>46,530</b>	<b>44,945</b>
Income taxes for the period	-17,293	-14,588	-17,077	-11,303	-10,461	-9,424
Gains from non-current assets held for sale	1,985	882	1,259	815	1,524	963
Profit attributable to minority interests	-1,757	-1,370	-1,383	-815	-1,524	-963
<b>Net profit</b>	<b>49,555</b>	<b>38,888</b>	<b>36,190</b>	<b>33,476</b>	<b>36,069</b>	<b>35,521</b>

### 5.1.1 Net interest

Net interest income was 55.3 million euros, down by 8.4 million euros compared to the figure reported in the first half of 2013 (-13.1%), driven by the constant decline in the profitability of investments arising on the ongoing downtrend in interest rates.

In the first half of 2014, the interest rate evolution continued to be characterised by the following factors:

- a decrease in the average yields on Italian government bonds which, on maturities of less than 3 year, reported a decline by more than 45% compared to the same period in 2013;
- essentially stable interbank rates, with average short-term Euribor rates at yet extremely low levels (on average, 0.25% for one-month Euribor and 0.33% for three-month Euribor in the reporting period), but increasing compared to figures for the same period of 2013.

However, it should be noted that in early June the ECB further reduced the interest rate applied to primary refinancing operations by 10 bps, in addition to lowering the rates paid to banks on deposits with the ECB to negative territory (-0.10%) for the first time, thus triggering a further decline in interbank rates.

The interest rate requested by the ECB for its primary refinancing transactions (LTROs) was decreased to 0.75% in July 2012 and then further lowered to 0.5% in May 2013 and lastly to 0.25% on 11 November 2013 and to 0.15% on 6 June 2014.

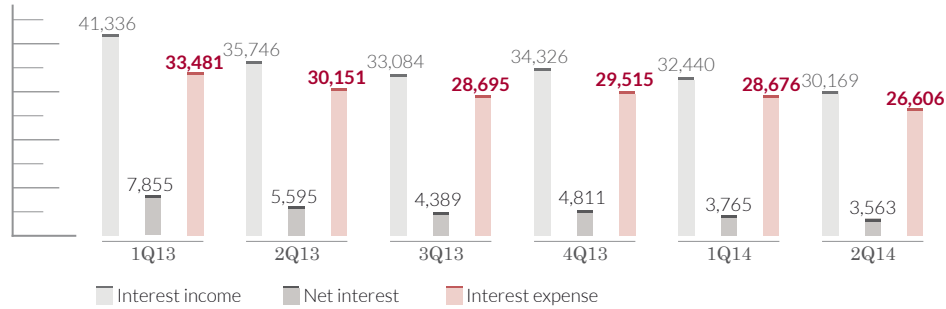
Against this background, in Banca Generali's case interest rate dynamics had a much more pronounced impact on the profitability of loans and investments, closely tied to the performance of Italian government bond yields, than on the cost of funding, which has now reached extremely low levels.

Interest income decreased by 14.5 million euros, chiefly due to the decline in the return on the government bond portfolio, only partially offset by the increase in loans to customers.

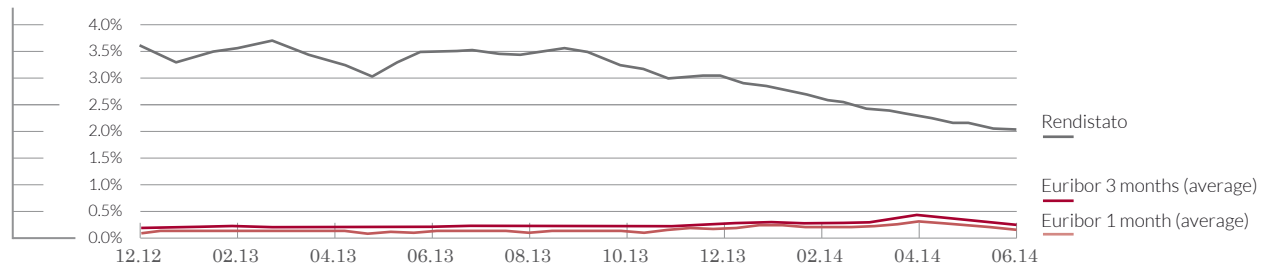
By contrast, the cost of inflows almost halved (-6.1 million euros), due to a general decline in expenses across all sectors of operation, from ECB LTRO deposits (-3.0 million euros) to interbank transactions and transactions with customers in the form of repurchase agreements (-1.5 million euros) and ordinary inflows from customers (-1.3 million euros).

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
HFT financial assets	446	8,646	-8,200	-94.8%
AFS financial assets	14,787	12,105	2,682	22.2%
HTM financial assets	32,364	44,687	-12,323	-27.6%
Financial assets classified among loans	2,276	1,973	303	15.4%
<b>Total financial assets</b>	<b>49,873</b>	<b>67,411</b>	<b>-17,538</b>	<b>-26.0%</b>
Loans to banks	559	443	116	26.2%
Loans to customers	12,175	9,228	2,947	31.9%
Hedging derivatives	-	-	-	n.a.
Other assets	2	-	2	n.a.
<b>Total interest income</b>	<b>62,609</b>	<b>77,082</b>	<b>-14,473</b>	<b>-18.8%</b>
Due to ECB	1,325	4,357	-3,032	-69.6%
Due to banks	238	298	-60	-20.1%
Repurchase agreements - banks	1,575	2,108	-533	-25.3%
Due to customers	3,792	5,143	-1,351	-26.3%
Repurchase agreements - customers	152	1,155	-1,003	-86.8%
Subordinated loan	246	389	-143	-36.8%
Other liabilities	-	-	-	n.a.
<b>Total interest expense</b>	<b>7,328</b>	<b>13,450</b>	<b>-6,122</b>	<b>-45.5%</b>
<b>Net interest</b>	<b>55,281</b>	<b>63,632</b>	<b>-8,351</b>	<b>-13.1%</b>

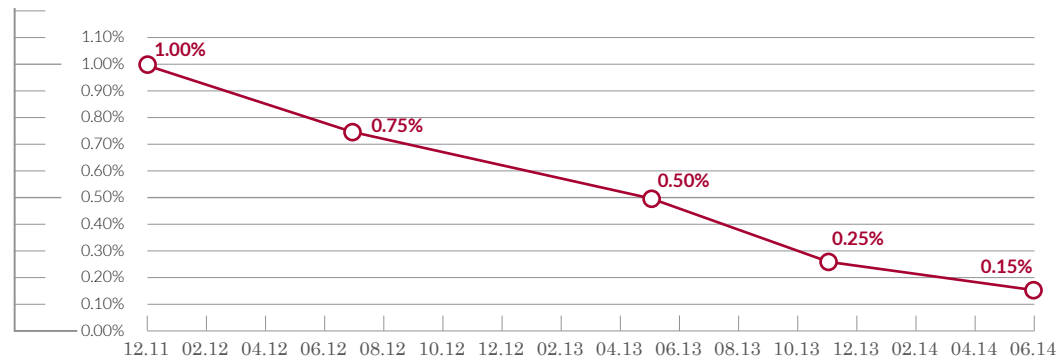
Net interests (€ thousand)



Interest rate evolution (monthly average)



ECB - Primary refinancing operations (LTROs)



In the first half of 2014, the ratio of LTROs to net interest income is estimated at 25% of the overall result.

## 5.1.2 Net fees

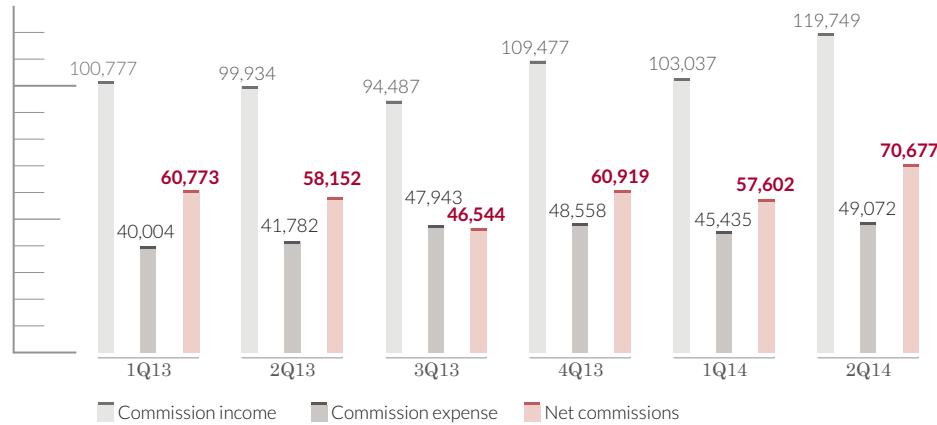
The fees aggregate amounted to **128.3 million euros**, increasing by 7.9% compared to the first half of 2013.

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Collective and individual portfolio management fees	128,043	119,323	8,720	7.3%
Fees on the placement of securities and UCITs	28,297	23,136	5,161	22.3%
Fees on the distribution of third-party financial products	49,596	39,250	10,346	26.4%
Fees on trading and securities custody	12,507	14,605	-2,098	-14.4%
Other banking services	4,343	4,397	-54	-1.2%
<b>Total fee income</b>	<b>222,786</b>	<b>200,711</b>	<b>22,075</b>	<b>11.0%</b>
Fees for external offer	80,473	67,964	12,509	18.4%
Fees for dealing in securities and custody	3,708	5,022	-1,314	-26.2%
Fees for asset management	8,661	7,344	1,317	17.9%
Other banking services	1,665	1,456	209	14.4%
<b>Total fee expense</b>	<b>94,507</b>	<b>81,786</b>	<b>12,721</b>	<b>15.6%</b>
<b>Net fees</b>	<b>128,279</b>	<b>118,925</b>	<b>9,354</b>	<b>7.9%</b>

**Fee income** increased by 22.1 million euros overall (+11.0%), owing primarily to the contribution by management commissions (+26.4 million euros), driven by the significant progress in terms of average AUM compared to the same period of the previous year.

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Underwriting fees	17,261	15,696	1,565	10.0%
Management fees	167,993	141,586	26,407	18.7%
Incentive fees	20,682	24,427	-3,745	-15.3%
Fees for other banking and financial services	16,850	19,002	-2,152	-11.3%
<b>Total</b>	<b>222,786</b>	<b>200,711</b>	<b>22,075</b>	<b>11.0%</b>

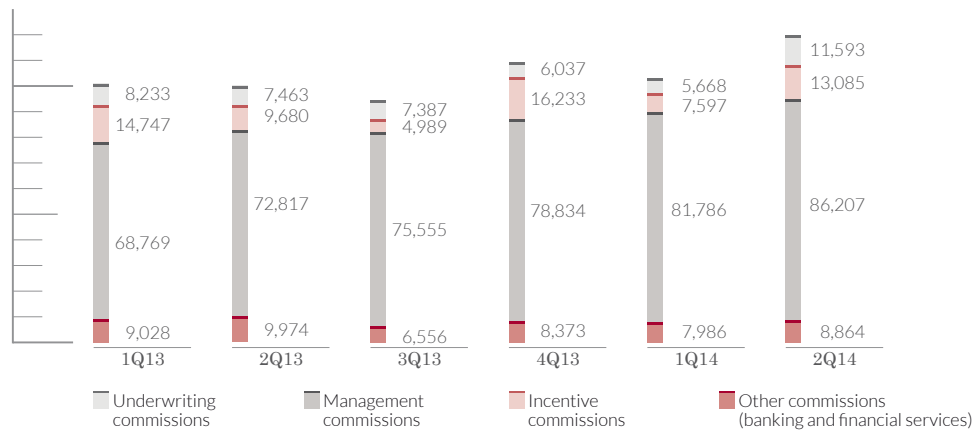
Commission income (€ thousand)



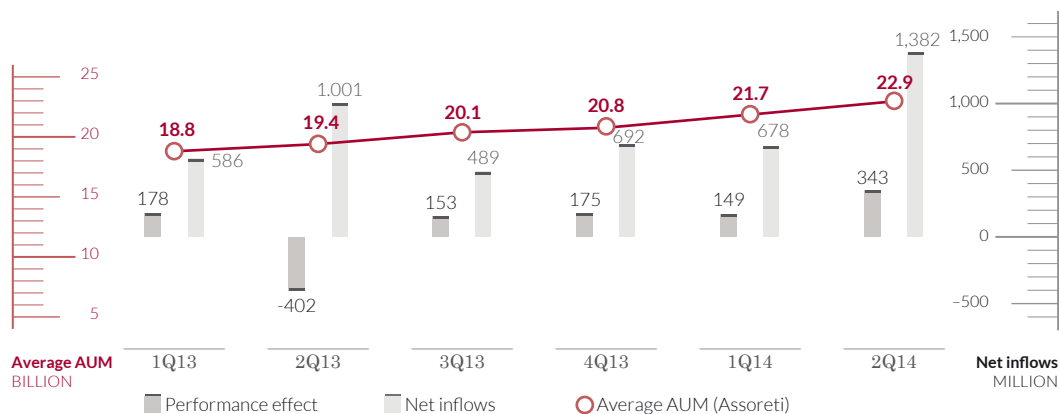
Underwriting fees also showed an increase compared to 2013, owing to the remarkable results of net inflows in the period, whereas the contribution provided by performance fees – which amounted to 20.7 million euros following a sharp rise in the second quarter of the year – was in line with the record levels

achieved in 2013 (-3.7 million euros). Fees for other banking services (down 11.3%) were significantly influenced by fluctuations in trading activities on behalf of retail and corporate customers.

Commission income structure (€ thousand)



## Evolution of managed assets and life insurance AUM



Fee income from the **solicitation of investment and asset management** of households amounted to 205.9 million euros, with an increase of 24.2 million euros compared to the previous year, mainly driven by both the placement and distribution of third-party services (+24.9%).

Within this segment, the distribution of the insurance products of **Genertellife** continued to grow (+10.3 million euros, or +26.4%), thanks to the success obtained by the new multi-class policy BG Stile Libero, which has reported approximately 700 million euros in net inflows since its launch in March.

The first half of 2014 also proved extremely positive in terms of placement of UCITs, which showed an increase of 21.6% com-

pared to 2013 (+4.2 million euros), owing mainly to both the development of promotional activities of products of foreign principal companies and the contribution of front-end fees collected in relation to the Group's SICAVs.

In the segment of the SICAVs promoted by the Banking Group, there was continuing structural growth of management fees (+12.4 million euros), only partially offset by the lower contribution of performance fees.

The result of individual portfolio management appears stable overall, due both to the less favourable VAT rules which penalise the product, and to redemptions in the half-year period.

	30.06.2014	30.06.2013 RESTATED	CHANGES	
			AMOUNT	%
1. Collective asset management	109,466	100,801	8,665	8.6%
3. Individual asset management	18,577	18,523	54	0.3%
<b>Fees on asset management</b>	<b>128,043</b>	<b>119,324</b>	<b>8,719</b>	<b>7.3%</b>
1. Placement of UCITs	23,643	19,442	4,201	21.6%
<i>of which: placement of UCITs promoted by the Group</i>	3,871	3,845	26	0.7%
3. Bond placement	4,653	3,693	960	26.0%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	279	203	76	37.4%
5. Distribution of third-party insurance products	49,265	38,976	10,289	26.4%
6. Distribution of other third-party financial products	53	71	-18	-25.4%
<b>Fees for the placement and distribution of financial services</b>	<b>77,893</b>	<b>62,385</b>	<b>15,508</b>	<b>24.9%</b>
<b>Asset management fee income</b>	<b>205,936</b>	<b>181,709</b>	<b>24,227</b>	<b>13.3%</b>

**Fee expense** amounted to 94.5 million euros, with an increase by 12.7 million euros compared to previous year (+15.6%), which however is substantially in line with the evolution of recurring components of fee income.

The Group's total pay-out ratio, compared to recurring fee income, stood at 43.4%, in line with the same period of the previous year.

**Distribution fee expense** reached 80.5 million euros, showing an

increase of 12.5 million euros compared to the first half of 2013, primarily owing to the increase of management fees paid back to the sales network (+18.8%) in light of the increase of average AUM compared to the volumes of the previous year.

However, the aggregate was also significantly influenced by the increase in incentive fees (+36.3%), tied to the success of the recruitment plans, as well as by other fees, primarily related to the costs of the sales network.

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Front-end fees	10,394	9,913	481	4.9%
Management fees	54,079	45,518	8,561	18.8%
Incentive fees	6,009	4,408	1,601	36.3%
Other fees	9,991	8,125	1,866	23.0%
<b>Total</b>	<b>80,473</b>	<b>67,964</b>	<b>12,509</b>	<b>18.4%</b>

**Other net fees** from banking services offered to customers include trading, order collection and custody and administration fees, in addition to fees charged to customers for account-keeping expenses and other services.

The aggregate stood at 11.4 million euros, decreasing slightly compared to 2013 (-8.4%), chiefly due to the reduction in net revenues on trading services rendered to the product companies of the banking and insurance group.

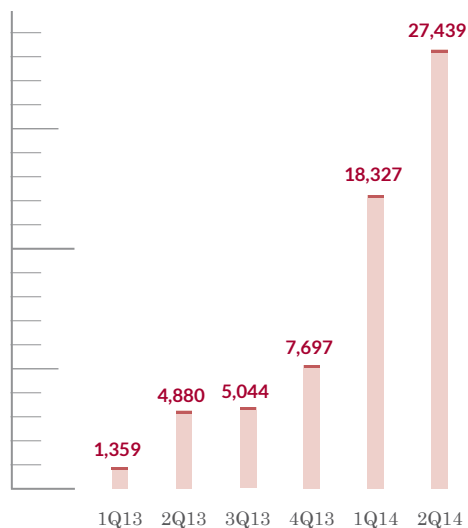
In addition, within this segment the reduction of fee income on order collection and, symmetrically, of trading fee expense appears essentially linked to the strong decline in the operations in some foreign markets characterised by costs associated with the new forms of taxation (Italian and French FTT, stamp duty tax and other similar forms of taxation).

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Dealing in securities and currencies	8,799	9,481	-682	-7.2%
Order collection and securities custody commissions	3,708	5,124	-1,416	-27.6%
Collection and payment services	1,780	2,007	-227	-11.3%
Fee income and account keeping expenses	1,718	1,388	330	23.8%
Consultancy	501	259	242	93.4%
Other services	344	743	-399	-53.7%
<b>Total traditional banking operations</b>	<b>16,850</b>	<b>19,002</b>	<b>-2,152</b>	<b>-11.3%</b>
Securities trading and custody	-3,708	-5,022	1,314	-26.2%
Collection and payment services	-1,542	-1,305	-237	18.2%
Other services	-123	-151	28	-18.5%
<b>Total fee expense</b>	<b>-5,373</b>	<b>-6,478</b>	<b>1,105</b>	<b>-17.1%</b>
<b>Net fees</b>	<b>11,477</b>	<b>12,524</b>	<b>-1,047</b>	<b>-8.4%</b>

### 5.1.3 Net profit from trading and financial operations

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

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



At the end of the first half of 2014, this aggregate gave a positive contribution of 45.7 million euros, marking an absolutely remarkable result in relation to the Banca Generali's whole history.

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Dividends from trading	77	55	22	40.0%
Trading of financial assets and equity derivatives	41	-16	57	-356.3%
Trading of financial assets and derivatives on debt securities and interest rates	927	-10,245	11,172	-109.0%
Trading of UCITS units	264	395	-131	-33.2%
Securities transactions	1,309	-9,811	11,120	-113.3%
Currency and currency derivative transactions	1,529	1,005	524	52.1%
<b>Net profit (loss) from trading operations</b>	<b>2,838</b>	<b>-8,806</b>	<b>11,644</b>	<b>-132.2%</b>
Net profit from hedging	-	-	-	n.a.
Dividends from AFS assets	695	801	-106	-13.2%
Gains and losses on equity securities and UCITSs	52	141	-89	-63.1%
Gains and losses on AFS and HTM debt securities and loans	42,181	14,104	28,077	199.1%
<b>Net profit (loss) of financial operations</b>	<b>45,766</b>	<b>6,240</b>	<b>39,526</b>	<b>633.4%</b>



This result is mainly attributable to the gains realised in the reporting period on the purchase of medium/long-term government bonds allocated to the portfolio of AFS assets (39.2 million

euros), and to a lesser extent, corporate securities, primarily classified amongst loans to banks.

(€ THOUSAND)	GAINS	LOSSES	TRANSFER OF RESERVES	30.06.2014	30.06.2013	CHANGES
AFS financial assets	32,713	-108	6,659	39,264	12,123	27,141
- Debt securities	32,712	-92	6,592	39,212	11,982	27,230
- Equity securities	1	-16	67	52	52	-
- UCITS units	-	-	-	-	89	-89
Financial assets classified among loans	2,969	-	-	2,969	2,132	837
HTM financial assets	-	-	-	-	-10	10
<b>Total</b>	<b>35,682</b>	<b>-108</b>	<b>6,659</b>	<b>42,233</b>	<b>14,245</b>	<b>27,988</b>

The overall result of trading activities was also positive (2.8 million euros), a reversal of the trend witnessed in the first half of 2013, which was weighed down by the net losses realised (-7.4 million euros) in relation to a government securities portfolio set

to mature in the near term, acquired inbetween late 2012 and early 2013. It also bears noting that the above losses were accompanied by interest income of 8.6 million euros accrued on that same portfolio.

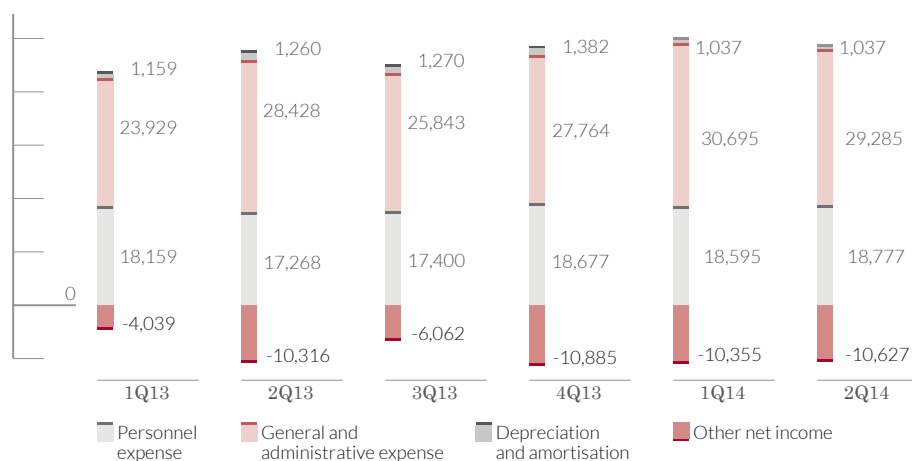
(€ THOUSAND)	CAPITAL GAINS	CAPITAL LOSSES	GAINS	LOSSES	NET RESULT 30.06.2014	NET RESULT 30.06.2013	CHANGES
<b>1. Financial assets</b>	<b>792</b>	<b>73</b>	<b>445</b>	<b>304</b>	<b>860</b>	<b>-6,995</b>	<b>7,855</b>
Debt securities	527	1	205	173	558	-7,374	7,932
Equity securities	71	72	139	100	38	-16	54
UCITS units	194	-	101	31	264	395	-131
<b>2. Derivatives</b>	<b>369</b>	<b>-</b>	<b>409</b>	<b>406</b>	<b>372</b>	<b>-2,861</b>	<b>3,233</b>
Interest rate swaps	-	-	-	-	-	25	-25
Forward contracts	369	-	-	-	369	-2,897	3,266
Options on equity securities	-	-	1	-	1	-	1
Options on currencies and gold	-	-	408	406	2	11	-9
<b>3. Currency transactions</b>	<b>-</b>	<b>-</b>	<b>1,529</b>	<b>-</b>	<b>1,529</b>	<b>994</b>	<b>535</b>
<b>4. Total</b>	<b>1,161</b>	<b>73</b>	<b>2,383</b>	<b>710</b>	<b>2,761</b>	<b>-8,862</b>	<b>11,623</b>

## 5.1.4 Operating expenses

**Operating expense**, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses amounted to 78.4 million euros, marking an overall increase of 4.0 million euros compared to the same period of the previous year (+5.3%).

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Staff expenses	37,372	34,386	2,986	8.7%
Other general and administrative expense	59,980	52,030	7,950	15.3%
Net adjustments of property, equipment and intangible assets	2,074	2,406	-332	-13.8%
Other income and charges	-20,982	-14,356	-6,626	46.2%
<b>Operating expenses</b>	<b>78,444</b>	<b>74,466</b>	<b>3,978</b>	<b>5.3%</b>

Operating expenses structure (€ thousand)



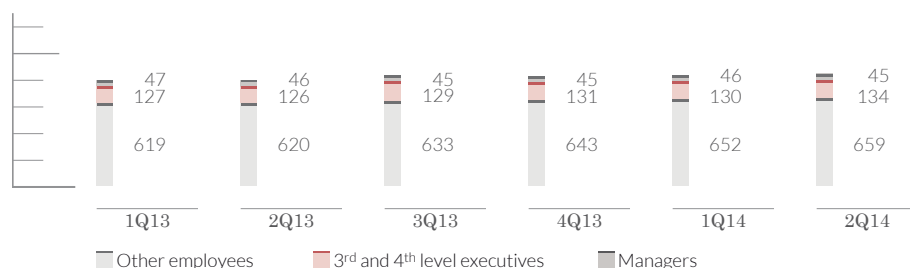
**Staff expenses** for full-time employees, interim staff and directors reached 37.3 million euros, mainly due both to a slight rise in the compensation component, and the natural increase in staff numbers associated with the expansion of operations.

The increase, both in terms of average and exact figures, therefore amounted to 25 (+3.1%) compared to the previous year. Specifically, there was an increase of 19 indefinite-term resources aimed at adding specialised professionals to the units supporting business development and the reinforcement of support and auditing units.

Group employees totalled 841 at the end of the reporting period and included 5 staff of the former GIL business unit, whose demerger took effect on 1 July 2014.

	30.06.2014	30.06.2013	CHANGES		2014 AVERAGE	2013 AVERAGE
			AMOUNT	%		
Managers	43	44	-1	-2.3%	45	45
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	137	132	5	3.8%	134	129
Other employees	661	640	21	3.3%	647	627
<b>Total</b>	<b>841</b>	<b>816</b>	<b>25</b>	<b>3.1%</b>	<b>826</b>	<b>801</b>

## Evolution of indefinite-term staff (quarterly average)



With regard to remuneration, it should be noted that the recurring component increased (+9.1%), particularly against a virtually stable incentive component (+1.1%), associated with several factors (new LTIP cycle, performance bonus, sales incentives, etc).

Finally, the increase in other employee benefits was mainly due to higher expenses associated with supplementary health insurance.

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
<b>1) Employees</b>	<b>36,588</b>	<b>33,624</b>	<b>2,964</b>	<b>8.8%</b>
Salaries and social security charges	25,689	23,543	2,146	9.1%
Provision for termination indemnity and supplementary pension funds	1,785	2,015	-230	-11.4%
Costs related to payment agreements based on own financial instruments	282	112	170	151.8%
Short/term productivity bonuses (MBO, supplementary contracts, sales incentives)	5,961	5,658	303	5.4%
Other long-term incentives (LTIP, MBO)	707	1,103	-396	-35.9%
Other employee benefits (*)	2,164	1,193	971	81.4%
<b>2) Other staff</b>	<b>52</b>	<b>68</b>	<b>-16</b>	<b>-23.5%</b>
<b>3) Directors and Auditors</b>	<b>732</b>	<b>694</b>	<b>38</b>	<b>5.5%</b>
of which: incentives	75	121	-46	-38.0%
<b>Total</b>	<b>37,372</b>	<b>34,386</b>	<b>2,986</b>	<b>8.7%</b>

(\*) This item included 309 thousand euros for staff training expenses, recognised as administrative expense in 2013 for an overall amount of 165 thousand euros.

Other general and administrative expense amounted to 60.0 million euros, a 2.6 million euro increase, net of the expense for the stamp duty on current accounts and financial instruments, compared to the same period of the previous year (+6.8%).

With regard to stamp duty on financial instruments, it bears noting that commencing with financial year 2014 the proportional rate has been increased from 0.15% to 0.2%, whereas the minimum tax of 34.20 euros was repealed. The higher stamp duty to be paid compared to the first half of 2013 was however offset

by the symmetrical increase in taxes recovered from customers, recognised among the other income and expense aggregate for 18.5 million euros.

Net of that effect, the increase in the general and administrative expense aggregate was largely due to non-recurring charges tied to legal services received in support of the acquisition of the Italian business unit of Credit Suisse and the costs of continuous upgrading of Banca Generali's IT platform.

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
<b>Administration</b>	<b>6,459</b>	<b>6,179</b>	<b>280</b>	<b>4.5%</b>
Advertising	1,454	1,896	-442	-23.3%
Advisory services	2,881	2,239	642	28.7%
Auditing	268	268	-	-
Insurance	1,299	1,291	8	0.6%
Other general costs (insurance; T&E)	557	485	72	14.8%
<b>Operations</b>	<b>16,279</b>	<b>15,619</b>	<b>660</b>	<b>4.2%</b>
Rent and usage of premises	7,858	7,739	119	1.5%
Outsourced services	2,687	2,247	440	19.6%
Post and telephone	1,444	1,308	136	10.4%
Print material and contracts	475	409	66	16.1%
Other indirect staff expenses	1,301	1,247	54	4.3%
Other operating expenses	2,514	2,669	-155	-5.8%
<b>Information system and equipment</b>	<b>18,405</b>	<b>16,751</b>	<b>1,654</b>	<b>9.9%</b>
Outsourced IT services	13,325	11,941	1,384	11.6%
Fees for financial databases and other IT services	3,033	3,032	1	-
Software maintenance and servicing	1,530	1,320	210	15.9%
Other expenses (equipment rental, maintenance, etc.)	517	458	59	12.9%
<b>Taxes and duties</b>	<b>18,837</b>	<b>13,481</b>	<b>5,356</b>	<b>39.7%</b>
<i>of which: stamp duty on current accounts and financial instruments</i>	18,708	13,400	5,308	39.6%
<b>Total other general and administrative expense</b>	<b>59,980</b>	<b>52,030</b>	<b>7,950</b>	<b>15.3%</b>
<b>Administrative expenses net of the stamp duty</b>	<b>41,272</b>	<b>38,630</b>	<b>2,642</b>	<b>6.8%</b>

### 5.1.5 Provisions and adjustments

Net provisions amounted to 25.8 million euros and increased significantly in line with the first half of 2013 (+20.6%).

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Provision for staff liabilities and contingencies	-	-	-	n.a.
Provisions for legal disputes	1,703	1,848	-145	-7.9%
Provision for incentive fees	18,993	15,548	3,445	22.2%
Provisions for termination indemnity and overfees	2,486	1,540	946	61.4%
Other provisions for liabilities and contingencies	2,615	2,460	155	6.3%
<b>Total</b>	<b>25,797</b>	<b>21,396</b>	<b>4,401</b>	<b>20.6%</b>

Allocations to provisions consisted of 15.0 million euros relating to current and deferred incentives set to accrue (12.3 million euros compared to 2013) and of 4.0 million euros to provisions in service of recruitment plans (3.3 million euros compared to 2013).

Net provisions for contractual indemnities for Financial Advisors referred chiefly to the expense adjustment for end-of-service indemnities and, to a lesser extent to allocations for

new “social-security bonus” programmes, aimed at ensuring the most deserving employees supplemental pension benefits upon retirement.

Net adjustments to non-performing loans amounted to 4.5 million euros at the end of the reporting period, up by 3.0 million euros compared to the previous year, and referred to value adjustments of cash loans to customers for 3.2 million euros and the portfolio of financial assets for 1.3 million euros.

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSAL ADJUSTMENTS	30.06.2014	30.06.2013	CHANGES
<b>Specific adjustments/reversals</b>	<b>-3,478</b>	<b>16</b>	<b>-3,462</b>	<b>-1,480</b>	<b>-1,982</b>
debt securities (AFS, HTM, Loans)	-	-	-	-	-
equity securities	-402	-	-402	-904	502
operating loans	-91	-	-91	-258	167
non-performing loans of the bank portfolio	-2,985	16	-2,969	-318	-2,651
<b>Portfolio adjustments/reversals</b>	<b>-1,029</b>	<b>-</b>	<b>-1,029</b>	<b>25</b>	<b>-1,054</b>
debt securities (Loans, HTM)	-886	-	-886	679	-1,565
performing loans of the banking portfolio	-143	-	-143	-654	511
<b>Total</b>	<b>-4,507</b>	<b>16</b>	<b>-4,491</b>	<b>-1,455</b>	<b>-3,036</b>

Impairment losses on non-performing loans of the banking portfolio reached 3.0 million euros during the half-year, primarily as a result of the greater adjustments applied to the loan to Investimenti Marittimi (+1.7 million euros) as a consequence of the persistent situation of difficulty experienced by the Premuda Group and the deterioration of the collateral held by the Bank. Consequently, this position of 10.5 million euros has been written down by approximately 4.9 million euros.

Additional prudential allocations were also recognised on sub-standard and restructured positions (+1.1 million euros) and, to a lesser extent, bad debt positions (+0.2 million euros).

The impairment losses on the portfolio of AFS equity securities refer to the write-down adjustment in the subsidiary Simgenia S.p.A., a member of the Generali Group that in late 2013 resolved to discontinue operations following the negative performance recorded in said year.

Finally, prudential adjustments were made to collective provisions for performing debt securities allocated to the HTM portfolio (+0.4 million euros) and for securities classified to the loans portfolio (+0.5 million euro) in connection with the risk profile of the new investments undertaken.

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

Taxes for the period on a current and deferred basis have been estimated at 31.9 million euros, up 12.0 million euros for the same period of the previous year.

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Current taxes for the year	-35,573	-21,841	-13,732	62.9%
of which: IRES surtax of 8.5%	-	-	-	n.a.
Prior period taxes	176	115	61	53.0%
Changes of prepaid taxation (+/-)	3,067	1,628	1,439	88.4%
Changes of deferred taxation (+/-)	449	213	236	110.8%
<b>Total</b>	<b>-31,881</b>	<b>-19,885</b>	<b>-11,996</b>	<b>60.3%</b>

The increase in the Group's total tax rate from 21.7% in the first half of 2013 to the current 26.4% was primarily due to the increase in the incidence of the profit before taxation earned in Italy compared to that earned abroad, which is subject to lower tax rates, as well as to the advance payment (in the first half of 2014) of a significant portion of dividend distributed by the subsidiary BGFМ (69 million euros), with the ensuing impact on IRAP and IRES tax burden for the period.

**Profit for the period attributable to minority interests** amounted to 3.1 million euros and refers to the minority interest in BGFМ held by the Assicurazioni Generali insurance group.

**Net profit from AFS assets**, amounting to 2.9 million euros, includes the minority interest in BGFМ, corresponding to the profit attributable to minority interests (3.2 million euros), and the presumed realisable value of the investment in the SICAV BG Dragon China, due to the negative performance of the Chinese equity market.

Therefore, consolidated net profit for the first six months of 2014 amounted to 88.4 million euros. Net basic earnings per share currently being accrued increased from 0.628 eurocents to 0.767 eurocents.

	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Net profit for the period (€ thousand)	88,443	71,590	16,853	23.5%
Earnings attributable to ordinary shares (€ thousand)	88,443	71,590	16,853	23.5%
Average number of outstanding shares	115,265	113,935	1,329	1.2%
<b>EPS - Earnings per share (euro)</b>	<b>0.767</b>	<b>0.628</b>	<b>0.139</b>	<b>22.1%</b>
Average number of outstanding shares diluted capital	116,113	115,698	415	0.4%
<b>EPS - Diluted earnings per share (euro)</b>	<b>0.762</b>	<b>0.619</b>	<b>0.143</b>	<b>23.1%</b>

### 5.1.7 Comprehensive income

At the end of the first half of 2014, the banking Group's comprehensive income, consisting of the consolidated net profit 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, amounted 102.4 million euros, up compared to 68.2 million euros reported in the same period of the previous year.

In further detail, compared to a decline of 3.2 million euros recorded in the first half of 2013, valuation reserves on the AFS

portfolio presented a net revaluation of 14.3 million euros at the end of June 2014 as a result of the following factors:

- an increase in unrealised gains of 27.2 million euros due to the significant rise in the market values of financial assets;
- the reduction of pre-existing net positive reserves due to re-absorption in the profit and loss account through realisation (-6.7 million euros);
- the negative tax effect associated with the above changes (-6.3 million euros).

(€ THOUSAND)	30.06.2014	30.06.2013 RESTATED	CHANGES		31.12.2013
			AMOUNT	%	
<b>Net profit (loss)</b>	<b>88,443</b>	<b>71,590</b>	<b>16,853</b>	<b>23.5%</b>	<b>141,256</b>
<b>Other income, net of income taxes:</b>					
<b>With transfer to profit and loss account</b>					
AFS assets	14,229	-3,244	17,473	-538.6%	17,158
<b>Without transfer to profit and loss account</b>					
Actuarial gains (losses) from defined benefit plans	-254	-100	-153	152.6%	-223
<b>Total other income, net of taxes</b>	<b>13,975</b>	<b>-3,345</b>	<b>17,320</b>	<b>-517.8%</b>	<b>16,935</b>
<b>Comprehensive income</b>	<b>102,418</b>	<b>68,245</b>	<b>34,173</b>	<b>50.1%</b>	<b>158,191</b>

## 5.2 Balance sheet and net equity aggregates

At the end of the first half of 2014, total consolidated assets amounted to 7.1 billion euros, marking an increase of 0.5 billion euros compared to 2013 year-end (+7.5%), slightly down compared to the record levels reported at the end of the first quarter of 2014.

The increase is essentially due to the significant rise, of nearly one billion euros, in direct inflows from customers (+25.5% compared to 2013), more than one-half of which is attributable to

Generali Group companies, accompanied by a decline in inter-bank inflows of approximately 0.5 billion euros (-23%) due to the partial re-absorption of the funding repurchase agreements undertaken in the previous year.

As a result, the volume of Interest-bearing financial assets and loans amounted to 6.7 billion euros, up 6.7% compared to the end of 2013.

ASSETS (€ THOUSAND)	30.06.2014	31.12.2013	CHANGES	
			AMOUNT	%
HFT financial assets	28,994	229,905	-200,911	-87.4%
AFS financial assets	1,921,589	1,626,121	295,468	18.2%
HTM financial assets	2,253,150	2,652,687	-399,537	-15.1%
Loans to banks	901,152	291,379	609,773	209.3%
Loans to customers	1,620,194	1,499,771	120,423	8.0%
Equity investments	-	-	-	n.a.
Property, equipment and intangible assets	48,399	50,090	-1,691	-3.4%
Tax receivables	38,820	38,260	560	1.5%
Other assets	198,848	140,232	58,616	41.8%
Financial assets held for sale	84,260	74,209	10,051	13.5%
<b>Total Assets</b>	<b>7,095,406</b>	<b>6,602,654</b>	<b>492,752</b>	<b>7.5%</b>

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.06.2014	31.12.2013	CHANGES	
			AMOUNT	%
Due to banks	1,716,732	2,230,871	-514,139	-23.0%
Due to customers	4,502,679	3,588,700	913,979	25.5%
Financial liabilities held for trading and hedging	188	597	-409	-68.5%
Tax payables	36,492	27,768	8,724	31.4%
Other liabilities	211,471	142,598	68,873	48.3%
Financial liabilities held for sale	67,398	66,252	1,146	1.7%
Special purpose provisions	90,011	76,736	13,275	17.3%
Valuation reserves	19,435	5,460	13,975	256.0%
Reserves	195,123	164,221	30,902	18.8%
Additional paid-in capital	42,880	37,302	5,578	15.0%
Share capital	115,428	114,895	533	0.5%
Treasury shares (-)	-41	-41	-	-
Minority interests	9,167	6,039	3,128	51.8%
Net profit for the period	88,443	141,256	-52,813	-37.4%
<b>Total net equity and liabilities</b>	<b>7,095,406</b>	<b>6,602,654</b>	<b>492,752</b>	<b>7.5%</b>

## Quarterly evolution of consolidated balance sheet

ASSETS (€ THOUSAND)	30.06.2014	31.03.2014	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012
HFT financial assets	28,994	126,970	229,905	30,283	431,465	851,223	222,548
AFS financial assets	1,921,589	2,337,695	1,626,121	1,569,670	1,230,402	1,045,546	1,733,885
HTM financial assets	2,253,150	2,541,438	2,652,687	2,516,418	2,631,021	2,913,734	3,000,330
Loans to banks	901,152	621,749	291,379	450,267	268,822	307,513	843,368
Loans to customers	1,620,194	1,548,682	1,499,771	1,427,920	1,379,197	1,359,495	1,308,585
Property, equipment and intangible assets	48,399	49,165	50,090	48,848	49,849	50,901	51,778
Tax receivables	38,820	37,839	38,260	40,169	43,207	43,329	41,276
Other assets	198,848	136,417	140,232	102,655	111,071	175,756	115,608
Financial assets held for sale	84,260	68,002	74,209	-	-	-	-
<b>Total Assets</b>	<b>7,095,406</b>	<b>7,467,957</b>	<b>6,602,654</b>	<b>6,186,230</b>	<b>6,145,034</b>	<b>6,747,497</b>	<b>7,317,378</b>

NET EQUITY AND LIABILITIES (€ THOUSAND)		31.03.2014	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012
Due to banks	1,716,732	1,935,835	2,230,871	2,178,825	1,930,243	2,398,937	2,229,896
Due to customers	4,502,679	4,616,227	3,588,700	3,327,034	3,617,170	3,583,784	4,491,173
Financial liabilities held for trading and hedging	188	282	597	393	4,011	1,271	1,448
Tax payables	36,492	46,727	27,768	25,419	16,889	29,766	36,620
Other liabilities	211,471	195,306	142,598	167,828	127,573	220,076	95,013
Financial liabilities held for sale	67,398	60,533	66,252	-	-	-	-
Special purpose provisions	90,011	84,608	76,736	72,716	77,494	75,989	68,405
Valuation reserves	19,435	19,600	5,460	-11,798	-14,819	-13,588	-11,475
Reserves	195,123	304,572	164,221	164,163	164,899	267,150	139,841
Additional paid-in capital	42,880	42,608	37,302	34,901	29,611	26,615	16,591
Share capital	115,428	115,403	114,895	114,668	114,173	113,888	112,938
Treasury shares (-)	-41	-41	-41	-41	-41	-41	-41
Minority interests	9,167	7,409	6,039	7,056	6,241	8,129	7,166
Net profit (loss) for the period (+/-)	88,443	38,888	141,256	105,066	71,590	35,521	129,803
<b>Total Net equity and Liabilities</b>	<b>7,095,406</b>	<b>7,467,957</b>	<b>6,602,654</b>	<b>6,186,230</b>	<b>6,145,034</b>	<b>6,747,497</b>	<b>7,317,378</b>



### 5.2.1 Direct inflows from customers

Direct inflows from customers amounted to 4,502.7 million euros, with an increase of 914.0 million euros compared to the figure at 31 December 2013, due both to the Generali Group's operations and the higher inflows from retail customers.

(€ THOUSAND)	30.06.2014	31.12.2013	CHANGES	
			AMOUNT	%
<b>1. Current accounts and demand deposits</b>	<b>3,615,703</b>	<b>2,934,906</b>	<b>680,797</b>	<b>23.2%</b>
<b>2. Term deposits</b>	<b>720,473</b>	<b>428,430</b>	<b>292,043</b>	<b>68.2%</b>
<b>3. Financing</b>	<b>93,845</b>	<b>101,878</b>	<b>-8,033</b>	<b>-7.9%</b>
Repurchase agreements	70,475	85,754	-15,279	-17.8%
Generali Versicherung subordinated loan	16,370	16,124	246	1.5%
Term deposits on the new MIC	7,000	-	7,000	-
<b>4. Other debts</b>	<b>72,658</b>	<b>123,486</b>	<b>-50,828</b>	<b>-41.2%</b>
Operating debts to sales network	46,566	49,150	-2,584	-5.3%
Other (self-drawn, amounts at the disposal of Customers)	26,092	74,336	-48,244	-64.9%
<b>Total due to customers (Item 20)</b>	<b>4,502,679</b>	<b>3,588,700</b>	<b>913,979</b>	<b>25.5%</b>

Captive inflows from the parent company, Assicurazioni Generali, and the Italian and foreign subsidiaries of Assicurazioni Generali Group, increased overall by 496 million euros to 1,633 million euros at the end of the period, equal to 36.3% of total net inflows. In particular, all term deposits held at 30/06/2014 were attributable to the insurance group.

Interest-bearing inflows from customers outside the insurance group increased by approximately 469 million euros and are entirely attributable to the increase of current account balances.

By contrast, there was a decline in the interest-free debt position (-52 million euros) consisting of current accounts payable to the sales network for product placement and financial service activity, as well as by other sums available to customers, primarily relating to claims settlement activity by the Group's insurance

companies (money orders).

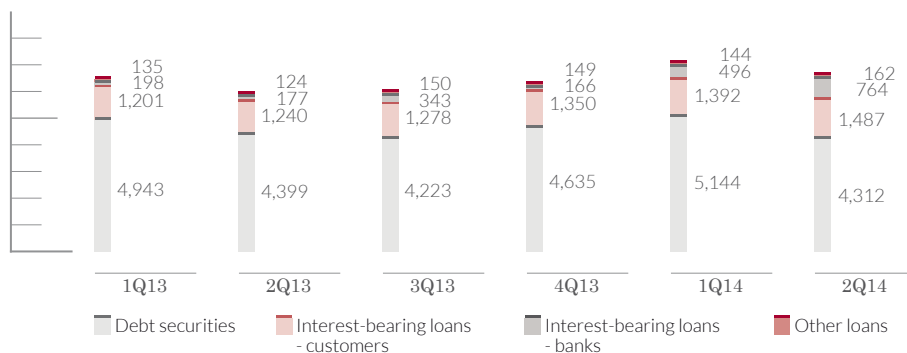
### 5.2.2 Interest-bearing financial assets and loans

Core loans totalled 6.7 billion euros and increased by 0.4 billion euros compared to 31 December 2013, reflecting the expansion of total net inflows.

In this context, the share of assets invested in financial assets declined by 303.4 million euros (-6.5%), primarily owing to the flow of redemptions of securities reaching maturity in the HTM portfolio, whereas there was a significant increase in short-term treasury loans on the interbank market (+598.2 million euros) and loans to customers (+137 million euros).

(€ MILLION)	30.06.2014	31.12.2013	CHANGES	
			AMOUNT	%
HFT financial assets	28,994	229,905	-200,911	-87.4%
AFS financial assets	1,921,589	1,626,121	295,468	18.2%
HTM financial assets	2,253,150	2,652,687	-399,537	-15.1%
Financial assets classified among loans	165,340	163,748	1,592	1.0%
<b>Financial assets</b>	<b>4,369,073</b>	<b>4,672,461</b>	<b>-303,388</b>	<b>-6.5%</b>
Loans to banks	764,404	166,150	598,254	360.1%
Loans to customers	1,486,564	1,349,613	136,951	10.1%
Operating loans and other loans	105,038	111,639	-6,601	-5.9%
<b>Total interest-bearing financial assets and loans</b>	<b>6,725,079</b>	<b>6,299,863</b>	<b>425,216</b>	<b>6.7%</b>

Evolution of Interest-bearing financial assets and loans (€ million)



In the context of the Group's financial assets held for treasury and investment needs, the decline in the HTM portfolio, due to the significant amount of debt securities that reached maturity (-400 million euros for the trading portfolio), to which money-market government securities with very short-term maturities had been allocated (-120.9 million euros), was only partly offset by the new investments made in the AFS portfolio (+295.5 million euros), which nonetheless continued to be primarily aimed at the government security segment (+195 million euros), although there was an increase in the weight of bank and corporate bonds.

During the half-year, attention should also be drawn to the acquisition of a minority interest in Tosetti Value SIM, a financial advisory firm with collaborative arrangements with the Bank.

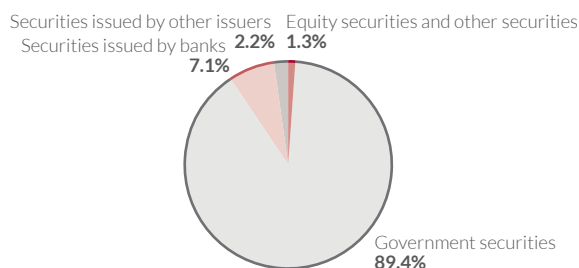
Overall, financial assets accounted for 65.0% of the interest-bearing financial assets, down compared to 74.2% at the end of 2013. The sovereign debt exposure, consisting solely of bonds issued by the Italian government, declined by 382.2 million, with a ratio of 89.4% to total investments in financial assets.

It may be broken down by portfolio of allocation as follows.

Breakdown of sovereign debt exposure by IAS portfolio

(€ THOUSAND)	30.06.2014	31.12.2013	CHANGES	
			AMOUNT	%
<b>Exposure to the sovereign risk by portfolio:</b>				
HFT financial assets	396	200,245	-199,849	-99.8%
AFS financial assets	1,704,434	1,509,414	195,020	12.9%
HTM financial assets	2,200,646	2,578,064	-377,418	-14.6%
<b>Total</b>	<b>3,905,476</b>	<b>4,287,723</b>	<b>-382,247</b>	<b>-8.9%</b>

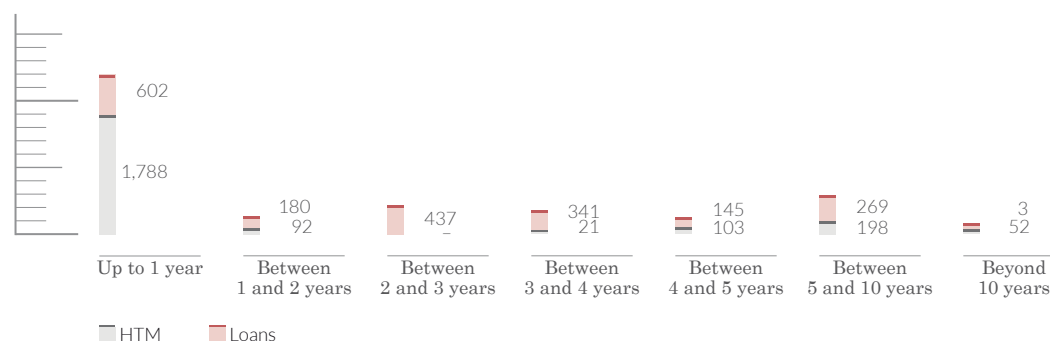
Breakdown of financial assets portfolio at 30.06.2014



Also the overall geographical breakdown of the portfolio of debt securities thus shows a high concentration of investments relating to Italian securities (98.7%).

The portfolio of debt securities had an overall average residual life of about 2.1 years and 8.1% of it was made up of variable rate coupon issues and for the remainder of fixed rate and zero coupon issues.

## Bond portfolio maturity (€ thousand)



**Loans to customers** amounted to 1,464 million euros, increasing by 136.6 million euros compared to the previous year (+10.3%).

The increase in loans was mainly driven by the granting of new loans to customers (+15.1%).

(€ THOUSAND)	30.06.2014	31.12.2013	CHANGES	
			AMOUNT	%
Current accounts	802,848	752,116	50,732	6.7%
Personal loans	634,772	551,450	83,322	15.1%
Other financing and loans not in current accounts	26,338	23,839	2,499	10.5%
Short-term term deposits on the new MIC	-	-	-	n.a.
<b>Financing</b>	<b>1,463,958</b>	<b>1,327,405</b>	<b>136,553</b>	<b>10.3%</b>
GESAV life insurance participating policy	22,605	22,208	397	1.8%
<b>Total loans</b>	<b>1,486,563</b>	<b>1,349,613</b>	<b>136,950</b>	<b>10.15%</b>
Operating loans to product companies	72,257	71,574	683	1.0%
Sums advanced to Financial Advisors	20,186	27,029	-6,843	-25.3%
Stock exchange interest-bearing daily margin	3,602	2,237	1,365	61.0%
Changes to be debited and other loans	8,818	10,735	-1,917	-17.9%
<b>Operating loans and other loans</b>	<b>104,863</b>	<b>111,575</b>	<b>-6,712</b>	<b>-6.0%</b>
Debt securities	28,767	38,583	-9,816	-25.4%
<b>Total loans to customers</b>	<b>1,620,193</b>	<b>1,499,771</b>	<b>120,422</b>	<b>8.0%</b>

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

**Net non-performing loans** amounted to 39.3 million euros (2.4% of total loans to customers).

Non-performing loans consist mainly of positions originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan guarantee granted by BSI upon the sale of the fore-

going company (indemnity) and chiefly secured to that end by cash collateral payments by the counterparty. Net of that portfolio, the weight of non-performing exposures declined to 0.69%.

There was a decrease in bad debt positions during the half-year as a result of the completion of the execution of the composition with creditors procedure relating to a position (which, incidentally, was also fully covered by the indemnity granted by BSI S.A.), following which that position was classified out of the non-performing category.

The increase in substandard positions was also essentially attributable to positions covered by the indemnity of approximately 8 million euros previously classified as past due.

The most significant position in this category is a loan of 10.5 million euros to Investimenti Marittimi, subject to an impairment loss of 4.2 million euros.

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUSTMENT	NET EXPOSURE 2014	NET EXPOSURE 2013	CHANGES		INDEMNITY	RESIDUAL NET OF INDEMNITY	RESIDUAL 31.12.2013
					AMOUNT	%			
Bad loans	31,290	-15,984	15,306	20,381	-5,075	-24.9%	13,649	1,657	1,771
<i>of which:</i>									
<i>financing</i>	27,556	-13,349	14,207	16,083	-1,876	-11.7%	13,649	558	733
<i>debt securities</i>	-	-	-	3,326	-3,326	-100.0%	-	-	-
<i>operating loans</i>	3,734	-2,635	1,099	972	127	13.1%	-	1,099	1,038
Substandard loans	25,187	-5,044	20,143	15,221	4,922	32.3%	13,619	6,524	8,281
Restructured loans	2,866	-624	2,242	981	1,261	128.5%	987	1,255	-
Expired loans/ outstanding over 90 days	1,782	-110	1,672	8,743	-7,071	-80.9%	-	1,672	653
<b>Total non-performing loans</b>	<b>61,125</b>	<b>-21,762</b>	<b>39,363</b>	<b>45,326</b>	<b>-5,963</b>	<b>-13.2%</b>	<b>28,255</b>	<b>11,108</b>	<b>10,705</b>
Performing loans	1,583,340	-2,509	1,580,831	1,454,445					
<b>Total loans</b>	<b>1,644,465</b>	<b>-24,271</b>	<b>1,620,194</b>	<b>1,499,771</b>					

The **interbank position**, net of the securities portfolio and operating loans, showed a loss balance of 952.3 million euros at the end of the first half of 2014, decreasing by 1,112.4 million euros (-53.9%) compared to the end of the previous year, due to the combined effect of:

- the expansion of temporary liquidity investment transac-

tions (deposits and repurchase agreements) for a net amount of 598.3 million euros;

- the decline of interbank funding in the form of repurchase agreements (-546.1 million euros), with maturities within 12 months, made during the previous year.

(€ THOUSAND)	30.06.2014	31.12.2013	CHANGES	
			AMOUNT	%
<b>1. Repayable on demand</b>	<b>321,600</b>	<b>92,663</b>	<b>228,937</b>	<b>247.1%</b>
Demand deposits with ECB	-	-	-	n.a.
Demand deposits with credit institutions	222,000	40,000	182,000	455.0%
Transfer accounts	99,600	52,663	46,937	89.1%
<b>2. Time deposits</b>	<b>442,804</b>	<b>73,487</b>	<b>369,317</b>	<b>502.6%</b>
Mandatory reserve	1,692	59,600	-57,908	-97.2%
Term deposits	-	13,887	-13,887	-100.0%
Repurchase agreements	441,112	-	441,112	n.a.
Collateral margins	-	-	-	n.a.
<b>Total due to banks</b>	<b>764,404</b>	<b>166,150</b>	<b>598,254</b>	<b>360.1%</b>
<b>1. Due to central banks</b>	<b>1,115,510</b>	<b>1,114,185</b>	<b>1,325</b>	<b>0.1%</b>
Term deposits with ECB	1,115,510	1,114,185	1,325	0.1%
<b>2. Due to banks</b>	<b>601,222</b>	<b>1,116,686</b>	<b>-515,464</b>	<b>-46.2%</b>
Transfer accounts	30,440	397	30,043	7567.5%
Term deposits	144	187	-43	-23.0%
Repurchase agreements	545,255	1,091,372	-546,117	-50.0%
Collateral margins	4,124	3,660	464	12.7%
Other debts	21,259	21,070	189	0.9%
<b>Total due to banks</b>	<b>1,716,732</b>	<b>2,230,871</b>	<b>-514,139</b>	<b>-23.0%</b>
<b>Net interbank position</b>	<b>-952,328</b>	<b>-2,064,721</b>	<b>1,112,393</b>	<b>-53.9%</b>
<b>3. Debt securities</b>	<b>136,573</b>	<b>125,165</b>	<b>11,408</b>	<b>9.1%</b>
<b>4. Other operating receivables</b>	<b>175</b>	<b>64</b>	<b>111</b>	<b>173.4%</b>
<b>Total interbank position</b>	<b>-815,580</b>	<b>-1,939,492</b>	<b>1,123,912</b>	<b>-57.9%</b>

### 5.2.3 Net equity

At 30 June 2014, consolidated net equity, including the net profit for the year, amounted to 470.4 million euros compared to the 469.1 million euros at the end of the previous year and underwent the following changes.

(€ THOUSAND)	30.06.2014	31.12.2013	CHANGES	
			AMOUNT	%
Share capital	115,428	114,895	533	0.5%
Additional paid-in capital	42,880	37,302	5,578	15.0%
Reserves	195,123	164,221	30,902	18.8%
(Treasury shares)	-41	-41	-	-
Valuation reserves	19,435	5,460	13,975	256.0%
Equity instruments	-	-	-	n.a.
Net profit (loss) for the period	88,443	141,256	-52,813	-37.4%
<b>Group net equity</b>	<b>461,268</b>	<b>463,093</b>	<b>-1,825</b>	<b>-0.4%</b>
Minority interests	9,167	6,039	3,128	51.8%
<b>Consolidated net equity</b>	<b>470,435</b>	<b>469,132</b>	<b>1,303</b>	<b>0.3%</b>

	GROUP	THIRD PARTIES	OVERALL
<b>Net equity at period-start</b>	<b>463,093</b>	<b>6,039</b>	<b>469,132</b>
Dividend paid	-109,623	-	-109,623
Stock option plans: issue of new shares	4,963	-	4,963
Stock option plans: charges as per IFRS 2	147	-	147
AG stock granting plans	270	-	270
Other changes	-	1	1
Change in valuation reserves	13,975	-	13,975
Consolidated net profit	88,443	3,127	91,570
<b>Net equity at period-end</b>	<b>461,268</b>	<b>9,167</b>	<b>470,435</b>
<b>Changes</b>	<b>-1,825</b>	<b>3,128</b>	<b>1,303</b>

The change in net equity for the first half of 2014 was influenced by the **distribution of the 2013 dividends amounting to approximately 109.6 million euros, convened upon by the Shareholders' meeting held on 24 April 2013 to approve the financial statements**, and the effects generated by previous and new stock option plans, the performance of fair value reserves for the portfolio of AFS financial assets and other reserves which contribute to the comprehensive income.

In this regard, after a substantial trend reversal in the second half of 2013, fair value reserves for the portfolio of AFS financial assets recorded a positive balance of 19.4 million euros at the end of the period, an improvement of 14.0 million euros compared to year-end 2013. Such reserves mainly refer to the portfolio of government bonds (15.8 million euros).

(€ THOUSAND)	30.06.2014			31.12.2013	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGES
1. Debt securities	18,342	-35	18,307	5,161	13,146
2. Equity securities	2,428	-	2,428	1,476	952
3. UCITS units	121	-57	64	-66	130
<b>AFS reserves</b>	<b>20,891</b>	<b>-92</b>	<b>20,799</b>	<b>6,571</b>	<b>14,228</b>
Cash-flow hedges	-	-	-	-	-
Actuarial gains (losses) from defined benefit plans	-	-1,364	-1,364	-1,111	-253
<b>Total</b>	<b>20,891</b>	<b>-1,456</b>	<b>19,435</b>	<b>5,460</b>	<b>13,975</b>

**Consolidated own funds**, calculated in accordance with the new Basel III rules in effect since 1 January 2014, and net of the expected dividend pay-out, amounted to 341.8 million euros, up by 28.4 million euros compared to the end of the previous year, when they were calculated in accordance with the previous Basel II rules, and by 26.0 million euros compared to the estimate of the aggregate calculated in accordance with the new regulatory provisions. Accordingly, the transition to the new regulatory framework did

not entail a significant impact on the banking Group's capital at the consolidated level.

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 146.8 million euros in excess of the amount required by the Supervisory Authority to cover credit, market, and operating risks. The solvency ratio was 14.02%, compared to the minimum requirement of 8%.

(€ THOUSAND)	30.06.2014 BASEL III	31.12.2013 BASEL III (*)	CHANGES		31.12.2013 BASEL II
			AMOUNT	%	
Common equity Tier 1 (CET 1)	329,858	298,763	31,095	10.41%	300,674
Additional Tier 1 capital (AT1)	-	-	-	n.a.	-
Tier 2 capital	11,956	17,061	-5,105	-29.92%	12,753
<b>Total own funds</b>	<b>341,814</b>	<b>315,824</b>	<b>25,990</b>	<b>8.23%</b>	<b>313,427</b>
Credit and counterparty risk	142,115	115,319	26,796	23.24%	115,319
Market risk	5,056	5,950	-894	-15.03%	5,950
Operating risk	47,840	47,840	-	0.00%	47,840
Other specific risks	-	-	-	n.a.	-
<b>Total absorbed capital</b>	<b>195,011</b>	<b>169,109</b>	<b>25,902</b>	<b>15.32%</b>	<b>169,109</b>
Excess over absorbed capital	146,803	146,715	88	0.06%	144,318
<b>Risk-weighted assets</b>	<b>2,437,638</b>	<b>2,113,863</b>	<b>323,775</b>	<b>15.32%</b>	<b>2,113,863</b>
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	13.53%	14.13%	-0.60%	-4.26%	14.22%
<b>Total own funds/Risk-weighted assets (Total capital ratio)</b>	<b>14.02%</b>	<b>14.94%</b>	<b>-0.92%</b>	<b>-6.1%</b>	<b>14.83%</b>

(\*) Prudential requirements calculated pursuant Basel II rules.

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

This option was renewed also by the new prudential supervisory system of the Basel III framework, effective from 1 January 2014, as allowed by the Bank of Italy, until the entry into force of the international accounting standard IFRS9, expected for 2018.

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

(€ THOUSAND)	30.06.2014		
	CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
<b>Net equity of Banca Generali</b>	<b>272,328</b>	<b>107,285</b>	<b>379,613</b>
Differences between net equity and book value of companies consolidated using the line-by-line method	65,690	-	65,690
- goodwill	4,289	-	4,289
- income carried forward of consolidated companies	61,441	-	61,441
- reserve for actuarial losses IAS 19	-58	-	-58
- other changes	18	-	18
Dividends from consolidated companies	39,096	-69,096	-30,000
Consolidated companies' result for the year	-	53,381	53,381
Minority interests	-	-3,127	-3,127
Valuation reserves - consolidated companies	-	-	-
Consolidation adjustments	-4,289	-	-4,289
- goodwill	-4,289	-	-4,289
<b>Net equity of the Banca Generali Group</b>	<b>372,825</b>	<b>88,443</b>	<b>461,268</b>



## 6. Performance of Group Companies

### 6.1 Banca Generali performance

Banca Generali closed the first six months of 2014 with net profit of 107.3 million euros, sharply increasing compared to 31.7 million euros reported at the end of the same period of the previous year, chiefly due to the contribution of dividends (69 million euros) distributed in advance, at the end of February and in June, by the Luxembourg subsidiary BGF M S.A.

Net banking income, net of dividends from investee companies, amounted to 170.1 million euros, up considerably from the 128.0 million euros reported at the end of the first six months of 2013 (+33.0%), mainly owing to the excellent income from financial operations (+39.6 million euros) and the increase in fee margin (+19.0%), which offset the reduction of interest margin (+13.2%).

Net operating expense amounted to 75.9 million euros, showing a more modest growth (+6.5%) reflecting the significant commitments for the implementation of the new service model and the constant updating of the bank's digital platform, which is borne completely by the parent company. During the second quarter legal and advisory fees were recognised in relation to the acquisition of Credit Suisse's business line.

Net provisions and adjustments amounted to 30.3 million euros, up by 7.4 million euros compared to the same period of 2013 (+32.5%), and consisted primarily of accruals relating to incentives, development and contractual indemnities of the Financial Planner network, as well as prudential adjustments to non-performing loans to customers.

(€ THOUSAND)	30.06.2014	30.06.2013	CHANGES	
			AMOUNT	%
Interest income	62,597	77,078	-14,481	-18.8%
Interest expense	-7,393	-13,469	6,076	-45.1%
<b>Net interest</b>	<b>55,204</b>	<b>63,609</b>	<b>-8,405</b>	<b>-13.2%</b>
Fee income	154,479	131,339	23,140	17.6%
Fee expense	-85,347	-73,252	-12,095	16.5%
<b>Net fees</b>	<b>69,132</b>	<b>58,087</b>	<b>11,045</b>	<b>19.0%</b>
Dividends	772	856	-84	-9.8%
Net result from banking operations	44,994	5,384	39,610	735.7%
<b>Net operating income</b>	<b>170,102</b>	<b>127,936</b>	<b>42,166</b>	<b>33.0%</b>
Staff expenses	-35,160	-32,201	-2,959	9.2%
Other general and administrative expense	-58,423	-50,607	-7,816	15.4%
Net adjustments of property, equipment and intangible assets	-2,056	-2,370	314	-13.2%
Other operating expense/income	19,714	13,873	5,841	42.1%
<b>Net operating expense</b>	<b>-75,925</b>	<b>-71,305</b>	<b>-4,620</b>	<b>6.5%</b>
<b>Operating profit</b>	<b>94,177</b>	<b>56,631</b>	<b>37,546</b>	<b>66.3%</b>
Net adjustments for non-performing loans	-3,725	-555	-3,170	571.2%
Net adjustments of other assets	-767	-900	133	-14.8%
Net provisions	-25,795	-21,396	-4,399	20.6%
Dividends and income from equity investments	69,096	12,312	56,784	461.2%
Gains (losses) from the disposal of equity investments	-10	-4	-6	150.0%
<b>Operating profit before taxation</b>	<b>132,976</b>	<b>46,088</b>	<b>86,888</b>	<b>188.5%</b>
Income taxes	-25,431	-14,405	-11,026	76.5%
<b>Profit (loss) from non-current assets, net of tax</b>	<b>-260</b>	<b>-</b>	<b>-260</b>	<b>-</b>
<b>Net profit</b>	<b>107,285</b>	<b>31,683</b>	<b>75,602</b>	<b>238.6%</b>

The total value of assets management by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 32.3 billion euros at 30 June 2014. Net

inflows amounted to 2,315 million euros, compared to 1,412 million euros at the end of the first half of 2013 (+64%).

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

BG Fund Management Luxembourg Sa is a company under Luxembourg law specialising in the administration and management of SICAVs promoted by the Banking group (BG Sicav, BG Selection Sicav, BG Dragon China Sicav).

In the first half of 2014, the company underwent a reorganisation whereby the fund and SICAV management business line of the Generali Group acquired in 2009 after the merger of Gen-

erali Investments Luxembourg S.A. (ex GIL), was de-merged in favour of a newly set-up company.

Prior to the transaction, the Banking Group held a 51% interest (class-A shares), whereas the residual 49% interest was held by Generali Investments S.p.A., a member of the Generali Group (class-B shares). The two share classes were accorded differing treatment in regards to the allocation of profits inasmuch as the Articles of As-

sociation stated that the share of the net profit or loss for the year attributable to the assets should be contributed by each of the two shareholders is to be attributed to each share class.

Given this particular aspect of GFM's corporate structure, in accordance with the laws of Luxembourg, the de-merger transaction resulted in the derecognition of the interest represented by the class-B shares only, in return for which Generali Investments S.p.A. obtained full ownership of the newly incorporated Luxembourg company representing the beneficiary of the de-merger,

whereas GFM only derecognised the share of book net equity attributable to the de-merged business line (non-proportional de-merger).

The de-merger was finalised on 1 July 2014, with retroactive accounting effects as of 1 January 2014.

As a result of the de-merger, GFM is fully controlled by Banca Generali and has changed its company name from Generali Fund Management Sa (GFM) to BG Fund Management Luxembourg S.A. (BGFM).

(€ THOUSAND)	30.06.2014			30.06.2013		
	PART A	PART B	TOTAL	PART A	PART B	TOTAL
<b>Net interest</b>	<b>59</b>	<b>3</b>	<b>62</b>	<b>19</b>	<b>-</b>	<b>19</b>
<b>Net fees</b>	<b>56,783</b>	<b>5,012</b>	<b>61,795</b>	<b>58,439</b>	<b>4,231</b>	<b>62,670</b>
Net result from banking operations	-	-2	-2	-	-	-
<b>Net operating income</b>	<b>56,842</b>	<b>5,013</b>	<b>61,855</b>	<b>58,458</b>	<b>4,231</b>	<b>62,689</b>
Staff expenses	-1,328	-1,053	-2,381	-1,370	-1,040	-2,410
Other general and administrative expense	-639	-462	-1,101	-547	-439	-986
Net adjustments of property, equipment and intangible assets	-15	-12	-27	-28	-13	-41
Other operating expense/income	693	29	722	5	-1	4
<b>Net operating expense</b>	<b>-1,289</b>	<b>-1,498</b>	<b>-2,787</b>	<b>-1,940</b>	<b>-1,493</b>	<b>-3,433</b>
<b>Operating profit</b>	<b>55,553</b>	<b>3,515</b>	<b>59,068</b>	<b>56,518</b>	<b>2,738</b>	<b>59,256</b>
<b>Operating profit before taxation</b>	<b>55,553</b>	<b>3,515</b>	<b>59,068</b>	<b>56,518</b>	<b>2,738</b>	<b>59,256</b>
Income taxes for the period on current operations	-6,088	-388	-6,476	-5,092	-251	-5,343
<b>Net profit</b>	<b>49,465</b>	<b>3,127</b>	<b>52,592</b>	<b>51,426</b>	<b>2,487</b>	<b>53,913</b>

BG Fund Management S.A. ended the first six months of 2014 with net profit of 52.6 million euros, slightly down compared to the same period of 2013 (-1.3 million euros), primarily due to the trend in performance fees acquired in connection with the SICAVs promoted and managed by the banking Group. Net banking income thus amounted to 61.9 million euros (62.7 million euros at year-end 2013), whereas total operating expenses, amounting to 2.8 million euros, 2.4 million euros of which consisted of staff expenses, did not show a decrease compared to the same period of the previous year, mainly attributable to extraordinary items.

Net profit attributable to minority shareholders amounted to 3.1 million euros, whereas the company's net equity was approxi-

mately 86.6 million euros, net of the dividend payout for the half-year, of which 9.2 million euros attributable to minority interests. In fact, BGFM paid a dividend of 69 million euros to the parent company Banca Generali in February and, as payment in advance on the financial year 2014, in June.

Overall, assets under management at 30 June 2014 amounted to 7,501 million euros, compared to 6,575 million euros at December 31, 2013 (+926 million euros).

This figure no longer includes assets under management of the de-merged business line amounting to 13,909 million euros at 30 June 2014, compared to 7,899 million euros at the end of the previous year (+6,010 million euros).

### 6.3 Performance of BG Fiduciaria SIM

BG Fiduciaria, a company specialising in individual GPF and GPM portfolios, mainly in a custodial capacity, closed the first six months of 2014 with net profit of 0.8 million euros and net equity of 13.3 million euros.

Net banking income amounted to 2.0 million euros, whereas gen-

eral and operating expense was 0.9 million euros, including 0.6 million euros for staff expenses.

Total assets under management amounted to 849 million euros, down compared to 891 million euros at 31 December 2013.

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

Generfid, a company specialising in custodian capacity of assets, closed the first half of 2014 with a result of 26 thousand euros.

AUM amounted to 912 million euros.

## 7. Related party transactions

### 7.1 Procedural aspects

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

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

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

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

The new Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance, in force as from 1 July 2014, is intended to implement CONSOB and Bank of Italy regulations, by adopting, at group level, rules on Related Party and Connected Party Transactions and Transactions of Greater Importance governing the related investigation activities and approval, reporting and disclosure powers.

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

- expanded scope of the parties involved, i.e. Connected Parties (Related Parties and Associated Entities), and change in the characteristics of some of the identified parties compared to CONSOB Regulation;
- Definition of criteria to identify Transactions of Greater Importance and the relevant management process, with definition of roles and responsibilities;
- introduction of prudential limits in respect of Own Funds and the assumption of risks with Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with entities qualifying as non-financial related parties;
- introduction of specific guidelines relating to organizational arrangements and internal controls intended to identify corporate bodies’ responsibilities and corporate functions’ tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time;
- changes in the definition of:
  1. **Non-ordinary transactions**, as the Bank of Italy considers as “non-ordinary” all transactions that exceed the Greater Importance threshold, even if concluded at market or standard conditions;
  2. **Low Value transactions**, as the Bank of Italy sets specific thresholds for these transactions, in order to ensure uniform application in the banking sector. To this end, it has established that Low Value transactions cannot exceed 250,000 euros for banks with Own Funds of less than 500 million euros and the lower of 1,000,000 euros and 0.05% of Own Funds, in the other cases. In respect

- of these transactions, the exemption only applies to the provisions relating to approval procedures;
3. **Highly Significant Transactions**, as the Bank of Italy identifies these transactions on the basis of two parameters – relevance of the consideration and relevance of the assets – making no mention of the liabilities parameter as provided by CONSOB Regulation;
- **introduction of the definition of Transactions of Greater**

**Importance** as defined by the Bank of Italy, i.e. the transactions characterised by the economic, capital and financial impact and the transactions that, despite being natural, exceed the value of 2.5% of consolidated Own Funds and have a significant impact on the company and group as they depart from specific standard contractual conditions.

## 7.2 Disclosure on related party transactions

Without prejudice to the disclosure requirements set forth by IAS 24, Article 5, paragraph 8, of CONSOB Regulations contains rules on periodic disclosure on related party transactions.

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

- a) each and every Transaction of Greater Importance effected during the accounting period of reference;
- b) other individual transactions with related parties that had material influence on the Company's balance sheet or results;
- c) other changes or developments in Related Party Transactions described in the last annual report that had a material effect on the capital position or results of the company during the reporting period.

In this regard, the following should be noted.

### Unusual, atypical or extraordinary transactions

During the first half of 2014, no related party transactions were carried out that could be defined as atypical or unusual or likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer".

In the interest of full disclosure, with regard to the transaction finalised on 1 April 2012, involving the transfer by the merged BG SGR S.p.A. of the collective asset management business unit to the related party Generali Investments Europe SGR, it should be noted that on 1 April 2014 the Board of Directors approved the removal, by mutual consent, of the clauses regarding the "price adjustment mechanism" as a function of the change (increase or decrease) in the average value of the assets under management of the transferred mutual funds, as well as of the clause concerning the maintenance of assets above the minimum liquidity threshold.

### Transactions of greater importance

In the first half of 2014, the Group did not carry out any transactions qualifying as "of Greater Importance", unusual, entered into at non-market or standard conditions which, in accordance with the Procedure on Related Party Transactions, would have been subject to market disclosure and the obligation of publishing an information memorandum.

### Other significant transactions

During the first half of 2014, five transactions were approved qualifying as transactions of "lesser importance", which are subject to the prior binding opinion of the Internal Audit and Risk Committee (the amount of which exceeded 250 thousand euros), and were as follows.

TRANSACTION	RELEVANT PARTY	DATE	VALUE (€ THOUSAND)
Extension of the uniform economic conditions of the master agreement to Generali Group companies	Assicurazioni Generali S.p.A.	16.01.2014	400,000
Partial de-merger of the subsidiary GFM, with the incorporation of a new company under Luxembourg laws	BG Fund Management S.A.	23.01.2014	2,000,000
Term deposit 28.02.2014-07.11.2014	Assicurazioni Generali S.p.A.	03.03.2014	621,370
Reduction of fees for trading and order receipt	Generali Investments Europe	23.04.2014	2,000,000
Renewal of the policy BBB 2014/2015	Generali Italia S.p.A.	03.06.2014	400,000

### **Ordinary or recurring transactions**

Related Party Transactions of an ordinary or recurring nature carried out in the first half of 2014 fall within the Group's ordinary course of business and are usually concluded at market conditions and, in any case, based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regards these transactions, there were no changes in the situation of Related Party Transactions, as described in greater detail in the financial statements at 31 December 2013, which have

had a material effect on the financial situation and the results of the company and the banking Group.

Ordinary Related Party Transactions during the first half of 2014 are presented in the specific section of the condensed half-yearly financial statements at 30 June 2014, along with other information about Related Party Transactions.

Intra-group Related Party Transactions are not included in the above disclosure, since they are eliminated on consolidation.

## 8. Human resources and the Group's distribution network

### 8.1 Employees

At 30 June 2014, the Bank's workforce was 841, composed of 43 Managers, 137 3<sup>rd</sup> and 4<sup>th</sup> level Executives and 661 Employees at other levels; of the last category, 92 were 1st and 2nd level Ex-

ecutives. Among total employees, 60 were working under fixed-term contracts (22 of these as substitutes for employees on maternity leave or leaves of absence).

	BANCA GENERALI	BG FIDUCIARIA	GENERFID	BGFM	TOTAL AT 30.06.2014	TOTAL AT 30.06.2013
Managers	41	-	-	2	43	44
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	119	5	-	13	137	132
Other	632	6	4	19	661	640
<b>Total</b>	<b>792</b>	<b>11</b>	<b>4</b>	<b>34</b>	<b>841</b>	<b>816</b>

Compared to the same period of the previous year, the headcount increased by 25. Specifically:

- an increase of 19 people with indefinite-term contracts due to:
  - new specialised positions in departments supporting business development, especially within the sales area that, as from the second half of the previous year was strongly developed also through a higher level of specialisation of its different structures;
  - recruitment of resources to strengthen support and control structures;
  - the hiring of staff to replace outgoing employees in previous periods, also through the reinforcement of the staff in place;
- an increase of 6 people with fixed-term contract, as a support to peak workloads linked with special projects and activities, which are expected to cease at year end.

In the area of trade union relations, on 30 May 2014 a company agreement was signed for the renewal of the Banking Group's supplementary company contract (Italy). In particular, the agreement defined the method for calculating the company bonus for 2013 and the procedures regarding the closing of the three-year period (2011-2014).

Effective the first few months of the year, the Fund for Employment in the Banking Sector (FOC) provided for in the National Collective Labour Agreement for the Financial Sector also became operational with respect to applications for grants submitted by companies in cases of the creation of new, long-term jobs. At present, the Italian companies of the BG Group have submitted applications, primarily relating to the hiring of young people, women, residents of disadvantaged areas and persons with disabilities.

#### Training

In the area of managerial training, the first half of 2014 saw the continuation of two important programmes: one targeting a selected group of 29 individuals identified transversally to all areas of the Bank and the other aimed at all human resource managers. The former, which began in 2013 with six days of classes at Libera Università Carlo Cattaneo di Castellanza, continued with follow-up meetings for three company projects that were then presented to the board. The process ended with a development centre phase aimed at supporting participants in planning their future development plans.

The latter, which pursues the aim of improving and increasing the consistency of the managerial style adopted in managing and



developing subordinates, involved the participation of 60 managers, for a total of over 100 participants since the launch of the project.

In the area of specialised professional training, editions of the highly appreciated “Banking Transactions” and “Banca Generali’s Banking Services” courses continued to be held, involving the participation of approximately 70 individuals.

In a socio-economic context of increasingly pronounced internationalisation, linguistic training continued to be pursued with determination, especially with a focus on managers and specialists.

Almost all branch employees took part in refresher seminars held by the Bank of Italy as a part of a European training project dedicated to those who handle cash professionally.

Systematic training continues to be provided on the subject of anti money laundering, privacy and safety in the workplace, of both a general nature and focusing on emergency teams, with the aim of keeping the bank constantly up-to-date on compulsory legislative issues.

In further detail, all employees were invited to complete the compulsory e-learning course on anti money laundering in the first half of 2014.

## Development

The annual qualitative performance assessment was held in the first half of the year. This process involves all resources in an opportunity for dialogue with their superiors regarding their performances and the definition of the development plan in support of their positions.

Human resource development also saw an important initiative dedicated to employees belonging to what is known as “Generation Y” (born after 1978). The process involved the participation, on a voluntary basis, in a questionnaire in which to indicate one’s willingness to make changes of a functional and geographical nature, followed by two tests, one targeting motivational orientation and the other emotional intelligence. Participants were provided the option of sharing the final report from the tests with their superiors as an occasion for dialogue and reflection concerning future development plans.

Stakeholder involvement initiatives saw the Bank host several classes from a Milan-based secondary school in April. The project arose from the **National Merit Award “Stakeholder Engagement E.D.I.V.A.” for 2013 that the Bank received** for its commitment to policies in support of families and the younger generations.

## 8.2 Financial Advisors

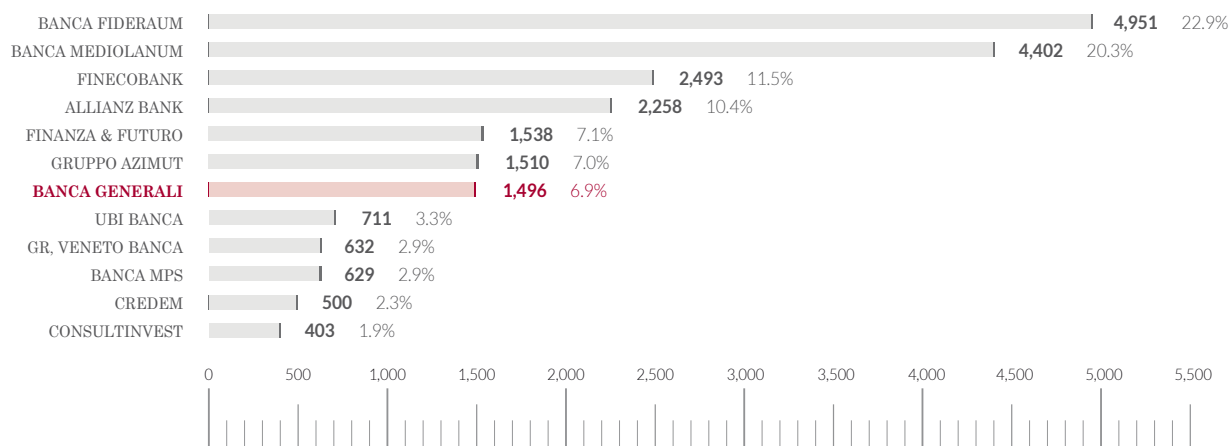
### Financial Advisors

Banca Generali owns one of the most important Financial Advisor distribution networks in the Italian market: at March 2014

(last available market data) it had 1,496 Financial Advisors and Relationship Managers, accounting for a 7% market share.

Number of Assoreti Financial Advisors: 21,642

March 2014



Comparing the figures as at June 2014 with those as at the end of 2013, the number of financial advisors increased by more than 100. This was partly due to the recruitment of 69 financial advisors from Simgenia SIM, an Assicurazioni Generali Group company that discontinued operation effective 30 June. Considering that the new advisors are responsible for total AUM of 0.7 billion euros, the average AUM per advisor amounts to approximately 10 million euros, below the average for Banca

Generali, but nonetheless a sign of considerable experience and professionalism. All of the advisors concerned have been included in the Financial Planner Division, increasing the number of the Division's advisors from 1,141 to 1,234 during the half-year.

The main data referable to the Banca Generali are summarised in the following tables comparing figures for 2014 and 2013:

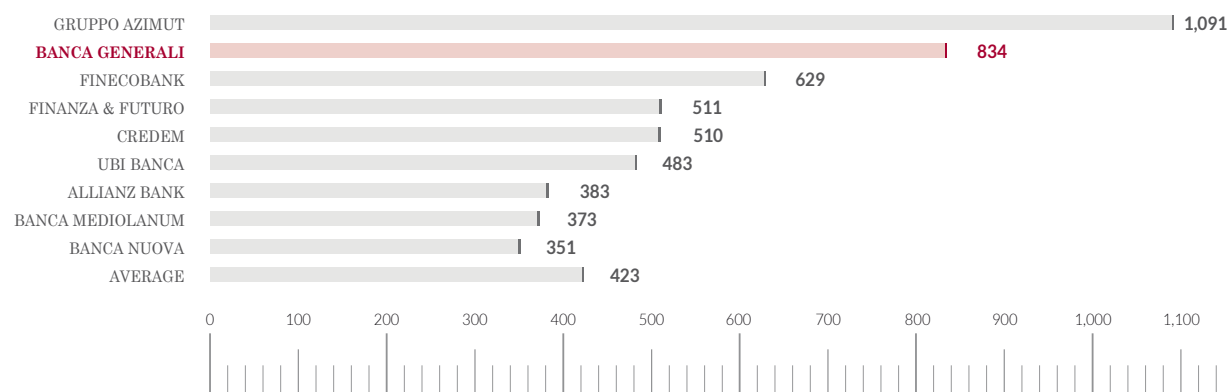
	30.06.2014			31.12.2013		
	NO. OF FAs/ PRIVATE BANKERS/ RELATION MANAGERS	ASSETS (€ MILLION)	ASSETS PER PLANNER (€ MILLION)	NO. OF FAs/ PRIVATE BANKERS/ RELATION MANAGERS.	ASSETS (€ MILLION)	ASSETS PER PLANNER (€ MILLION)
BG Financial Planner Division	1,234	19,391	15.7	1,141	17,190	15.1
BG Private Banking Division	342	12,897	37.7	334	11,926	35.7
<b>Total</b>	<b>1,576</b>	<b>32,289</b>	<b>20.5</b>	<b>1,475</b>	<b>29,115</b>	<b>19.7</b>

It is important to note that there was a constant increase in average assets per Financial Advisor over the years and this trend was confirmed also in the first half of 2014, notwithstanding the recruitment of new Financial Advisors from former Simgenia SIM. This is due both to the exceptionally high level of inflows during the year (Banca Generali's Financial Advisors reported the best per capita net inflows in the market), and the bank's continuing Financial Advisor selection process which privileges high-standing

professional figures with significant customer portfolios. This approach has led to a progressive reduction of less evolved profiles, focusing instead on recruiting professionals who can expertly interpret Banca Generali's philosophy of quality, with a consequent improvement in average quality. In this regard, it bears recalling that the average per capita assets of financial advisors within the Assoreti market was 13.3 million euros, and therefore more than a third lower than that of Banca Generali's Financial Advisors.

### Average Net Inflows of Assoreti Financial Advisors

May 2014, € million



Source: Assoreti.

## Training of distribution Networks

Banca Generali renewed its commitment to managerial training in the first half of 2014.

Both sales divisions (Financial Planners and Private Bankers) embarked upon a new training process focusing on the subjects of leadership and change, developed in collaboration with prestigious firms offering change management services. The purpose of this type of training is to support the first lines of management in successfully navigating the daily practice and conduct of their profession in a constantly evolving world.

The subject of change was considered by the Financial Planner Network through a course intended for 50 managers, broken down into six editions organised by area teams and spread across three days of training.

The Private Bankers Network instead attended a single collective two-day edition.

The management team represented by the private banking centre heads took part in an innovative training programme primarily intended to guide participants through a process of development at both a personal level and in terms of responsibility in their managerial roles: four days on the subject of teamwork, aimed at providing commercial guidance for the team in the territory.

In the first half of 2014, commercial training activities were focused exclusively on issues relating to BG Personal Advisory, Banca Generali's New Service Model.

The end of the half-year saw the launch of the "Generational Transfer" course, through which training was provided to the management and approximately 80 Private Bankers, Financial Planners and Relationship Managers, with the goal of helping them become familiar with generational transfer issues, as well as of developing a commercial approach to aspects of protecting and transferring a family's total wealth, in support of advisory activity. By the end of 2014, the entire network will have participated in the course, planned in collaboration with prestigious, well regarded industry professionals.

In February 2014, Banca Generali expanded its offerings through an innovative instrument, BG Stile Libero, a multi-line policy that combines the security of segregated management with the investment opportunities provided by the underlying assets and a wide range of insurance cover. In February, before the launch of the product, training was provided to the entire management team, which in turn passed that training down to the depart-

ments under their care.

February 2014 also saw the completion by the entire network of the course "The Value of Diversification", the aim of which was to explore how the portfolio diversification process is more important than ever before in a financial market characterised by increasing volatility and positive correlations between asset classes.

In the first half of the year, approximately 50 selected financial advisors from both of the sales divisions were involved in an ambitious training project on the subject of the Family Office, which allows advisors to extend their analysis to a family's entire portfolio, including assets held with third-party banks, as well as to approach alternative investment specialists and embark upon training processes useful to the functions of generational transfer or portfolio supervision.

Coinciding with the launch of the Secure Biometric Signature, an innovative service for managing contracts and transactions via electronic channels, the end of February saw the launch of training leading up to the activation of the service for all network managers and approximately 500 Private Bankers, Financial Planners and Relationship Managers, with the aim of exploring the main advantages and potential benefits. The roll-out plan will continue in the second half of 2014.

In early 2014, a specific induction process was designed for Financial Planners and Private Bankers who have recently joined Banca Generali. As part of the process, the two days of the Welcome Program allow newly hired advisors to visit and get to know the main Departments at the Milan and Trieste Offices.

In the first half of the year, the entire network was invited to complete the compulsory e-learning course, "Anti Money Laundering Basic & Experience", updated to account for the new regulatory provisions.

Finally, the first six months of 2014 saw the launch of BG People, a project aimed at "improving listening skills in order to derive value from differences." Through a series of initiatives, such as focus groups, workshops and cultural events, the goal is to give voice to the specific needs of the various populations of advisors and to create a series of specific services and informational measures aimed at each target. The first initiatives to have been organised related to women and the youngest members of the BG network.

## 9. Products and Marketing

### 9.1 Asset management

#### BG Selection Sicav

Important innovations continued to be introduced to the range of BG Selection Sicav, the fund-of-funds platform managed by BGFm, in the first half of 2014.

A new segment of products was created, Real Assets, to complement equities (22 sub-funds), flexible (20 sub-funds) and liquidity (one sub-fund).

The essential, distinctive aspect of the Real Assets family that sets it apart is its use of investment in sectors and segments of the market such as energy, utilities, infrastructure, real estate and inflation-linked, which are characterised by positive correlations with the inflation rate.

Specifically, four new sub-funds were launched, with management entrusted to prestigious international partners such as BlackRock (Multi-Assets Inflation Focused) and Morgan Stanley (Real Assets Portfolio Fund) – single-manager funds – as well as Morningstar (Global Real Assets) and Invesco (Real Assets Return) – multi-manager funds.

At 30 June 2014, BG Selection Sicav had 47 sub-funds, of which 12 managed by BG Fund Management and 35 managed under mandate entrusted to leading international investment houses.

#### BG Sicav

In 2014 BG Sicav was repositioned within Banca Generali's asset management product strategy, to become the platform for developing securities-based management products, in harmony with the main offering trends, and in a manner complementary to the fund-of-funds range of BG Selection Sicav.

Ten new sub-funds were launched, consisting of four equity sub-funds and six bond sub-funds, managed by prestigious international partners.

The new equity funds' main distinctive traits are a focus on the search for specific themes and innovative investment strategies. The thematic funds emphasise high-dividend European companies, with a focus on the Italian equity market (Schroders High Dividend Europe), real estate (Morgan Stanley Global Real Estate & Infrastructure) and Eurozone small and mid caps (BGFm Small-Mid Cap Euro Equities).

The use of a global long-short approach represents a response to the search for innovative investment strategies (Threadneedle Global Equity Long-Short).

The new bond funds launched target specific segments of the market and flexible strategies not linked to a benchmark.

In further detail, the segments emphasised by the new funds are global corporate and high yield (JPMorgan Global Credit Strategy and UBS Dynamic Credit High Yield), convertible bonds (Schroder Convertible Bond Opportunities) and "new frontier" debt (Vontobel New Frontier Debt).

In terms of strategies, it was decided to take a flexible approach with active duration management in order to take advantage of the opportunities provided by global bond markets (Amundi Global Income Bond and UBS Global Income Alpha).

At 30 June 2014, BG Sicav had 22 sub-funds, of which 7 managed by BG Fund Management Luxembourg and 15 managed under mandate entrusted to leading international investment houses.

The multi-manager platform was further developed with the placement of 7 M&G Sicavs (38 sub-funds overall) and 78 new SICAV sub-funds already under placement, for a total of over 1,200 products available to Banca Generali customers and distribution networks.

## 9.2 Portfolio management

In pursuit of the aim of safeguarding its customers' interests that has always been characteristic of Banca Generali's endeavours, in May 2014 changes were made to the protected-capital management scheme GPM Target with the aim of rationalising the maturities subject to active distribution.

In light of market conditions, characterised by the sharp decline in short-/medium-term BTP yields, it was decided to place the lines with the shortest durations (maturities in 2019, 2021 and 2024) in post-sales, inasmuch as from a management standpoint it was no longer possible to formulate new mandates efficiently for these durations.

Accordingly, for the eight management lines, the maturities in active distribution decreased from six to three (2026, 2029 and 2031).

Overall, Banca Generali offers a comprehensive portfolio consisting of 37 management lines (14 GPF, 15 GPM and eight protected-capital asset management lines) 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.

## 9.3 Insurance products

In early 2014, Banca Generali thoroughly revamped its line of insurance products, adopting a strategy focusing, on the one hand, on exploiting traditional LOB 1 insurance products characterised by attractive returns for customers (a minimum of 4.4% gross) and annual revaluation of capital, and, on the other, innovating insurance solutions to include more sophisticated and advanced financial content.

At the level of new traditional policies, the Bank launched BG Stile Garantito, the single-premium, whole-life LOB 1 insurance policy that offers customers a guarantee of invested capital and the certainty of annual consolidation of the return offered by the Ri.Alto segregated portfolio (2013 certified return: 4.40%). The above insurance solution complements BG Cedola Più, the new LOB 1 insurance policy launched in September 2013 dedicated to customers seeking periodic returns with the aim of supplementing their incomes.

In the field of insurance solutions with a more significant financial component, after considerable research and development efforts, the end of February 2014 saw the launch of BG Stile

Libero, a new multi-line policy that is amongst the most innovative offerings currently available on the Italian market.

By pairing a range of over 500 UCITSs of 29 asset managers in a single solution along with the Ri.Alto segregated management line (up to a maximum of 30% of the investment), it offers customers a twofold opportunity: additional returns and a guarantee of invested capital.

In addition to the clear advantages deriving from its wide range of financial instruments and investment mix, BG Stile Libero offers other important benefits:

- the flexibility of personalising investment by also varying it over the life of the contract, through switches and additional contributions;
- a wide range of optional, accessory services to be added to the investment solution, such as coupon and draw-down options;
- the security of a complete level of protection: death cover according to age, accident cover and increased cover in the event of capital losses.

## 9.4 Assets under administration and custody

In the first half of 2014, Banca Generali focused on consolidating its offerings and promoting the innovative services made available to its customers.

After launching the e-wallet BG MasterPass for making online purchases at the end of 2013, in the first quarter Banca Generali was among the key participants in the campaign promoting the launch of the new service, with a joint press event with Master-

Card and promotional measures for the main communications channels with customers.

Another important new development related to the introduction of the Scratch Security Label, a simple, secure, new way of conveying information concerning the PIN codes for e-commerce ATM cards and home-banking access codes to customers.

In the area of investments, the promotion involving exemption from stamp duty for new and current customers who transfer financial instruments to Banca Generali was extended. The Bank also issued two bonds with guaranteed principal at maturity and participated as placing agent in the Italian BTP action in April, as well as in General Electric public subscription offering, Fineco public sale offering and Fincantieri public sale and subscription offering.

In conjunction with the entry into force of the new investment income tax rate, Banca Generali organised all of the activities

required to inform customers of the change and ensure the payment of tax duties on capital gains accrued through 30 June 2014.

In the area of the monitoring of incomes of U.S. citizens with foreign financial institutions, in accordance with FATCA, Banca Generali also organised all of the activities required to verify investments by potential U.S. customers, including the identification, by the end of the first half of the year, of all of the checks required for the constant monitoring of investments for current and new customers.

## 9.5 Digital Marketing

### Customer Front End

In the first half of 2014, Banca Generali further expanded the portfolio of digital tools available to its customers through the launch of the Advisor Personal Page. This innovative tool was designed with the aim of strengthening relationships with current customers, as well as acquiring new customers.

Thanks to the new Web portal created by Banca Generali, customers will have access to a digital storefront, personalised by their financial advisors, through which they will be able to learn about new products offered by the Bank that their advisors have decided to highlight, in addition to enjoying direct access to all transaction authorisation features of their online accounts and to being able to consult financial news, including articles by ANSA and Teleborsa written for Banca Generali.

The launch of the Advisor Personal Page makes Banca Generali one of the first firms on the Italian market to have created a digital storefront for its sales network that combines a personal component focusing on each financial advisor's profile with structured, homogeneous communication defined "centrally" by the Bank, thereby exploiting virtuous mechanisms of shared information and advanced contact management features.

Through the "Recommend to a Friend" feature, customers may recommend their financial advisor's page to friends and acquaintances. Banca Generali thus expects to stimulate direct word-of-mouth and reach a greater number of customers, entering into contact with prospects meeting the profile for its line-up of products and services.

The financial advisors in Banca Generali's sales network can publish personal Web pages to enhance their digital presence and ensure that they play an increasingly central role in their customers' financial lives.

In 2014, Banca Generali also remained at the top of the market in terms of IT security, through the launch of its Secure Biometric Signature feature, which allows customers to sign contracts and authorise transactions directly from their advisors' tablets. On

Banca Generali's home-banking site, customers may consult and archive all documents signed using this innovative new service.

### Financial Advisor Front End

Following the launch of the new Android application FEP on TABLET, the customer relations tool dedicated to all financial advisors, work continues on Banca Generali's development plans, involving the release of new versions of the app that allow Integrated contract management features to be used on mobile devices as well.

The **Integrated contract management features** included in FEP on Tablet represent an alternative to the customary hard-copy process and allow orders to be submitted via electronic channels in the following cases:

- new subscriptions for asset management products;
- post-sales (additional contributions, redemptions, etc.) for asset management products;
- order collection;
- requests for the activation of services (placement, advisory, execution only);
- updates to MiFID questionnaires;
- updates to customer records files.

In addition, the new Contract Status section of FEP on Tablet may be used to monitor the status of transactions ordered by customers.

Late February saw the launch of the pilot version of **Secure Biometric Signature**, the innovative new service for managing contracts and transactions via electronic channels, a further step forwards in Banca Generali's digital programme.

Thanks to the innovative service offered by Banca Generali's Financial Advisors, our customers can discover a new techno-

logical solution that will make authorising transactions even simpler, quicker and more secure. With Secure Biometric Signature, contracts and transactions may be signed digitally, directly via a tablet, thus ensuring the authenticity of the accountholder's signature and eliminating the need to print out and send signed contracts, saving time while operating in a fully secure manner.

Following the pilot phase, late May saw the launch of the roll-out process for the entire network, with classroom sessions for Financial Planners and Private Bankers involving the participation thus far of approximately 500 professionals who have received training and been authorised to use Secure Biometric Signature with their customers. The roll-out plan will continue in 2014.

Banca Generali also launched an important project aimed at ensuring uniform operating conditions for the approval of credit facilities and raising the level of service provided to the network of professionals through simplification of processes.

The integration of the current procedure for sending the bank customer documentation in the broader context of the use of the Integrated Contract Management – Electronic Statement feature represents the first step towards the electronic compilation of the documentation required for credit facility approval activities, allowing an increasingly extensive degree of control of the state of progress of applications submitted.

The following are the latest new features released in the Web version of the Financial Advisor Front-End application:

1. Integrated contract management – policy issue feature for the subscription of BG Stile Libero, the new single-premium, whole-life multi-line policy;
2. new features for monitoring customer risk profiles;
3. new archive searches allowing simpler access to documentation thanks to the new Google search engine, which allows information to be located in just a few seconds.

### **From BG Advisory to BG Personal Advisory: the first phases of implementation of the new service model**

Activity in the first half of 2014 focused on analysing and agreeing upon the approach that the new service model ought to take in order to become a distinctive trait for Banca Generali on the market.

In further detail, the foundation was laid for the implementation of the new integrated advisory platform, which will allow the analysis and planning of our customers' financial portfolios and is to extend not only to financial issues, but also to real estate, generational transfer, retirement planning and protection.

The following is a series of initiatives completed in the first six months of the year:

- collaborative agreements were signed with several prestigious partners, raising the level of service provided to our Network:
  - Analysis, which offers customers specific advice regarding issues relating to real-estate management (e.g., appraisals, securitisation, etc.);
  - Tosetti Value, which maps and analyses a customer's entire financial holdings, drawing on independent advice from one of Italy's foremost family office firms;
  - Studio Chiomenti, which provides customers with specialised advice regarding legal, tax and succession issues from a highly qualified operator.
- The new app **BG Personal Store**, the mobile channel devoted to BG Personal Advisory's tools, was also released. In further detail, in addition to FEP on Web and FEP on Tablet, in March 2014 the line-up was expanded to include:
  - **the Financial and Insurance Desk App**, which combines innovative tools and information in support of portfolio analysis and construction with the advantage of being able to draw on a single tool for all information relating to products and market updates. For the app in question, classroom sessions were held for Financial Planners and Private Bankers with the aim of informing them of the application's potential and making the best possible use of the information included from a commercial standpoint;
  - **BG Stile Libero – Digital Edition App**, an interactive brochure for tablets that may be used to explore all of the characteristics of the product BG Stile Libero.
- **Launch of the Analysis Real Estate Service:** the first quarter of the year saw the testing, through a commercial pilot version, of the Analysis service for surveying and appraising customers' real-estate assets, which yielded highly significant results in terms of the assets surveyed. Work towards extending the service to the entire sales network began in late July and is currently in progress.
- **New IT platform:** April saw the launch of the project aimed at designing and developing the new integrated platform of **BG Personal Advisory**, the initial releases for which are to be completed by the end of 2014. In particular, the work included, as the initial priority, designing the **Financial Advice** module, as well as the **Generational Transfer** and **Real Estate modules**. The modules were thoroughly discussed with a working group of financial advisors from the Bank's two sales divisions, which validated their structure and contents.

The advanced advisory service previously provided by our sales network, BG Advisory, will remain available for the rest of the current year. However, the possibility of extending it to early 2015, pending the definition of the conditions of the launch of the new advisory service, is currently being assessed.

## 9.6 Communications

In the first half of 2014, Banca Generali's communications were focused on clear, transparent dissemination of the main financial information of the banking Group. In addition, various initiatives were aimed at spreading the positive image of the company.

The results for 2013, presented and approved at the Shareholders' Meeting held on 24 April 2014, met with great interest from the media and financial community. The 2013 Financial Report showed a further evolution towards an increasingly integrated presentation of the company's financial and social performance, while also highlighting the company's commitment and value beyond the borders of its business. With the aim of providing also this year increasingly transparent communications, the 2013 Financial Statements, in addition to being made available in print and digital PDF format, were also published in a HTML format that may be viewed through the Bank's corporate website, [www.bancagenerali.com](http://www.bancagenerali.com).

The publication of the previous year's results was then followed by the customary monthly releases on net inflows and the report on the first quarter of the year. The update of strategic objectives was conveyed directly and in a timely manner through the publication of press releases and interviews with top management.

Banca Generali also organized with various initiatives at the local and national level to raise awareness amongst investors regarding certain specialist issues. Amongst these initiatives, attention should be drawn to the convention organised in Milan as part of 2014 National Pension Day, during which many visitors were introduced to financial planning issues, leveraging the visibility provided by our celebrity endorser, champion Alessandro Del Piero. The Bank's efforts then continued through its presence at various other important industry events, such as the annual ITForum in Rimini, the Salone del Risparmio event in Milan and the EFPA Meeting in Lecce.

In the social arena, support for the image-related initiatives and events described in the pertinent section reinforced the communication of the brand's values and its professional connotations at various levels throughout the country and in key media.

### Trade Marketing

The Bank launched its marketing activity in January with a seven-stop roadshow in Italy, during which the new investment solutions BG Sicav and BG Selection Sicav were presented to the network. In the first half of 2014, Banca Generali played a prominent part in major industry events such as Consulenti 2014 – Professionisti in Capitale, Salone del Risparmio, ITForum and the EFPA Italia Meeting. In other events early in the year, meetings were organised in Milan and Rome with a focus on the launch of discussions concerning the important issue of capital repatriation, a constantly evolving subject that remains a priority on the political agenda.

Banca Generali's commitment in the social and athletic arena was consolidated with the fifth edition of the event "Banca Generali – A Champion for A Friend", which in 2014 travelled to squares in ten of Italy's most important cities and involved the participation of four Italian champion athletes. The company also added a prestigious partnership with FAI – Fondo Ambiente Italiano (Italian National Trust), in support of the Spring Days initiative, to its line-up of institutional sponsorships. Other cultural endeavours involved the planning and promotion of the show the "Potenza del colore" ("Power of Colour"), held at the office located on Piazza S. Alessandro. Finally, Banca Generali Private Banking organised its renowned Invitational Golf Tour, a circuit reserved for the division's guests, at some of Italy's foremost golf courses. Besides institutional activities, the first half of the year also saw a number of local marketing activities organised directly by the Network.



## 10. Auditing

Banca Generali's Internal Audit Function, an independent internal control function, is tasked with providing recommendations to the Management and Top Management for the implementation of control safeguards functional to the best containment of company risks.

The Function is intended, on the one hand, to supervise, from a third-tier standpoint, including through onsite audits, the regular course of operations and evolution of risks and, on the other, to assess the completeness, functionality and adequacy of the organisational structure and other components of the internal control system, submitting possible improvements to risk governance policies, the risk management process and the tools for measuring and monitoring risks and procedures for the attention of the Board of Directors, Board of Statutory Auditors, Internal Audit and Risks Committee and Top Management.

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

- CoSo Report, ERM (Enterprise Risk Management) model and CobiT-Pam methodology;
- the Bank of Italy's supervisory instructions;
- International Standards for the Internal Auditing profession, interpretative guides and position papers of Association of Internal Auditors;
- Borsa Italiana's Corporate Governance Code;
- Basel Committee on Banking Supervision, June 2012.

In the reporting period, the activity was implemented by means of audits carried out at the units involved through:

- design and execution testing (TOD and TOE) of controls;
- use of the CobiT-Pam methodology for the analysis of more complex areas and for risk analysis (risk analysis information systems);
- formulation of recommendations and suggestions;

- remote monitoring and control activity.

The work done during the period related to the quality and reliability of safeguards associated with risks actually or potentially present in IT systems, with a particular focus on data protection and Internet banking, in managing counterparty risk. Assurance was conducted regarding the performance of ICAAP and public disclosure (Pillar III), as well as the adequacy of compensation policies. Inspections were conducted at bank branches, continuous auditing was done on telephone orders, analyses were performed of IT risks (privacy) and possible cases of market abuse were reported.

At a financial level, work was done in the area of the reliability and functioning of controls of financial reporting processes.

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

In the reporting period, the activities performed were in line with the Audit Plan approved at the beginning of the year.

In addition, during the period, the Internal Audit Department was highly committed to project activities made necessary in response to requirements imposed by external provisions:

1. a project aimed at bringing Banca Generali into compliance with the Privacy Authority's Order No. 192, "**Prescriptions concerning the circulation of information in the banking sector and the tracking of banking transactions**" of 12 May 2011;
2. activity aimed at verifying the state of progress of work preliminary to achieving compliance with Circular No. 263/06;
3. a quarterly reporting development project following up on, by specific request from the Bank of Italy, Bank System Supervision II (Tableau de Bord).

# 11. Organisation and ICT

In the first half of 2014, the Bank focused its project initiatives on the areas of achieving compliance with industry legislation, expanding its innovative insurance services platform, designing its new service model in the context of its advanced advisory services, consolidating its mobile solution for authorising transactions through the adoption of the digital graphometric signature and, finally, developing business intelligence platforms in support of company departments.

## **Legal compliance**

In the first half of the year, all developmental measures were implemented – in terms of both organisational processes and IT procedures – as required as a result of industry legislation, among which mention should be made, in view of their significance, of the 15<sup>th</sup> update of 2 July 2013 to *Circular No. 263 of 27 December 2006*, New Regulations for the *Prudential Supervision of Banks*, the amendments to the tax rules for investment income (Legislative Decree No. 66/2014 and Legislative Decree No. 44/2014), the new tax legislation known as “FATCA” (the Foreign Account Tax Compliance Act), anti money laundering compliance and, in the area of banking supervision, Basel III.

## **Management of customer services**

In the first half of the year, the Bank further expanded its offerings in the area of multi-line insurance products and invested resources and expertise in designing the new service model as it relates to advanced advisory services.

## **Sales network services**

There were two main areas of activity during the half year: on the one hand, work continued on the constant process of developing the application platforms used by the sales department in view of further expansion of the functional and informational perimeter, and, on the other, the digital graphometric signature solution – the only one of its kind on the Italian market – became operational for the authorisation of transactions ordered by customers through the use of professional apps on tablet-style mobile devices.

## **Business Intelligence Solutions**

In support of governance and decision-making processes, the Bank has launched specific projects for the development of business-intelligence and data-management systems in the context of its credit planning and control area.

## 12. Main risks and uncertainties

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

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

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

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

- The bank's exposure to **credit risk** mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost, 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.

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

Loans to customers are characterised by a low risk of losses inasmuch as they are almost entirely secured by collateral

(chiefly pledges of securities) and/or personal guarantees, in some cases provided by a leading financial institution.

- The bank's exposure to **operating** risks across the various legal entities in the Group is closely linked to the type and volume of business conducted as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly financial advisors) and the direct involvement of all employees in operations structurally expose the Group to operating risk, 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 carries out risk assessment and scoring activities and loss data collection processes and it monitors the action plans adopted to mitigate material risks.

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

- Exposure to **liquidity** risk derives from funding and lending transactions in the course of the Group's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some

cases concurrently) sustaining capital losses when divesting assets.

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, to a secondary degree, where available, through the measures proposed by the ECB. In addition, the Group maintains a portfolio of listed, readily liquidated financial instruments in order to respond to potential crisis scenarios characterised by a sudden interruption of funding flows.

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

Liquidity risk is managed through appropriate short-term and structural (beyond one year) operating limits, monitored by the Risk Management Service, aimed at main-

taining a level of risk deemed consistent with the strategies and risk appetite set by the Board of Directors.

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

The Group's Compliance function monitors and evaluates the adequacy and effectiveness of organisational processes, verifying their conformity with current regulations to ensure compliance with regulations on services offered by the Banking Group (investment banking) and preventing the risk of non compliance; this function also monitors the activities of the Distribution Network of Financial Planners/Private Bankers/Relationship Managers, in order to identify, including with regard to specific irregularities, any abnormal behaviour or violation of organisational processes and regulations.

The Group's Anti Money Laundering function is charged with preventing and combating transactions involving money laundering or financing for terrorism, conducting ongoing assessments that company procedures are consistent with the aims of preventing and combating the violation of external and internal provisions concerning money laundering and financing for terrorism, collaborating in identifying controls and procedures geared towards preventing and combating the risks in question and acting in a manner consistent with the policy for managing the risk of money laundering and financing for terrorism.

## 13. Outlook for the second half of 2014

The second half of 2014 will most likely be characterised by a stronger market scenario than in the first half of the year, although the ongoing sovereign debt crisis, high unemployment level and modest economic growth prospects in the Eurozone result in a still uncertain overall economic scenario. In this context, in which the expertise and reliability of managers will be in increasing demand, the Banking Group will continue to pursue the growth objectives for its market share through the measures and actions planned and partly launched in the first half of the year, with the aim of increasing and developing its competitive edge represented by a specific combination of quality products, network and service.

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

Consequently, also in the second half of 2014 the Banking Group aims at increasing revenues by fostering the growth of asset management inflows, developing new customers and consolidating the profitability of assets under management, through measures such as:

- dynamic marketing policies reflecting market developments, aimed at innovating and implementing **the product line in order to meet customers' financial needs**;
- an increase in the placement of and **reallocation towards products with greater added value for the customer** and an expansion of the range of **qualified banking products**;

- the completion of the **new advisory service model** involving a more complete and in-depth approach to customers' needs, in particular through the **ability to focus on the total "wealth" possessed by customers** by offering collateral services through third-party operators (family office, tax advice, property analysis, succession planning, etc.);
- new investments in the network's technology and know-how capable of providing a true competitive advantage in the sale of financial products, especially for the electronic signature and the new platform created within the new service model.

In other efforts aimed at increasing its market share, the acquisition of the Italian private banking unit of Credit Suisse was approved early in July and is expected to be completed in late 2014, subject to prior authorisation by the supervisory authorities. Through this transaction the Bank will acquire 60 professionals for a total of approximately 2.2 billion euros in AUM.

Finally, during the second half of 2014 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, while investing in technologies to support the sales network.

Trieste, 29 July 2014

THE BOARD OF DIRECTORS



# CONDENSED HALF-YEAR FINANCIAL STATEMENTS

as of 30.06.2014

BOARD OF DIRECTORS - 29 JULY 2014

# Consolidated accounting statements

## CONSOLIDATED BALANCE SHEET

<b>Assets</b>		
(€ THOUSAND)	30.06.2014	31.12.2013
10. Cash and deposits	11,336	9,613
20. HFT financial assets	28,994	229,905
40. AFS financial assets	1,921,589	1,626,121
50. HTM financial assets	2,253,150	2,652,687
60. Loans to banks	901,152	291,379
70. Loans to customers	1,620,194	1,499,771
120. Property and equipment	3,718	4,080
130. Intangible assets	44,681	46,010
<i>of which:</i>		
- goodwill	38,632	38,632
140. Tax receivables:	38,820	38,260
a) current	1,729	3,467
b) prepaid	37,091	34,793
<i>b1) as per Law No. 214/2011</i>	11,538	11,617
150. Non-current assets held for sale and disposal groups	84,260	74,209
160. Other assets	187,512	130,619
<b>Total Assets</b>	<b>7,095,406</b>	<b>6,602,654</b>
<b>Net equity and Liabilities</b>		
(€ THOUSAND)	30.06.2014	31.12.2013
10. Due to banks	1,716,732	2,230,871
20. Due to customers	4,502,679	3,588,700
40. HFT financial liabilities	188	597
80. Tax payables:	36,492	27,768
a) current	26,002	22,316
b) deferred	10,490	5,452
90. Liabilities associated with disposal groups	67,398	66,252
100. Other liabilities	211,471	142,598
110. Employee termination indemnities	4,912	4,585
120. Provisions for liabilities and contingencies:	85,099	72,151
b) other provisions	85,099	72,151
140. Valuation reserves	19,435	5,460
170. Reserves	195,123	164,221
180. Additional paid-in capital	42,880	37,302
190. Share capital	115,428	114,895
200. Treasury shares (-)	-41	-41
210. Minority interests (+/-)	9,167	6,039
220. Net profit (loss) for the period (+/-)	88,443	141,256
<b>Total Net equity and Liabilities</b>	<b>7,095,406</b>	<b>6,602,654</b>



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Items	30.06.2014	30.06.2013 RESTATED
(€ THOUSAND)		
10. Interest income and similar revenues	62,609	77,082
20. Interest expense and similar charges	-7,328	-13,450
<b>30. Net interest income</b>	<b>55,281</b>	<b>63,632</b>
40. Fee income	222,786	200,711
50. Fee expense	-94,507	-81,786
<b>60. Net fees</b>	<b>128,279</b>	<b>118,925</b>
70. Dividends and similar income	772	856
80. Net income (loss) from trading activities	2,761	-8,862
100. Gain (loss) from sales or repurchase of:	42,233	14,245
a) receivables	2,969	2,132
b) AFS financial assets	39,264	12,123
c) HTM financial assets	-	-10
<b>120. Net banking income</b>	<b>229,326</b>	<b>188,796</b>
130. Net adjustments/reversals due to impairment of:	-4,491	-1,455
a) receivables	-3,724	-555
b) AFS financial assets	-402	-904
c) HTM financial assets	-365	4
<b>140. Net result from banking operations</b>	<b>224,835</b>	<b>187,341</b>
180. General and administrative expense:	-97,352	-86,416
a) staff expenses	-37,372	-34,386
b) other general and administrative expense	-59,980	-52,030
190. Net provisions for liabilities and contingencies	-25,797	-21,396
200. Net adjustments/reversals of property and equipment	-672	-805
210. Net adjustments/reversals of intangible assets	-1,402	-1,601
220. Other operating expense/income	20,982	14,356
<b>230. Operating expense</b>	<b>-104,241</b>	<b>-95,862</b>
270. Gains (loss) from disposal of investments	-10	-4
<b>280. Profit (loss) from operating activities before income taxes</b>	<b>120,584</b>	<b>91,475</b>
290. Income taxes for the period on operating activities	-31,881	-19,885
<b>300. Net profit after income taxes</b>	<b>88,703</b>	<b>71,590</b>
310. Income of disposal groups, net of taxes	2,867	2,487
<b>320. Net profit for the period</b>	<b>91,570</b>	<b>74,077</b>
330. Minority interests (+/-) for the period	-3,127	-2,487
<b>340. Net profit (loss) for the period of the Parent Company</b>	<b>88,443</b>	<b>71,590</b>

## STATEMENT OF COMPREHENSIVE INCOME

Items	30.06.2014	30.06.2013 RESTATED
(€ THOUSAND)		
<b>10. Net profit for the year</b>	<b>91,570</b>	<b>74,077</b>
<b>Other income net of income taxes</b>		
<i>Without transfer to profit and loss account</i>		
20. Property and equipment	-	-
30. Intangible assets	-	-
40. Actuarial gains (losses) from defined benefit plans	-254	-100
50. Non-current assets held for sale	-	-
60. Portion of valuation reserves of investments valued using the equity method	-	-
<b>Other income net of income taxes</b>		
<i>Without transfer to profit and loss account</i>		
70. Hedges of foreign investments	-	-
80. Exchange differences	-	-
90. Cash flow hedges	-	-
100. AFS financial assets	14,229	-3,244
110. Non-current assets held for sale	-	-
120. Portion of valuation reserves of investments valued using the equity method	-	-
<b>130. Total other income, net of income taxes</b>	<b>13,975</b>	<b>-3,344</b>
<b>140. Comprehensive income</b>	<b>105,545</b>	<b>70,732</b>
150. Comprehensive income attributable to Minority Interests	-3,127	-2,487
<b>160. Consolidated comprehensive income attributable to the Parent Company</b>	<b>102,418</b>	<b>68,245</b>

## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVE	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	NET EQUITY, GROUP	NET EQUITY, MINORITIES
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
<b>Net equity at 31.12.2013</b>	<b>116,817</b>	-	<b>37,302</b>	<b>159,006</b>	<b>7,047</b>	<b>5,460</b>	-	<b>-2,400</b>	<b>-41</b>	<b>145,941</b>	<b>469,132</b>	<b>463,093</b>	<b>6,039</b>
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2014	116,817	-	37,302	159,006	7,047	5,460	-	-2,400	-41	145,941	469,132	463,093	6,039
Allocation of net income of the previous year:	-	-	-	33,918	-	-	-	2,400	-	-145,941	-109,623	-109,623	-
- Reserves	-	-	-	33,918	-	-	-	-	-	-33,918	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	2,400	-	-112,023	-109,623	-109,623	-
Change in reserves	-	-	-	-	271	-	-	-	-	-	271	270	1
Transactions on net equity:	533	-	5,578	-	-1,001	-	-	-	-	-	5,110	5,110	-
- Issue of new shares	533	-	5,578	-	-1,148	-	-	-	-	-	4,963	4,963	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	147	-	-	-	-	-	147	147	-
Comprehensive income	-	-	-	-	-	13,975	-	-	-	91,570	105,545	102,418	3,127
<b>Net equity at 30.06.2014</b>	<b>117,350</b>	-	<b>42,880</b>	<b>192,924</b>	<b>6,317</b>	<b>19,435</b>	-	-	<b>-41</b>	<b>91,570</b>	<b>470,435</b>	<b>461,268</b>	<b>9,167</b>
<b>Net equity, Group</b>	<b>115,428</b>	-	<b>42,880</b>	<b>188,806</b>	<b>6,317</b>	<b>19,435</b>	-	-	<b>-41</b>	<b>88,443</b>	<b>461,268</b>	-	-
<b>Net equity, Minority interest</b>	<b>1,922</b>	-	-	<b>4,118</b>	-	-	-	-	-	<b>3,127</b>	<b>9,167</b>	-	-

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVE	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	NET EQUITY, GROUP	NET EQUITY, MINORITIES
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
<b>Net equity at 31.12.2012</b>	<b>114,860</b>	-	<b>16,591</b>	<b>131,172</b>	<b>10,046</b>	<b>-11,475</b>	-	-	<b>-41</b>	<b>133,670</b>	<b>394,823</b>	<b>387,657</b>	<b>7,166</b>
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2013	114,860	-	16,591	131,172	10,046	-11,475	-	-	-41	133,670	394,823	387,657	7,166
Allocation of net income of the previous year:	-	-	-	27,768	-	-	-	-	-	-133,670	-105,902	-102,490	-3,412
- Reserves	-	-	-	27,768	-	-	-	-	-	-27,768	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-105,902	-105,902	-102,490	-3,412
Change in reserves	-	-	-	-	92	-	-	-	-	-	92	92	-
Transactions on net equity:	1,235	-	13,020	-	-2,347	-	-	-	-	-	11,908	11,908	-
- Issue of new shares	1,235	-	13,020	-	-2,589	-	-	-	-	-	11,666	11,666	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	242	-	-	-	-	-	242	242	-
Comprehensive income	-	-	-	-	-	-3,344	-	-	-	74,077	70,733	68,246	2,487
<b>Net equity at 30.06.2013</b>	<b>116,095</b>	-	<b>29,611</b>	<b>158,940</b>	<b>7,791</b>	<b>-14,819</b>	-	-	<b>-41</b>	<b>74,077</b>	<b>371,654</b>	<b>365,413</b>	<b>6,241</b>
<b>Net equity, Group</b>	<b>114,173</b>	-	<b>29,611</b>	<b>157,108</b>	<b>7,791</b>	<b>-14,819</b>	-	-	<b>-41</b>	<b>71,590</b>	<b>365,413</b>	-	-
<b>Net equity, Minority interest</b>	<b>1,922</b>	-	-	<b>1,832</b>	-	-	-	-	-	<b>2,487</b>	<b>6,241</b>	-	-

## STATEMENT OF CASH FLOWS

<b>Indirect method</b>		
(€ THOUSAND)	30.06.2014	30.06.2013
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>96,696</b>	<b>84,701</b>
Net profit (loss) for the period	91,570	74,077
Gain/loss on HFT financial assets and liabilities	-535	5,098
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	4,491	1,455
Net adjustments of property, equipment and intangible assets	2,074	2,419
Net provisions for liabilities and contingencies and other costs/revenues	12,948	9,515
Taxes included in taxes not paid	2,880	-20,400
Adjustments of discontinued operations	260	-
Other adjustments	-16,992	12,537
<b>2. Liquidity generated by/used for financial assets (+/-)</b>	<b>-849,423</b>	<b>804,805</b>
HFT financial assets	200,595	-210,157
Financial assets measured at fair value	-	-
AFS financial assets	-276,761	482,391
Loans to banks: repayable on demand	-246,430	20,565
Loans to banks: other receivables	-368,516	554,303
Loans to customers	-126,797	-57,970
Other assets	-31,513	15,673
<b>3. Net liquidity generated by/used for financial liabilities (+/-)</b>	<b>465,184</b>	<b>-1,150,218</b>
Due to banks: repayable on demand	-	-77,371
Due to banks: other payables	-515,768	-224,318
Due to customers	927,454	-874,807
Securities issued	-	-
HFT financial liabilities	-815	-1,448
Financial liabilities measured at fair value	-	-
Other liabilities	54,313	27,726
<b>Net liquidity generated by/used for operating activities</b>	<b>-287,543</b>	<b>-260,712</b>

**Indirect method**

(€ THOUSAND)	30.06.2014	30.06.2013
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Liquidity generated by:</b>	<b>505,580</b>	<b>801,327</b>
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of HTM financial assets	505,580	801,327
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
<b>2. Liquidity used for:</b>	<b>-111,654</b>	<b>-446,325</b>
Purchase of equity investments	-	-
Purchase of HTM financial assets	-111,208	-445,831
Purchase of property and equipment	-373	-493
Purchase of intangible assets	-73	-1
Purchase of business units and equity investments in subsidiaries	-	-
<b>Net liquidity generated by/used for investing activities</b>	<b>393,926</b>	<b>355,002</b>
<b>C. FUNDING ACTIVITIES</b>		
Issue/purchase of treasury shares	4,963	11,666
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-109,623	-105,902
<b>Net liquidity generated by/used for funding activities</b>	<b>-104,660</b>	<b>-94,236</b>
<b>NET LIQUIDITY GENERATED BY/USED FOR IN THE PERIOD</b>	<b>1,723</b>	<b>54</b>
<b>Reconciliation</b>		
Cash and cash equivalents at period-start	9,613	10,386
Liquidity generated/used in the period	1,723	54
Cash and cash equivalents - effects of exchange rate fluctuations	-	-
<b>Cash and cash equivalents at period-end</b>	<b>11,336</b>	<b>10,440</b>

# Explanatory notes

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## PART A – ACCOUNTING POLICIES

### A.1 General

The Consolidated Half-year Financial Statements have been prepared in accordance with article 154-ter of Legislative Decree No. 58/98, enacted by Legislative Decree No. 195/07, which ratified the Transparency Directive into Italian law.

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

- **the Condensed Half-year Financial Statements** prepared in a consolidated form, if the listed company is required to prepare Consolidated Financial Statements, and in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002;
- **an Interim Report on Operations**, including a description of important events occurring during the half-year period and their impact on the Condensed Half-year Financial Statements, the main risks and uncertainties for the remaining six months of the year and information on related parties;
- **an Attestation by the Manager in charge** of preparing the Company's financial reports as per paragraph 5 of article 154-bis;
- **a Report by the independent auditing firm** on the Condensed Half-year Financial Statements, to be published, if prepared, within the same 60-day time limit.

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

These Consolidated Condensed Half-year Financial Statements have been drawn up in compliance with Italian Legislative Decree No. 38 of 28 February 2005, based on the International Accounting Standards issued by the International Accounting Standards Board (IASB) and relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

These Consolidated Condensed Half-year Financial Statements have been drawn up in compliance with Italian Legislative Decree No. 38 of 28 February 2005, based on the International Accounting Standards issued by the International Accounting Standards Board (IASB) and relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

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

#### A.1.2 Preparation criteria

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

- **a Balance Sheet** as of the end of the interim reporting period and a comparative balance sheet as of the end of the preceding financial year;
- **a Profit and Loss Account** for the interim reporting period, with a comparative profit and loss account for the same interim period of the preceding financial year;
- **the Statement of Other Comprehensive Income (OCI)**, which includes the profit and loss items for the period recognised directly in net equity, for the interim reporting period as compared to the same period of the previous year;
- **a Statement of Changes in Net Equity** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the preceding year;
- **a Statement of Cash Flows** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the preceding year;
- **Notes and Comments** containing references to the ac-

counting standards used and other notes explaining transactions carried out during the period.

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

In detail, IAS 34 – *Interim Financial Reporting* states that, in the interest of timely disclosure, the Interim Financial Statements (“Condensed Financial Statements”) can contain a condensed version of the information given in the Annual Report that provides an update to the last complete Annual Report.

In application of this principle, we therefore exercised the option to prepare the Financial Statements for the period in a condensed form, in place of the complete Financial Statements prepared for the year.

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

### Contents of the financial statements and the notes

The Financial Statements and the Notes and Comments have been prepared in accordance with Bank of Italy's Circular No. 262/2005 and the second update published on 21 January 2014.

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 Other Comprehensive Income consists of items that present changes in the value of some categories of assets recognised in the reporting year through equity valuation reserves, net of the associated tax effect and distinguishing between any income attributable to the Parent Company and minority interests.

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

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 Statement of cash flows 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 fees; these items have been disclosed separately and classified under operating activities.

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

## A.1.3 Scope of consolidation and business combinations

### 1. Scope of consolidation

The companies consolidated by the Group in accordance with IFRS 10 include the Parent Company, Banca Generali S.p.A., and the following subsidiaries:

COMPANY NAME	REGISTERED OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES AT ORDINARY SHAREHOLDERS' MEETING
			INVESTOR	% OF OWNERSHIP INTEREST	
<b>A. Companies in consolidated accounts</b>					
A.1 Recognised using the line-by-line method					
BG Fiduciaria SIM S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
BG Fund Management Luxembourg S.A.	Luxembourg	1	Banca Generali	51.00%	51.00%
Generfid S.p.A.	Milan	1	Banca Generali	100.00%	100.00%
BG Dragon China Sicav	Luxembourg	1	Banca Generali	10.74%	94.74%

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



The scope of consolidation included **BG Dragon China Sicav**, a Luxembourg UCITS promoted by the subsidiary GFM S.A. authorised to invest directly in the Chinese equity market. The acquisition was finalised in late September 2013.

In detail, Banca Generali has subscribed all of the class-A shares of the Sicav and holds a 10.74% interest in the capital of the Sicav and 94.74% of the voting rights in its general meeting; consequently, it is in a situation of control as defined in IAS 27.

In this regard, it is believed that a situation of control may also be deemed as existing according to the new criteria established by IFRS 10, effective 1 January 2014.

However, the Bank's investment is temporary in nature, in that it is intended to permit the launch of the Sicav.

Accordingly, the equity investment may be regarded as a purchase of an asset solely in view of subsequent resale in the near term, pursuant to IFRS 5.32.c, and has thus been accounted for according to that Standard as a disposal group.

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 June 2014, reclassified and adjusted where necessary to take account of consolidation requirements. The most important intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

## 2. 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 net 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 in other assets/liabilities and other revenues/expenses, respectively.

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 Consolidated Profit and Loss Account.

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 IFRSs. They are accounted for in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.

The IASs/IFRSs provide specific guidelines for transactions not covered by IFRSs (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, any excess of the

amount received over the book value is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

### A.1.4 Events occurred after the reporting date

On 10 July 2014, the Board of Directors of Banca Generali approved the acquisition of the Credit Suisse Italia S.p.A.'s Italian affluent and upper affluent private banking operations.

The closing of the transaction, which will be subject to prior authorisation of the Bank of Italy, will take place by November.

The transaction will entail the sale of the business line including the agency contracts of about 60 financial advisors of Credit Suisse Italia, the agreements with their current clients and the relevant net inflows and lending assets. On the whole, AUM attributable to the acquired operations currently exceed 2 billion euros, whereas consideration for the sale will fall within the ran-

ge of 47 to 50 million euros and will be determined on the effective date of the transaction.

Banca Generali will finance the acquisition primarily through a Tier-2 subordinated loan, with the remainder in cash.

Except for the above-mentioned business combination, no events occurred after 30 June 2014 that would make it necessary to adjust the results presented in the Consolidated Half-year Report at that date.

The Consolidated Half-year Financial Statements were approved by the Board of Directors of Banca Generali on 29 July 2014 and its publication was authorised as of the same date.

### A.1.5 Other information

#### Partial de-merger of BG Fund Management Luxembourg S.A.

In the first half of 2014, the company underwent a reorganisation whereby the fund and Sicav management business line of the Generali Group, acquired in 2009 through the merger of Generali Investments Luxembourg S.A. (ex GIL), was de-merged in favour of a newly set-up company.

Prior to the transaction, the Banking Group held a 51% interest (class-A shares), whereas the residual 49% interest was held by Generali Investments S.p.A., a member of the Generali Group (class-B shares). The two share classes were accorded differing treatment in regard to the allocation of profits inasmuch as the Articles of Association envisaged that the share of the net profit or loss for the year attributable to the assets contributed by each of the two shareholders was to be recognised in each share class.

Given this particular aspect of GFM's corporate structure, and in accordance with the laws of Luxembourg, the de-merger transaction resulted in the derecognition of the interest represented by the class-B shares only, in return for which Generali Investments S.p.A. obtained full ownership of the newly incorporated Luxembourg company representing the beneficiary of the de-merger, whereas GFM only derecognised the share of book

net equity attributable to the de-merged business line (non-proportional de-merger).

The de-merger was finalised on 1 July 2014 and, from an accounting standpoint, will be effective retroactively from 1 January 2014 (the result at 30 June 2014 attributable to the Shareholder B was included in the de-merged business line).

As a result of the de-merger, GFM is fully controlled by Banca Generali and has changed its company name from Generali fund Management S.A. (GFM) to BG Fund Management Luxembourg S.A. (BGFM).

#### Accounting treatment

De-mergers do not fall in the scope of IFRS 3 – *Business Combinations* but are regulated by IFRIC 17 – *Distributions of Non-cash Assets to Owners* issued in November 2008.

This interpretation establishes that the distribution of any assets to owners, and therefore including those arising on de-mergers, are treated as distribution of dividends in kind and accounted for as follows:

- the liability relating to assets to be distributed at fair value is recognised in equity when the distribution is

authorised and remeasured at the end of each reporting period;

- when the entity actually sells the operations, it recognises the difference between the fair value of the liability cancelled and the carrying amount of the same.

This interpretation does not apply to transactions between entities under common control, such as that executed by BGFM and Generali Investments.

For this reason, based on the guidelines set by IAS 8 to select the most appropriate accounting policies when a transaction does not fall in the scope of IFRS, it is more appropriate to recognise the transaction in the Consolidated Financial Statements of Banca Generali using the same accounting values as before, based on the pooling of interests (US GAAP – FAS141) or merger accounting (UK GAAP FAS6) methods, and in accordance with the indications of OIC 4 Mergers and Reverse Mergers in the Consolidated Financial Statements.

Based on these guidelines, the de-merger was accounted for as a distribution of dividends in kind to minority shareholders of the banking group and measured based on the accounting value of assets transferred in the Consolidated Financial Statements of Banca Generali (and in the Consolidated Financial Statements of the insurance Group).

This accounting method does not contrast with the IAS/IFRS and reflects the economic substance of the transaction.

Following the amendment of IFRIC 17, the new paragraph 5A was added to IFRS5, establishing that the rules for classification, presentation and measurement applicable to disposal groups classified as held for sale, also apply to disposal groups classified for distribution to owners in their capacity as shareholders (“Assets held for distribution to owners”).

For this reason, in the Condensed Consolidated Half-year Financial Statements at 30 June 2014 assets and liabilities of the former GIL business line have been classified, respectively, in two specific items of assets and liabilities relating to disposal groups and liabilities related to disposal groups. Moreover, income and charges of the business line for the six-month period were reclassified together in the profit and loss statement item profit and loss of disposal groups.

In this regard, it should be noted that an equal amount of the result of the former GIL business line was recognised in profit attributable to minority interests.

## Measurement

The preparation of the Interim Report requires the use of estimates and assumptions that could influence the amounts repor-

ted in the balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.

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

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

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

- the quantification of the network’s remuneration (pay out) for June 2014 and fee-based incentive measures for the first six months of the year;
- the quantification of provisions for personnel incentives;
- the quantification of the amount of provisions for liabilities and contingencies;
- the determination of the fair value of financial instruments used for reporting purposes and any required reports;
- the determination of value adjustments and reversals of non-performing loans and the provision for performing loans;
- estimates and assumptions used to determine current and deferred taxation.

## Measurement of goodwill

During the preparation of the 2013 Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate. Since all required information is only available when drafting the Annual Report and there currently are no indicators of impairment that would require an immediate assessment of loss, it was decided not to conduct an impairment test as of 30 June 2014. For further information on this subject, the reader is referred to the 2013 Financial Statements.

## Non-recurring significant events and transactions

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

## Audit

Reconta Ernst & Young carried out a limited audit of the Consolidated Half-year Financial Statements.

## A.2 Accounting standards

This section sets out the accounting policies adopted for the preparation of the Consolidated Condensed Half-year Financial Statements at 30 June 2014, 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.

With reference to the foregoing, it should be noted that during the reporting period, the accounting policies adopted by the banking Group underwent no significant amendments and supplementations.

Accordingly, the accounting standards and measurement criteria used are the same as those used to prepare the consolidated Financial Statements at 31 December 2013, except as stated hereunder.

The Financial Statements presented herein should therefore be read together with those Financial Statements.

It should also be noted that, following the completion of the endorsement procedure, as of 1 January 2014, several amendments to the IASs/IFRSs entered into force.

<b>International Accounting Standards endorsed in 2012 and 2013, and effective as of 2014</b>	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 10 – Consolidated Financial Statements	1254/2012	29.12.2012	01.01.2014
IFRS 11 – Joint Arrangements	1254/2012	29.12.2012	01.01.2014
IFRS 12 – Disclosure of Interests in Other Entities	1254/2012	29.12.2012	01.01.2014
IAS 27 – Separate Financial Statements	1254/2012	29.12.2012	01.01.2014
IAS 28 – Investments in Associates and Joint Ventures	1254/2012	29.12.2012	01.01.2014
IFRS 10 – IFRS 11 and IFRS 12 Amendments: Transition Guidance	313/2013	04.04.2013	01.01.2014
IFRS 10 – IFRS 12 and IAS 27 Amendments: Investment Entities	1174/2013	20.11.2013	01.01.2014
IAS 36 – Amendment: Recoverable Amount Disclosures for Non-Financial Assets	1374/2013	19.12.2013	01.01.2014
IAS 39 – Amendment: Novation of Derivatives and Continuation of Hedge Accounting	1375/2013	19.12.2013	01.01.2014

<b>International Accounting Standards endorsed but not yet effective</b>	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRIC 21 – Levies	634/2014	14.06.2014	01.01.2015

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards.

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

## A.3 Information on fair value

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

- 1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
- 2) 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 criteria and procedures for determining fair value used to measure portfolios of financial assets and liabilities in this Consolidated Half-Year Financial Report are the same as those applied in the preparation of the Financial Statements at 31 December 2013 and illustrated in Part A, Section 4, of the Notes to those Financial Statements.

### Fair value hierarchy

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

- **Level 1:** quoted prices in active markets, as defined in IFRS 13, for identical instruments;
- **Level 2:** inputs other than the price quotations indicated above, observable on the market (Level 2) either directly (prices) or indirectly (price-derived data);

- **Level 3:** inputs not based on observable market data.

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

### A.3.1 Breakdown by fair-value levels of assets and liabilities measured at fair value on a recurring basis

ASSETS/LIABILITIES AT FAIR VALUE	30.06.2014				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	1,797	11,907	15,290	-	28,994
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,879,723	6,126	26,871	8,869	1,921,589
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
<b>Total</b>	<b>1,881,520</b>	<b>18,033</b>	<b>42,161</b>	<b>8,869</b>	<b>1,950,583</b>
1. HFT financial liabilities	-	188	-	-	188
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>188</b>

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2013				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	202,666	12,348	14,891	-	229,905
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,599,025	11,262	9,262	6,572	1,626,121
4. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>1,801,691</b>	<b>23,610</b>	<b>24,153</b>	<b>6,572</b>	<b>1,856,026</b>
1. HFT financial liabilities	-	597	-	-	597
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>597</b>	<b>-</b>	<b>-</b>	<b>597</b>

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

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
<b>1. Amount at period-start</b>	<b>14,891</b>	<b>9,262</b>	<b>6,572</b>
<b>2. Increases</b>	<b>439</b>	<b>20,806</b>	<b>2,700</b>
2.1 Purchases	-	20,806	2,700
2.2 Gains through:			
2.2.1 Profit and loss	438	-	-
<i>of which: capital gains</i>	438	-	-
2.2.2 Net equity	-	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	1	-	-
<i>of which: business combinations</i>			
<b>3. Decreases</b>	<b>40</b>	<b>3,197</b>	<b>402</b>
3.1 Disposals	-	-	-
3.2 Redemptions	-	3,039	-
3.3 Losses through:			
3.3.1 Profit and loss	-	-	402
<i>of which: capital losses</i>	-	-	402
3.3.2 Net equity	-	158	-
3.4 Transfers to other levels	40	-	-
3.5 Other decreases	-	-	-
<b>4. Amount at period-end</b>	<b>15,290</b>	<b>26,871</b>	<b>8,869</b>

### A.3.3 Breakdown by fair-value levels of assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	30.06.2014			
	VB	L1	L2	L3
1. HTM financial assets	2,253,150	2,299,483	9,953	-
2. Loans to banks	901,152	91,412	814,427	-
3. Loans to customers	1,620,194	23,833	925,285	681,333
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	84,260	59,838	24,422	-
<b>Total</b>	<b>4,858,756</b>	<b>2,474,566</b>	<b>1,774,087</b>	<b>681,333</b>
1. Due to banks	1,716,732	-	1,716,733	-
2. Due to customers	4,502,679	-	4,486,311	16,370
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	67,398	-	67,398	-
<b>Total</b>	<b>6,286,809</b>	<b>-</b>	<b>6,270,442</b>	<b>16,370</b>

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2013			
	VB	L1	L2	L3
1. HTM financial assets	2,652,687	2,673,681	19,458	-
2. Loans to banks	291,379	100,191	193,581	-
3. Loans to customers	1,499,771	5,596	922,141	559,902
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	74,209	58,304	15,905	-
<b>Total</b>	<b>4,518,046</b>	<b>2,837,772</b>	<b>1,151,085</b>	<b>559,902</b>
1. Due to banks	2,230,871	-	2,230,871	-
2. Due to customers	3,588,700	-	3,572,715	16,124
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	66,252	-	66,252	-
<b>Total</b>	<b>5,885,823</b>	<b>-</b>	<b>5,869,838</b>	<b>16,124</b>

## PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

### 1. Assets

#### 1.1 Held-for-trading financial assets and liabilities – Item 20

##### 1.1.1 HFT financial assets: breakdown by debtors/issuers

ITEMS/VALUES	30.06.2014	31.12.2013
<b>A. Cash assets</b>		
<b>1. Debt securities</b>	<b>20,366</b>	<b>217,165</b>
a) Governments and Central Banks	396	200,243
b) Other public institutions	-	-
c) Banks	4,681	2,067
d) Other issuers	15,289	14,855
<b>2. Equity securities</b>	<b>1,402</b>	<b>2,424</b>
a) Banks	1	975
b) Other issuers:	1,401	1,449
- insurance companies	603	677
- financial companies	-	-
- non-financial companies	798	772
- other entities	-	-
<b>3. UCITS units</b>	<b>6,212</b>	<b>9,265</b>
<b>4. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total A</b>	<b>27,980</b>	<b>228,854</b>
<b>B. Derivatives</b>		
a) Banks	911	653
b) Customers	103	398
<b>Total B</b>	<b>1,014</b>	<b>1,051</b>
<b>Total (A + B)</b>	<b>28,994</b>	<b>229,905</b>



## 1.2 Available-for-sale financial assets – Item 40

### 1.2.1 AFS financial assets: breakdown by debtors/issuers

ITEMS/VALUES	30.06.2014	31.12.2013
<b>1. Debt securities</b>	<b>1,872,860</b>	<b>1,601,047</b>
a) Governments and Central Banks	1,704,434	1,509,414
b) Other public institutions	-	-
c) Banks	130,018	76,735
d) Other issuers	38,408	14,898
<b>2. Equity securities</b>	<b>21,797</b>	<b>21,141</b>
a) Banks	6,307	5,987
b) Other issuers:	15,490	15,154
- insurance companies	735	786
- financial companies	2,854	5,248
- non-financial companies	11,894	9,113
- other entities	7	7
<b>3. UCITS units</b>	<b>26,932</b>	<b>3,933</b>
<b>4. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total</b>	<b>1,921,589</b>	<b>1,626,121</b>

## 1.3 Held-to-maturity financial assets – Item 50

### 1.3.1 HTM financial assets: breakdown by debtors/issuers

ITEMS/VALUES	30.06.2014	31.12.2013
<b>1. Debt securities</b>	<b>2,253,150</b>	<b>2,652,687</b>
a) Governments and Central Banks	2,200,646	2,578,064
b) Other public institutions	-	-
c) Banks	38,204	58,150
d) Other issuers	14,300	16,473
<b>2. Financing</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total</b>	<b>2,253,150</b>	<b>2,652,687</b>

## 1.4 Debt securities allocated to loans

### 1.4.1 Financial assets classified among loans: breakdown by debtors/issuers

ITEMS/VALUES	30.06.2014	31.12.2013
a) Banks	136,573	125,165
b) Other issuers	28,767	38,583
<b>Total debt securities</b>	<b>165,340</b>	<b>163,748</b>

## 1.5 Loans to banks – Item 60

### 1.5.1 Loans to banks: categories

ITEMS/VALUES	30.06.2014	31.12.2013
<b>1. Repayable on demand</b>	<b>321,600</b>	<b>92,664</b>
Demand deposits with ECB	-	-
Demand deposits with credit institutions	222,000	40,000
Transfer accounts	99,600	52,664
<b>2. Time deposits</b>	<b>442,804</b>	<b>73,486</b>
Mandatory reserve	1,692	59,600
Term deposits	-	13,886
Repurchase agreements	441,112	-
Collateral margins	-	-
<b>3. Debt securities</b>	<b>136,573</b>	<b>125,165</b>
<b>4. Other operating receivables</b>	<b>175</b>	<b>64</b>
<b>Total due to banks</b>	<b>901,152</b>	<b>291,379</b>

## 1.6 Loans to customers – Item 70

### 1.6.1 Loans to customers: categories

ITEMS/VALUES	30.06.2014	31.12.2013
Current accounts	802,848	752,116
Personal loans	634,772	551,450
Other financing and loans not in current accounts	26,338	23,839
Short-term term deposits on the new MIC	-	-
<b>Financing</b>	<b>1,463,958</b>	<b>1,327,405</b>
<b>GESAV life insurance participating policy</b>	<b>22,606</b>	<b>22,208</b>
<b>Total financing</b>	<b>1,486,564</b>	<b>1,349,613</b>
Receivables from product companies	72,257	71,574
Sums advanced to Financial Advisors	20,186	27,029
Stock exchange interest-bearing daily margin	3,602	2,237
Changes to be debited and other loans	8,818	10,735
<b>Operating loans and other loans</b>	<b>104,863</b>	<b>111,575</b>
<b>Debt securities</b>	<b>28,767</b>	<b>38,583</b>
<b>Total loans to customers</b>	<b>1,620,194</b>	<b>1,499,771</b>

**Net non-performing loans** amounted to 39.3 million euros (2.4% of total loans to customers).

Non-performing loans consist mainly of positions originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan guarantee granted by BSI upon the sale of the foregoing company (indemnity) and chiefly secured to that end through cash collateral payments by the counterparty. Net of that portfolio, the weight of non-performing exposures declines to 0.69%. There was a decrease in bad debt positions during the half-year as a result of the completion of the execution of the composition

with creditors procedure relating to a position (which was also fully covered by the indemnity granted by BSI SA), following which that position was reclassified out of the non-performing category.

The increase in substandard positions was also essentially attributable to positions covered by the indemnity of approximately 8 million euros previously classified as past due.

The most significant position in this category is a loan of 10.5 million euros to Investimenti Marittimi, subject to an impairment loss of 4.2 million euros.

## 1.6.2 Cash exposure with customers (financing): gross and net amounts

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE 2014	NET EXPOSURE 2013	CHANGES		INDEMNITY	NOT GUARANTEED
					AMOUNT	%		
Bad loans	31,290	-15,984	15,306	20,381	-5,075	-24.9%	13,649	1,657
<i>of which:</i>								
- <i>financing</i>	27,556	-13,349	14,207	16,083	-1,876	-11.7%	13,649	558
- <i>debt securities</i>	-	-	-	3,326	-3,326	-100.0%	-	-
- <i>operating receivables</i>	3,734	-2,635	1,099	972	127	13.1%	-	1,099
Substandard loans	25,187	-5,044	20,143	15,221	4,922	32.3%	13,619	6,524
Restructured loans	2,866	-624	2,242	981	1,261	128.5%	987	1,255
Expired loans/outstanding over 90 days	1,782	-110	1,672	8,743	-7,071	-80.9%	-	1,672
<b>Total non-performing loans</b>	<b>61,125</b>	<b>-21,762</b>	<b>39,363</b>	<b>45,326</b>	<b>-5,963</b>	<b>-13.2%</b>	<b>28,255</b>	<b>11,108</b>
Performing loans	1,583,340	-2,509	1,580,831	1,454,445				
<b>Total loans to customers</b>	<b>1,644,465</b>	<b>-24,271</b>	<b>1,620,194</b>	<b>1,499,771</b>				

Net impaired loans relating to operating receivables amounted instead to 1.1 million euros and referred primarily

to litigation or pre-litigation positions against former Financial Advisors.

## 1.7 Property, equipment and intangible assets – Item 120 and 130

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

ITEMS/VALUES	30.06.2014	31.12.2013
<b>A. Property and equipment</b>		
1. Operating:		
1.1 owned assets		
- furniture and fittings	2,443	2,572
- ADP machines and equipment	549	678
- miscellaneous machines and equipment	726	830
1.2 leased		
<b>Total property and equipment</b>	<b>3,718</b>	<b>4,080</b>
<b>B. Intangible assets with indefinite lives</b>		
- Goodwill with finite lives – at cost	38,632	38,632
- Relations with customers of the former Banca del Gottardo	3,337	3,814
- Charges for legacy systems	2,474	3,339
- Other software costs	186	174
- No-load fees to be amortised	-	-
- Other assets and assets in progress	52	52
<b>Total intangible assets</b>	<b>44,681</b>	<b>46,010</b>
<b>Total property, equipment and intangible assets</b>	<b>48,399</b>	<b>50,090</b>

### 1.7.2 Property, equipment and intangible assets: changes

	GOODWILL	INTANGIBLE ASSETS	PROPERTY AND EQUIPMENT	30.06.2014
<b>Net amount at period-start</b>	<b>38,632</b>	<b>7,378</b>	<b>4,080</b>	<b>50,090</b>
<b>Increases</b>	-	<b>73</b>	<b>362</b>	<b>435</b>
Purchases	-	73	362	435
Other changes	-	-	-	-
<i>of which: business combinations</i>	-	-	-	-
<b>Decreases</b>	-	<b>1,402</b>	<b>724</b>	<b>2,126</b>
Sales	-	-	-	-
Adjustments	-	1,402	672	2,074
<i>of which:</i>				
a) <i>amortisation/depreciation</i>	-	1,402	672	2,074
b) <i>write-downs</i>	-	-	-	-
Other changes	-	-	52	52
<b>Amount at period-end</b>	<b>38,632</b>	<b>6,049</b>	<b>3,718</b>	<b>48,399</b>

## 1.8 Other assets – Item 160

### 1.8.1 Breakdown of other assets

ITEMS/VALUES	30.06.2014	31.12.2013
<b>Fiscal items</b>	<b>26,464</b>	<b>16,851</b>
Advances paid to fiscal authorities – current account withholdings	1,877	2,542
Advances paid to fiscal authorities – stamp duty	23,273	5,070
Excess payment of substitute tax for tax shield	634	634
Fiscal authorities/VAT	6	204
Sums due from fiscal authorities for taxes to be refunded – other	49	71
Sums due from fiscal authorities for advances on capital gains	-	7,720
Other sums due from fiscal authorities	625	609
<b>Leasehold improvements</b>	<b>1,188</b>	<b>1,010</b>
<b>Sundry advances to suppliers and employees</b>	<b>7,341</b>	<b>4,170</b>
<b>Operating receivables not related to financial transactions</b>	<b>207</b>	<b>85</b>
<b>Cheques under processing</b>	<b>10,560</b>	<b>24,939</b>
C/a cheques drawn on third parties under processing	329	984
Our c/a cheques under processing c/o service	10,133	23,668
Cheques – other amounts under processing	98	287
<b>Other amounts to be debited under processing</b>	<b>74,958</b>	<b>19,823</b>
Amounts to be settled in the clearing house (debits)	4,441	5,355
Clearing accounts for securities and funds procedure	19,118	12,444
Other amounts to be debited under processing	51,399	2,023
<b>Amounts receivable for legal disputes related to non-credit transactions</b>	<b>3,722</b>	<b>3,756</b>
<b>Trade receivables from customers and banks that cannot be traced back to specific items</b>	<b>16,898</b>	<b>19,446</b>
<b>Other amounts</b>	<b>46,174</b>	<b>40,541</b>
Prepayments for the new supplementary commissions for FAs	39,751	25,999
Prepayments of exclusive portfolio management fees	4,303	5,847
Other accrued income and deferred charges	2,014	8,262
Due from Assicurazioni Generali for claims to be settled	67	19
Sundry amounts	39	414
<b>Total</b>	<b>187,512</b>	<b>130,619</b>

Receivables from fiscal authorities for withholdings and stamp duty on current accounts represent the positive unbalance

between payments on account and the related payable to fiscal authorities.

## 1.9 Deferred tax assets and liabilities – Item 140 (Assets) and Item 80 (Liabilities)

TYPE OF TRANSACTIONS/VALUES	30.06.2014	31.12.2013
<b>Current taxation</b>	<b>1,729</b>	<b>3,467</b>
- Sums due for taxes to be refunded	1,711	143
- IRES arising on National Tax Consolidation	-	1,633
- IRES	17	-
- IRAP	1	1,691
<b>Deferred tax assets</b>	<b>37,091</b>	<b>34,793</b>
<b>With impact on profit and loss account</b>	<b>36,754</b>	<b>33,687</b>
- IRES	32,747	29,847
- IRAP	4,007	3,840
<b>With impact on net equity</b>	<b>337</b>	<b>1,106</b>
- IRES	331	975
- IRAP	6	131
<b>Total</b>	<b>38,820</b>	<b>38,260</b>

Current tax assets and liabilities represent the positive or negative unbalance between the estimated income taxes due for the period and the associated tax credits due to overpayments in previous tax periods, prepayments made and amounts withheld.

In the case of Banca Generali in particular, current tax assets or liabilities due to IRES take the form, respectively, of an account receivable from or payable to the consolidating company, Assicurazioni Generali S.p.A. Due to Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then figures and

pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.

Sums due for National Tax Consolidation refer mostly to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Legislative Decree No. 201/2011, of the deductibility from that tax of the share of IRAP paid on the cost of labour. The account receivable was recognised on the basis of the provisions of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for presenting refund applications, and also takes the form of a positive entry in Assicurazioni Generali's tax consolidation programme.

### 1.9.2 Breakdown of item 80 (Liabilities): tax payables

TYPE OF TRANSACTIONS/VALUES	30.06.2014	31.12.2013
<b>Current taxation</b>	<b>26,002</b>	<b>22,316</b>
- IRES arising on National Tax Consolidation	13,745	8,949
- IRES	-	-
- IRAP	3,557	5
- Other direct taxes payable	8,700	13,362
- Sum due to the Treasury by way of substitute tax	-	-
<b>Deferred tax payables</b>	<b>10,490</b>	<b>5,452</b>
<b>With impact on profit and loss account</b>	<b>1,585</b>	<b>2,035</b>
- IRES	1,502	1,950
- IRAP	83	85
<b>With impact on net equity</b>	<b>8,905</b>	<b>3,417</b>
- IRES	7,519	2,864
- IRAP	1,386	553
<b>Total</b>	<b>36,492</b>	<b>27,768</b>

### 1.9.3 Breakdown of deferred tax assets

	30.06.2014		31.12.2013	
		PURSUANT TO LAW 214/2011		PURSUANT TO LAW 214/2011
<b>With impact on profit and loss account</b>	<b>36,754</b>	<b>11,538</b>	<b>33,687</b>	<b>11,617</b>
Previous fiscal losses	-	-	-	-
Provisions for liabilities and contingencies	23,425	-	19,955	-
Write-downs of securities in the trading portfolio before 2008	11	-	11	-
Write-downs of securities in the AFS portfolio	-	-	-	-
Write-downs on debt securities	-	-	-	-
Credit devaluation	2,518	2,458	2,055	1,861
Redeemed goodwill (pursuant to art. 15, para. 10, of Legislative Decree 185/2008)	6,460	6,460	7,056	7,056
Consolidated goodwill of BG Fiduciaria (art. 15, para. 10-ter)	1,260	1,260	1,321	1,321
Redeemed goodwill (art. 176, par. 2-ter of TUIR)	1,360	1,360	1,379	1,379
Other goodwill	1,498	-	1,763	-
Other operating expenses	222	-	147	-
<b>With impact on net equity</b>	<b>337</b>	<b>-</b>	<b>1,106</b>	<b>-</b>
Measurement at fair value of AFS financial assets	43	-	923	-
Actuarial losses IAS19	294	-	183	-
<b>Total</b>	<b>37,091</b>	<b>11,538</b>	<b>34,793</b>	<b>11,617</b>

The DTAs eligible for conversion into tax credits pursuant to Law 214/2011 include assets associated with goodwill redeemed in accordance with Article 10 of Legislative Decree 185/08 and article 172 of TUIR, assets associated with write-downs in excess of 0.30% eligible for deduction over 18 years in connection with the banking portfolio, assets associated with goodwill redeemed

in accordance with article 10 of Legislative Decree 185/08 and article 172 of TUIR and, effective financial year 2013, write-downs of the loan portfolio eligible for deduction during the current year and the following four years on the basis of the new Article 106, paragraph 3, as reformulated by the 2014 Financial Stability Law.

### 1.9.4 Breakdown of deferred tax liabilities

	30.06.2014	31.12.2013
<b>With impact on profit and loss account</b>	<b>1,585</b>	<b>2,035</b>
Capital gains by instalments from the transfer of the funds business unit	704	844
Provisions, adjustments and write-downs, off-balance sheet items excluded	727	702
Provision for termination indemnity	154	178
Goodwill	-	311
<b>With impact on net equity</b>	<b>8,905</b>	<b>3,417</b>
Measurement at fair value of AFS financial assets	8,905	3,417
<b>Total</b>	<b>10,490</b>	<b>5,452</b>



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

	30.06.2014	31.12.2013
<b>1. Amount at period-start</b>	<b>33,687</b>	<b>33,130</b>
<b>2. Increases</b>	<b>9,593</b>	<b>9,919</b>
2.1 Deferred tax assets for the period	9,592	9,918
a) relative to prior years	-	244
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	9,592	9,674
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases:	1	1
<i>adjustment of prepaid taxes for the National Tax Consolidation</i>	-	-
<i>business combinations</i>	-	-
<b>3. Decreases</b>	<b>6,526</b>	<b>9,362</b>
3.1 Deferred tax receivables eliminated in the year:	6,207	9,209
a) transfers	5,981	9,177
b) write-downs for non-recoverability	226	32
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	319	-
3.3 Other decreases:	-	153
a) conversion into tax credits pursuant to Law 214/2011	-	-
b) other:	-	153
<i>reclassified to assets for the National Tax Consolidation</i>	-	-
<i>business combinations</i>	-	-
<b>4. Amount at period-end</b>	<b>36,754</b>	<b>33,687</b>

### 1.9.6 Change in prepaid taxes pursuant to Law No. 214/2011

	30.06.2014	31.12.2013
<b>1. Amount at period-start</b>	<b>11,617</b>	<b>11,629</b>
<b>2. Increases</b>	<b>1,025</b>	<b>1,149</b>
<i>of which: business combinations</i>		-
<b>3. Decreases</b>	<b>1,104</b>	<b>1,161</b>
3.1 Transfers	797	1,161
3.2 Conversion into tax credits:	-	-
a) due to losses for the period	-	-
b) due to fiscal losses	-	-
3.3 Other decreases	307	-
<b>4. Amount at period-end</b>	<b>11,538</b>	<b>11,617</b>

**1.9.7 Change in deferred tax payables (offsetting entry to the profit and loss account)**

	30.06.2014	31.12.2013
<b>1. Amount at period-start</b>	<b>2,035</b>	<b>2,386</b>
<b>2. Increases</b>	<b>33</b>	<b>67</b>
2.1 Deferred tax payables for the period:	33	67
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	33	67
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases:	-	-
<i>business combinations</i>	-	-
<b>3. Decreases</b>	<b>482</b>	<b>418</b>
3.1 Deferred tax payables eliminated during the year:	474	418
a) transfers	141	418
b) change in accounting criteria	-	-
c) other	333	-
3.2 Decreases in tax rates	8	-
3.3 Other decreases	-	-
<b>4. Amount at period-end</b>	<b>1,586</b>	<b>2,035</b>

**1.9.8 Changes in deferred tax assets (offsetting entry to the net equity)**

	30.06.2014	31.12.2013
<b>1. Amount at period-start</b>	<b>1,106</b>	<b>6,426</b>
<b>2. Increases</b>	<b>108</b>	<b>309</b>
2.1 Deferred tax assets for the period:	108	309
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	108	309
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>877</b>	<b>5,629</b>
3.1 Deferred tax receivables eliminated in the year:	712	736
a) transfers	712	736
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	13	-
3.3 Other decreases	152	4,893
<b>4. Amount at period-end</b>	<b>337</b>	<b>1,106</b>

Item 3.3 Other decreases refers to the reduction of deferred tax assets due to the reabsorption of deductible temporary differ-

ences as a result of reversals of securities included in the AFS portfolio.

### 1.9.9 Changes in deferred tax liabilities (offsetting entry to the net equity)

	30.06.2014	31.12.2013
<b>1. Amount at period-start</b>	<b>3,417</b>	<b>869</b>
<b>2. Increases</b>	<b>8,320</b>	<b>3,330</b>
2.1 Deferred tax payables for the period:	8,320	3,321
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	8,320	3,321
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	9
<b>3. Decreases</b>	<b>2,832</b>	<b>782</b>
3.1 Deferred tax payables eliminated during the year:	2,775	782
a) transfers	2,775	782
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	57	-
3.3 Other decreases	-	-
<b>4. Amount at period-end</b>	<b>8,905</b>	<b>3,417</b>

### 1.10 Non-current assets available for sale and disposal groups and associated liabilities – Item 150 (Assets) and Item 90 (Liabilities)

Disposal groups and associated liabilities consist of the two following types:

- a) assets and liabilities associated with the BGFМ business unit responsible for managing the funds/Sicavs distributed by the Generali Group's insurance companies, acquired in 2009 following the merger of the Luxembourg subsidiary Generali Investments Luxembourg S.A. (the former GIL business unit), which was then de-merged effective 1 July 2014 to a newly incorporated company within the insurance group (on this subject, please refer to Part A.1.5 of these Notes);
- b) assets and liabilities associated with BG Dragon China Sicav,

a UCITS promoted by GFM S.A., a Luxembourg management company controlled by Banca Generali, launched in the second half of 2013 and authorised to invest directly in the Chinese equity market. In support of the start-up phase, Banca Generali subscribed for 80,810 of the class-A shares of the above Sicav, which entitle it to 94% of the investment vehicle's voting rights on the basis of an equity interest of slightly less than 10%. Given that the vehicle, which at present is controlled by Banca Generali, qualifies as an investment acquired solely in view of subsequent resale in the near term, it has been consolidated and classified pursuant to IFRS 5.

### 1.10.1 Breakdown of non-current assets held for sale and disposal groups and associated liabilities

ITEMS/VALUES	30.06.2014	31.12.2013
<b>A. Individual assets</b>		
<b>Total A</b>	-	-
<b>B. Groups of assets (discontinued operating units)</b>		
B.1 HFT financial assets	61,898	60,364
B.2 Financial assets at fair value		
B.3 AFS financial assets		
B.4 HTM Financial assets		
B.5 Loans to banks	14,804	13,744
B.6 Loans to customers	6,218	
B.7 Equity investments		
B.8 Property and equipment	48	
B.9 Intangible assets		
B.10 Other assets	1,292	101
<b>Total B</b>	<b>84,260</b>	<b>74,209</b>
<b>C. Liabilities of individual assets held for sale</b>		
<b>Total C</b>	-	-
<b>D. Liabilities associated to disposal groups</b>		
D.1 Due to banks		
D.2 Due to customers	4,305	
D.3 Outstanding securities	60,748	65,734
D.4 HFT financial liabilities		
D.5 Financial liabilities at fair value		
D.6 Provisions	102	
D.7 Other liabilities	2,243	518
<b>Total D</b>	<b>67,398</b>	<b>66,252</b>

The assets associated with BG Dragon China consist primarily of equity securities listed on the Chinese market classified to the HFT portfolio (61.8 million euros) and bank deposits (6.9 million euros), whereas the liabilities consist of redeemable class-B shares measured at fair value and held by investors (60.7 million euros).

The assets and liabilities associated with the former GIL unit consist of operating receivables from customers relating to management of foreign funds and Sicavs (6.2 million euros) and bank deposits with CACEIS, whereas the liabilities pertain to accounts payable to customers for placement and middle-office activity relating to those same funds.

## 2. Net equity and liabilities

### 2.1 Due to banks – Item 10

#### 2.1.1 Due to banks: categories

ITEMS/VALUES	30.06.2014	31.12.2013
<b>1. Due to Central Banks</b>	<b>1,115,510</b>	<b>1,114,185</b>
<b>2. Due to banks</b>	<b>601,222</b>	<b>1,116,686</b>
2.1 Current accounts and demand deposits	30,440	398
2.2 Term deposits	144	186
2.3 Financing:	545,255	1,091,372
2.3.1 repurchase agreements	545,255	1,091,372
2.3.2 other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	25,383	24,730
<b>Total</b>	<b>1,716,732</b>	<b>2,230,871</b>

The item “Other debts” includes 21,212 thousand euros in deposits placed by BSI S.A. to secure certain non-performing exposures arising from the acquisition of Banca del Gottardo Italia

(collateral deposits), whereas the remainder refers to collateral margins received from counterparties in connection with repurchase agreements.

### 2.2 Due to customers and securities issued – Items 20 and 30

#### 2.2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	30.06.2014	31.12.2013
1. Current accounts and demand deposits	3,615,703	2,934,906
2. Term deposits	720,473	428,430
3. Financing	93,845	101,878
3.1 repurchase agreements	70,475	85,754
3.2 term deposits on the New Mic	7,000	-
3.3 other entities	16,370	16,124
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	72,658	123,486
<b>Total due to customers (Item 20)</b>	<b>4,502,679</b>	<b>3,588,700</b>
<b>Securities issued (Item 30)</b>	<b>-</b>	<b>-</b>
<b>Total due to customers and securities</b>	<b>4,502,679</b>	<b>3,588,700</b>

Item 5 “Other debts” refers for 19,083 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, other amounts available to customers and, for the remaining amount, trade payables to the sales network.

Item 3.3.2 Financing - Term deposits” on the new MIC includes a subordinated loan in the amount of 40 million euros granted

by the German associate insurance company Generali Versicherung A.G. to the merged company Banca BSI Italia S.p.A. under the contractual form known as Schuldschein (financing), with a repayment schedule that calls for five annual instalments beginning on 1 October 2013 and an interest rate equal to the 12-month Euribor plus 225 basis points. The loan is subordinated in the event of a default by the bank.

## 2.3 Held-for-trading liabilities – Item 40

### 2.3.1 Breakdown of HFT financial liabilities

ITEMS/VALUES	30.06.2014	31.12.2013
<b>A. Financial liabilities</b>	-	-
1. Due to banks	-	-
2. Due to customers	-	-
3. Debt securities	-	-
<b>B. Derivatives</b>	<b>188</b>	<b>597</b>
1. Financial	188	597
2. Credit	-	-
<b>Total HFT liabilities</b>	<b>188</b>	<b>597</b>

## 2.4 Other liabilities – Item 100

### 2.4.1 Breakdown of other liabilities

ITEMS/VALUES	30.06.2014	31.12.2013
<b>Trade payables</b>	<b>17,399</b>	<b>10,190</b>
Due to suppliers	17,399	10,190
<b>Due to staff and social security institutions</b>	<b>13,546</b>	<b>14,569</b>
Due to staff for accrued holidays, etc.	4,221	3,351
Due to staff for productivity bonuses to be paid	5,023	6,589
Contributions to be paid to social security institutions	1,925	2,373
Contributions to FAs to be paid to Enasarco	2,377	2,257
<b>Tax authorities</b>	<b>86,339</b>	<b>17,142</b>
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	3,269	3,443
Special stamp duty to be charged back	1,116	-
Withholding taxes to be paid to tax authorities on behalf of customers	8,479	9,721
Notes to be paid into collection services	72,047	3,956
VAT payable	1,069	-
Tax payables - other (stamp duty and substitute tax on medium-/long-term loans)	359	22
<b>Amounts to be debited under processing</b>	<b>84,531</b>	<b>94,509</b>
Bank transfers, cheques and other sums payable	13,569	755
Amounts to be settled in the clearing house (credits)	44,054	71,638
Liabilities from reclassification of portfolio subject to collection (SBF)	1,780	1,085
Other amounts to be debited under processing	25,128	21,031
<b>Sundry items</b>	<b>9,656</b>	<b>6,188</b>
Accrued expenses and deferred income that cannot be traced back to specific items	3,901	1,959
Sums made available to customers	157	103
Due for payments on behalf of third parties	4,052	2,532
Sundry items	1,388	1,320
Amounts to be credited	158	274
<b>Total</b>	<b>211,471</b>	<b>142,598</b>

## 2.5 Special Purpose Provisions – Items 110 and 120

### 2.5.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	30.06.2014	31.12.2013
Provision for termination indemnity	4,912	4,585
<b>Other provisions for liabilities and contingencies</b>	<b>85,099</b>	<b>72,151</b>
Provisions for staff expenses	10,130	13,572
Provisions for legal disputes	14,204	13,042
Provisions for contractual indemnities to the sales network	17,744	15,314
Provisions for sales network incentives	35,802	25,757
Other provisions for liabilities and contingencies	7,219	4,466
<b>Total provisions</b>	<b>90,011</b>	<b>76,736</b>

### 2.5.2 Changes in provisions for termination indemnity

	30.06.2014	31.12.2013
<b>A. Amount at period-start</b>	<b>4,585</b>	<b>4,600</b>
Change in opening balance	-	-
<b>B. Increases</b>	<b>418</b>	<b>531</b>
B.1 Provisions for the period	69	223
B.2 Actuarial gains & losses	349	307
B.3 Other increases	-	1
<i>of which: business combination transactions</i>	-	-
<b>C. Decreases</b>	<b>91</b>	<b>546</b>
C.1 Amounts paid	91	546
C.2 Actuarial gains & losses	-	-
C.3 Other decreases	-	-
<i>of which: business combination transactions</i>	-	-
<b>D. Amount at period-end</b>	<b>4,912</b>	<b>4,585</b>

### 2.5.3 Changes in provisions for liabilities and contingencies

	31.12.2013	OTHER CHANGES	USES	SURPLUS	PROVISIONS	30.06.2014
<b>Provision for staff expenses</b>	<b>13,572</b>	<b>-102</b>	<b>-5,026</b>	<b>-365</b>	<b>2,051</b>	<b>10,130</b>
<b>Provision for legal disputes</b>	<b>13,042</b>	<b>10</b>	<b>-551</b>	<b>-653</b>	<b>2,356</b>	<b>14,204</b>
Provision for risks related to legal disputes with FA's embezzlements	8,958	-	-196	-	1,650	10,412
Provision for risks related to legal disputes with FAs	1,391	10	-104	-19	135	1,413
Provision for risks related to legal disputes with staff	713	-	-5	-	106	814
Provision for other legal disputes	1,980	-	-246	-634	465	1,565
<b>Provision for termination indemnity of financial advisors</b>	<b>15,314</b>	<b>-</b>	<b>-55</b>	<b>-86</b>	<b>2,571</b>	<b>17,744</b>
Provision for termination indemnity	12,354	-	-55	-71	1,795	14,023
Provision for portfolio Overcommission indemnities	1,467	-	-	-7	224	1,684
Pension funds	1,493	-	-	-8	552	2,037
<b>Provisions for risks related to network incentives</b>	<b>25,757</b>	<b>-</b>	<b>-8,948</b>	<b>-346</b>	<b>19,339</b>	<b>35,802</b>
Provision for risks related to network development incentives	20,327	-	-5,895	-346	18,014	32,100
Provisions for managers with access gate	2,696	-	-888	-	-	1,808
Provision for fees - travel incentives and tenders	2,650	-	-2,152	-	1,325	1,823
Provision for risks related to incentive plans	84	-	-13	-	-	71
Provision for loyalty bonuses	-	-	-	-	-	-
<b>Other provisions for liabilities and contingencies</b>	<b>4,466</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>2,615</b>	<b>7,219</b>
<b>Total</b>	<b>72,151</b>	<b>46</b>	<b>-14,580</b>	<b>-1,450</b>	<b>28,932</b>	<b>85,099</b>

#### Provisions for staff expenses

Provisions for staff expenses include the following:

- the share of the variable compensation of managers of the banking group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's remuneration policy;
- the estimate of the variable compensation provided for in the long-term retention programme introduced within the Assicurazioni Generali Group (the Long Term Incentive Plan) in relation with the last applicable cycle (2012-2014);
- allocations for post-employment benefits related to healthcare for the Group's executives;
- further allocations for measures involving staff intended to support a company reorganisation plan, approved by the Board of Directors of the Bank at the end of 2013 and aimed at transferring a portion of Relationship Managers (employees) and the geographical mobility of the staff;
- other informal incentives and other expenses associated with the classification of personnel outside the scope of IAS 19.

In the first half of 2014, provisions for staff expenses also included the allocation related to the performance bonus envisaged in the company supplementary contract (CIA) for 2014.

In this regard, it should be noted that a union agreement was signed on 30 May 2014 extending the supplementary contract for



the Banking Group (Italy). In this venue, the mechanism for calculating the company bonus for 2013 (paid in 2014) was defined, whereas it was agreed to define the conditions for the close of the three-year period (2011-2014) by year-end.

### **Provisions for legal disputes**

This type of provisions for risks includes provisions earmarked on the basis of pending litigations connected with FA's 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 Financial Advisors' termination indemnity**

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity and the social-security bonus. The provision covering the cost of termination indemnities for financial advisors is assessed according to an actuarial approach, pursuant to law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria adopted during the reporting year. The portfolio development indemnity is instead a scheme that 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 advisor identified by the company as the outgoing advisor's successor is liable for the indemnity paid to the outgoing advisor. 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 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over. 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. Conversely, allocations to the new social-security bonus programmes are aimed at ensuring that the most deserving workers receive supplementary pension benefits upon retirement.

### **Provisions for risks related to network incentives**

These provisions refer mainly to past Group commitments related to several recruitment plans for middle-term expansion of managed portfolios. Considering that this type of plan has no longer 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 also refers to performance-based incentive programmes, including the BG Premier Club trip and other special plans (supplementary allowances, stabilisers, target-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuous service on the network or the achievement of sales targets.

### **Other provisions for liabilities and contingencies**

Finally, other provisions for liabilities and contingencies include allocations to cover the tax dispute (2.6 million euros), the presumed charge to be borne by the bank for the already authorised preventative intervention of the Interbank Deposit Protection Fund in the insolvency of Banca Tercas (1.1 million euros) and other operating expense, including commercial action for the benefit of customers.

During the first half of 2014, allocations were also undertaken to recognise the costs of merging the business unit of Credit Suisse Italia, the acquisition of which is in progress, as well as for research expenses relating to a mobile banking project in the start-up phase, which cannot be capitalised under IAS 38.

### **Tax dispute**

With regard to the tax dispute, allocations made referred to the tax audit of the parent company, Banca Generali, pertaining to tax year 2010 carried out by the Regional Department for Friuli Venezia Giulia of the Italian Revenue Service and completed in July 2013. No assessment audits have been served thus far in relation to this audit. The alleged irregularities presented by the revenue authorities in the auditors' report on findings served upon the conclusion of the audit primarily centre on the applicability of the VAT exemption to a financial brokerage transaction and have been accounted for by provisioning prudentially in light of the authorities' possible claims.

At 30 June 2014, Banca Generali was not involved in any tax disputes with the revenue authorities.

## 2.6 Group net equity – Items 140, 160, 170, 180, 190, 200 and 220

### 2.6.1 Total shares of the Parent Company: changes

ITEMS/TYPE	30.06.2014	31.12.2013
<b>A. Existing shares at period-start</b>	<b>114,895,247</b>	<b>112,937,722</b>
- paid up	114,895,247	112,937,722
- partially paid	-	-
A.1 Treasury shares (-)	10,071	10,071
<b>A.2 Outstanding shares: at period-start</b>	<b>114,885,176</b>	<b>112,927,651</b>
<b>B. Increases</b>	<b>532,554</b>	<b>1,957,525</b>
B.1 Newly issued shares:		
- against payment:	532,554	1,957,525
- business combination transactions	-	-
- bonds conversion	-	-
- exercise of warrant	532,554	1,957,525
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
<b>D. Outstanding shares: at period-end</b>	<b>115,417,730</b>	<b>114,885,176</b>
D.1 Treasury shares (+)	10,071	10,071
<b>D.2 Existing shares at period-end</b>	<b>115,427,801</b>	<b>114,895,247</b>
- paid up	115,427,801	114,895,247
- partially paid	-	-

At the end of the first half of 2014, the parent company Banca Generali held 10,071 treasury shares, for a total book value of 41 thousand euros, in connection with the residual

allocations of the stock-granting plan for the Financial Advisors of the former Prime Consult network, originally launched in 2001.

## 2.7 Other information

### 2.7.1 Guarantees and commitments

TRANSACTION	30.06.2014	31.12.2013
<b>1) Financial guarantees issued</b>	<b>31,458</b>	<b>32,900</b>
a) Banks	7,176	7,176
b) Customers	24,282	25,724
<b>2) Commercial guarantees issued</b>	<b>48,674</b>	<b>51,091</b>
a) Banks	-	-
b) Customers	48,674	51,091
<b>3) Irrevocable commitment to dispense funds</b>	<b>83,096</b>	<b>61,363</b>
a) Banks:	75,685	51,742
i) of certain use	75,685	51,742
ii) of uncertain use	-	-
b) Customers:	7,411	9,621
i) of certain use	616	-
ii) of uncertain use	6,795	9,621
<b>4) Underlying commitments to credit derivatives: hedging sales</b>	<b>-</b>	<b>-</b>
<b>5) Assets pledged as collateral of third-party bonds</b>	<b>18,000</b>	<b>18,539</b>
<b>6) Other commitments</b>	<b>-</b>	<b>-</b>
<i>of which: securities receivable for put options issued</i>	-	-
<b>Total</b>	<b>181,228</b>	<b>163,892</b>

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

PORTFOLIO	30.06.2014	31.12.2013
1. HFT financial assets	-	-
2. Financial assets at fair value	-	-
3. AFS financial assets	716,396	886,667
4. HTM financial assets	1,746,130	1,973,872
5. Loans to banks	21,558	26,379
6. Loans to customers	-	-
7. Property and equipment	-	-
8. Intangible assets	-	-
<b>Total</b>	<b>2,484,084</b>	<b>2,886,918</b>

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

### 1. Interests – Items 10 e 20

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

ITEMS/VALUES	DEBT SECURITIES	FINANCING	OTHER	30.06.2014	30.06.2013 RESTATED
1. HFT financial assets	442	4	-	446	8,646
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	14,787	-	-	14,787	12,105
4. HTM financial assets	32,364	-	-	32,364	44,687
5. Loans to banks	1,848	559	-	2,407	1,999
6. Loans to customers	428	12,175	-	12,603	9,645
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	2	2	-
<b>Total</b>	<b>49,869</b>	<b>12,738</b>	<b>2</b>	<b>62,609</b>	<b>77,082</b>

Note

1. Loans to customers – Financing include 398 thousand euros (393 thousand euros at 30 June 2013) for the return on the capitalisation policy Gesav.

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

ITEMS/VALUES	DEBTS	SECURITIES	OTHER	30.06.2014	30.06.2013 RESTATED
1. Due to Central Banks	1,325	-	-	1,325	4,357
2. Due to banks	1,813	-	-	1,813	2,406
3. Due to customers	4,190	-	-	4,190	6,687
4. Securities issued	-	-	-	-	-
5. HFT financial liabilities	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>7,328</b>	<b>-</b>	<b>-</b>	<b>7,328</b>	<b>13,450</b>

## 2. Fees – Items 40 and 50

### 2.1 Breakdown of fee income

ITEMS/VALUES	30.06.2014	30.06.2013 RESTATED
a) Guarantees issued	148	102
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	218,944	196,573
1. Trading of financial instruments	8,799	9,481
2. Currency trading	-	-
3. Asset management:	128,043	119,323
3.1 individual	18,577	18,523
3.2 collective	109,466	100,800
4. Custody and administration of securities	237	327
5. Depositary bank	-	-
6. Placement of securities	28,296	23,136
7. Order collection	3,471	4,797
8. Consultancy activities:	501	259
8.1 investment advice	501	259
8.2 advice on financial structure	-	-
9. Distribution of third-party services:	49,597	39,250
9.1 asset management:	268	203
9.1.1 individual	55	14
9.1.2 collective	213	189
9.2 insurance products	49,265	38,976
9.3 other products	64	71
d) Collection and payment services	1,780	2,008
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	1,718	1,388
j) Other services	195	640
<b>Total</b>	<b>222,786</b>	<b>200,711</b>

## 2.2 Breakdown of fee expense

ITEMS/VALUES	30.06.2014	30.06.2013 RESTATED
a) Guarantees received	59	52
b) Credit derivatives	-	-
c) Management and brokerage services	92,842	80,330
1. Trading of financial instruments	3,119	4,599
2. Currency trading	-	-
3. Asset management:	8,661	7,344
3.1 own portfolio	8,661	7,344
3.2 third-party portfolio	-	-
4. Custody and administration of securities	589	423
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	80,473	67,964
d) Collection and payment services	1,542	1,306
e) Other services	64	98
<b>Total</b>	<b>94,507</b>	<b>81,786</b>

## 3. Dividends – Item 70

### 3.1 Breakdown of dividends and similar income

ITEMS/VALUES	30.06.2014		30.06.2013 RESTATED	
	DIVIDENDS	PROCEEDS FROM UCITS UNITS	DIVIDENDS	PROCEEDS FROM UCITS UNITS
A. HFT financial assets	44	33	41	14
B. AFS financial assets	695	-	801	-
C. Financial assets at fair value	-	-	-	-
D. Shareholdings	-	X	-	X
<b>Total</b>	<b>739</b>	<b>33</b>	<b>842</b>	<b>14</b>

## 4. Net profit from trading – Item 80

### 4.1 Breakdown of net income from trading

ITEMS/VALUES	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSS	LOSS FROM TRADING	NET RESULT 30.06.2014	NET RESULT 30.06.2013 RESTATED
<b>1. Financial assets</b>	<b>792</b>	<b>445</b>	<b>73</b>	<b>304</b>	<b>860</b>	<b>-6,995</b>
1.1 Debt securities	527	205	1	173	558	-7,374
1.2 Equity securities	71	139	72	100	38	-16
1.3 UCITS units	194	101	-	31	264	395
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
<b>2. HFT financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>3. Other financial assets and liabilities: exchange gains and losses</b>	<b>-</b>	<b>1,529</b>	<b>-</b>	<b>-</b>	<b>1,529</b>	<b>994</b>
<b>4. Derivatives</b>	<b>369</b>	<b>409</b>	<b>-</b>	<b>406</b>	<b>372</b>	<b>-2,861</b>
4.1 Financial derivatives:	369	409	-	406	372	-2,861
- on debt securities and interest rates	369	-	-	-	369	-2,872
- <i>interest rate swaps</i>	-	-	-	-	-	25
- <i>asset swaps</i>	-	-	-	-	-	-
- <i>forward contracts</i>	369	-	-	-	369	-2,897
- on equity securities and stock indexes	-	1	-	-	1	-
- <i>options</i>	-	1	-	-	1	-
- <i>futures</i>	-	-	-	-	-	-
- on currency and gold	-	408	-	406	2	11
- other	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
<b>Total</b>	<b>1,161</b>	<b>2,383</b>	<b>73</b>	<b>710</b>	<b>2,761</b>	<b>-8,862</b>

## 5. Gain (loss) from transfer/repurchase – Item 100

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

	30.06.2014			30.06.2013 RESTATED		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
<b>Financial assets</b>						
1. Loans to banks	1,322	-	1,322	1,362	15	1,347
2. Loans to customers	1,647	-	1,647	821	36	785
3. AFS financial assets	41,585	2,321	39,264	13,720	1,596	12,124
3.1 Debt securities	41,509	2,305	39,204	13,521	1,538	11,983
3.2 Equity securities	76	16	60	110	58	52
3.3 UCITS units	-	-	-	89	-	89
3.4 Financing	-	-	-	-	-	-
4. HTM financial assets	-	-	-	-	10	-10
<b>Total assets</b>	<b>44,554</b>	<b>2,321</b>	<b>42,233</b>	<b>15,903</b>	<b>1,657</b>	<b>14,246</b>
<b>Financial liabilities</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Equity reserves transferred back to the profit and loss account are illustrated in the following table:

	POSITIVE	NEGATIVE	NET
Debt securities	18,343	-35	18,308
Equity securities	2,427	-	2,427
UCITS units	121	-57	64
<b>Total</b>	<b>20,891</b>	<b>-92</b>	<b>20,799</b>



## 6. Net adjustments/reversal value for impairment – Item 130

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				30.06.2014	30.06.2013
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
<b>A. Loans to banks</b>	-	-	<b>492</b>	-	-	-	-	<b>-492</b>	<b>498</b>
Financing	-	-	-	-	-	-	-	-	-
Debt securities	-	-	492	-	-	-	-	-492	498
<b>B. Loans to customers</b>	<b>169</b>	<b>2,907</b>	<b>172</b>	-	<b>16</b>	-	-	<b>-3,232</b>	<b>-1,053</b>
Non-performing loans purchased:	-	-	29	-	-	-	-	-29	-
- financing	-	-	-	-	-	-	-	-	-
- debt securities	-	-	29	-	-	-	-	-29	-
Other loans:	169	2,907	143	-	16	-	-	-3,203	-1,053
- financing	169	2,816	143	-	16	-	-	-3,112	-972
- operating loans	-	91	-	-	-	-	-	-91	-258
- debt securities	-	-	-	-	-	-	-	-	177
<b>C. Total</b>	<b>169</b>	<b>2,907</b>	<b>664</b>	-	<b>16</b>	-	-	<b>-3,724</b>	<b>-555</b>

Other specific adjustments to loans include 1,685 thousand euros attributable to the additional write-off recognised for the pool loan granted in 2007 to Investimenti Marittimi S.p.A., classified as a substandard position in the fourth quarter of 2013.

Other adjustments for impairment of 1,131 thousand euros include 624 thousand euros of adjustments applied to loans classified as restructured, 241 thousand euros to bad debt positions and 266 thousand euros to other non-performing loans (other substandard positions, objective substandard positions and positions past due by over 90 days).

The collective provision for performing loans was also increased by 143 thousand euros during the half-year.

Adjustments on operating loans instead refer primarily to write-downs of advanced commissions to former financial advisors.

Portfolio adjustments on debt securities classified under “Loans to customers” and “Loans to banks” amounted to 521 thousand euros and refer to the adjustments of the collective reserve allocated to account for potential impairment of the corporate bond portfolio.

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

ITEMS/VALUES	ADJUSTMENTS			REVERSALS				30.06.2014	30.06.2013 RESTATED
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	-	402	-	-	-	-	-402	-904
C. UCITS units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
<b>F. Total</b>	-	-	<b>402</b>	-	-	-	-	<b>-402</b>	<b>-904</b>

Adjustments of equity securities include 402 thousand euros attributable to the impairment loss on the investment in Simgenia S.p.A., the Generali Group company placed in liquidation in late 2013.

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

ITEMS/VALUES	ADJUSTMENTS			REVERSALS				30.06.2014	30.06.2013 RESTATED
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	365	-	-	-	-	-365	4
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
<b>D. Total</b>	-	-	<b>365</b>	-	-	-	-	<b>-365</b>	<b>4</b>

## 7. General and administrative expense – Item 180

### 7.1 Breakdown of staff expenses

	30.06.2014	30.06.2013
<b>1) Employees</b>	<b>36,582</b>	<b>33,624</b>
a) Wages and salaries	20,311	18,752
b) Social security charges	5,378	4,791
c) Termination indemnity	225	-
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	69	173
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	1,491	1,842
- defined contribution	1,491	1,842
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	282	112
i) Other employee benefits	8,826	7,954
<b>2) Other staff</b>	<b>52</b>	<b>68</b>
<b>3) Directors and Auditors</b>	<b>732</b>	<b>694</b>
<b>4) Retired personnel</b>	<b>6</b>	<b>-</b>
<b>Total</b>	<b>37,372</b>	<b>34,386</b>

## 7.2 Details of headcount

	30.06.2014	30.06.2013 RESTATED
<b>Employees</b>	<b>841</b>	<b>816</b>
a) Managers	43	44
b) Total executives	229	215
<i>of which: 3<sup>rd</sup> and 4<sup>th</sup> level</i>	137	132
c) Employees at other levels	569	557
<b>Other employees</b>	<b>11</b>	<b>5</b>
<b>Total</b>	<b>852</b>	<b>821</b>

## 7.3 Breakdown of other employee benefits

	30.06.2014	30.06.2013 RESTATED
Short-term productivity bonuses to be paid (Performance bonus, non-deferred MBO Managers' remuneration, etc.)	5,961	5,657
Long-term incentives (Long Term Incentive Plan, deferred MBO Managers' remuneration)	708	1,103
Health insurance plans beyond severance of employment	41	-
Charges for staff supplementary pensions	1,310	774
Amounts replacing cafeteria indemnities	358	353
Transfer incentives and other indemnities	83	-
Training expenses	309	-
Allowances and charitable gifts	30	38
Other expenses	26	29
<b>Total</b>	<b>8,826</b>	<b>7,954</b>

## 7.4 Breakdown of other general and administrative expenses

	30.06.2014	30.06.2013
<b>Administration</b>	<b>6,459</b>	<b>6,179</b>
Advertising	1,454	1,896
Consultancy and professional advice expenses	2,881	2,239
Corporate boards and auditing firms	268	268
Insurance	1,299	1,291
Entertainment expenses	134	156
Membership contributions	337	281
Charity	86	48
<b>Operations</b>	<b>16,279</b>	<b>15,619</b>
Rent and usage of premises and management of property	7,858	7,739
Outsourced services (administration, call centre)	2,687	2,247
Post and telephone	1,444	1,308
Print material	475	409
Other expenses for sales network management	1,695	1,532
Other expenses and purchases	819	1,137
Indirect personnel expenses	1,301	1,247
<b>Information system and equipment</b>	<b>18,405</b>	<b>16,751</b>
Expenses related to outsourced IT services	13,325	11,941
Fees for IT services and databases	3,033	3,032
Software maintenance and servicing	695	1,320
Fees for equipment hired and software used	835	120
Other maintenance	517	338
<b>Indirect taxation</b>	<b>18,837</b>	<b>13,481</b>
<b>Total</b>	<b>59,980</b>	<b>52,030</b>

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

### 8.1 Breakdown of net provisions

ITEMS/VALUES	30.06.2014			30.06.2013 RESTATED		
	PROVISIONS	REVERSALS	NET	PROVISIONS	REVERSALS	NET
<b>Provisions for risks related to staff expenses</b>	-	-	-	-	-	-
Provision for staff expenses: other	-	-	-	-	-	-
<b>Litigation</b>	<b>2,358</b>	<b>-655</b>	<b>1,703</b>	<b>1,856</b>	<b>-8</b>	<b>1,848</b>
Provision for risks related to legal disputes with subscribers	1,650	-	1,650	874	-8	866
Provision for risks related to legal disputes with advisors	135	-21	114	159	-	159
Provision for risks related to legal disputes with staff	106	-	106	-	-	-
Provision for risks related to legal disputes with other parties	467	-634	-167	823	-	823
<b>Provisions for termination indemnity for advisors</b>	<b>2,571</b>	<b>-85</b>	<b>2,486</b>	<b>2,289</b>	<b>-749</b>	<b>1,540</b>
Provision for termination indemnity for advisors	1,795	-71	1,724	1,649	-699	950
Provision for overcommission risks for advisors	224	-6	218	19	-	19
Provisions for pension bonuses for advisors	552	-8	544	621	-50	571
<b>Provisions for risks related to network incentives</b>	<b>19,339</b>	<b>-346</b>	<b>18,993</b>	<b>15,604</b>	<b>-56</b>	<b>15,548</b>
Provision for risks related to network development incentives	18,014	-346	17,668	14,275	-56	14,219
Provisions for managers with access gate	-	-	-	-	-	-
Provision for commissions - travel incentives and tenders	1,325	-	1,325	1,325	-	1,325
Provision for commissions - incentive plans	-	-	-	4	-	4
<b>Other provisions for liabilities and contingencies</b>	<b>2,615</b>	<b>-</b>	<b>2,615</b>	<b>2,460</b>	<b>-</b>	<b>2,460</b>
<b>Total</b>	<b>26,883</b>	<b>-1,086</b>	<b>25,797</b>	<b>22,209</b>	<b>-813</b>	<b>21,396</b>

Notes

Allocations to provisions for staff expenses do not include the items considered in IAS 19, reclassified as "Staff expenses – other benefits".

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

ITEMS/VALUES	DEPRECIATION	ADJUSTMENTS DUE TO IMPAIRMENT	REVERSALS	NET RESULT
<b>A. Property and equipment</b>				
A.1 Owned:	672	-	-	672
- operating	672	-	-	672
- investment	-	-	-	-
A.2 Leased:	-	-	-	-
- operating	-	-	-	-
- investment	-	-	-	-
<b>Total</b>	<b>672</b>	<b>-</b>	<b>-</b>	<b>672</b>

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

ITEMS/VALUES	AMORTISATION	ADJUSTMENTS DUE TO IMPAIRMENT	REVERSALS	NET RESULT
<b>A. Intangible assets</b>				
A.1 Owned:	1,402	-	-	1,402
- generated in-house	-	-	-	-
- other	1,402	-	-	1,402
A.2 Leased	-	-	-	-
<b>Total</b>	<b>1,402</b>	<b>-</b>	<b>-</b>	<b>1,402</b>

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

### 11.1 Breakdown of other operating expenses

ITEMS/VALUES	30.06.2014	30.06.2013 RESTATED
Adjustments of leasehold improvements	304	278
Write-downs of other assets	-	53
Contingent liabilities and non-existent assets	110	217
Charges from accounting adjustments with customers	273	323
Indemnities and compensation	31	118
Other operating expenses	-	50
<b>Total</b>	<b>718</b>	<b>1,039</b>

### 11.2 Breakdown of other operating income

ITEMS/VALUES	30.06.2014	30.06.2013 RESTATED
Recovery of taxes from customers	18,477	13,254
Recovery of expenses from customers	277	280
Recovery of portfolio valuation overcommission	654	326
Indemnities for advisors' notices	101	243
Other recoveries of repayments and costs from advisors	396	436
Contingent assets - staff expense	564	394
Other contingent assets and non-existent liabilities	370	213
Insurance compensation and indemnities	43	63
Fees for outsourcing services	118	144
Other income	700	42
<b>Total</b>	<b>21,700</b>	<b>15,395</b>
<b>Total other net income</b>	<b>20,982</b>	<b>14,356</b>



## 12. Income tax for the period for current operations – Item 290

### 12.1 Breakdown of income tax for the period for current operations

ITEMS/VALUES	30.06.2014	30.06.2013 RESTATED
1. Current taxation (-)	-35,573	-21,841
2. Change in current taxes of previous years	176	115
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction of current taxes due to tax credits, pursuant to Law No. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	3,067	1,628
5. Changes of deferred taxation (+/-)	449	213
<b>6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)</b>	<b>-31,881</b>	<b>-19,885</b>

## 12.2 Reconciliation between theoretical and actual tax expense

The following table presents the reconciliation between the total amount of taxes due for the period, including current and deferred taxes, as indicated in item 290 of the Profit and Loss Account, and the theoretical IRES tax calculated by applying the current applicable tax rate to pre-tax profit.

ITEMS/VALUES	30.06.2014	30.06.2013 RESTATED	CHANGES
<b>Current taxation</b>	<b>-35,573</b>	<b>-21,841</b>	<b>-13,732</b>
IRES and equivalent foreign direct taxes	-28,558	-17,624	-10,934
IRAP	-7,012	-4,215	-2,797
Other	-3	-2	-1
<b>Prepaid and deferred taxation</b>	<b>3,516</b>	<b>1,841</b>	<b>1,675</b>
IRES	3,345	1,533	1,812
IRAP	171	308	-137
<b>Prior period taxes</b>	<b>176</b>	<b>115</b>	<b>61</b>
IRES	196	118	78
IRAP	-20	-3	-17
<b>Income taxes</b>	<b>-31,881</b>	<b>-19,885</b>	<b>-11,996</b>
Theoretical tax rate	27.50%	27.50%	-
Profit (loss) before taxation	120,584	91,475	29,109
<b>Theoretical taxation</b>	<b>-33,161</b>	<b>-25,156</b>	<b>-8,005</b>
<b>Non-taxable income (+)</b>			
Dividends on AFS equity investments with 95% exemption	190	189	1
Allowance for Corporate Equity	338	251	87
IRAP deductible on labour cost and other	453	420	33
<b>Non-deductible expenses (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Double taxation on 5% of Group's dividends	-950	-169	-781
Non-deductible interest expenses (4%)	-81	-148	67
Impairment of AFS equity securities PEX	-111	-249	138
Other non-deductible costs	-1,252	-1,676	424
IRAP	-6,861	-3,910	-2,951
Rate change of companies under foreign law	9,162	10,446	-1,284
Taxes of prior years	196	118	78
Other taxes	-3	-2	-1
Not related deferred tax assets and liabilities	-	-	-
Other consolidation adjustments	199	1	198
<b>Actual tax expense</b>	<b>-31,881</b>	<b>-19,885</b>	<b>-11,996</b>
<b>Total actual tax rate</b>	<b>26.4%</b>	<b>21.7%</b>	<b>4.7%</b>
<b>Actual tax rate (IRES only)</b>	<b>20.7%</b>	<b>17.5%</b>	<b>3.3%</b>
<b>Actual tax rate (IRAP only)</b>	<b>5.7%</b>	<b>4.3%</b>	<b>1.4%</b>

## 13. Income (loss) of disposal groups, net of taxes – Item 310

### 13.1 Income (loss) of disposal groups, net of taxes

ITEMS/VALUES	30.06.2014	30.06.2013
1. Income	20,960	16,560
2. Charges	-17,445	-13,809
3. Measurement of disposal groups and associated liabilities	-359	-13
4. Gains (losses) on disposal	-	-
5. Taxes and duties	-289	-251
<b>Net profit (Loss)</b>	<b>2,867</b>	<b>2,487</b>

Net profit includes 3,127 thousand euros attributable to the partial de-merger of the subsidiary BG Fund Management Luxembourg S.A. involving the unit of the company responsible for managing funds/Sicavs distributed by the Generali Group's insurance companies.

The item "Income" refers primarily to the income associated with fees charged to investors of the funds/Sicavs relating to the partial de-merger of BG Fund Management Luxembourg. Charges are broken down as follows:

- 15,916 thousand euros for fees remitted to the placement agents of the transferred funds/Sicavs;
- 1,526 thousand euros for operating costs related to personnel, administrative expenses and amortisations;

- 28 thousand euros for the unbalance between operating income and expenses;
- 388 thousand euros for current taxes accrued.

Net losses include 260 thousand euros attributable to the impairment loss on the interest in BG Dragon Sicav, which, as previously reported in the 2013 Financial Statements, qualifies pursuant to IFRS 5 as an investment acquired solely in view of subsequent resale in the near term and may be broken down as follows:

- 359 thousand euros associated with the impairment loss on the investment in BG Dragon;
- 99 thousand euros in the associated accrued deferred tax assets.

## 14. Minority interests for the period – Item 330

### 14.1 Breakdown of Minority interests (+/-) for the period – Item 330

ITEMS/VALUES	30.06.2014	30.06.2013 RESTATED
BG Fund Management Luxembourg S.A.	3,127	2,487
<b>Profit attributable to minority interests</b>	<b>3,127</b>	<b>2,487</b>

The profit attributable to minority interests consists of the portion of the net profit for the period of the subsidiary GFM to which the minority-interest shareholder is entitled pursuant to the Articles of Association. In accordance with the amendments to the 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 period of the business pertaining to class-B shares, namely the business previously conducted by the merged company GIL – Generali Investment Luxembourg.

## 15. Earnings per share

### 15.1 Average number of ordinary shares after dilution

ITEMS/VALUES	30.06.2014	30.06.2013 RESTATED
Net profit for the period (€ thousand)	88,443	71,590
Net profit attributable to ordinary shares (€ thousand)	88,443	71,590
Average number of outstanding shares (thousands)	115,265	113,935
<b>EPS - Earnings per share (euro)</b>	<b>0.767</b>	<b>0.628</b>
Average number of outstanding shares diluted capital (thousand)	116,113	115,698
<b>EPS - Diluted earnings per share (euro)</b>	<b>0.762</b>	<b>0.619</b>

## PART D – COMPREHENSIVE INCOME

ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
<b>10. Net profit (loss) for the period</b>	<b>X</b>	<b>X</b>	<b>91,570</b>
<i>Other components of income, without reversal to profit or loss</i>			
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	-350	96	-254
50. Non-current assets held for sale	-	-	-
<b>60. Share of valuation reserves of investments valued at equity</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Other components of income, with reversal to profit or loss</i>			
<b>70. Hedges of foreign investments:</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) fair value changes	-	-	-
b) transfer to profit or loss	-	-	-
c) other changes	-	-	-
<b>80. Exchange differences:</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) fair value changes	-	-	-
b) transfer to profit or loss	-	-	-
c) other changes	-	-	-
<b>90. Cash-flow hedges:</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) fair value changes	-	-	-
b) transfer to profit or loss	-	-	-
c) other changes	-	-	-
<b>100. AFS financial assets:</b>	<b>20,582</b>	<b>-6,353</b>	<b>14,229</b>
a) fair value changes	27,238	-8,476	18,762
b) transfer to profit or loss:	-	-	-
- adjustments due to impairment	-6,656	2,120	-4,536
- gains (losses) on disposal	-	3	3
c) other changes	-	-	-
<b>110. Non-current assets held for sale:</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) fair value changes	-	-	-
b) transfer to profit or loss	-	-	-
c) other changes	-	-	-
<b>120. Share of valuation reserves of investments valued at equity:</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) fair value changes	-	-	-
b) transfer to profit or loss :	-	-	-
- adjustments due to impairment	-	-	-
- gains (losses) on disposal	-	-	-
c) other changes	-	-	-
<b>130. Total other income</b>	<b>20,232</b>	<b>-6,257</b>	<b>13,975</b>
<b>140. Comprehensive income (Item 10 + 130)</b>			<b>105,545</b>
150. Consolidated comprehensive income attributable to minority interests			-3,127
<b>160. Consolidated comprehensive income attributable to the Parent Company</b>			<b>102,418</b>

## PART E – INFORMATION ON NET EQUITY

### 1. Net equity

#### 1.1 Breakdown of consolidated net equity

The Banca Generali Group's consolidated net equity amounted to 470.4 million euros at 30 June 2014 and may be broken down as follows.

(€ THOUSAND)	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES	TOTAL 2014	TOTAL 2013
1. Share capital	117,350	-	-	-	117,350	116,817
2. Additional paid-in capital	42,880	-	-	-	42,880	37,302
3. Reserves	199,241	-	-	-	199,241	163,653
4. Equity instruments	-	-	-	-	-	-
5. (Treasury shares)	-41	-	-	-	-41	-41
6. Valuation reserves	19,435	-	-	-	19,435	5,460
- AFS financial assets	20,799	-	-	-	20,799	6,571
- 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	-1,364	-	-	-	-1,364	-1,111
- Share of valuation reserves of investee companies valued at equity	-	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-	-
7. Net profit (loss) for the period attributable to the Group and minority interests	91,570	-	-	-	91,570	145,941
<b>Total net equity</b>	<b>470,435</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>470,435</b>	<b>469,132</b>

Consolidated net equity increased by 1.3 million euros, compared to the end of the previous year, due to the following changes:

	GROUP	THIRD PARTIES	OVERALL
<b>Net equity at period-start</b>	<b>463,093</b>	<b>6,039</b>	<b>469,132</b>
Dividend paid	-109,623	-	-109,623
Stock option plans: issue of new shares	4,963	-	4,963
Stock option plans: charges as per IFRS 2	147	-	147
A.G. stock granting plans	270	-	270
Other changes	-	1	1
Change in valuation reserves	13,975	-	13,975
Consolidated net profit	88,443	3,127	91,570
<b>Net equity at period-end</b>	<b>461,268</b>	<b>9,167</b>	<b>470,435</b>
<b>Changes</b>	<b>-1,825</b>	<b>3,128</b>	<b>1,303</b>

## 1.2 Valuation reserves

### 1.2.1 Breakdown of valuation reserves

At the end of the half-year, fair value valuation reserves for the portfolio of AFS financial assets recorded a positive balance of 19.4 million euros, with an improvement of 14.0 million euros

compared to year-end 2013. Such reserves mainly refer to the portfolio of government bonds (15.8 million euros).

(€ THOUSAND)	30.06.2014			31.12.2013	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGES
1. Debt securities	18,344	-35	18,309	5,161	13,148
2. Equity securities	2,427	-	2,427	1,476	951
3. UCITS units	121	-57	64	-66	130
<b>AFS reserves</b>	<b>20,892</b>	<b>-92</b>	<b>20,800</b>	<b>6,571</b>	<b>14,229</b>
Cash-flow hedges	-	-	-	-	-
Actuarial gains (losses) from defined benefit plans	-	-1,365	-1,365	-1,111	-254
<b>Total</b>	<b>20,892</b>	<b>-1,457</b>	<b>19,435</b>	<b>5,460</b>	<b>13,975</b>

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

Valuation reserves on the AFS portfolio presented a net revaluation of 14.2 million euros at the end of June 2014, as a result of the following factors:

- an increase in unrealised gains of 27.2 million euros due to the significant rise in the market values of financial assets;
- the reduction of pre-existing net positive reserves due to re-absorption in the profit and loss account through realisation (-6.7 million euros);
- the negative tax effect associated with the above changes (-6.3 million euros).

	30.06.2014				TOTAL
	EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES		
			AFS	PREVIOUSLY RECOGNISED AS AFS	
<b>1. Amount at period-start</b>	<b>1,476</b>	<b>-66</b>	<b>5,162</b>	<b>-2</b>	<b>6,570</b>
<b>2. Increases</b>	<b>1,296</b>	<b>193</b>	<b>28,232</b>	<b>2</b>	<b>29,723</b>
2.1 Fair value increases	1,296	193	26,017	-	27,506
2.2 Transfer to profit and loss of negative reserves:					
- due to impairment	-	-	-	-	-
- due to disposal	-	-	2,213	2	2,215
2.3 Other changes	-	-	2	-	2
<b>3. Decreases</b>	<b>345</b>	<b>63</b>	<b>15,085</b>	<b>-</b>	<b>15,493</b>
3.1 Fair value decreases	209	1	58	-	268
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of positive reserves: due to disposal	75	-	8,797	-	8,872
3.4 Other changes	61	62	6,230	-	6,353
<b>4. Amount at period-end</b>	<b>2,427</b>	<b>64</b>	<b>18,309</b>	<b>-</b>	<b>20,800</b>



## 2. Own funds

Consolidated own funds, calculated in accordance with the new Basel III rules in effect since 1 January 2014, and net of the expected dividend pay-out, amounted to 341.8 million euros, up by 28.4 million euros compared to the end of the previous year, when they were calculated in accordance with the previous Basel II rules, and

by 26.0 million euros compared to the estimate of the aggregate calculated in accordance with the new regulatory provisions.

Accordingly, the transition to the new regulatory framework did not entail a significant impact on the banking Group's capital at the consolidated level.

(€ THOUSAND)	30.06.2014 BASEL III	31.12.2013 BASEL III (*)	CHANGES		31.12.2013 BASEL II
			AMOUNT	%	
Common equity Tier 1 (CET 1)	329,858	298,763	31,095	10.41%	300,674
Additional Tier 1 capital (AT1)	-	-	-	n.a.	-
Tier 2 capital (Tier 2)	11,956	17,061	-5,105	-29.92%	12,753
<b>Total own funds</b>	<b>341,814</b>	<b>315,824</b>	<b>25,990</b>	<b>8.23%</b>	<b>313,427</b>
Credit and counterparty risk	142,115	115,319	26,796	23.24%	115,319
Market risk	5,056	5,950	-894	-15.03%	5,950
Operating risk	47,840	47,840	-	-	47,840
Other specific risks	-	-	-	n.a.	-
<b>Total capital absorbed</b>	<b>195,011</b>	<b>169,109</b>	<b>25,902</b>	<b>15.32%</b>	<b>169,109</b>
Excess over capital absorbed	146,803	146,715	88	0.06%	144,318
<b>Risk-weighted assets</b>	<b>2,437,638</b>	<b>2,113,863</b>	<b>323,775</b>	<b>15.32%</b>	<b>2,113,863</b>
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	13.53%	14.13%	-0.60%	-4.26%	14.22%
<b>Total own funds/Risk-weighted assets (Total capital ratio)</b>	<b>14.02%</b>	<b>14.94%</b>	<b>-0.92%</b>	<b>-6.1%</b>	<b>14.83%</b>

(\*) Prudential requirements calculated pursuant Basel II rules.

There was a significant increase in prudential requirements (+25.9 million euros), largely due to the greater capital requirements for credit risk.

This increase appears essentially attributable to two types of factors:

- 1) the greater capital requirements resulting from the changes to prudential rules introduced by Basel III (+10.7 million euros);
- 2) the greater capital requirements resulting from the increase in assets (+16.1 million euros).

The former category includes essentially all of the new weighting (200% of DTAs and 100% of current tax assets, including DTAs eligible for conversion into tax credits), previously

weighted at zero given that they are attributable to the public sector (+5.9 million euros), the increase in weighting to 250% for the portion not deducted from Common equity Tier 1 (CET1) of the exposure associated with the significant investments in UCITS and BG Dragon China Sicav (+3.6 million euros) and the new credit valuation adjustment requirement (+1.2 million euros).

The latter category includes the rise in interbank loans and loans to customers, as well as the increase in other asset exposures.

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 146.8 million euros in excess of the amount required by the Supervisory Authority to cover credit, market, and operating risks. The solvency ratio was 14.02%, compared to the minimum requirement of 8%.

## 2.1 Composition of own funds

### Reconciliation of own funds

OWN FUNDS BASEL III	30.06.2014		
	FULL APPLICATION	ADJUSTMENTS	TRANSITIONAL
CET1 instruments	158,267	1,538	159,805
Reserves (gross of minority reserves)	195,123	3,294	198,417
Net profit (loss) for the period	19,137	-	19,137
Other components of other comprehensive income (OCI)	19,435	-20,499	-1,064
<b>Capital and reserves</b>	<b>391,962</b>	<b>-15,667</b>	<b>376,295</b>
Goodwill	-37,905	-	-37,905
Intangible assets	-6,049	-	-6,049
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-426	-	-426
<b>Intangible assets</b>	<b>-44,380</b>	<b>-</b>	<b>-44,380</b>
<b>Negative prudential filters</b>	<b>-1,951</b>	<b>-</b>	<b>-1,951</b>
<b>Total</b>	<b>345,632</b>	<b>-15,667</b>	<b>329,965</b>
Portion exceeding non significant investments (< 10%) in CET 1 instruments	-	-	-
Portion exceeding significant investments (>10%) in CET 1 instruments	-	-	-
<b>General deduction with threshold 17.65% - 15%</b>			
<i>General deduction – portion exceeding DTAs</i>	-552	542	-10
<i>General deduction – portion exceeding significant investments</i>	-647	614	-33
Deduction 50% of portion exceeding significant CET 1 investments	-	-65	-65
<b>Total common equity Tier 1 (CET 1)</b>	<b>344,433</b>	<b>-14,575</b>	<b>329,858</b>
<b>Total additional Tier 1 capital (AT1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
T2 instruments (subordinated liabilities)	10,038	-	10,038
Significant investments: 50% exceeding portion deducted from Tier 1	-	-65	-65
50% positive AFS reserves – transitional provisions – T2 impact (80%)	-	1,983	1,983
<b>Total Tier 2 capital (Tier 2)</b>	<b>10,038</b>	<b>1,918</b>	<b>11,956</b>
<b>Total own funds</b>	<b>354,471</b>	<b>-12,657</b>	<b>341,814</b>

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

This option was renewed also by the new prudential supervisory system of the Basel III framework, effective 1 January 2014, as allowed by the Bank of Italy, until the entry into force of the international accounting standard IFRS 9, expected for 2018.

## PART F – RELATED PARTY TRANSACTIONS

### 1. Disclosure of Related Party Transactions

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

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

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

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

Intra-group 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 Advisor network.

#### Unusual, atypical or extraordinary transactions

During the first half of 2014, no related party transactions were carried out that could be defined as atypical or unusual or likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer".

#### Transactions of greater importance

During the first half of 2014, five transactions were approved qualifying as transactions of "greater importance", which are subject to the prior binding opinion of the Internal Audit and Risk Committee (the amount of which exceeded 250 thousand euros), and were as follows.

TRANSACTION	RELEVANT PARTY	DATE	AMOUNT (€ THOUSAND)
Extension of the uniform economic conditions of the master agreement to Generali Group companies	Assicurazioni Generali S.p.A.	16.01.2014	400,000
Partial de-merger of the subsidiary GFM, with the incorporation of a new company under Luxembourg laws	Generali Fund Management S.A.	23.01.2014	2,000,000
Term deposit 28.02.2014-07.11.2014 Assicurazioni Generali S.p.A.	Assicurazioni Generali S.p.A.	03.03.2014	621,370
Reduction of fees for trading and order receipt	Generali Investment Europe	23.04.2014	2,000,000
Renewal of BBB 2014/2015 policy	Generali Italia S.p.A.	03.06.2014	400,000

#### Ordinary or recurring transactions

The developments of ordinary transactions with related parties for the first half of 2014 are presented in the following sections.

## 1.1 Balance sheet data

(€ THOUSAND)	PARENT COMPANY ASSICURAZIONI GENERALI	A.G. GROUP SUBSIDIARIES	30.06.2014	31.12.2013	% WEIGHT 2014	% WEIGHT 2013
HFT financial assets	254	-	254	272	0.88%	0.12%
AFS financial assets	735	549	1,284	1,737	0.07%	0.11%
HTM financial assets	-	-	-	-	-	-
Loans to banks	-	111	111	630	0.01%	0.22%
Loans to customers	579	51,862	52,441	52,922	3.24%	3.53%
Equity investments	-	-	-	-	-	-
Property, equipment and intangible assets	-	-	-	-	-	-
Tax assets (A.G. tax consolidation)	1,633	-	1,633	1,633	4.21%	4.27%
Other assets	1	253	254	22	0.13%	0.02%
Financial assets held for sale	-	-	-	84	-	0.11%
<b>Total assets</b>	<b>3,202</b>	<b>52,775</b>	<b>55,977</b>	<b>57,300</b>	<b>0.79%</b>	<b>0.87%</b>
Due to banks	-	21,240	21,240	21,208	1.24%	0.95%
Due to customers	530,413	1,102,654	1,633,067	1,136,648	36.27%	31.67%
HFT financial liabilities	-	-	-	-	-	-
Tax payables	8,734	-	8,734	631	23.93%	2.27%
Other liabilities	1	3,834	3,835	1,091	1.81%	0.77%
Financial liabilities held for sale	-	868	868	-	1.29%	-
Special purpose provisions	-	-	-	-	-	-
Net equity	-	-	-	-	-	-
<b>Total liabilities</b>	<b>539,148</b>	<b>1,128,596</b>	<b>1,667,744</b>	<b>1,159,577</b>	<b>23.50%</b>	<b>17.56%</b>
<b>Guarantees issued</b>	<b>-</b>	<b>3,289</b>	<b>3,289</b>	<b>3,289</b>	<b>4.51%</b>	<b>4.28%</b>

### Equity Transactions with Assicurazioni Generali Group

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounts to 55.9 million euros, equal to 0.79% of Banca Generali's total assets.

By contrast, the total debt position reached 1,667.7 million euros, accounting for 23.5% of liabilities, up by 508 million euros (+43.8%) compared to the 2013 year-end figure.

As part of asset management, **HFT and AFS** financial assets claimed from the Parent Company refer to shares of Assicurazioni Generali held in the corresponding portfolios of Banca Generali. As part of the AFS portfolio, shareholdings in subsidiaries of the

Generali insurance group refer to a 15% stake in Simgenia SIM and to the shares held in consortia of the GBS Group (Generali Business Solutions) and GCS (Generali Corporate Services).

At the end of 2013, the associate Simgenia SIM S.p.A. resolved to dispose of its operating activities relating to the promotion of financial products and the solicitation of investments and terminated its agreements with its sales network. Due to the discontinuation of operations by the company and the prospects of liquidation, during the first half of 2014 the interest was subject to an impairment loss of 402 thousand euros in order to bring its carrying amount into line with the Bank's share of its book net equity.

Simgenia primarily distributed financial products and services (UCITS, discretionary management schemes and assets under administration) promoted by the Banking Group.

The balance of **loans to Generali Group banks** at period-end was not material and refers solely to the positive foreign currency account balances held with BSI S.A. and used to hedge positions payable in foreign currencies towards customers.

Exposures to Generali Group companies recognised as loans to customers amounted to 52.4 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	30.06.2014		31.12.2013	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Italia	Subsidiary of the A.G. Group	Gesav policy	22,606	398	22,208	836
Citylife S.r.l.	Subsidiary of the A.G. Group	Grant to BT in current account	13,432	135	13,391	331
Investimenti marittimi	Subsidiary of the A.G. Group	Grant to MLT in current account	6,244	312	7,618	621
Genertellife	Subsidiary of the A.G. Group	Operating receivables	8,845	-	8,038	-
Assicurazioni Generali	Parent Company	Operating receivables	579	-	208	-
Other (Generali Inv. Europe, Simgenia)	Subsidiary of the A.G. Group	Operating receivables	735	5	1,541	-
Other exposures with Group companies	Subsidiary of the A.G. Group	Temporary current account exposures	-	-	2	30
			<b>52,441</b>	<b>850</b>	<b>53,006</b>	<b>1,818</b>

In the last quarter of 2013, the exposure to Investimenti Marittimi S.p.A. – to which 10 million euros was lent in the context of a pool loan set to come due in 2015 – was reclassified as substandard and the related receivable was impaired by 2.5 million euros in order to bring the value currently regarded as recoverable into line with the market value of the Premuda shares pledged as collateral.

The above firm, in which the Parent Company, Assicurazioni Generali, holds a direct equity investment, is a holding company within the chain of control of the shipping company Premuda and is experiencing a period of financial difficulty, for which it has requested the restructuring of its bank borrowings. In the fourth quarter of 2013, the company suspended payment of the interest owed on the loan.

In the first half of 2014, as a result of the continuing situation of difficulty experienced by the Premuda Group and the deterioration of the collateral held, further impairment losses of 1.7 million euros were recognised.

It should also be observed that interest instalments of 0.3 million euros went unpaid during the half-year.

Amounts receivable from the Parent Company and classified as tax receivables include solely the estimated **tax credit** arising from the application for the refund of the portion of the regional production tax (IRAP) rendered deductible for corporation tax (IRES) purposes pursuant to Legislative Decree No. 201/2011, and subject to reimbursement within the framework of the filing of tax returns on a national consolidated basis, as opted for by the Parent Company.

Excluding that position, Banca Generali presents a debt position of 8.7 million euros towards the tax consolidation programme, net of the advances paid, in relation to the estimated taxes for the year.

The **amounts due to customers** attributable to related parties of the Generali Group in the form of current accounts, term deposits and repurchase agreements reached 1,633.1 million euros at the end of the year and included amounts due to the Parent Company Assicurazioni Generali S.p.A. of 530.4 million euros and amounts due to Generali Italia S.p.A. of 194.6 million euros. Foreign net inflows from insurance group companies reached 583.4 million euros and includes an exposure of 476.4 million euros to the foreign subsidiary Participatie Maatschappij Graafschap Holland N.V, of which 330 million euros of term deposits, and 74.5 million euros with Flandria.

Amounts due to customers also include the subordinated loan granted by Generali Versicherung in the amount of 16.3 million euros, gross of the interest accrued.

The significant increase compared to the previous year is mainly due to the insurance group's temporary treasury needs in connection with the disposal of certain group's foreign assets finalised in the first quarter of 2014.

**Amounts due to banks** of the insurance group consisted for 21.2 million euros of deposits made by BSI S.A. as collateral for certain impaired loans resulting from the acquisition of Banca del Gottardo Italia (collateral deposits), while the remaining amount consisted of a very limited residual amount of the negative balance of foreign exchange deposits with the same counterparty.

Finally, a total of 3.2 million euros in guarantees has been issued for Generali Group companies, of which 2.5 million euros related to Citylife.

#### Transactions with other related parties

Exposure in respect of the banking Group's and its Parent Company Assicurazioni Generali's Group Key Managers mainly refers

to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other executives of the banking and insurance Group, and has remained substantially unchanged since the end of 2013.

Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the banking and insurance Group.

(€ THOUSAND)	KEY MANAGEMENT PERSONNEL	ENTITIES UNDER CONTROL OR SIGNIFICANT INFLUENCE
AFS financial assets	-	427
Loans to customers	1,217	-
Due to customers	2,343	-
Guarantees issued	-	-
Guarantees received	-	-

## 1.2 Profit and loss account data

(€ THOUSAND)	PARENT COMPANY ASSICURAZIONI GENERALI	A.G. GROUP SUBSIDIARIES	30.06.2014	30.06.2013	% WEIGHT 2014	% WEIGHT 2013
Interest income	-	850	850	1,025	1.36%	0.71%
Interest expense	-1,439	-1,334	-2,773	-1,660	37.84%	7.33%
<b>Net interest</b>	<b>-1,439</b>	<b>-484</b>	<b>-1,923</b>	<b>-635</b>	<b>-3.48%</b>	<b>-0.52%</b>
Fee income	255	51,172	51,427	40,409	23.08%	9.99%
Fee expense	-	-1,053	-1,053	-2,910	1.11%	1.63%
<b>Net fees</b>	<b>255</b>	<b>50,119</b>	<b>50,374</b>	<b>37,499</b>	<b>39.27%</b>	<b>16.56%</b>
Dividends	-	-	-	3	-	0.33%
Gain (loss) on trading	-	-	-	-	-	-
<b>Operating income</b>	<b>-1,184</b>	<b>49,635</b>	<b>48,451</b>	<b>36,867</b>	<b>21.13%</b>	<b>10.04%</b>
Staff expenses	1	283	284	386	-0.76%	-0.56%
General and administrative expense	-862	-6,783	-7,645	-7,861	12.75%	7.47%
Net adjustments of property, equipment and intangible assets	-	-	-	-	-	-
Other operating income and expenses	-	135	135	124	0.64%	0.40%
<b>Net operating expenses</b>	<b>-861</b>	<b>-6,365</b>	<b>-7,226</b>	<b>-7,351</b>	<b>9.21%</b>	<b>4.95%</b>
<b>Operating profit</b>	<b>-2,045</b>	<b>43,270</b>	<b>41,225</b>	<b>29,516</b>	<b>27.32%</b>	<b>13.50%</b>
Reversal value of loans	-	-1,685	-1,685	-	45.2%	-
Adjustments of other assets	-	-402	-402	-	52.4%	-
Net provisions	-	-	-	-	-	-
Gains (losses) from the disposal of equity investments	-	-	-	-	-	-
<b>Operating profit</b>	<b>-2,045</b>	<b>41,183</b>	<b>39,138</b>	<b>29,516</b>	<b>32.5%</b>	<b>15.6%</b>
Income taxes	-	-	-	-	-	-
Profit (loss) from non-current assets, net of taxes	-	-1,740	-1,740	-	-60.7%	-
Profit attributable to minority interests	-	-	-	-	-	-
<b>Net profit (loss) for the period</b>	<b>-2,045</b>	<b>39,443</b>	<b>37,398</b>	<b>29,516</b>	<b>42.3%</b>	<b>20.9%</b>

At 30 June 2014, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 39.1 million euros, that is 32.5% of operating profit.

Overall net interest accrued in dealings with members of the insurance Group is negative and amounted to -1.9 million euros, with interest expense paid to such companies (2.8 million euros) accounting for 37.84% of the total item recognised in the profit and loss account and showing a sharp growth compared to the same period of the previous year due to higher inflow volumes and the average interest rates trends during the half-year.

Within that item, the interest expense paid to Generali Versicherung in connection with the subordinated loan granted amounted to 0.2 million euros, whereas 2.4 million euros was associated with the interest on funding contributed by customers, consisting of Generali Group companies, and the remaining 0.2 million euros referred to interest accrued on the collateral deposits of BSI S.A.

Fee income paid back by companies of the insurance Group amounted to 51.4 million euros, equal to 23.08% of the aggregate amount and is broken down as follows:

ITEMS/VALUES	30.06.2014	30.06.2013	CHANGES	
			ABSOLUTE	%
Fees for asset management	1,341	1,236	105	8.5%
Distribution of insurance products	49,429	39,173	10,256	26.2%
Consultancy	309	-	309	n.a.
Other bank fees	348	-	348	n.a.
<b>Total</b>	<b>51,427</b>	<b>40,409</b>	<b>11,018</b>	<b>27.3%</b>

In the distribution of insurance products, fees retroceded refer mainly to ongoing dealings with Genertellife. Fees on the placement of units of UCITS of the insurance group largely relate to the income on the distribution of BG Focus funds, sold to Generali Investments Europe SGR in 2012.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the banking and

insurance Group. Such commissions, amounting to 5.2 million euros, are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.

The net operating costs reported by the Bank in relation to transactions with related parties of the Generali Group amounted to 7.2 million euros and refer for 9.21% to outsourced services in the insurance, leasing, administrative and information technology sectors.

ITEMS/VALUES	30.06.2014	30.06.2013
Insurance services	976	1,217
Property services	3,254	3,006
Administration, IT and logistics services	3,280	3,514
Financial services	-	-
Staff services	-284	-386
<b>Total administrative expense</b>	<b>7,226</b>	<b>7,351</b>

## PART G – DISCLOSURE ON PAYMENT PLANS BASED ON OWN FINANCIAL INSTRUMENTS

At 30 June 2014, 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 Group's directors relating to Banca Generali's listing on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A., approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two stock-option plans reserved respectively for Financial Advisors and Network Managers and Relationship Managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010.

The stock option plans launched in 2006 reached the end of their vesting period and, in the case of the component associated with financial advisors, the option exercise period as well. The options assigned to employees of the banking group may be exercised by 15 December 2015.

The stock option plans approved in 2010 are structured in six instalments with annual vesting periods, the first three of which have already become fully exercisable, whereas the fourth became exercisable beginning on 1 July 2014.

For a more detailed analysis of the above-mentioned plans, please refer to Part I of the Notes to the Financial statements at 31 December 2013.

### 1. Quantitative information

(€ THOUSAND)	TOP MANAGERS	AVERAGE PRICES	FINANCIAL PLANNER	AVERAGE PRICES	EMPLOYED MANAGERS	AVERAGE PRICES	TOTAL	AVERAGE PRICES	AVERAGE MATURITY
<b>A. Amount at period-start</b>	-	-	1,781,990	10.38	258,231	9.92	2,040,221	10.33	2.86
<b>B. Increases</b>	-	-	-	-	-	-	-	-	x
B.1 Newly issued shares	-	-	-	-	-	-	-	-	x
B.2 Other changes	-	-	-	9.00	-	-	-	-	x
<b>C. Decreases</b>	-	-	-437,630	9.46	-81,400	9.40	-519,030	9.45	x
C.1 Cancelled	-	-	-1,440	10.71	-	-	-1,440	10.71	x
C.2 Exercised	-	-	-436,190	9.45	-81,400	9.40	-517,590	9.45	x
C.3 Expired	-	-	-	-	-	-	-	-	x
C.4 Other changes	-	-	-	-	-	-	-	-	x
<b>D. Amount at period-end</b>	-	-	1,344,360	10.69	176,831	10.16	1,521,191	10.63	3.40
<b>E. Options that can be exercised at year-end</b>	-	-	228,933	10.71	76,731	9.44	305,664	10.39	3.21
Strike price	-	-	135	X	12	X	148	X	X
IFRS 2 reserve	-	-	1,477	X	343	X	1,820	X	X



## PART H – SEGMENT REPORTING

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions (so-called "management approach").

The banking Group identifies the following three main business areas:

- the Affluent Channel, which refers to the total earnings generated for the Group by the network of Financial Advisors reporting to the Financial Planner Division, and their respective 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 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 Finan-

ce Department and the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group, as well as all revenues and costs not attributable to sales channels.

In the figures as at June 2014, management portfolios relating to the foreign investment funds promoted by the Assicurazioni Generali insurance group, coinciding with the scope of operation of the merged GIL – Generali Investments Luxembourg, were excluded from the calculation of assets inasmuch as the business in question was de-merged once again in late June, giving rise to a new Luxembourg collective management firm fully owned by Banca Generali, BG Fund Management Luxembourg S.A. The following table shows the consolidated profit and loss results of each of the three operating segments, stated net of intra-segment eliminations.

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT (€ THOUSAND)	30.06.2014				30.06.2013			
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL
Interest income and similar revenues	5,081	2,952	54,577	62,609	6,999	5,878	64,205	77,082
Interest expense and similar charges	-712	-465	-6,152	-7,329	-2,366	-2,071	-9,013	-13,450
<b>Net interest income</b>	<b>4,369</b>	<b>2,487</b>	<b>48,425</b>	<b>55,281</b>	<b>4,633</b>	<b>3,807</b>	<b>55,192</b>	<b>63,632</b>
Fees income	119,566	72,156	31,064	222,786	95,364	63,115	42,232	200,711
<i>of which:</i>								
- subscriptions	12,195	4,370	685	17,250	9,646	4,701	1,348	15,696
- management	101,203	64,423	2,377	168,003	81,102	54,435	6,050	141,587
- performance	-	-	20,682	20,682	-	-	24,427	24,427
- other	6,167	3,363	7,320	16,851	4,616	3,979	10,406	19,001
Fee expense	-58,736	-31,094	-4,677	-94,507	-47,765	-23,494	-10,527	-81,786
<b>Net fees</b>	<b>60,830</b>	<b>41,062</b>	<b>26,387</b>	<b>128,279</b>	<b>47,599</b>	<b>39,621</b>	<b>31,705</b>	<b>118,924</b>
Net gains (losses) of financial operations	-	-	44,994	44,994	-	-	5,383	5,383
Dividends	-	-	772	772	-	-	856	856
<b>Net banking income</b>	<b>65,199</b>	<b>43,549</b>	<b>120,578</b>	<b>229,327</b>	<b>52,232</b>	<b>43,428</b>	<b>93,136</b>	<b>188,796</b>
Staff expenses				-37,372				-34,387
Other general and administrative expense				-59,980				-52,030
Net adjustments/reversal of property, equipment and intangible assets				-2,075				-2,406
Other operating expense/income				20,983				14,356
<b>Net operating expense</b>				<b>-78,443</b>				<b>-74,466</b>
<b>Operating profit</b>				<b>150,883</b>				<b>114,330</b>
Reversal value of loans				-3,724				-555
Adjustments of other assets				-767				-900
Net provisions				-25,797				-21,396
Gains (losses) from the disposal of equity investments				-10				-4
<b>Operating profit before taxation</b>				<b>120,585</b>				<b>91,475</b>
Income taxes on current operations				-31,881				-19,885
Profit (loss) from AFS assets				2,867				2,487
Minority interests (+/-) for the year				-3,127				-2,487
<b>Net profit</b>				<b>88,443</b>				<b>71,590</b>
(€ THOUSAND)								
Assets Under Management	19,391	12,897	2,414	34,703	16,100	11,342	1,841	29,283
Net inflows	1,758	557	n.a.	2,315	843	569	n.a.	1,412
Financial advisors/RMs	1,234	342	n.a.	1,576	1,134	330	n.a.	1,464

Trieste, 29 July 2014

THE BOARD OF DIRECTORS

# Attestation to the condensed half-year financial statements

PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 DATED 14 MAY 1999, AS AMENDED

1. The undersigned Piermario Motta, in his capacity as Chief Executive Officer, and Stefano Grassi, in his capacity as Manager in charge of preparing the financial reports of Banca Generali S.p.A., hereby declare, taking into account the provisions set out in Article 154-bis, paragraphs 3 and 4, of the Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures adopted to prepare the Condensed Half-year Financial Statements for the first half of 2014
  - 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 Condensed Half-year Financial Statements at 30 June 2014 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 Condensed Half-year Financial Statements as of 30 June 2014:
    - a) were prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of Legislative Decree No. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
    - b) reflect the accounting books and records;
    - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and all consolidated companies.
  - 3.2 The Interim Report includes a reliable analysis of references to important events occurred in the first six months of the year, and to their impact on the Condensed Half-year Financial Statements; it also includes a description of the main risks and uncertainties regarding the coming six months of the year. The Interim Report also includes a reliable analysis of information on significant related-party transactions.

Trieste, 29 July 2014

Dott. Piermario Motta

Chief Executive Officer

Banca Generali S.p.A.

Dott. Stefano Grassi

Manager in charge of preparing  
the Company's Financial Reports

Banca Generali S.p.A.



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

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

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in net equity and cash flows statement and the related explanatory notes, of Banca Generali S.p.A. and its subsidiaries (the "Banca Generali Group") as of June 30, 2014. Management of Banca Generali S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on April 1, 2014 and on August 8, 2013, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Generali Group as of June 30, 2014 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 1, 2014

Reconta Ernst & Young S.p.A.  
Signed by: Daniele Zamboni, Partner

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

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# Banca Generali S.p.A.

REGISTERED OFFICE

**Via Machiavelli 4 - 34132 Trieste - Italy**

SHARE CAPITAL

**Authorised 119,378,836 euros**

**Subscribed and paid-up 115,538,083 euros**

TAX CODE, VAT No. AND TRIESTE REGISTER  
OF COMPANIES

**00833240328**

**Company managed and coordinated  
by Assicurazioni Generali**

**Bank which is a member of the Interbank  
Deposit protection fund**

**Registration with the Bank Register  
of the Bank of Italy under No. 5358**

**Parent company of the Banca Generali Banking Group  
registered in the banking group register**

**ABI code 3075.9**



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