





BANCA GENERALI S.P.A.

# ANNUAL REPORT

as of 31 December 2014



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BOARD OF DIRECTORS - 10 MARCH 2015

## 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**



# Contents

<b>GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS</b>	6	1.2 <b>ANNUAL REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP</b>	127
Chairman's Letter	11		
<b>1. CONSOLIDATED REPORT ON OPERATIONS AS OF 31 DECEMBER 2014</b>	15	<b>2. CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014</b>	199
<b>1.1 CONSOLIDATED REPORT ON OPERATIONS</b>	17	Consolidated Financial Statements	200
1. The Banca Generali Group in 2014	19	Notes and Comments	206
2. Macroeconomic Context	24	<b>3. FINANCIAL STATEMENTS OF BANCA GENERALI S.P.A. AS OF 31 DECEMBER 2014</b>	379
3. Competitive Positioning	26	Economic and Financial Highlights	380
4. Operating Performance	32	Financial Statements	382
5. Balance Sheet and Net Equity Aggregates	51	Notes and Comments	388
6. Indirect Inflows	62	<b>4. ATTESTATION</b>	553
7. Results by Line of Business	64	Attestation Pursuant to Article 154-bis, Paragraph 5, of Legislative 410 Decree 58/98	
8. Corporate Social Responsibility	67	<b>5. ANNEXES</b>	557
9. Comments on the Parent Company's Operations	75		
10. Performance of Subsidiary Companies	90		
11. Related Party Transactions	92		
12. Banca Generali Stock Performance	96		
13. Products and Marketing	99		
14. Human Resources	108		
15. Organisation and ICT	117		
16. Auditing	118		
17. Main Risks and Uncertainties	119		
18. Outlook	122		
19. Events Occurred After the Balance Sheet Date	123		
20. Proposal for the Distribution of Profits	124		

*These financial statements have been translated from those issued in Italy, from the Italian into the English language, solely for the convenience of international readers. The Italian version remains the definitive version.*

Desk Finanziario e Assicurativo

CATI

Visualizza  
i miei Portafogli

PRODOTTI E SERVIZI

Fondi di Fondi

Assicurativo

Gestioni  
di Portafoglio

Fondi & Sicav

Amministrato

MERCATI FINANZIARI

Performance

View

Approfondimenti

Rassegna Stampa

Investimento

Verificazione

Aspetti Fiscali di un  
Investimento Assicurativo

Confronto Cedola  
e Decumulo



# GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

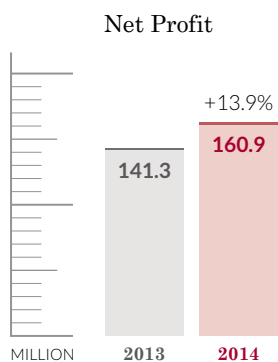
# Group Economic and Financial Highlights

## Consolidated figures

(€ MILLION)	31.12.2014	31.12.2013	CHANGE %
Net interest income	107.0	121.8	-12.2
Net fees	257.3	226.4	13.6
Net income (loss) of trading activities and dividends	54.9	19.0	189.5
<b>Net banking income</b>	<b>419.2</b>	<b>367.2</b>	<b>14.2</b>
Staff expenses	-74.2	-69.5	6.8
Other general and administrative expense	-128.5	-105.2	22.1
Amortisation and depreciation	-4.4	-5.0	-12.4
Other operating income (expense)	41.3	31.2	32.4
<b>Net operating expense</b>	<b>-165.8</b>	<b>-148.6</b>	<b>11.6</b>
<b>Operating profit</b>	<b>253.4</b>	<b>218.6</b>	<b>15.9</b>
Provisions	-40.3	-22.9	75.9
Adjustments	-11.0	-6.1	81.0
<b>Profit before taxation</b>	<b>202.1</b>	<b>189.6</b>	<b>6.6</b>
<b>Net profit</b>	<b>160.9</b>	<b>141.3</b>	<b>13.9</b>

2013 comparison data restated pursuant to IFRS 5.

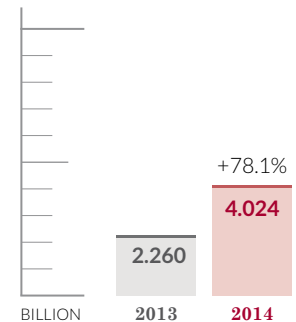
PERFORMANCE INDICATORS	31.12.2014	31.12.2013	CHANGE %
Cost / Income ratio	38.5%	39.1%	-1.5
EBTDA	257.8	223.7	15.3
ROE	46.2%	48.7%	-5.3
ROA	2.6%	2.1%	22.5
EPS - Earnings per Share (euro)	1.394	1.238	12.6



## Net inflows

(€ MILLION) (ASSORETI DATA)	31.12.2014	31.12.2013	CHANGE %
Mutual funds and Sicavs	555	1,489	-62.7
Asset management	71	13	446.2
Insurance / Pension funds	3,563	1,266	181.4
Securities / Current accounts	-165	-508	67.5
<b>Total</b>	<b>4,024</b>	<b>2,260</b>	<b>78.1</b>

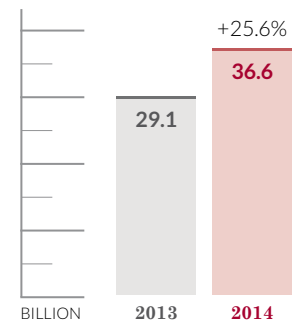
## Net inflows



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

(€ BILLION) (ASSORETI DATA)	31.12.2014	31.12.2013	CHANGE %
Mutual funds and Sicavs	10.0	8.4	18.2
Asset management	3.8	3.2	20.8
Insurance / Pension funds	13.7	9.7	41.5
Securities / Current accounts	9.1	7.9	15.8
<b>Total</b>	<b>36.6</b>	<b>29.1</b>	<b>25.6</b>

## Assets Under Management



## Net equity

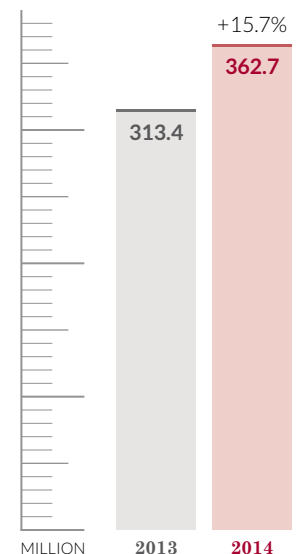
(€ MILLION)	31.12.2014	31.12.2013	CHANGE %
Net equity	536.3	469.1	14.3
Own funds (*)	362.6	313.4	15.7
Excess capital (*)	157.9	144.3	9.4
Total capital ratio (*)	14.17%	14.83%	-4.4

(\*) Capitalisation and Solvency Ratio at 31.12.2013 determined according to the rules of Basel 2.

## Personnel efficiency indices

	31.12.2014	31.12.2013	CHANGE %
Headcount	817	809	1.0
Financial Advisors	1,645	1,475	11.5
Net banking income / headcount (€ million)	0.51	0.45	13.0
Asset under management (AUM) / number of Financial Advisors	22.2	19.7	12.6

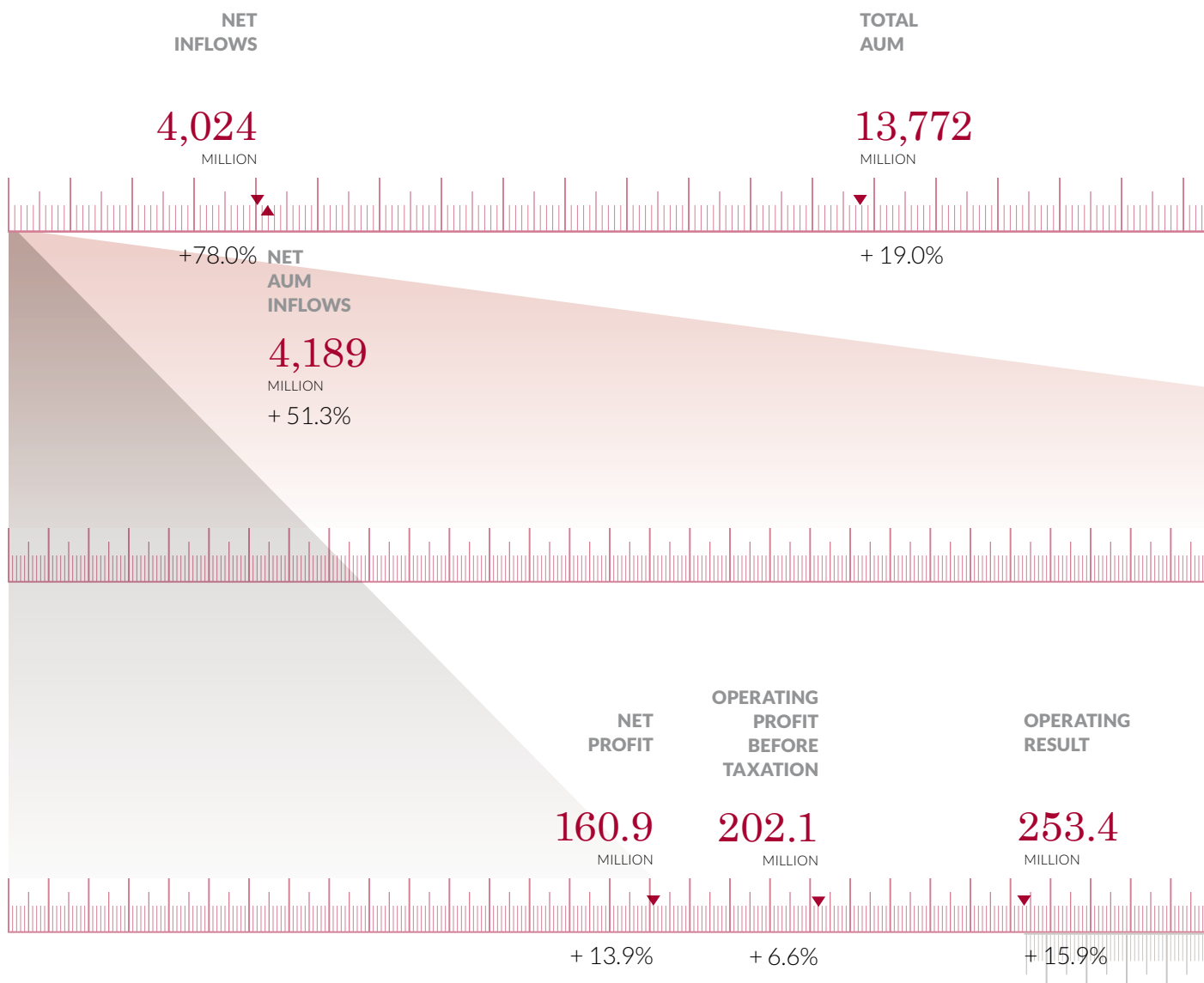
## Own funds



## Social and environmental highlights

	31.12.2014	31.12.2013	CHANGE %
Global added value (€ million)	523.7	447.8	17.0
Headcount	817	809	1.0
Number of Financial Planners/Private Bankers	1,645	1,475	11.5
Per-capita electrical energy consumption (kW/h)	2,951.7	3,008.9	-1.9
Paper consumption (quintals)	400.7	401.6	-0.2

# Highlights 2014



TOTAL ASSETS

**36,563**  
MILLION

+ 25.6%

OWN FUNDS

**362.6**  
MILLION

+ 15.7%

NET EQUITY

**536.3**  
MILLION

+ 14.3%

TOTAL CAPITAL RATIO

**14.2%**  
- 4.0%

TIER 1

**12.2%**  
- 14.1%

NET OPERATING PROFIT

**419.2**  
MILLION

+ 14.2%

NET OPERATING EXPENSES

**165.8**  
MILLION

+ 11.6%







# Chairman's Letter



## Dear Shareholders,

2014 was a remarkable year for Banca Generali: it yielded excellent results and, more importantly, laid the foundations for the Bank's future development.

The market context was favourable from several points of view. The expansionary policies of the major central banks supported positive trends on bond markets, with yields falling sharply especially in peripheral Eurozone countries such as Italy. Equity markets also improved, albeit showing conspicuous discrepancies between the various geographical areas. This scenario further heightened Italian households' awareness of the need for professional advice in protecting and diversifying their investments. It is no coincidence that in 2014 the asset management industry reported all-time best results in terms of net inflows in managed and administered products. Banca Generali was among the main players in this sector, gaining significant market share. Internal growth exceeded 4.0 billion euros and AUM increased by 26% to over 36.6 billion euros. Our Bank also has a strong appeal for the industry's experienced top professionals, many of whom joined Banca Generali during the year, contributing to strengthening its leadership and prestige.

In 2014, Banca Generali also completed a significant acquisition instrumental to further enhancing its leading position in the Italian private banking arena, in which it is already considered a major player. The deal, which was fully funded in 2014, is expected to become earnings accretive as soon as in 2015. In addition to its significant internal and external growth, Banca Generali also stood out for its 2014 record financial results. Net profit amounted to 161 million euros, and the Bank's capital strength remained among the highest in the Italian banking industry. In light of these results, the company decided to continue its traditionally generous shareholder return policy by proposing to the

Shareholders' Meeting the distribution of a 113 million euro dividend payout, or 0.98 euros per share. It is a point of pride for our Bank that this amount, which exceeds the 2013 dividend, is again one of the highest in the industry.

Early signs lead us to take a positive, optimistic view on the Bank's outlook for 2015. Market conditions have remained favourable thanks to strong demand for specialised financial advice and versatile, high-quality investment solutions such as those offered by Banca Generali. Interest rates at all-time low levels — in some cases even cost-bearing — are leading households to urgently seek expert guidance to protect their investments. In addition to a favourable external scenario, Banca Generali's confidence in its future prospects also stems from the significant innovation of its products and solutions. This year will see the debut of the new BG Personal Advisory platform developed to provide advanced advisory services on all aspects of customers' wealth, ranging from real-estate to tax and succession planning, corporate finance and family office. We believe that BG Personal Advisory will be yet another distinctive element of the Bank's range of products and services. Together with our professionals' experience and outstanding skills, it will further strengthen the model of excellence we have developed in recent years. The Bank's longstanding commitment to using cutting-edge technological tools to the benefit of its customers and financial advisors also underscores its ability to seize the opportunities provided by technology.

I would like to express my heartfelt thanks to the management and employees for their commitment and dedication, which have allowed Banca Generali to achieve these important results, and become a point of reference in terms of professionalism, prestige and reputation.

*Paolo Vagnone*

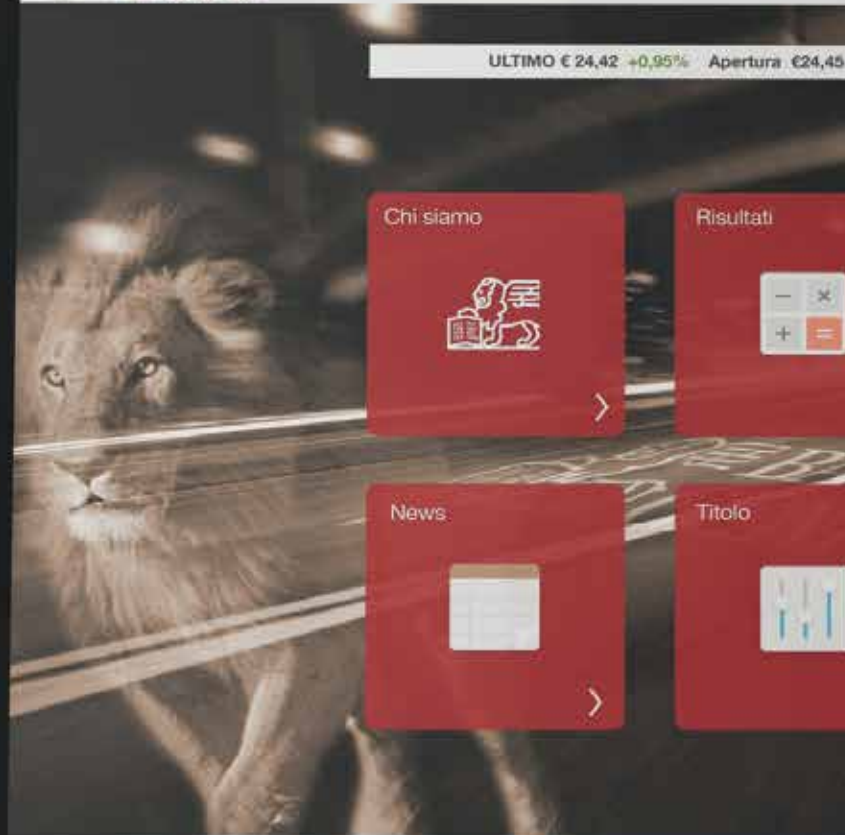
*Chairman*

SIM bloccata

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BANCA  
GENERALI

ULTIMO € 24,42 +0,95% Apertura € 24,45



Chi siamo



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Risultati



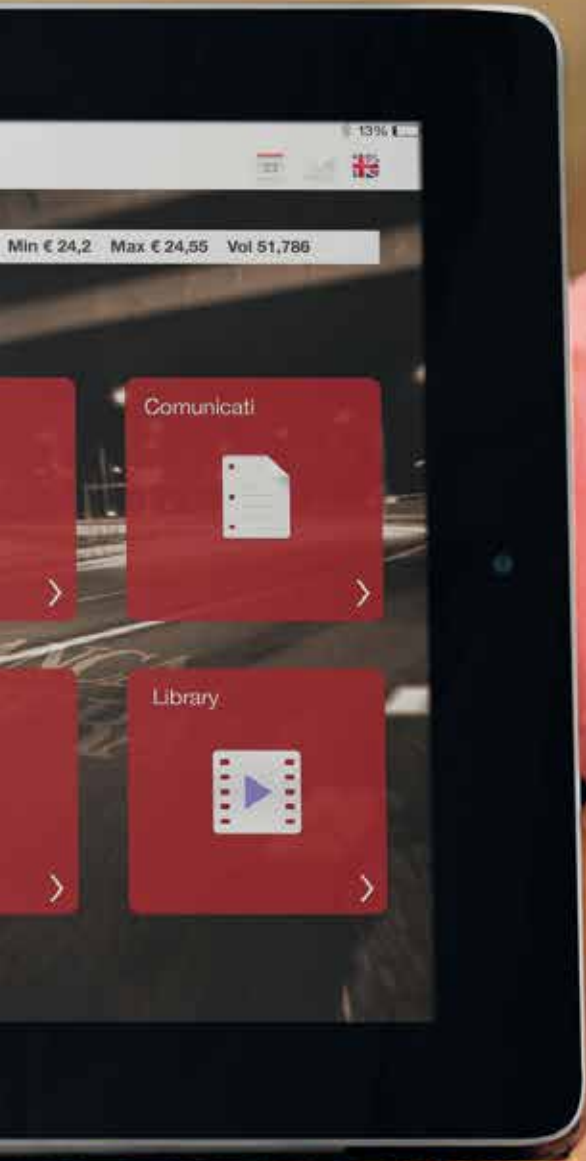
News



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Titolo





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1

**REPORT**  
**ON OPERATIONS**  
as of 31 December 2014

BOARD OF DIRECTORS - 10 MARCH 2015



1.1

# REPORT ON OPERATIONS





# 1. The Banca Generali Group in 2014

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

## 1.1 The banking Group's strategy

The banking group Banca Generali is a leading player in the asset management industry. Through financial advisor networks it offers a wide range of banking, insurance and asset management products.

This also includes a great variety of third-party products, according to the **open-architecture model**. The versatile and quality investment solutions on an international scale strengthen the professional advisory service offered by the bank's Financial Planners and Private Bankers, allowing customers to choose the financial solutions and pension products that best suit their needs and characteristics. Its specialised retirement and investment planning approach targets both affluent and private-banking customers.

Banca Generali was among the first Italian companies in the industry to introduce this new model, firmly established on the world's most advanced capital markets – and the United States foremost among them – to Italy. This model is consistent with EU Investment Services Directive (MiFID), which acknowledges and promotes advisory as an investment service, demonstrating its desire to **anticipate and set market development trends**. As it moves forward along this path, the company brings commitment and dedication to an investment policy focused on innovation and quality, extending the concept of service and expanding the possibilities offered by financial advice to customers. In addition to mere placement activities, Banca Generali stands out for its wide-ranging solutions for protecting and enhancing households' investments.

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

- offering **professional advisory services** through its Financial Advisors, identifying and meeting the customers' long-term financial needs, not just as a general approach, but also through the use of specific, cutting-edge methods and tools (e.g., the BG Personal Advisory service);
- concentrating distribution within the **role of Financial Planners/Private Bankers** as an effective tool for such constant,

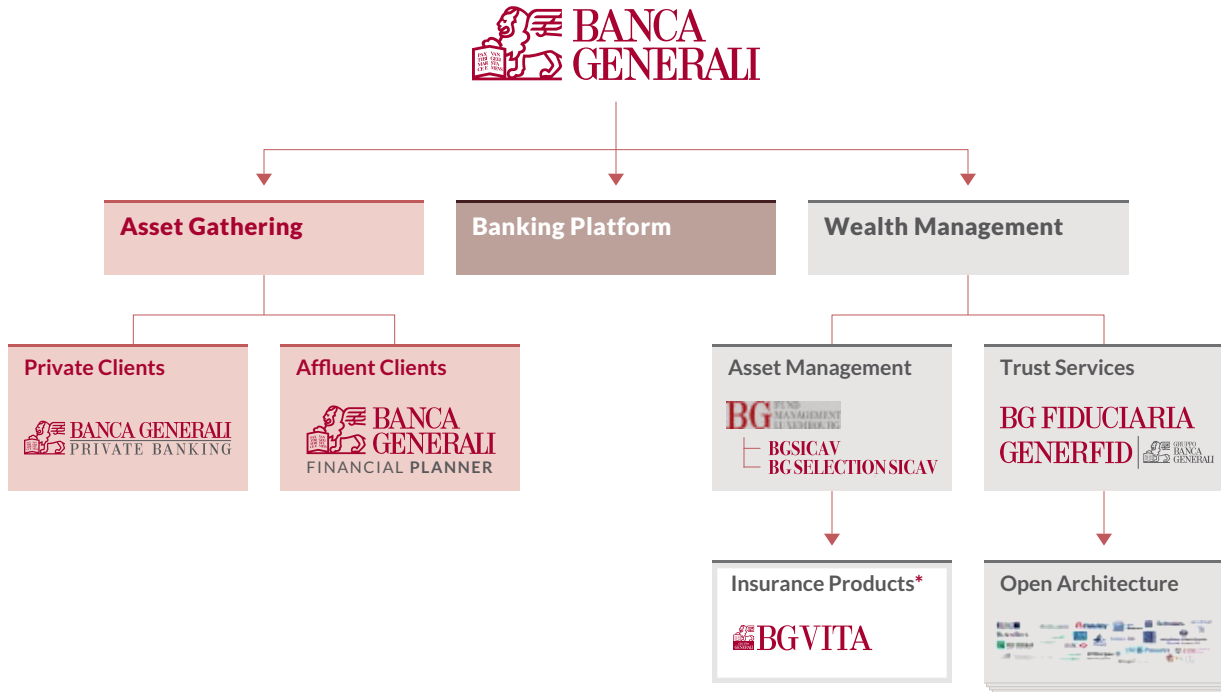
professional and personalised advisory service throughout Italy and undertaking the significant training and information investments required by this strategy;

- offering a **comprehensive range of investment and pension products and services** of the Group and international market leaders;
- developing important **management know-how** and pursuing **ongoing product innovation** to benefit customers;
- devoting ongoing attention to all of the **innovations that modern technology** offers to operators and customers to increase the level of efficiency, operating simplicity, transparency and extensive information;
- fully exploiting and realising the characteristics inherent to the **Generali brand**, which is synonymous with reliability, solidity and expertise.

Supporting the professionalism of its staff, who are called upon to form a direct advisory relationship with quality customers, the customer service also benefits from the cutting-edge resources provided by a **multi-channel system** based on online services, call centres and numerous offices and branches throughout the country. Expertise is thus perfectly combined with customisation and customer-friendliness.

The Banca Generali Group's financial products and services cover a **wide range of needs, thanks to their broad diversification**: from mutual funds/Sicavs to discretionary accounts and insurance and pension products. A total of nearly 1,300 products and services of the Bank and 32 management companies, banks and insurers, are offered.

From an organisational standpoint, the Banca Generali Group's distribution network is split into two divisions dedicated to different types of customers (Affluent and Private), allowing it to move beyond an undifferentiated approach to the market. In addition, there is a management company based in Luxembourg, namely BG Fund Management Luxembourg SA (BGFML) and two trust companies (BG Fiduciaria and Generfid).



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

Thanks to the above-mentioned characteristics and developments, in recent years the Group has achieved a leading position in its target market.

## 1.2 Committing to sustainability

As had been the case for several years, in 2014 Banca Generali continued to uphold its commitment to integrating the issues of corporate social responsibility and a commitment to the environment, as presented in the guidelines of the Global Reporting Initiative (GRI), into its operational and financial management.

In this regard, the strategic guidelines for Banca Generali's commitment at the social and environmental level are confirmed as follows:

- pursuing sustainable growth in the long term, through entrepreneurial action aimed at achieving stable, satisfactory economic and commercial results, while reducing the risks associated with the volatility of the economic and financial scenario in which the Bank operates;
- valorising the people who work for the company and its subsidiaries, encouraging the constant development of skills and professionalism among collaborators and acknowledging the contribution of individuals to the success of the organisation;

- focusing on the social context in which it is based by participating in welfare, cultural and athletic initiatives in favour of the community;
- favouring the reduction of direct and indirect environmental impacts by taking steps to minimise the consumption of energy, paper and water, and pollutant emissions.

Emphasis should also be placed on the main lines of action that the Bank implements in its daily interactions with its stakeholders.

Banca Generali is particularly aware of the importance of its core business, namely protecting and safeguarding its **customers'** investments. To this end, Banca Generali is constantly focused on providing highly qualified professional advice and a range of cutting-edge products in order to keep abreast of the changing financial and regulatory context. Risk control and focus on clear, timely communications are additional items to which close at-

tention is devoted to protect the peace of mind of customers and their families.

Relationships with its **employees and distribution networks** are also central to Banca Generali, which regards their professionalism, competence and teamworking skills to be a fundamental component of its success in recent years. Training, company mobility and professional growth are the guidelines of the Bank's actions, along with a focus on equal opportunity.

The focus on the **community** is reflected in a number of national and local initiatives, in the latter case launched at the suggestion of, and in partnership with, local professionals. Many activities are organised to support volunteer and charitable organisations, in addition to many initiatives focusing on sport, a distinctive factor due to its ability to convey values such as dedication, determination and commitment.

Considerable attention is also dedicated to ensuring that suppliers adhere to the principles of the Code of Ethics that Banca

Generali has adopted and promotes with conviction.

In its relationships with its shareholders, Banca Generali reaffirms its commitment to value creation, shareholder return, transparency and constant dialogue with the financial community. Furthermore in 2014, Banca Generali continued the fruitful exchange established in recent years with the association E.DI.VA – Etica Dignità e Valore Associazione Stakeholders Aziende di Credito Onlus, which has long been deeply committed to promoting the issues of corporate social responsibility and ethical finance in the banking industry. Thanks to a suggestion by E.DI.VA at the last Shareholders' Meeting, Banca Generali has decided to promote an analysis of the social banking model, including the main Italian and European cases and extending to the micro-credit model developed by the Grameen Bank of Nobel Prize-winner Muhammad Yunus. Banca Generali thus intends to contribute to the debate – more current now than ever before – concerning the possibility of combining the principles of corporate social responsibility with those of profitability and capital solidity.

### 1.3 Summary of 2014 operations

In 2014, the Banking Group has continued to grow with constantly increasing intensity.

Total net inflows since the beginning of the year reached the new peak of 4.0 billion, an all time record annual performance for the Group.

This result allows Banca Generali to strengthen its position at the top of the industry rankings, while gaining market share and increasingly showing its competitive edge, consisting of a specific high-quality set of products, network and service.

In this context, net profit for 2014 amounted to 160.9 million euros, up 14.0% compared to the already excellent 2013 results. This performance was achieved despite significant investments to foster external growth, through the acquisition of the Credit Suisse business line and the successful recruitment activity, and internal growth, by developing a new service model and the Bank's new digital platform.

Net banking income rose to 419.2 million euros, with a considerable increase of 52.0 million euros compared to 2013 (+14.2%), driven both by the non-recurring components and the strong performance of asset management fee income.

The latter rose by approximately 63 million euros (+21.4%), in line with the growth reported in the Banking Group's AUM.

Attention should also be drawn to the excellent result of trad-

ing activities and dividends (+35.9 million euros), thanks to the ability to exploit the favourable market conditions tied to the reduced spread on Italian government debt and the sharp rise in performance fees, which achieved their all-time high, far exceeding the very high amount reported in 2013 (+24.6%).

In contrast, net interest income continued to decline (-12.2%), impacted by the macroeconomic context marked by deflationary pressure and low interest rates.

Net operating expenses grew slightly to 165.8 million euros (+11.6%), mainly due to the merger costs incurred for the acquisition of Credit Suisse Italia's business line, the significant commitments undertaken for the implementation of the New Service Model, and the constant upgrading of the Bank's digital platform.

Provisions and net adjustments amounted to 51.3 million euros, up 22.3 million euros compared to 2013, as a result of higher provisions for incentives, development and contractual indemnities of the Financial Planner network. In addition, prudential adjustments were also made to non-performing loans to customers and impairment losses were recognized on the AFS equity securities portfolio.

At 31 December 2014, the total value of the Group's AUM – reference figure for Assoreti reports – amounted to 36.6 billion

euros, up 25.6% compared to year-end 2013, placing the Group at the top of the market of reference.

In addition to this, managed assets also included 1.7 billion euros in deposits of assets under administration of companies of the Generali Group and 0.6 billion euros in mutual funds and discretionary accounts (GPF and GPM) distributed directly by management companies, for an overall total of 38.8 billion euros. Following the de-merger of BGFm, the above aggregate no longer includes the assets of the de-merged business line, consisting of Sicavs and mutual funds distributed by management companies and/or third parties unrelated to the banking group, for a total amount of 7.9 billion euros at 31 December 2013.

In a complex macroeconomic scenario that brings to light an increasing need for professional financial advice, the Banking Group continued to enhance its sales network through both a selection and recruitment policy targeting high-standing professionals and the deployment of advanced customer advisory tools.

Within this scenario, in 2014 efforts converged on the design and subsequent launch of the New Service Model, which will result in the creation of a new integrated advisory platform by 2015.

The New Service Model aims to **increase knowledge of the customer** in terms of total assets, family situation and risk appetite, with the goal of offering an **integrated, balanced approach to managing customers' assets and risks**.

## 1.4 Significant corporate transactions

Financial year 2014 was characterised by several corporate transactions instrumental to expanding business, and reorganising and improving the Banking Group's efficiency.

### Acquisition of Credit Suisse Italia's business line

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

This transaction – subject to the Bank of Italy's prior authorisation – was finalised on 1 November 2014.

The transaction entails the sale of the business line including the agency contracts of 51 Financial Advisors of Credit Suisse Italia, the agreements with their current customers and the relevant net inflows and lending assets.

Overall AUM attributable to this business line amount to over 1.9 billion euros, whereas the consideration for the acquisition totalled 44.7 million euros, based on AUM recognised at the date on which the transaction became effective.

In accordance with IFRS 3, the Purchase Price Allocation (PPA) yielded the following results:

1. the assets and liabilities of the business line not classifiable

as intangible assets were recognised at their previous carrying amounts, since no significant divergences from fair value at the closing date of the transaction were identified;

2. the business line's current assets and liabilities were transferred at equal balances, and thus the entirety of the agreed consideration (44.7 million euros) was attributed to intangible assets, broken down as follows:

- 17.3 million euros for the value of contractual relationships with customers associated with the acquired business line (client relationships) as intangible assets with finite useful life, with an estimated useful life of 15 years; and
- the remaining 27.4 million euros to goodwill.

The fairness of the above price was confirmed by a fairness opinion commissioned by Banca Generali from KPMG Advisory S.p.A. This acquisition was funded partly through a Tier-2 subordinated loan of 43 million euros issued by the subsidiary Generali Beteiligungs GmbH and the remainder in cash.

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

In the first half of 2014, the subsidiary 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. (former GIL unit), 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 Holding 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, became 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).

### **Sale of the investment in BG Dragon China Sicav**

The investment in the UCITS **BG Dragon China Sicav** was disposed of at the end of 2014 following full redemption of the shares held.

It should be noted that BG Dragon was an UCITS established under the laws of Luxembourg promoted in 2013 by the subsidiary GFM S.A. and authorised to invest directly in the Chinese equity market.

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

The situation of control was also subsequently confirmed on the basis of the assessment conducted according to the new criteria

set out in IFRS 10, effective 1 January 2014.

However, the Bank's investment was temporary in nature, since it was aimed at permitting the start-up of the Sicav. Accordingly, the investment was regarded as a purchase of an asset solely in view of subsequent resale in the near term pursuant to IFRS 5.32.c, and had thus been accounted for as a disposal group.

The investment was therefore disposed of within one year from the date of acquisition of control, in accordance with IFRS 5.

To provide a better understanding of the factors that influenced the Banking Group's results, before analysing the sales and financial results for 2014, this report provides macroeconomic information about the main economic regions of the world.

## 2. Macroeconomic Context

The global economic recovery continued in 2014. The performance of the U.S. economy was the main driver: after an uncertain start to the year, the U.S. economy gradually gained momentum in the following quarters, outpacing its potential for the first time since 2007, buoyed by the constant improvement of the employment situation, which allowed for a robust increase in consumption by keeping incomes high. Moreover, the fall in energy prices in the second half of the year increased consumers' purchasing power. As the flow of credit to all sectors resumed, and balance sheets showed plentiful cash, companies increased their capital expenditures, taking advantage of very favourable rate levels, and the real estate market stabilised. However, the year was a difficult one for the Eurozone, despite the considerable progress achieved in terms of current account imbalances and institutional reforms (banking supervision and the Fiscal Compact). After the peak growth reached in the first quarter, activity slowed once more: Italy fell back into recession, France's economy stagnated and Germany, which was until recently driving the recovery, also slowed. Negative factors included, on the one hand, the sanctions imposed by the European Union on Russia for its attitude in the Ukraine crisis, but also, the lack of progress in structural reforms in certain countries (France and Italy). Within this scenario, inflation and inflation expectations declined sharply, and concerns of a transition to a deflationary environment gradually intensified during the year. Low growth and low inflation in turn caused renewed concerns about the sustainability of public debt, despite lower rates across the yield curve and for all countries. After slowing down at the beginning of the year, growth in China stabilised since mid-2014 at a rate slight under that of late 2013. Chinese economic policy authorities could therefore adopt various fiscal and monetary easing measures targeting specific sectors, without changing the overall nature of the country's economic policy. Oil prices fell swiftly and sharply starting in September, further limiting inflationary pressure. The global scenario could therefore continue to benefit from monetary policies, that remained highly accommodating, and fiscal policies which were less restrictive than in the past. The Federal Reserve proceeded with its tapering of government bond purchases, thus keeping liquidity plentiful and increasing its level for most of the year. Faced with a scenario of lower-than-expected

inflation, the ECB responded by rendering its monetary policy more accommodating by lowering interest rates and adopting specific measures aimed at supporting the real economy. In this context, equity and bond markets were generally strengthened, mirroring the macro-economic situation. The prospect of a rate increase in the United States in early 2015 in response to further acceleration of growth drove the dollar to appreciate against all other currencies in the second half of the year.

In the reporting 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 and its subsequent new expansionary measure. In fact, during the summer the ECB lowered its benchmark rate range by a total of 20 bps on two occasions (early June and early September), bringing its refinancing rate to 0.05% and its deposit rate to negative territory for the first time at -0.20%. In addition, it also introduced, in June, long-term refinancing operations with the specific objective of supporting banking credit for non-financial companies (TLTROs), and, in September, a repurchasing programme for asset-backed securities and covered bonds. The first two TLTROs were held in September and December (for a total amount of up to 400 billion euros, maturity in autumn 2018 and fixed rate at 0.15%): both auctions fell short of expectations, receiving applications for approximately 213 billion euros overall – and increased the prospects for ECB's adoption of an expansionary quantitative monetary policy in the first months of 2015. In this scenario, the three-month Euribor – which until May had been fluctuating around the level of 0.3% reached at the end of 2013 – closed the year at 0.08%.

In this context, the equity markets of Developed Countries performed overall better than those of Emerging Countries, though with significant exceptions in specific areas. The MSCI World index rose by 16.9%, the S&P500 by 26.5% and the Topix by 7.7%. In Europe, the benchmark index for the entire area (the DJ Stoxx 600) grew by 4.4%, while the Euro Area benchmark (the DJ Euro Stoxx) climbed 1.7%. During the period, exchanges in emerging markets reported diverging performance in euro according to the reference area: 8.3% overall (the MSCI Emerging Markets

index in euro), 40.7% in India and 22.6% in China. Overall, the market sectors that performed best in Europe were real estate, travel and leisure, health, utilities and food, whereas energy, raw materials, retail sales and banks posted below-average performances.

In the reporting year, bond yields on the markets of reference (Treasuries and Bunds) experienced a general downtrend due to the abundant liquidity offered by Central Banks and the inflationary scenario, which remained under control. In Europe, in response to a situation of heightened deflation and weak growth, returns in euro on the ten-year maturity declined to reach a historical low at the end of 2014 of 0.54%, down from 1.94% at year-start. In response to the new accommodating turn of monetary policy stance taken by ECB, rates on short-term maturities (two years) fluctuated around zero, returning again to negative territory in the second half of the year. There was a similar, but less marked, decline in U.S. yields, mainly influenced by a reduction in the – already moderate – inflationary pressure: ten-year maturity closed at 2.17% from 3.01% at the beginning of the year. In this context, the trend towards narrower spreads between countries within the European Monetary Union continued, with spreads ending the reporting period at levels similar to those recorded in summer 2010. On the Italian market,

the process of falling spreads was more accentuated than elsewhere, extending across the entire curve: at year-end, yields on two-year securities dropped to 0.55% (-70 bps compared to the end of 2013), those on five-year securities to 0.95% (-180 bps), those on ten-year securities to 1.90% (-225 bps) and those on 30-year securities to 3.25% (-165 bps). The spread between the ten-year BTP and Bund fell to about 135 points from 218 points at the end of 2013.

On currency markets, the prospect of a rate increase in 2015 by the Federal Reserve strengthened the dollar against all other currencies. In particular, the temporary divergence of orientation between the monetary policies of the Federal Reserve and ECB significantly weakened the euro, which during the period fell from a level of 1.38 dollars to the euro to 1.21 dollars to the euro at the end of the year.

Lastly, commodities prices showed a downtrend. Oil prices (WTI) rose from about 98 dollars a barrel in early January to over 105 at the end of June, to then fall below the initial price and close the reporting period at 53 dollars a barrel. Over the same period, gold increased from 1,202 dollars an ounce to a high of slightly above 1,400, to then decline in the second half of the year and close the period at around 1,185 dollars an ounce.

## Outlook

For the coming months, the main international organisations foresee that the recovery will continue at a moderate pace, unemployment will generally remain above pre-crisis levels and international trade will expand marginally. Among developed countries, growth will be more robust in the United States and the United Kingdom than in the Eurozone and Japan. Unemployment will remain especially high in the Eurozone. Among emerging countries, growth will slow in China, remain weak in Russia and Brazil, and improve in India and South Africa. In particular, it should be stressed that the inflation scenario generally re-

mains under control, thanks to domestic demand, which is still weak, and the recent decline in oil and food prices. Accordingly, the OECD has invited economic policy authorities not to scale back plentiful liquidity conditions suddenly, to use tax measures, where possible, and to make a priority of undertaking ambitious structural reforms to revitalise the job market and shore up growth potential. At the European summit in September, the European Commission's structure was reinforced. At the beginning of November, the ECB assumed responsibility for the supervision of euro area banks.

## 3. 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

In 2014, the UCITS sector recorded its best net inflow result of 14 years (+87 billion euros), whereas total retail customers' assets under management returned to near the level reached at the end of 2007, before the beginning of the gradual yet profound financial market decline triggered by the Lehman crisis in 2008. All product types, including Italian mutual funds and discretionary management accounts, improved considerably, due

both to increasing net inflows following a long period of crisis and positive market performances in recent years, despite permanent volatility.

The following table shows the evolution of assets under management over the past four years in terms of product/service type and the associated net inflows.

Evolution of Net Inflows and Assets under Management

(€ MILLION)	NET INFLOWS				ASSETS			
	DEC. 2014	DEC. 2013	DEC. 2012	DEC. 2011	DEC. 2014	DEC. 2013	DEC. 2012	DEC. 2011
Italian funds	32,226	10,721	-13,790	-34,492	206,300	167,227	148,910	151,692
Foreign funds	54,571	35,245	15,135	1,146	474,825	389,604	332,989	267,277
<b>Total funds</b>	<b>86,797</b>	<b>45,966</b>	<b>1,345</b>	<b>-33,346</b>	<b>681,125</b>	<b>556,831</b>	<b>481,899</b>	<b>418,969</b>
<b>GPM</b>	<b>9,421</b>	<b>1,763</b>	<b>-6,804</b>	<b>-10,006</b>	<b>111,638</b>	<b>98,271</b>	<b>92,814</b>	<b>100,403</b>
<b>Total</b>	<b>96,218</b>	<b>47,728</b>	<b>-5,459</b>	<b>-43,352</b>	<b>792,763</b>	<b>655,103</b>	<b>574,712</b>	<b>519,372</b>

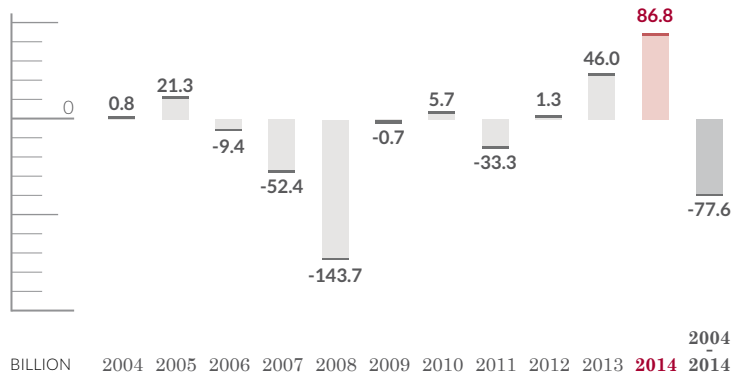
Source: Assogestioni.

In detail, the UCITS market reported significant net inflows in 2014, building on and nearly doubling the already noteworthy result achieved in 2013. This successful performance follows on a long series of negative or neutral results, particularly concentrated in Italian products over their international counterparts. The latter, with the dissemination of "open architectures" amongst many distributors (and thus the possibility for customers to enjoy access to the vast international market of asset management products), now account for 70% of total assets. In the past two years, net inflows had also been driven by renewed interest in investments in UCITS by investors through

bank branches (75% of 2014 total inflows according to an estimate by Assoreti). In fact, over the past years this segment of the market had constantly recorded substantial outflows, in contrast to the inflows shown by the Financial Advisors sector, which has always performed well, except in 2008. Against this background, the market targeted by Financial Advisors, which has a greater advisory component and is less affected by the funding problems within the banking system, achieved gradual consolidation of market share over the years, currently equal to more than one-fifth of the total and constantly increasing.



The UCITS market in Italy in the past ten years (billions of euro)



Source: Assogestioni data.

### 3.2 The Assoreti market

Net inflows of the Assoreti market (which measures total distribution activity through Financial Advisors of Assoreti member companies) in 2014 exceeded by approximately 40% those for 2013, and were among the best net inflows figures ever recorded by Assoreti. The growth rate is only apparently less impressive

than that of the entire UCITS market, as mentioned above, inasmuch as growth in the networks sector was constant and gradual over the years, whereas the banking market has only achieved significant results in the past two years, after many years of net outflows.

(€ MILLION)	31.12.2014	31.12.2013	CHANGE
Asset management	10,657	12,874	-2,217
Insurance products	13,050	7,690	5,360
Assets under administration and custody	-67	-3,953	3,886
<b>Total</b>	<b>23,641</b>	<b>16,612</b>	<b>7,029</b>

In terms of composition, the gradual declining interest rates, the financial markets' positive performance in recent years and customers' heightened needs in terms of access to a range of products and services with high added value resulted in the recording of inflows especially in the assets under management (UCITS and discretionary management accounts) and insurance segments, to the detriment of the assets under administration and custody segment.

The success of the Financial Advisor networks' activity, against

the backdrop of the profound crisis experienced by the traditional banking system and increasing difficulty in interpreting market trends, was also borne out by two other factors:

- the ever-increasing number of investors served by Assoreti member companies, with approximately 3.5 million primary accountholder customers at the end of 2014 (+4.3% compared to 2013);
- the increase in the number of Financial Advisors at the member companies to 21,741 from 21,352 in 2013.

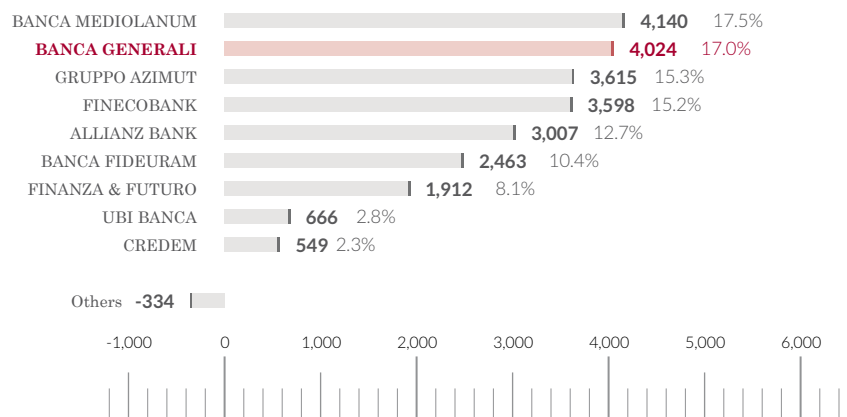
### 3.3 Banca Generali

In this highly positive scenario, Banca Generali remained among the market leaders in terms of net inflows through Financial Advisors and increased by almost 80% the record result achieved in 2013, against an average market growth of 42%. This perfor-

mance allowed Banca Generali to climb up in the ranking by 4 positions compared to the previous year and, most importantly, increase its market share from 13.6% to 17%.

#### Total net inflows Assoreti - 23.6 billion euros

December 2014 (€ million)



Source: Assoreti

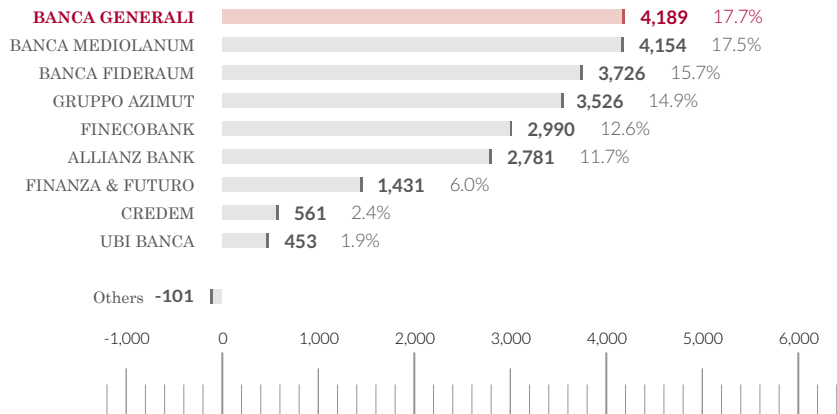
In this regard, it should be noted that a significant contribution was provided by recruiting, which benefited, on the one hand, from the attraction exerted by Banca Generali on highly professional advisors, primarily from the banking industry, and, on the other, recruiting efforts focused on the top professionals from the wound-up firm Simgenia SIM, a financial service distribution company belonging to the Assicurazioni Generali Group. Furthermore, the painstaking selection and training process applied to the network allowed Banca Generali's advisors to rank first in

terms of productivity and assets per advisor.

This excellent result appears even more noteworthy if one considers the various segments of the asset management and insurance market – the core areas of Financial Advisor networks – of which Banca Generali has been at the forefront for years. In this case as well, market share increased significantly, rising from 13.5% to 17.7%.

## Net AUM and insurance inflows Assoreti - 23.7 billion euros

December 2014 (€ million)



Source: Assoreti

Specifically, Banca Generali's net inflows in 2014 were strongly influenced by the launch of the new family of innovative multi-line policies BG Stile Libero, with wide-ranging insurance segregated accounts, and which many customers decided to invest in, completely replacing other traditional asset management products. Overall, the asset management plus insurance segment improved on its already excellent 2013 results by more than 50%. The assets under administration and custody component (-0.2

billion euros – current account deposits and securities) once more demonstrated that it had positively performed its task of raising funds through deposits to current accounts, which showed a balance of 0.47 billion euros. At the same time, diversification continued, in line with the trend in the reference market, out of assets under administration and custody (a decrease in securities of 0.63 billion euros) and into asset management and insurance solutions.

## Net inflows of Banca Generali

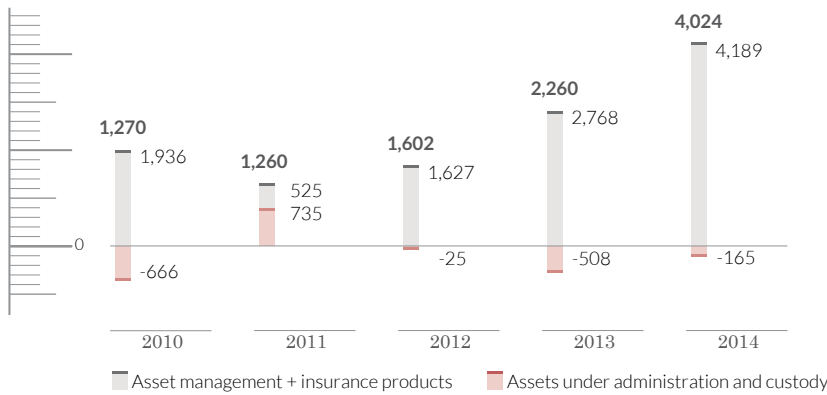
(€ MILLION)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
Funds and Sicavs	555	1,489	-934	-62.7%
GPF/GPM	71	13	58	446.2%
<b>Total assets under management</b>	<b>626</b>	<b>1,502</b>	<b>-876</b>	<b>-58.3%</b>
<b>Total insurance products</b>	<b>3,563</b>	<b>1,266</b>	<b>2,297</b>	<b>181.4%</b>
<b>Total assets under administration and custody</b>	<b>-165</b>	<b>-508</b>	<b>343</b>	<b>-67.5%</b>
<b>Total assets placed by the network</b>	<b>4,024</b>	<b>2,260</b>	<b>1,764</b>	<b>78.0%</b>

A comparison of the results for the past five years shows that the increase in new inflow volumes, a sign of the growing success of

Banca Generali's commercial offerings, has gradually reached an exponential pace, as shown in the graph below.

**Banca Generali's net inflows evolution 2010-2014**

(€ million)

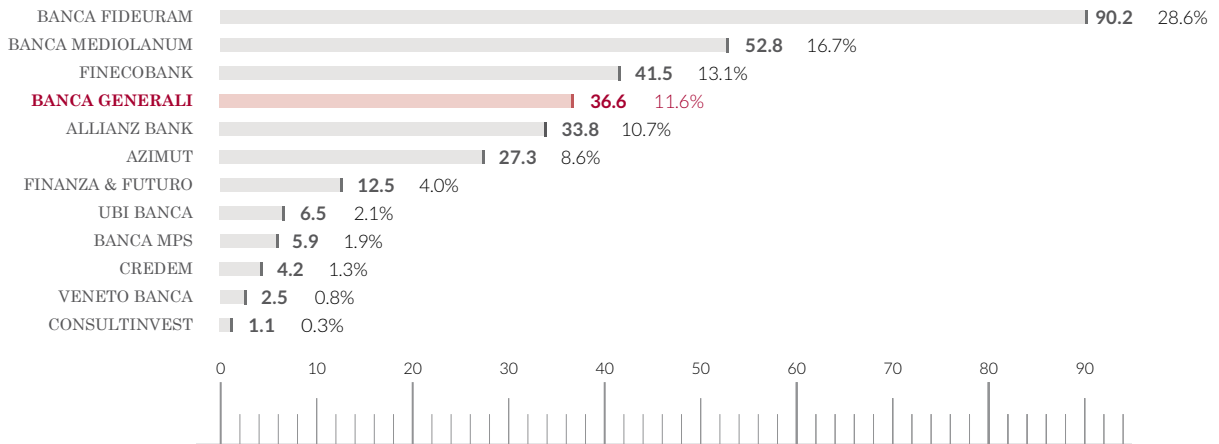


In 2014, AUM showed an excellent performance, with the Bank climbing to fourth place in the rankings of the top firms on the Financial Advisors market, and with market share rising to 11.6% from 10.4% at the end of 2013. In fact, the increase in Banca Generali's AUM volumes (+26%) sharply exceeded the already significant 14% performance of the overall market of compared to December 2013, a new all-time high recorded by the industry

association. A significant share of the AUM increase during the year may be attributed to the excellent net inflow performance described above, in addition to the acquisition of Credit Suisse Italia's Financial Advisor network, effective as of 1 November 2014, which contributed new assets under management of approximately 1.9 billion euros.

**Total Assets Assoreti - 315.5 billion euros**

December 2014 (€ billion)



Source: Assoreti

The following table provides a summary of Banca Generali's assets, updated through 2014, illustrating their composition by macro-aggregates with reference to the Assoreti market, i.e., the market related to the Financial Advisor operating area. It should be noted that the acquisition of the Credit Suisse Italia's business unit mainly contributed to the growth of assets under man-

agement (+19%) and assets under administration and custody (+16%), whereas internal growth was concentrated in insurance products, which rose by over 40%. Strong average performances across all investment segments also drove the overall increase in total assets under management.

### Banca Generali's total assets

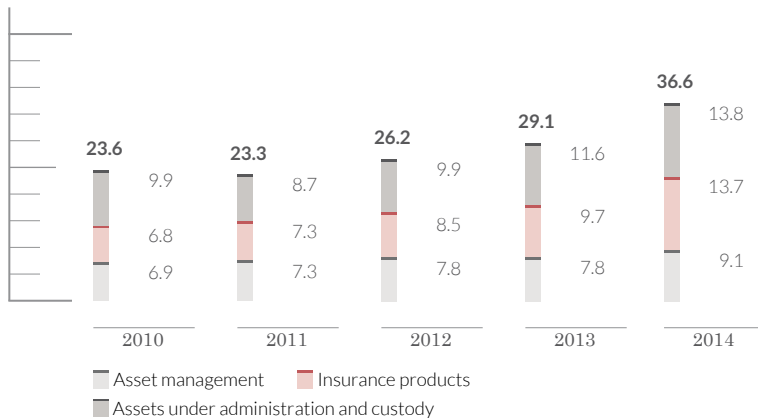
(€ MILLION)	31.12.2014	31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
<b>Total assets under management</b>	<b>13,772</b>	<b>11,581</b>	<b>2,191</b>	<b>19%</b>
Funds and Sicavs	9,955	8,423	1,532	18%
GPF/GPM	3,817	3,158	659	21%
<b>Total insurance products</b>	<b>13,694</b>	<b>9,676</b>	<b>4,019</b>	<b>42%</b>
<b>Total assets under administration and custody</b>	<b>9,097</b>	<b>7,859</b>	<b>1,238</b>	<b>16%</b>
<b>Total assets placed by the network</b>	<b>36,563</b>	<b>29,115</b>	<b>7,448</b>	<b>26%</b>

The rate of AUM growth in 2014 was more than double the trend in recent years: a rapid expansion of the Bank's size far in

advance of its previous development plans, which led it to pursue new and even more ambitious milestones.

### Banca Generali's total assets 2010-2014

(€ billion)



## 4. Operating Performance

On 1 July 2014, the partial de-merger by the Luxembourg subsidiary BGF M SA of the business unit responsible for managing funds/Sicavs placed by the Generali Group's insurance companies (former GIL business unit) was finalised; the said unit was therefore excluded from the Banking Group's scope of consolidation.

Since the transaction was undertaken with retroactive effect for accounting purposes from 1 January 2014, the present accounting situation no longer includes the profit and loss components of the de-merged unit, which, conversely, in the Consolidated Half-yearly Report at 30 June 2014, had been included in a single item under profits and losses of disposal groups.

In accordance with IFRS 5, profit and loss figures for the same period of 2013 have been restated for comparison purposes.

The Group's net profit at year-end 2014 was 160.9 million euros, up by 13.9% compared to the excellent result reported for 2013.

(€ THOUSAND)	31.12.2014	31.12.2013 RESTATED	CHANGE		31.12.2013 OFFICIAL
			AMOUNT	%	
<b>Net interest</b>	<b>107,005</b>	<b>121,842</b>	<b>-14,837</b>	<b>-12.2%</b>	<b>121,842</b>
<b>Net fees</b>	<b>257,268</b>	<b>226,388</b>	<b>30,880</b>	<b>13.6%</b>	<b>234,299</b>
Dividends	2,570	915	1,655	180.9%	915
Net income of trading activities and dividends	52,370	18,065	34,305	189.9%	18,065
<b>Net operating income</b>	<b>419,213</b>	<b>367,210</b>	<b>52,003</b>	<b>14.2%</b>	<b>375,121</b>
Staff expenses	-74,182	-69,483	-4,699	6.8%	-71,504
Other general and administrative expense	-128,458	-105,227	-23,231	22.1%	-105,964
Net adjustments of property, equipment and intangible assets	-4,420	-5,046	626	-12.4%	-5,071
Other operating expenses/income	41,266	31,167	10,099	32.4%	31,302
<b>Net operating expenses</b>	<b>-165,794</b>	<b>-148,589</b>	<b>-17,205</b>	<b>11.6%</b>	<b>-151,237</b>
<b>Operating profit</b>	<b>253,419</b>	<b>218,621</b>	<b>34,798</b>	<b>15.9%</b>	<b>223,884</b>
Net adjustments for non-performing loans	-7,530	-4,915	-2,615	53.2%	-4,915
Net adjustments of other assets	-3,465	-1,158	-2,307	199.2%	-1,158
Net provisions	-40,268	-22,899	-17,369	75.9%	-22,899
Gain (loss) from equity investments	-18	-4	-14	350.0%	-4
<b>Operating profit before taxation</b>	<b>202,138</b>	<b>189,645</b>	<b>12,493</b>	<b>6.6%</b>	<b>194,908</b>
Income taxes for the year	-44,284	-48,265	3,981	-8.2%	-48,843
Gains from non-current assets held for sale	3,051	4,561	-1,510	-33.1%	-124
Profit attributable to minority interests	-	-4,685	4,685	-100.0%	-4,685
<b>Net profit</b>	<b>160,905</b>	<b>141,256</b>	<b>19,649</b>	<b>13.9%</b>	<b>141,256</b>

2013 figures restated in accordance with IFRS 5.

**Net operating income** amounted to 419.2 million euros, with an increase of 52 million euros (+14.2%) compared to the previous year, due to several factors:

- the contribution of non-recurring components of operating profit, chiefly attributable to the excellent result of trading activities and dividends (+35.9 million euros) achieved by leveraging the positive market conditions arising from the decline in the spreads on Italian government debt and the strong increase in incentive fee income (+11.2 million euros), which exceeded the already very high levels of 2013;
- the increase in management fees by about 63.3 million euros (+21.4%) – in line with the significant rise in average AUM compared to 2013 – which allowed the stabilisation of fee margin;
- the decline in net interest income (-14.8 million euros), affected primarily by the dramatic decline in returns offered by the Italian government bond market.

**Net operating expenses** amounted to 165.8 million euros, showing a more modest growth (+11.6%) which mainly reflected the merger costs incurred for the acquisition of Credit Suisse Italia's business line, the significant commitments for the implementation of the New Service Model and the constant upgrading of the bank's digital platform. Total non-recurring components exceed-

ed 11.0 million euros. Net of this item, net operating expenses increased by just over 4% overall.

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to 38.5% in line with the previous year (39.1%), thus confirming the positive operating leverage effect, which saw the cost performance out-paced by the revenue performance.

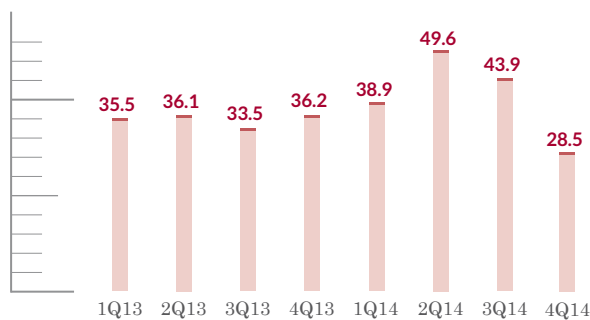
Provisions and net adjustments amounted to 51.3 million euros, up by 22.3 million compared to 2013, as a result of the adjustments associated with changes in the contractual indemnities of the network and the provisions for incentives, development and retention of the same. In addition, prudential adjustments were also made to non-performing loans to customers and impairment losses were recognized on the AFS equity securities portfolio.

**Operating profit before taxation** was 202.1 million euros, up by 12.5 million euros compared to 2013 (+6.6%).

Tax burden for the year decreased by 4.0 million euros, as a result of elimination of the 8.5% IRES one-off surtax applied to the bankinsurance sector at year-end 2013. Net of this effect, the Group's overall tax rate was in line with the previous year.

### Quarterly net profit

(€ million)



## Quarterly Evolution of the Profit and Loss Account

	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13
(€ THOUSAND)			(**)	(**)	(*)	(*)	(*)	(*)
<b>Net interest</b>	<b>24,737</b>	<b>26,987</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>61,033</b>	<b>67,956</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	1,753	45	751	21	7	52	848	8
Net income (loss) of trading activities and dividends	1,041	6,335	26,688	18,306	7,690	4,992	4,032	1,351
<b>Net operating income</b>	<b>88,564</b>	<b>101,323</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	-18,500	-18,310	-19,298	-18,074	-18,192	-16,905	-16,718	-17,668
Other general and administrative expense	-37,848	-30,630	-29,423	-30,557	-27,603	-25,594	-28,247	-23,783
Net adjustments of property, equipment and intangible assets	-1,294	-1,052	-1,043	-1,031	-1,377	-1,262	-1,254	-1,153
Other operating expenses/income	12,187	8,097	10,627	10,355	10,749	6,061	10,317	4,040
<b>Net operating expenses</b>	<b>-45,455</b>	<b>-41,895</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>43,109</b>	<b>59,428</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	-2,952	-854	-3,379	-345	-3,931	-429	212	-767
Net adjustments of other assets	-2,768	70	-178	-589	-254	-4	-302	-598
Net provisions	-10,453	-4,018	-15,410	-10,387	-4,132	2,629	-10,661	-10,735
Gain (loss) from equity investments	-8	-	-	-10	-	-	-	-4
<b>Operating profit before taxation</b>	<b>26,928</b>	<b>54,626</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 year	-721	-11,682	-17,293	-14,588	-17,077	-11,303	-10,461	-9,424
Gains from non-current assets held for sale	2,336	975	228	-488	1,259	815	1,524	963
Profit attributable to minority interests	-	-	-	-	-1,383	-815	-1,524	-963
<b>Net profit</b>	<b>28,543</b>	<b>43,919</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>

(\*) Restated in accordance with IFRS 5 (restatement of former GIL unit).

(\*\*) Restated in accordance with IFRIC 17 (retroactive disposal of former GIL unit).



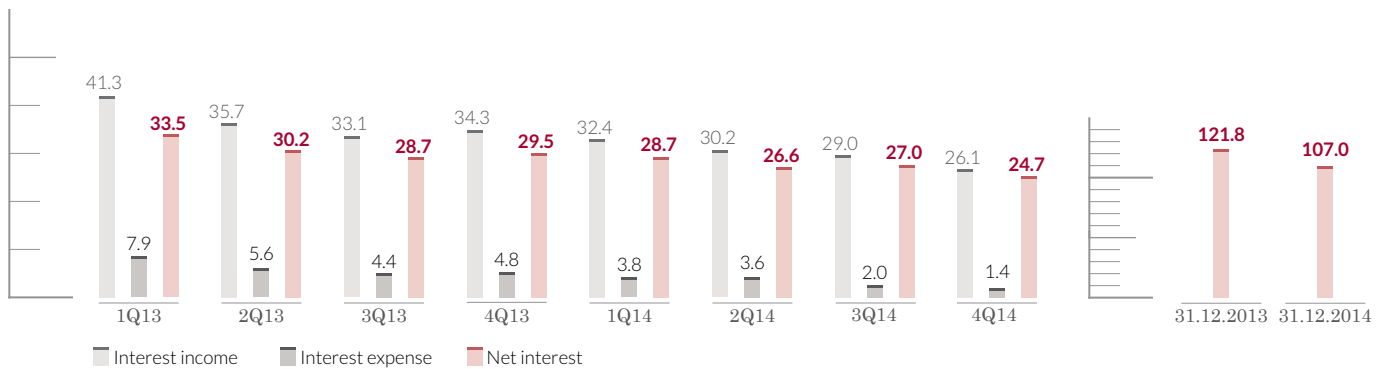
## 4.1. Net interest income

Net interest income was 107.0 million euros, down by 14.8 million euros compared to 2013 (-12.2%), due to the constant de-

cline in the profitability of investments as a result of the ongoing downtrend in interest rates.

### Net interest

(€ million)



The downtrend in interest rates continued in Q4 2014, due to persistent expansionary monetary policies of central banks and deflationary concerns in the Euro Area.

rate applied to its primary refinancing transactions, bringing it to an historic low of 0.05% in September compared to the 0.15% set in early June. The rates paid to the banking system on deposit facilities with the ECB continued to fall further into negative territory, falling from -0.10% to -0.20%.

In the reporting year, the ECB gradually reduced the interest

### ECB - Primary refinancing operations (LTROs)

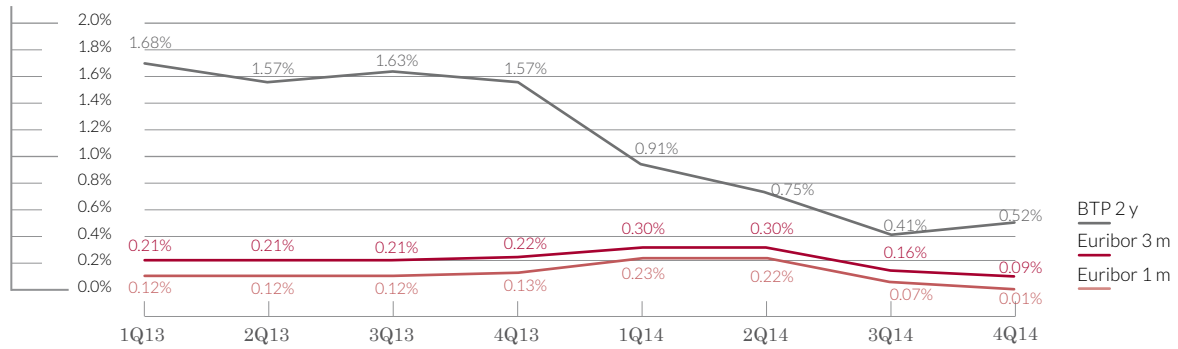


Following a slight recovery in the first half of the year, interbank rates then declined once more at the end of December to reach minimum levels (one-month Euribor of 0.02% and three-month Euribor of 0.08% in December). Accordingly, average rates for the year were essentially stable compared to 2013.

However, in Q4 the fall in yields on Italian government bonds slowed, in particular those with short-term residual maturity, with interest rates on two-year BTP securities reaching 0.59% in December, down by 50% compared to December 2013 and nearly 60% compared to the average for the previous year.

### Interest rate evolution

(quarterly average)



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 affected by the performance of Italian government bond portfolio, than on the cost of funding, which has now reached extremely low levels.

Interest income therefore decreased by 26.8 million euros, due to the decline in yields and volume offered by the government bond portfolio.

This downtrend was slightly offset by the rise in loans to customers, which led to a 4.7 million euros increase in interest income (+24.4%) as a result of higher exposures and spreads. By contrast, the cost of inflows almost halved (-11.9 million euros), due to a general decline in expenses across all sectors of operation, from ECB LTRO deposits (-4.9 million euros) to inter-bank transactions and transactions with customers in the form of repurchase agreements (-3.9 million euros) and ordinary inflows from customers (-2.9 million euros).

(€ THOUSAND)	31.12.2014	31.12.2013 RESTATED	CHANGE	
			AMOUNT	%
HFT financial assets	554	9,846	-9,292	-94.4%
AFS financial assets	27,894	29,178	-1,284	-4.4%
HTM financial assets	59,875	81,338	-21,463	-26.4%
Financial assets classified among loans	4,529	3,998	531	13.3%
<b>Total financial assets</b>	<b>92,852</b>	<b>124,360</b>	<b>-31,508</b>	<b>-25.3%</b>
Loans to banks	612	632	-20	-3.2%
Loans to customers	24,246	19,495	4,751	24.4%
Hedging derivatives	-	-	-	n.a.
Other assets	2	5	-3	-60.0%
<b>Total interest income</b>	<b>117,712</b>	<b>144,492</b>	<b>-26,780</b>	<b>-18.5%</b>
Due to ECB	1,811	6,799	-4,988	-73.4%
Due to banks	535	627	-92	-14.7%
Repurchase agreements - banks	2,102	3,963	-1,861	-47.0%
Due to customers	5,336	8,284	-2,948	-35.6%
Repurchase agreements - customers	240	2,266	-2,026	-89.4%
Subordinated loan	683	711	-28	-3.9%
Other liabilities	-	-	-	n.a.
<b>Total interest expense</b>	<b>10,707</b>	<b>22,650</b>	<b>-11,943</b>	<b>-52.7%</b>
<b>Net interest income</b>	<b>107,005</b>	<b>121,842</b>	<b>-14,837</b>	<b>-12.2%</b>

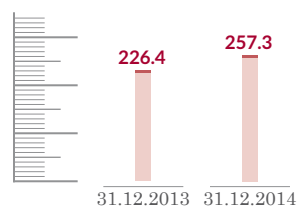
In 2014, the ratio of LTROs to net interest income is estimated at 32% of total net interest income.

## 4.2 Net fees

The fee aggregate amounted to **257.3 million euros**, increasing by 13.6% compared to 2013.

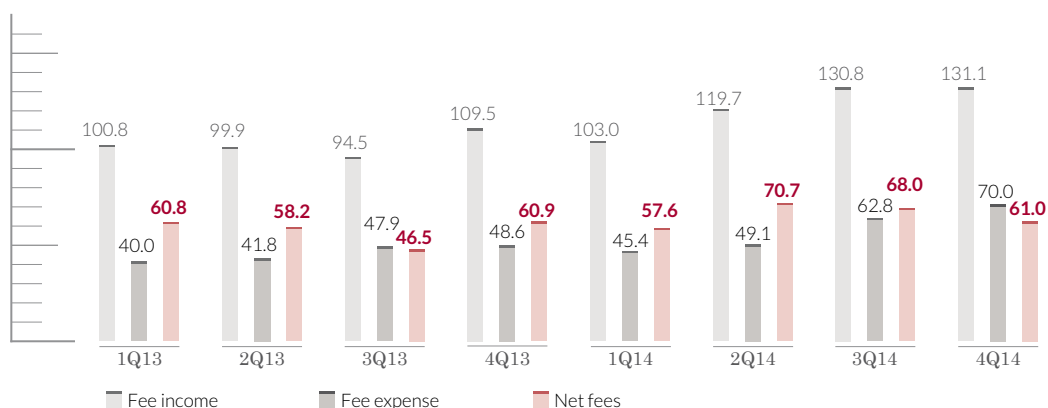
### Net fees

(€ million)



### Quarterly net fees

(€ million)



(€ THOUSAND)	2014	2013 RESTATED	CHANGE		2013 OFFICIAL
			AMOUNT	%	
Collective and individual portfolio management fees	279,970	239,221	40,749	17.0%	272,064
Fees on the placement of securities and UCITSs	60,472	48,896	11,576	23.7%	49,122
Fees on the distribution of third-party financial products	112,001	82,623	29,378	35.6%	82,623
Fees on trading and securities custody	22,465	24,905	-2,440	-9.8%	24,905
Fees for other banking services	9,711	9,030	681	7.5%	10,144
<b>Total fee income</b>	<b>484,619</b>	<b>404,675</b>	<b>79,944</b>	<b>19.8%</b>	<b>438,858</b>
Fees for external offer	198,617	151,356	47,261	31.2%	174,785
Fees for dealing in securities and custody	7,349	7,938	-589	-7.4%	7,938
Fees for portfolio management	18,518	15,969	2,549	16.0%	18,812
Fees for other banking services	2,867	3,024	-157	-5.2%	3,024
<b>Total fee expense</b>	<b>227,351</b>	<b>178,287</b>	<b>49,064</b>	<b>27.5%</b>	<b>204,559</b>
<b>Net fees</b>	<b>257,268</b>	<b>226,388</b>	<b>30,880</b>	<b>13.6%</b>	<b>234,299</b>

Total **fee income** increased by 79.9 million euros overall (+19.8%), owing primarily to the contribution by management fees (+63.4

million euros, or 21.4%), driven by the significant growth of average AUM compared to the previous year (20.5%).

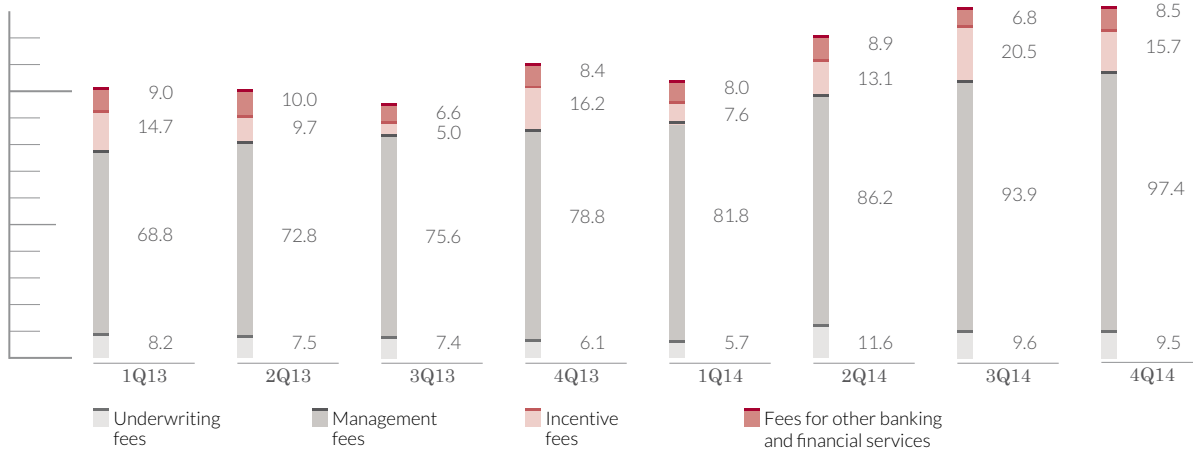
(€ THOUSAND)	2014	2013 RESTATED	CHANGE		2013 OFFICIAL
			AMOUNT	%	
Underwriting fees	36,270	29,137	7,133	24.5%	29,115
Management fees	359,309	295,954	63,355	21.4%	328,678
Incentive fees	56,864	45,649	11,215	24.6%	46,016
Fees for other banking and financial services	32,176	33,935	-1,759	-5.2%	35,049
<b>Total</b>	<b>484,619</b>	<b>404,675</b>	<b>79,944</b>	<b>19.8%</b>	<b>438,858</b>

An excellent contribution to growth was also provided by performance fees earned by the Banking Group's Sicavs which, as a result of the leap witnessed in the third quarter of the year (only lower in absolute terms than the record result for the first quarter of 2012) amounted to 56.9 million euros, thereby far exceeding the already high levels achieved in 2013 (+24.6%). Underwriting fees also presented a positive trend compared to

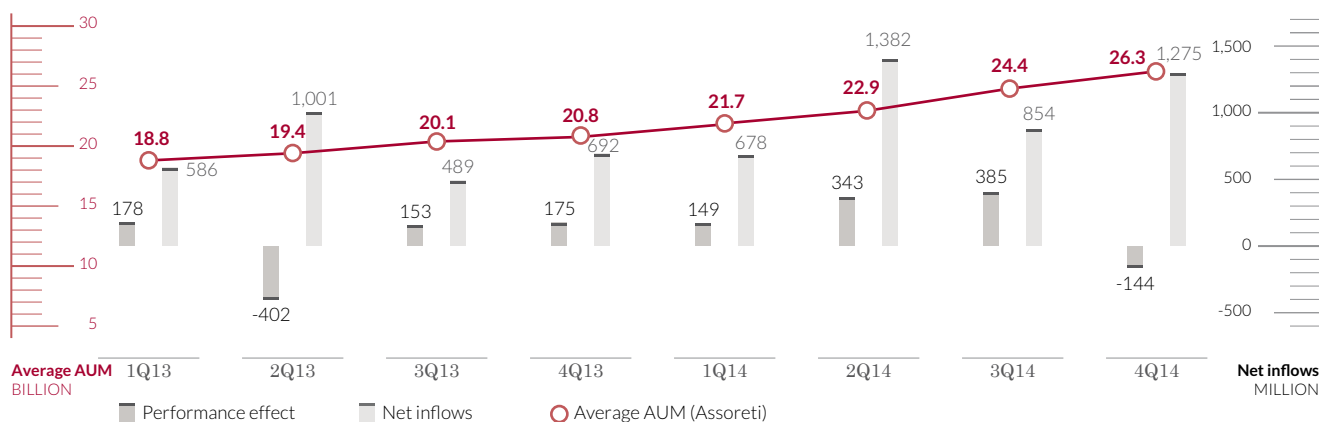
2013, owing primarily to the increased income on the placement of securities and the repositioning of the portfolio management segment.

Fees for other banking and financial services fell 5.2%, significantly affected by fluctuations in trading activities chiefly on behalf of corporate customers.

Fee income structure (€ million)



## Evolution of managed assets and life insurance AUM



**Fee income from the solicitation of investment and asset management** of households amounted to 452.4 million euros, with a growth of 81.7 million euros compared to the previous year, driven by both the sharp increase in placement and distribution of third-party services (+31.1%), and, starting in Q3, the rise in revenues from assets directly managed by the Group (+17.0%).

Within the first segment, the distribution of the insurance products of **Genertellife** (+29.1 million euros, or +35.4%) continued to grow, also thanks to the success obtained by **BG Stile Libero**. Net inflows of new multi-line policy were approximately **2.2 billion euros** since early March 2014, thus significantly driving net inflows of insurance products to the record level of 3.6 billion euros (+181.4% compared to 2013).

2014 also proved extremely positive in terms of UCITs placement, which rose by 22.3% compared to 2013 (+9.1 million euros), owing mainly to the rise in assets managed by foreign principal companies.

In the segment of the Sicavs promoted by the Banking Group, there was continuing structural growth of management fees (+25.7 million euros, or 16.2%), currently backed by the contribution of performance fees (+9.5 million euros).

Individual asset management benefitted from the contribution of performance fees for 1.7 million euros, and the repositioning of customers within new product lines.

(€ THOUSAND)	2014	2013 RESTATED	CHANGE		2013 OFFICIAL
			AMOUNT	%	
1. Collective asset management	240,073	204,829	35,244	17.2%	204,829
2. Collective asset management of the AG Group (former GIL)	-	-	-	n.a.	32,843
3. Individual asset management	39,897	34,392	5,505	16.0%	34,392
<b>Asset management fees</b>	<b>279,970</b>	<b>239,221</b>	<b>40,749</b>	<b>17.0%</b>	<b>272,064</b>
1. Placement of UCITs	49,948	40,852	9,096	22.3%	41,078
of which placement of UCITs promoted by the Group	6,752	7,428	-676	-9.1%	7,428
3. Bond placement	10,524	8,044	2,480	30.8%	8,044
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	708	404	304	75.2%	404
5. Distribution of third-party insurance products	111,136	82,062	29,074	35.4%	82,062
6. Distribution of other third-party financial products	157	157	-	-	157
<b>Fees for the placement and distribution of financial services</b>	<b>172,473</b>	<b>131,519</b>	<b>40,954</b>	<b>31.1%</b>	<b>131,745</b>
<b>Asset management fee income</b>	<b>452,443</b>	<b>370,740</b>	<b>81,703</b>	<b>22.0%</b>	<b>403,809</b>

**Fee expense** amounted to 227.4 million euros, up 49.1 million compared to the previous year (+27.5%), bringing the Group's total pay-out ratio to recurring fee income to 53.2%, with an increase of 3.4 pps compared to 2013.

**Distribution fee expense** reached 196.6 million euros, increasing by 47.3 million euros compared to 2013 (+31.2%), due chiefly to the following factors:

- growth of management fees paid back to the sales network

(+21.3%) in light of the increase in the related revenue item, and therefore the rise in average AUM managed by the network compared to the volumes of the previous year;

- rise in incentive fees paid to the sales network (+91.2%) in light of its extraordinary productivity.

In this regard, it bears noting that in 2014 recruitment activity resulted in the acquisition of 102 new high-standing profession-

als with an average portfolio of 17.8 million euros each, as well as 69 advisors from the de-merged Simgenia network, who contributed an additional 0.65 billion euro AUM.

In this context, initiatives also focused on the 49 Private Bankers from the Credit Suisse business line with average AUM of over 38 million euros, with the aim of enhancing the assistance provided to customers following the acquisition of the line.

(€ THOUSAND)	2014	2013 RESTATED	CHANGE		2013 OFFICIAL
			AMOUNT	%	
Front-end fees	21,907	18,718	3,189	17.0%	18,718
Management fees	114,889	94,686	20,203	21.3%	118,116
Incentive fees	44,492	23,273	21,219	91.2%	23,273
Other fees	17,329	14,679	2,650	18.1%	14,678
<b>Total</b>	<b>198,617</b>	<b>151,356</b>	<b>47,261</b>	<b>31.2%</b>	<b>174,785</b>

**Asset management fees** amounted to 18.5 million euros and referred substantially to fees for third-party assets under administration and custody regarding the Sicavs promoted by the Group.

**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 amounted to 22.0 million euros, decreasing slight-

ly compared to 2013 (-4.4%), 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 activities on 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)	2014	2013 RESTATED	CHANGE		2013 OFFICIAL
			AMOUNT	%	
Dealing in securities and currencies	15,208	16,710	-1,502	-9.0%	16,710
Order collection and securities custody fees	7,257	8,195	-938	-11.4%	8,195
Collection and payment services	3,481	3,992	-511	-12.8%	3,992
Fee income and account keeping expenses	3,570	3,112	458	14.7%	3,112
Consultancy	1,619	741	878	118.5%	656
Other services	1,041	1,185	-144	-12.2%	2,385
<b>Total traditional banking operations</b>	<b>32,176</b>	<b>33,935</b>	<b>-1,759</b>	<b>-5.2%</b>	<b>35,050</b>
Fees for securities trading and custody	-7,349	-7,935	586	-7.4%	-7,935
Collection and payment services	-2,580	-2,724	144	-5.3%	-2,724
Other services	-287	-303	16	-5.3%	-304
<b>Total fee expense</b>	<b>-10,216</b>	<b>-10,962</b>	<b>746</b>	<b>-6.8%</b>	<b>-10,963</b>
<b>Net fees</b>	<b>21,960</b>	<b>22,973</b>	<b>-1,013</b>	<b>-4.4%</b>	<b>24,087</b>

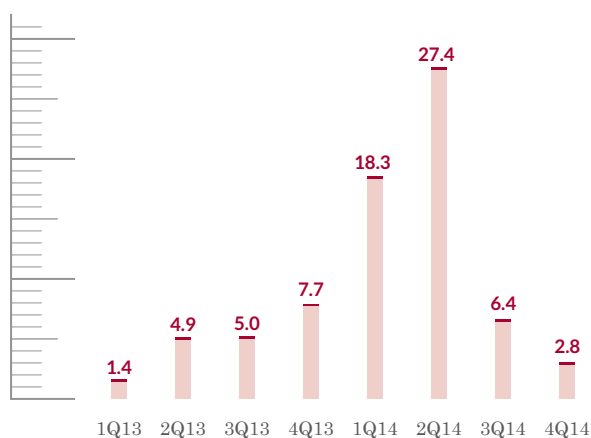
### 4.3 Net income from trading activities and dividends

Net income from trading activities and dividends 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.

At the end of 2014, this aggregate contributed the record amount in Banca Generali's history of 54.9 million euros.

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



(€ THOUSAND)	2014	2013 RESTATED	CHANGE		2013 OFFICIAL
			AMOUNT	%	
Dividends from trading	126	86	40	46.5%	86
Trading of financial assets and equity derivatives	-269	63	-332	-527.0%	63
Trading of financial assets and derivatives on debt securities and interest rates	1,102	-5,739	6,841	-119.2%	-5,739
Trading of UCITS units	251	1,052	-801	-76.1%	1,052
<b>Securities transactions</b>	<b>1,210</b>	<b>-4,538</b>	<b>5,748</b>	<b>-126.7%</b>	<b>-4,538</b>
<b>Currency and currency derivative transactions</b>	<b>3,500</b>	<b>2,086</b>	<b>1,414</b>	<b>67.8%</b>	<b>2,086</b>
<b>Net income (loss) from trading activities</b>	<b>4,710</b>	<b>-2,452</b>	<b>7,162</b>	<b>-292.1%</b>	<b>-2,452</b>
Net profit from hedging	-	-	-	n.a.	-
Dividends from AFS assets	2,444	829	1,615	194.8%	829
Gains and losses on equity securities and UCITSs	60	310	-250	-80.6%	310
Gains and losses on AFS and HTM debt securities and loans	47,726	20,293	27,433	135.2%	20,293
<b>Net income (loss) from trading activities and dividends</b>	<b>54,940</b>	<b>18,980</b>	<b>35,960</b>	<b>189.5%</b>	<b>18,980</b>



This result is mainly attributable to the gains realised on the purchase of medium/long-term government bonds allocated to the AFS assets portfolio (42.5 million euros), and to a lesser extent,

corporate and bank securities, primarily allocated to the Loans portfolio.

(€ THOUSAND)	GAINS	LOSSES	TRANSFER OF RESERVES	31.12.2014	31.12.2013	CHANGE
<b>AFS financial assets</b>	<b>38,069</b>	<b>-129</b>	<b>6,726</b>	<b>44,666</b>	<b>18,903</b>	<b>25,763</b>
Debt securities	38,068	-113	6,651	44,606	18,593	26,013
Equity securities	1	-16	75	60	105	-45
<b>UCITS units</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>205</b>	<b>-205</b>
<b>Financial assets classified among loans</b>	<b>3,120</b>	<b>-</b>	<b>-</b>	<b>3,120</b>	<b>1,710</b>	<b>1,410</b>
<b>HTM financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-10</b>	<b>10</b>
<b>Total</b>	<b>41,189</b>	<b>-129</b>	<b>6,726</b>	<b>47,786</b>	<b>20,603</b>	<b>27,183</b>

The overall result of trading was also positive (4.6 million euros), in clear contrast to the trend witnessed in 2013, which was weighed down by the net losses realised (-7.8 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 9.6 million euros accrued on that same portfolio.

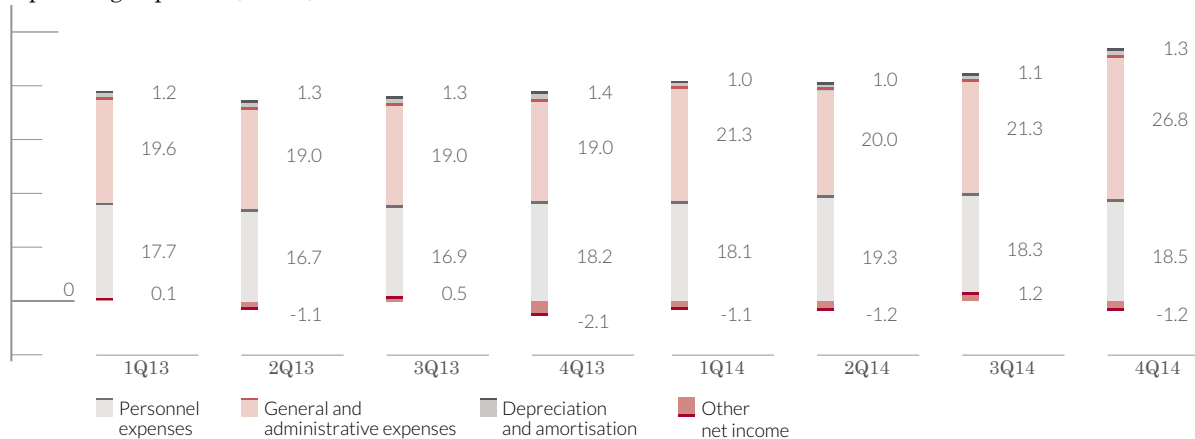
(€ THOUSAND)	CAPITAL GAINS	CAPITAL LOSSES	GAINS	LOSSES	NET RESULT 31.12.2014	NET RESULT 31.12.2013	CHANGE
<b>1. Financial assets</b>	<b>693</b>	<b>353</b>	<b>809</b>	<b>337</b>	<b>812</b>	<b>-6,726</b>	<b>7,538</b>
Debt securities	446	97	517	169	697	-7,842	8,539
Equity securities	10	162	147	131	-136	64	-200
UCITS units	237	94	145	37	251	1,052	-801
<b>2. Derivatives</b>	<b>-</b>	<b>134</b>	<b>2,483</b>	<b>2,059</b>	<b>290</b>	<b>2,102</b>	<b>-1,812</b>
Interest rate swaps	-	-	-	-	-	8	-8
Government bond forward contracts	-	-	405	-	405	2,095	-1,690
Options on equity securities	-	134	1	-	-133	-	-133
Options on currencies and gold	-	-	2,077	2,059	18	-1	19
<b>3. Currency transactions</b>	<b>-</b>	<b>-</b>	<b>3,482</b>	<b>-</b>	<b>3,482</b>	<b>2,086</b>	<b>1,396</b>
<b>4. Total</b>	<b>693</b>	<b>487</b>	<b>6,774</b>	<b>2,396</b>	<b>4,584</b>	<b>-2,538</b>	<b>7,122</b>

## 4.4 Operating expenses

**Operating expenses**, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expense, amounted to 165.8 million euros, increasing by 17.2 million euros over the previous year (+11.6%).

(€ THOUSAND)	31.12.2014	31.12.2013 RESTATED	CHANGE		31.12.2013 OFFICIAL
			AMOUNT	%	
Staff expenses	74,182	69,483	4,699	6.8%	71,504
Other general and administrative expense	128,458	105,227	23,231	22.1%	105,964
Net adjustments of property, equipment and intangible assets	4,420	5,046	-626	-12.4%	5,071
Other income and expense	-41,266	-31,167	-10,099	32.4%	-31,302
<b>Operating expenses</b>	<b>165,794</b>	<b>148,589</b>	<b>17,205</b>	<b>11.6%</b>	<b>151,237</b>

Operating expenses (€ million)



**Staff expenses**, including full-time employees, interim staff and directors totalled 74.2 million euros (+6.8%), due to both a slight increase in their remuneration and incentive components.

Group employees at year-end numbered 817, with exact head-

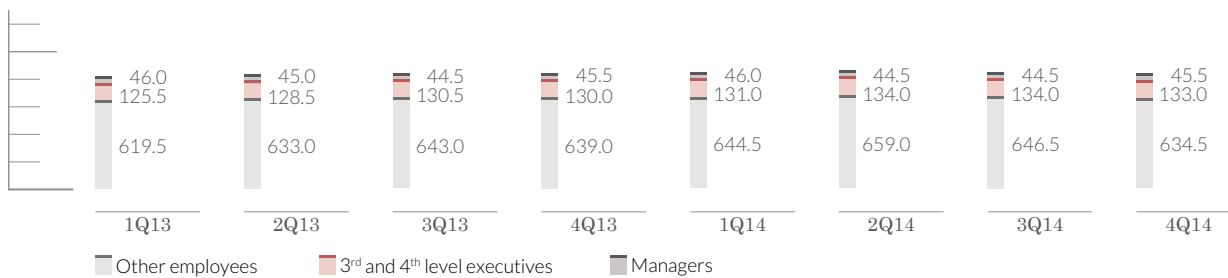
count increase of 14 resources, of which 8 from the business line acquired in November.

Average headcount rose by 20 resources (+2.5%) compared to the previous year.

	31.12.2014	31.12.2013 RESTATED (*)	CHANGE		AVERAGE 2014	AVERAGE 2013
			AMOUNT	%		
Managers	45	46	-1	-2.2%	46	46
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	135	129	6	4.7%	132	127
Other employees	637	628	9	1.4%	633	619
<b>Total</b>	<b>817</b>	<b>803</b>	<b>14</b>	<b>1.7%</b>	<b>811</b>	<b>791</b>

(\*) Net of 6 staff of former GIL.

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



With reference to remuneration, there was a modest rise in the recurring component of approximately 3.0 million euros, whereas variable remuneration – consisting of the current and deferred managerial MBO plans, RM sales incentives, individual bonuses and performance bonuses – was essentially in line with the previous year.

On the other hand, the increase in the costs of stock-option/stock-granting plans (+1.1 million euros) was entirely attributable to the incentive plans reserved for the Generali Group's

strategic management (LTIP – Long Term Incentive Plan), which from the 2013-2016 annual cycle no longer call for a cash component, but are based solely on the award of shares of the Parent Company, Assicurazioni Generali. Accordingly, the increase is partially offset by the reduction of other long-term incentives.

During the year, the company supplementary contract was renewed for the 2012-2014 period, without significant costs for the Group. The 2014 performance bonus calculation mechanisms are still under discussion.

(€ THOUSAND)	2014	2013 RESTATED	CHANGE		2013 OFFICIAL
			AMOUNT	%	
<b>1) Employees</b>	<b>72,730</b>	<b>67,760</b>	<b>4,970</b>	<b>7.3%</b>	<b>69,613</b>
Salaries and social security charges	51,102	47,459	3,643	7.7%	48,749
Provision for termination indemnity and supplementary pension funds	3,920	4,538	-618	-13.6%	4,639
Costs related to payment agreements based on own financial instruments	1,597	477	1,120	234.8%	476
Short-term productivity bonuses (MBO, supplementary contracts, incl. sales personnel)	10,059	9,385	674	7.2%	9,716
Other long-term incentives (LTIP, MBO)	1,648	2,323	-675	-29.1%	2,366
Other employee benefits	4,404	3,578	826	23.1%	3,667
<b>2) Other staff</b>	<b>163</b>	<b>415</b>	<b>-252</b>	<b>-60.7%</b>	<b>480</b>
<b>3) Directors and Auditors</b>	<b>1,289</b>	<b>1,308</b>	<b>-19</b>	<b>-1.5%</b>	<b>1,411</b>
of which incentives	208	198	10	5.1%	198
<b>Total</b>	<b>74,182</b>	<b>69,483</b>	<b>4,699</b>	<b>6.8%</b>	<b>71,504</b>

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

Other **general and administrative expense** amounted to 128.5 million euros, a 12.9 million euros increase, net of stamp duty recovery from customers on current accounts and financial instruments, compared to the previous year (+16.8%).

With regard to stamp duty on financial instruments, it bears noting that commencing in 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 2013 was however offset by the symmetrical increase in taxes recovered from customers, recognised among the other operating income and expense aggregate for 39.0 million euros.

Net of that effect, the increase in general and administrative expense was largely due to non-recurring charges arising from the acquisition of the Credit Suisse Italia's business line (legal and

advisory fees and merger costs), as well as the significant commitments for the continuous upgrading of the bank's digital platform and the development of the New Service Model.

The acquisition of the Credit Suisse's business line generated extraordinary operating expenses of 5.2 million euros, of which 4.0 million euros recognized under administrative expense and 1.2 million euros under other operating expenses.

In developments relating to the New Service Model, in 2014 total charges of 2.9 million euros were recognized in connection with project management consulting, sales network training, and the launch of the new app (financial/insurance app desk) and the real-estate platform. In addition, the technological platform for the new BG Advisory service, which will become operative in 2015, has also entered the advanced stages of development. In addition, the Bank incurred charges of 2.7 million euros for the launch of a development project aimed at entering the new market of mobile investment apps with an application intended to combine a goal-oriented investment culture with an entertainment component (Appy Life).

(€ THOUSAND)	2014	2013 RESTATED	CHANGE		2013 OFFICIAL
			AMOUNT	%	
<b>Administration</b>	<b>19,432</b>	<b>13,488</b>	<b>5,944</b>	<b>44.1%</b>	<b>13,803</b>
Advertising	3,283	4,090	-807	-19.7%	4,114
Advisory	11,576	4,845	6,731	138.9%	4,984
Auditing	547	469	78	16.6%	565
Insurance	2,814	3,080	-266	-8.6%	3,081
Other general costs (insurance; T&E)	1,212	1,004	208	20.7%	1,059
<b>Operations</b>	<b>32,660</b>	<b>31,114</b>	<b>1,546</b>	<b>5.0%</b>	<b>31,133</b>
Rent and usage of premises	15,867	15,329	538	3.5%	15,482
Outsourced services	5,875	4,627	1,248	27.0%	4,404
Post and telephone	2,877	2,953	-76	-2.6%	2,967
Print material and contracts	1,115	938	177	18.9%	942
Other indirect staff expenses	2,625	2,543	82	3.2%	2,608
Other operating expenses	4,301	4,724	-423	-9.0%	4,730
<b>Information system and equipment</b>	<b>34,726</b>	<b>31,050</b>	<b>3,676</b>	<b>11.8%</b>	<b>31,453</b>
Outsourced IT services	23,935	21,327	2,608	12.2%	21,554
Fees for financial databases and other IT services	5,942	6,090	-148	-2.4%	6,254
Software maintenance and servicing	3,279	2,862	417	14.6%	2,862
Other expenses (equipment rental, maintenance, etc.)	1,570	771	799	103.6%	783
<b>Taxes and duties</b>	<b>41,640</b>	<b>29,575</b>	<b>12,065</b>	<b>40.8%</b>	<b>29,575</b>
of which stamp duty on current accounts and financial instruments	39,679	29,135	10,544	36.2%	29,135
<b>Total other general and administrative expense</b>	<b>128,458</b>	<b>105,227</b>	<b>23,231</b>	<b>22.1%</b>	<b>105,964</b>
Recovery of stamp duty from customers (item 220)	-39,046	-28,706	-10,340	36.0%	-28,706
<b>Total administrative expense, net of stamp duty recovered</b>	<b>89,412</b>	<b>76,521</b>	<b>12,891</b>	<b>16.8%</b>	<b>77,258</b>

## 4.5 Provisions and adjustments

**Net provisions** amounted to 40.3 million euros and increased significantly compared to 2013 (+75.9%).

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	-506	172	-678	-394.2%
Provisions for legal disputes	3,166	2,774	392	14.1%
Provision for incentive fees	25,542	11,262	14,280	126.8%
Provisions for termination indemnity and overfees	11,520	4,276	7,244	169.4%
Other provisions for liabilities and contingencies	546	4,415	-3,869	-87.6%
<b>Total</b>	<b>40,268</b>	<b>22,899</b>	<b>17,369</b>	<b>75.9%</b>

Provisions consisted of 10.8 million euros relating to network development plans (14.8 million euros in 2013) and 14.8 million euros to current and deferred incentives set to accrue (4.6 million euros in 2013).

This aggregate also includes provisions for plans agreed on with Financial Advisors of the former Credit Suisse business line, intended to facilitate their inclusion in Banca Generali's sales structure.

Within net provisions for FA contractual indemnities, a notable adjustment of 8.7 million euros was made to the provision for termination indemnity of Financial Advisors (2.6 million euros

in 2013). The amount was influenced both from a decline in the market rates used for discounting and the reduction in the network turnover rates, which increased termination indemnities forecasts.

**Net adjustments to non-performing loans** amounted to 11.0 million euros at the end of the reporting period, up by 4.9 million euros compared to the previous year, and referred to cash and guaranteed signature loans to customers for 6.7 million euros and the financial assets portfolio for 4.3 million euros.

(€ THOUSAND)	VALUE		2014	2013	CHANGE
	ADJUSTMENTS	REVERSALS			
<b>Specific adjustments/reversals</b>	<b>-9,634</b>	<b>96</b>	<b>-9,538</b>	<b>-4,554</b>	<b>-4,984</b>
Debt securities (AFS, HTM, Loans)	-	-	-	-	-
Equity securities	-3,035	-	-3,035	-1,299	-1,736
Operating loans to customers	-327	-	-327	-261	-66
Non-performing loans of the banking portfolio	-6,272	96	-6,176	-2,994	-3,182
<b>Portfolio adjustments/reversals</b>	<b>-1,457</b>	<b>-</b>	<b>-1,457</b>	<b>-1,519</b>	<b>62</b>
Debt securities (Loans, HTM)	-1,260	-	-1,260	-919	-341
Performing loans and guarantees of the banking portfolio	-197	-	-197	-600	403
<b>Total</b>	<b>-11,091</b>	<b>96</b>	<b>-10,995</b>	<b>-6,073</b>	<b>-4,922</b>

Impairment losses on non-performing loans of the banking portfolio reached 6.3 million euros at the end of the year, primarily as a result of the greater adjustments applied to the loan to Investimenti Marittimi (+4.2 million euros) as a consequence of the ongoing difficulties of the Premuda Group and the deterioration of the collateral held by the Bank. Consequently, this position of

10.8 million euros has been written down by approximately 6.7 million euros.

Additional prudential adjustments were also made for other non-performing loans (substandard, restructured and expired loans) for 1.5 million euros and positions transferred to the bad loan item for 0.5 million euros.

Impairment losses on AFS equity securities refer to the write-down of the subsidiary Simgenia S.p.A., a Generali Group company, that in July 2014 discontinued its operations and will be merged into the Generali Group.

In addition, an impairment loss of 2.6 million euros was also recognised on the investment in Veneto Banca, acquired in 2011 for approximately 5.0 million euros and allocated to the AFS portfolio. The impairment loss was recognised based on an independent expert appraisal, considering the company's financial performance in 2014 and the outlook for its business as a result of the reorganisation of the governance of Italy's major cooperative banks.

Finally, prudential adjustments were made to collective provisions for performing debt securities allocated to the HTM and loans portfolios (+1.3 million euros) in connection with the risk profile of the new investments undertaken and the collective provision for loans to customers.

Lastly, in July the share of the contribution owed in relation to the bail-out of the Tercas banking group (1.0 million euros) – fully covered by a specific provision recognised in 2013 – was paid to the Interbank Deposit Protection Fund in accordance with consortium obligations.

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

Current and deferred taxes for the year are estimated at 44.3 million euros, down 4.0 million euros compared to the previous year.

(€ THOUSAND)	2014	2013 RESTATED	CHANGE	
			AMOUNT	%
Current taxes for the year	-50,509	-50,189	-320	0.6%
of which 8.5% IRES surtax	-	-6,646	6,646	-100.0%
Prior years taxes	1,479	1,015	464	45.7%
Changes of prepaid taxation (+/-)	4,260	558	3,702	663.4%
Changes of deferred taxation (+/-)	486	351	135	38.5%
<b>Total</b>	<b>-44,284</b>	<b>-48,265</b>	<b>3,981</b>	<b>-8.2%</b>

It bears however recalling that an 8.5% IRES one-off surtax – applicable solely to the taxable income of financial and insurance intermediaries, net of value adjustments on temporarily non-deductible loans – was introduced at year-end 2013.

Excluding this item, the tax burden for the year increased by 2.7 million euros, with overall tax rate estimated at 21.9%, in line with 2013 tax rate net of the surtax impact.

**Net profit from assets held for sale** amounted to 3.1 million euros, mainly referring to the capital gain on the sale of the investment in Sicav BG Dragon China at the end of December 2014.

In this regard, it should be noted that the aforementioned investment was made in the previous year to launch the Sicav and qualified as a controlled entity purchased solely for the purpose of short-term resale. The capital gain was a result of a significant appreciation of the equity portfolio listed on the Chinese market, where the Sicav invested.

Accordingly, financial year 2014 closed with a consolidated net profit of 160.9 million euros. Basic net earnings per share currently being accrued increased from 1.238 eurocents to 1.394 eurocents.

	2014	2013	CHANGE	
			AMOUNT	%
Net profit for the year (€ thousand)	160,905	141,256	19,649	13.9%
Earnings attributable to ordinary shares (€ thousand)	160,905	141,256	19,649	13.9%
Average number of outstanding shares (thousands)	115,427	114,124	1,303	1.1%
<b>EPS - Earnings per share (euro)</b>	<b>1.394</b>	<b>1.238</b>	<b>0.156</b>	<b>12.6%</b>
Average number of diluted shares outstanding (thousands)	116,039	115,648	391	0.3%
<b>EPS - Diluted earnings per share (euro)</b>	<b>1.387</b>	<b>1.221</b>	<b>0.165</b>	<b>13.5%</b>

## 4.7 Statement of comprehensive income

The Group's comprehensive income consists 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. At the end of the 2014, the Group's comprehensive income amounted to 173.4 million euros, up compared to 158.2 million euros in the previous year.

In detail, net revaluation of valuation reserves on the AFS portfo-

lio amounted to 13.0 million euros, down 4.2 million euros compared to 2013, as a result of the following factors:

- an increase in unrealised gains of 25.7 million euros due to the significant rise in mark-to-market financial assets;
- the reduction of pre-existing net positive reserves due to the transfer through profit or loss upon realisation (-6.7 million euros);
- the negative tax effect associated with the above changes (-6.0 million euros).

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
<b>Net profit (loss)</b>	<b>160,905</b>	<b>141,256</b>	<b>19,649</b>	<b>13.9%</b>
<b>Other income, net of income taxes:</b>				
<b>with transfer to profit and loss account:</b>				
AFS assets	12,972	17,158	-4,186	-24.4%
<b>without transfer to profit and loss account:</b>				
Actuarial gains (losses) from defined benefit plans	-448	-223	-225	100.9%
<b>Total other income, net of taxes</b>	<b>12,524</b>	<b>16,935</b>	<b>-4,411</b>	<b>-26.0%</b>
<b>Comprehensive income</b>	<b>173,429</b>	<b>158,191</b>	<b>15,238</b>	<b>9.6%</b>



## 5. Balance Sheet and Net Equity Aggregates

At the end of 2014, total consolidated assets amounted to 6.1 billion euros, down by 0.5 billion euros compared to the end of 2013 (-7.0%), and far below the high levels reported at the end of Q1 2014 (7.5 billion euros).

At year-end, total net inflows amounted to 5.3 billion (-8.5%), reflecting the sharp reduction in interbank inflows (-37.8%), which accelerated in the fourth quarter as a result of the partial

repayment (300 million euros) of LTROs set to mature in February 2015 and partly offset by the strong increase in customer deposits.

Similarly, core loans amounted to 5.8 billion euros at year-end (-7.6%) with a decline in government securities and a marked increase in loans to customers.

ASSETS (€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
HFT financial assets	32,840	229,905	-197,065	-85.7%
AFS financial assets	2,235,408	1,626,121	609,287	37.5%
HTM financial assets	1,403,123	2,652,687	-1,249,564	-47.1%
Loans to banks (*)	353,620	291,379	62,241	21.4%
Loans to customers	1,794,959	1,499,771	295,188	19.7%
Property, equipment and intangible assets	93,794	50,090	43,704	87.3%
Tax receivables	40,801	38,260	2,541	6.6%
Other assets	185,692	140,232	45,460	32.4%
Assets held for sale	-	74,209	-74,209	-100.0%
<b>Total assets</b>	<b>6,140,237</b>	<b>6,602,654</b>	<b>-462,417</b>	<b>-7.0%</b>

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
Due to banks	1,038,889	2,230,871	-1,191,982	-53.4%
Due to customers	4,285,398	3,588,700	696,698	19.4%
Financial liabilities held for trading and hedging	2,655	597	2,058	344.7%
Tax payables	27,612	27,768	-156	-0.6%
Other liabilities	149,770	142,598	7,172	5.0%
Financial liabilities held for sale	-	66,252	-66,252	-100.0%
Special purpose provisions	99,605	76,736	22,869	29.8%
Valuation reserves	17,983	5,460	12,523	229.4%
Reserves	196,209	164,221	31,988	19.5%
Additional paid-in capital	45,575	37,302	8,273	22.2%
Share capital	115,677	114,895	782	0.7%
Treasury shares (-)	-41	-41	-	-
Minority interests	-	6,039	-6,039	-100.0%
Net profit (loss) for the year	160,905	141,256	19,649	13.9%
<b>Total net equity and liabilities</b>	<b>6,140,237</b>	<b>6,602,654</b>	<b>-462,417</b>	<b>-7.0%</b>

(\*) Including deposits with ECB.

## Quarterly evolution of consolidated balance sheet

ASSETS (€ THOUSAND)	31.12.2014	30.09.2014	30.06.2014 RESTATED (*)	31.03.2014 RESTATED (*)	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012
HFT financial assets	32,840	29,479	28,994	126,970	229,905	30,283	431,465	851,223	222,548
AFS financial assets	2,235,408	1,916,852	1,921,589	2,337,695	1,626,121	1,569,670	1,230,402	1,045,546	1,733,885
HTM financial assets	1,403,123	1,904,529	2,253,150	2,541,438	2,652,687	2,516,418	2,631,021	2,913,734	3,000,330
Loans to banks	353,620	797,338	901,152	614,294	291,379	450,267	268,822	307,513	843,368
Loans to customers	1,794,959	1,660,183	1,620,194	1,543,300	1,499,771	1,427,920	1,379,197	1,359,495	1,308,585
Property, equipment and intangible assets	93,794	47,518	48,399	49,119	50,090	48,848	49,849	50,901	51,778
Tax receivables	40,801	38,086	38,820	37,839	38,260	40,169	43,207	43,329	41,276
Other assets	185,692	151,744	198,848	136,209	140,232	102,655	111,071	175,756	115,608
Assets held for sale	-	87,429	69,092	68,002	74,209	-	-	-	-
<b>Total assets</b>	<b>6,140,237</b>	<b>6,633,158</b>	<b>7,080,238</b>	<b>7,454,866</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>
<b>NET EQUITY AND LIABILITIES (€ THOUSAND)</b>									
Due to banks	1,038,889	1,387,881	1,716,732	1,935,835	2,230,871	2,178,825	1,930,243	2,398,937	2,229,896
Due to customers	4,285,398	4,327,983	4,502,679	4,612,490	3,588,700	3,327,034	3,617,170	3,583,784	4,491,173
Financial liabilities held for trading and hedging	2,655	1,448	188	282	597	393	4,011	1,271	1,448
Tax payables	27,612	45,202	36,492	45,746	27,768	25,419	16,889	29,766	36,620
Other liabilities	149,770	189,953	211,471	194,473	142,598	167,828	127,573	220,076	95,013
Liabilities held for sale	-	78,757	61,397	60,533	66,252	-	-	-	-
Special purpose provisions	99,605	91,651	90,011	84,477	76,736	72,716	77,494	75,989	68,405
Valuation reserves	17,983	22,111	19,435	19,600	5,460	-11,798	-14,819	-13,588	-11,475
Reserves	196,209	195,253	195,123	304,572	164,221	164,163	164,899	267,150	139,841
Additional paid-in capital	45,575	44,977	42,880	42,608	37,302	34,901	29,611	26,615	16,591
Share capital	115,677	115,621	115,428	115,403	114,895	114,668	114,173	113,888	112,938
Treasury shares (-)	-41	-41	-41	-41	-41	-41	-41	-41	-41
Minority interests	-	-	-	-	6,039	7,056	6,241	8,129	7,166
Net profit (loss) for the year (+/-)	160,905	132,362	88,443	38,888	141,256	105,066	71,590	35,521	129,803
<b>Total net equity and liabilities</b>	<b>6,140,237</b>	<b>6,633,158</b>	<b>7,080,238</b>	<b>7,454,866</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>

(\*) Restated in order to account for the de-merger of BGF M

## 5.1 Direct inflows from customers

Direct net inflows from customers amounted to 4,285 million euros, with an increase of 697 million euros compared to 31 December 2013, due both to the Generali Group's operations and the higher retail net inflows.

With regard to the latter, the acquisition of the Credit Suisse's business line contributed approximately 115 million euros in current account deposit inflows.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
1. Current accounts and demand deposits	4,090,696	2,934,906	1,155,790	39.4%
2. Term deposits	-	428,430	-428,430	-100.0%
3. Financing	51,312	101,878	-50,566	-49.6%
Repurchase agreements	-	85,754	-85,754	-100.0%
Subordinated loans	51,312	16,124	35,188	218.2%
Collateralised deposits on the new MIC	-	-	-	n.a.
4. Other debts	143,390	123,486	19,904	16.1%
Operating debts to sales network	84,920	49,150	35,770	72.8%
Other (money orders, amounts at the disposal of Customers)	58,470	74,336	-15,866	-21.3%
<b>Total due to customers (Item 20)</b>	<b>4,285,398</b>	<b>3,588,700</b>	<b>696,698</b>	<b>19.4%</b>

Captive inflows from the parent company, Assicurazioni Generali, and the Italian and foreign subsidiaries of Assicurazioni Generali Group increased by 127 million euros overall to 1,263 million euros at year-end (29.5% of total net inflows).

The aggregate includes 43 million euros for the Tier-2 subordinated loan issued by the subsidiary Generali Beteiligungs GmbH in relation to the acquisition of the Credit Suisse's business line.

Interest-bearing inflows from customers outside the insurance

group increased by approximately 570 million euros and are entirely attributable to the increase of current account balances.

By contrast, there was an increase in the interest-free debt position (+19.9 million euros), consisting of current accounts payable to the sales network for product placement and financial service activity, as well as of other sums available to customers, primarily relating to claims settlement activity by the Group's insurance companies (money orders).

## 5.2 Core loans

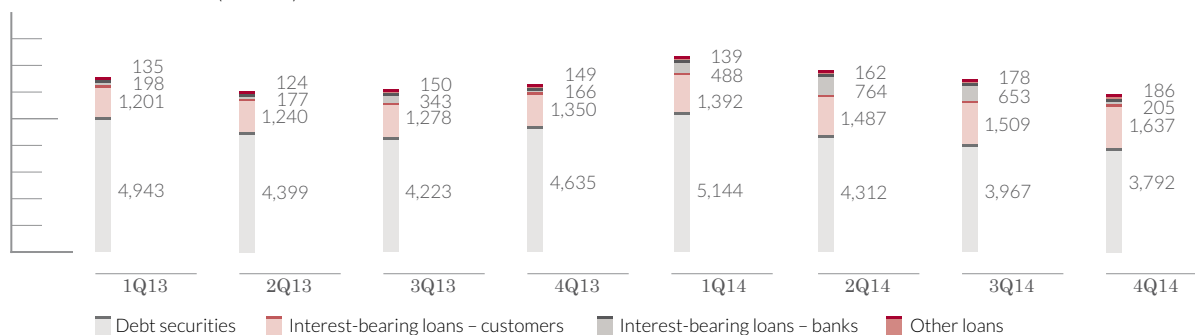
Core loans totalled 5.8 billion euros, with an overall slight decrease compared to 31 December 2013 (-7.6%).

However, in this context, the share of assets invested in financial assets declined by 817.6 million euros (-17.5%), primarily owing

to the flow of redemptions of maturing securities in the HTM portfolio, only partially offset by the new investments allocated to the AFS portfolio, whereas there was a significant increase in loans to customers (+287.0 million euros).

(€ MILLION)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
HFT financial assets	32,840	229,905	-197,065	-85.7%
AFS financial assets	2,235,408	1,626,121	609,287	37.5%
HTM financial assets	1,403,123	2,652,687	-1,249,564	-47.1%
Financial assets classified among loans	183,448	163,748	19,700	12.0%
<b>Financial assets</b>	<b>3,854,819</b>	<b>4,672,461</b>	<b>-817,642</b>	<b>-17.5%</b>
Loans to banks	205,427	166,150	39,277	23.6%
Loans to customers	1,636,572	1,349,613	286,959	21.3%
Operating loans and other loans	123,132	111,639	11,493	10.3%
<b>Total interest-bearing financial assets and loans</b>	<b>5,819,950</b>	<b>6,299,863</b>	<b>-479,913</b>	<b>-7.6%</b>

Evolution of loans (€ million)



The Group's financial assets held for treasury and investment needs were affected by the decline in the HTM portfolio, due to the significant amount of debt securities that reached maturity (-1,354 million euros), and in the HFT portfolio, to which money-market government securities with very short-term maturities had been allocated (-199.8 million euros). This was only partly offset by the new investments made in the AFS portfolio (+611.7 million euros), which nonetheless continued to be primarily aimed at the government security segment (+485.8 million euros), although there was an increase in the weight of bank and corporate bonds.

Overall, financial assets accounted for 66.2% of the interest-bearing financial assets, down compared to 74.2% at year-end 2013.

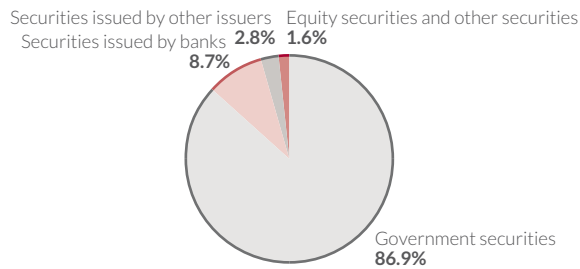
The sovereign debt exposure, consisting solely of bonds issued by the Italian government, declined by 937.9 million, with a ratio of 86.9% to total investments in financial assets, compared to a ratio of 91.8% at year-end 2013.

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

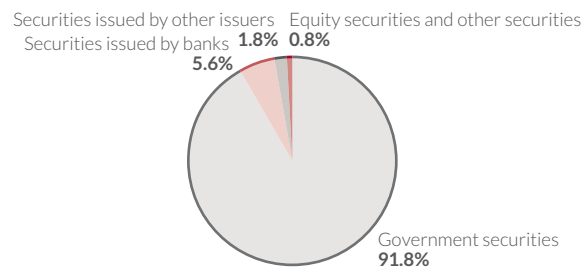
Breakdown of sovereign debt exposure by IAS portfolio

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
<b>Exposure to the sovereign risk by portfolio:</b>				
HFT financial assets	396	200,245	-199,849	-99.8%
AFS financial assets	1,995,244	1,509,414	485,830	32.2%
HTM financial assets	1,354,153	2,578,064	-1,223,911	-47.5%
<b>Total</b>	<b>3,349,793</b>	<b>4,287,723</b>	<b>-937,930</b>	<b>-21.9%</b>

Breakdown of financial assets portfolio at 31.12.2014



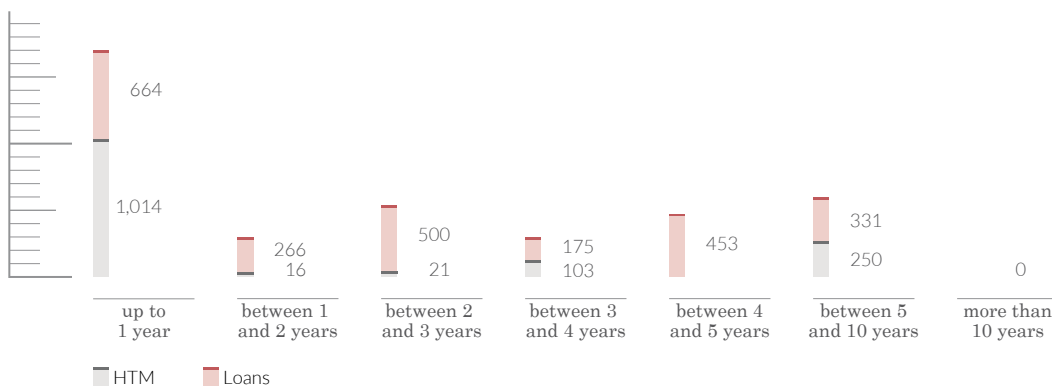
Breakdown of financial assets portfolio at 31.12.2013



The overall geographical breakdown of the portfolio of debt securities thus showed a high concentration of investments relating to Italian securities (98.2%). The portfolio of debt securities had an overall average residual

life of about 2.4 years and 29.6% of it was made up of variable rate issues, and for the remainder, of fixed-rate issues and zero coupon.

Bonds portfolio maturity (€ million)



Loans to customers reached 1,636.5 million euros, up 287.0 million euros (+21.3%) compared to the previous year. However, one-third of this increase (94 million euros) was due to the acquisition of the Credit Suisse business line. The increase in loans was driven in particular by the issue of new

loans to customers (+25.8%), whereas the current account overdraft facilities (+23.8%) were more directly influenced by the aforementioned business combination. By contrast, the GESAV participating policy was surrendered in full.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
Current accounts	931,341	752,116	179,225	23.8%
Personal loans	693,619	551,450	142,169	25.8%
Other financing and loans not in current accounts	11,612	23,839	-12,227	-51.3%
Short-term term deposits on the new MIC	-	-	-	n.a.
<b>Financing</b>	<b>1,636,572</b>	<b>1,327,405</b>	<b>309,167</b>	<b>23.3%</b>
<b>GESAV life insurance participating policy</b>	<b>-</b>	<b>22,208</b>	<b>-22,208</b>	<b>-100.0%</b>
<b>Total loans</b>	<b>1,636,572</b>	<b>1,349,613</b>	<b>286,959</b>	<b>21.26%</b>
Operating loans to product companies	81,206	71,574	9,632	13.5%
Sums advanced to Financial Advisors	30,545	27,029	3,516	13.0%
Stock exchange interest-bearing daily margin	2,092	2,237	-145	-6.5%
Changes to be debited and other loans	9,199	10,735	-1,536	-14.3%
<b>Operating loans and other loans</b>	<b>123,042</b>	<b>111,575</b>	<b>11,467</b>	<b>10.3%</b>
<b>Debt securities</b>	<b>35,345</b>	<b>38,583</b>	<b>-3,238</b>	<b>-8.4%</b>
<b>Total loans to customers</b>	<b>1,794,959</b>	<b>1,499,771</b>	<b>295,188</b>	<b>19.7%</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 41.2 million euros (2.3% of total loans to customers).

The aggregate includes 28.3 million euros referring to bad and substandard loans originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. upon the sale of the foregoing company 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 0.72%.

In 2014, bad debt positions decreased, primarily as a result of the gradual closing-out of positions subject to indemnities, with the bank retaining the security deposits of BSI SA, or with the transfer to the latter of the residual receivables remaining at the end of the insolvency procedures. In particular, attention should be drawn to the conclusion of the composition with creditors for the Funivie Folgarida position, with the transfer to BSI S.A. of equity and participatory securities obtained as settlement of the balance receivable of 7.1 million euros.

The increase in substandard positions was also essentially attributable to positions covered by indemnities of approximately 8.2 million euros, previously classified as past due.

The most significant position in this category is a loan of 10.8 million euros to Investimenti Marittimi, not covered by indemnity and subject to an impairment loss of 6.7 million euros.

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUSTMENT	NET EXPOSURE 2014	NET EXPOSURE 2013	CHANGE		SECURED POSITIONS SUBJECT TO INDEMNITY	RESIDUAL UNSECURED
					AMOUNT	%		
Bad loans	32,068	-16,335	15,733	20,447	-4,714	-23.1%	14,328	1,405
of which financing	28,589	-13,647	14,942	16,083	-1,141	-7.1%	14,328	614
of which debt securities	-	-	-	3,326	-3,326	-100.0%	-	-
of which operating loans	3,479	-2,688	791	1,038	-247	-23.8%	-	791
Substandard loans	25,682	-7,288	18,394	15,221	3,173	20.8%	13,929	4,465
Restructured loans	1,847	-624	1,223	981	242	24.7%	-	1,223
Expired loans/outstanding over 90 days	6,335	-447	5,888	8,743	-2,855	-32.7%	-	5,888
<b>Total non-performing loans</b>	<b>65,932</b>	<b>-24,694</b>	<b>41,238</b>	<b>45,392</b>	<b>-4,154</b>	<b>-9.2%</b>	<b>28,257</b>	<b>12,981</b>
Performing loans	1,755,385	-1,664	1,753,721	1,454,379				
<b>Total loans</b>	<b>1,821,317</b>	<b>-26,358</b>	<b>1,794,959</b>	<b>1,499,771</b>				

The **interbank position**, net of the securities portfolio and operating loans, showed a net loss balance of -833.5 million euros at the end of 2014, down -1,231.3 million euros (-59.6%) compared to the end of the previous year, due to the combined effect of:

- early repayment in November of 300 million euros for the LTRO received from the ECB in 2012 and set to mature in February 2015;

- the decline of interbank funding in the form of repurchase agreements (-890.6 million euros), with maturities within 12 months, made during the previous year.

At 31 December 2014, the interbank position included also overnight demand deposits with the ECB amounting to 68 million euros.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
<b>1. Repayable on demand</b>	<b>159,453</b>	<b>92,663</b>	<b>66,790</b>	<b>72.1%</b>
Demand deposits with ECB (*)	68,000	-	68,000	n.a.
Demand deposits with credit institutions	-	40,000	-40,000	-100.0%
Transfer accounts	91,453	52,663	38,790	73.7%
<b>2. Time deposits</b>	<b>45,974</b>	<b>73,487</b>	<b>-27,513</b>	<b>-37.4%</b>
Mandatory reserve	45,891	59,600	-13,709	-23.0%
Term deposits	83	13,887	-13,804	-99.4%
Repurchase agreements	-	-	-	n.a.
Collateral margins	-	-	-	n.a.
<b>Total due to banks</b>	<b>205,427</b>	<b>166,150</b>	<b>39,277</b>	<b>23.6%</b>
<b>1. Due to central banks</b>	<b>811,645</b>	<b>1,114,185</b>	<b>-302,540</b>	<b>-27.2%</b>
Term deposits with ECB	811,645	1,114,185	-302,540	-27.2%
<b>2. Due to banks</b>	<b>227,244</b>	<b>1,116,686</b>	<b>-889,442</b>	<b>-79.7%</b>
Transfer accounts	5,409	397	5,012	1262.5%
Term deposits	6,792	187	6,605	3532.1%
Repurchase agreements	200,734	1,091,372	-890,638	-81.6%
Collateral margins	100	3,660	-3,560	-97.3%
Other debts	14,209	21,070	-6,861	-32.6%
<b>Total due to banks</b>	<b>1,038,889</b>	<b>2,230,871</b>	<b>-1,191,982</b>	<b>-53.4%</b>
<b>Net interbank position</b>	<b>-833,462</b>	<b>-2,064,721</b>	<b>1,231,259</b>	<b>-59.6%</b>
<b>3. Debt securities</b>	<b>148,103</b>	<b>125,165</b>	<b>22,938</b>	<b>18.3%</b>
<b>4. Other operating receivables</b>	<b>90</b>	<b>64</b>	<b>26</b>	<b>40.6%</b>
<b>Total interbank position</b>	<b>-685,269</b>	<b>-1,939,492</b>	<b>1,254,223</b>	<b>-64.7%</b>

(\*) Reclassified from Item 10 – Demand loans to central banks.

### 5.3 Net equity

At 31 December 2014, consolidated net equity, including net profit for the year, amounted to 536.3 million euros compared to 469.1 million euros at the end of the previous year and underwent the following changes.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
Share capital	115,677	114,895	782	0.7%
Additional paid-in capital	45,575	37,302	8,273	22.2%
Reserves	196,209	164,221	31,988	19.5%
(Treasury shares)	-41	-41	-	-
Valuation reserves	17,983	5,460	12,523	229.4%
Equity instruments	-	-	-	-
Net profit (loss) for the year	160,905	141,256	19,649	13.9%
<b>Group net equity</b>	<b>536,308</b>	<b>463,093</b>	<b>73,215</b>	<b>15.8%</b>
Minority interests	-	6,039	-6,039	-100.0%
<b>Consolidated net equity</b>	<b>536,308</b>	<b>469,132</b>	<b>67,176</b>	<b>14.3%</b>

	GROUP	THIRD PARTIES	OVERALL
<b>Net equity at year-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	7,606	-	7,606
Stock option plans: charges as per IFRS 2	224	-	224
AG stock granting plans	1,580	-	1,580
De-merger of GIL	-	-6,039	-6,039
Change in valuation reserves	12,523	-	12,523
Consolidated net profit	160,905	-	160,905
<b>Net equity at year-end</b>	<b>536,308</b>	<b>-</b>	<b>536,308</b>
<b>Change</b>	<b>73,215</b>	<b>-6,039</b>	<b>67,176</b>

The change in net equity was influenced by the 2013 dividend payout of approximately 109.6 million euros, as decided by the Shareholders' meeting held on 24 April 2014 to approve the Financial Statements, and the effects generated by previous and new stock option plans, the performance of fair value reserves for the AFS financial assets portfolio and other reserves which contribute to comprehensive income.

The de-merger of the former GIL business line, effective for accounting purposes retroactively from 1 January 2014, also en-

tailed the distribution in full of minority equity to the minority shareholder, Generali Investments Holding S.p.A.

At the end of the reporting year, fair value reserves for the AFS financial assets portfolio recorded a positive balance of 19.5 million euros, with an improvement of 13 million euros compared to year-end 2013. Such reserves mainly refer to the portfolio of government bonds (14.7 million euros).



(€ THOUSAND)	31.12.2014			31.12.2013	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
1. Debt securities	18,175	-263	17,912	5,161	12,751
2. Equity securities	1,814	-15	1,799	1,476	323
3. UCITS units	217	-386	-169	-66	-103
<b>AFS reserves</b>	<b>20,206</b>	<b>-664</b>	<b>19,542</b>	<b>6,571</b>	<b>12,971</b>
Cash-flow hedges	-	-	-	-	-
Actuarial gains (losses) from defined benefit plans	-	-1,559	-1,559	-1,111	-448
<b>Total</b>	<b>20,206</b>	<b>-2,223</b>	<b>17,983</b>	<b>5,460</b>	<b>12,523</b>

**Consolidated own funds**, calculated in accordance with the new Basel 3 rules in effect since 1 January 2014, and net of the expected dividend payout, amounted to 362.6 million euros, up by 49.2 million euros compared to the year-end 2013, when they were calculated in accordance with the previous Basel 2 rules, and by 44.7 million euros compared to the estimate of the aggregate calculated in accordance with the new regulatory provisions.

In the reporting year, the performance of the aggregate was influenced by the acquisition of the Credit Suisse's business line,

which entailed a decrease in Common Equity Tier 1 capital (CET1) due to the new intangible assets acquired (-44.7 million euros), and a symmetrical increase in Tier-2 capital attributable to the new subordinated loan contracted to fund the transaction (+43 million euros).

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 157.9 million euros in excess of the amount required by the Supervisory Authority to cover credit, market, and operating risks. Total Capital Ratio (TCR) was 14.17% compared to the minimum requirement of 8%.

(€ THOUSAND)	31.12.2014		31.12.2013 BASEL 2	CHANGE		31.12.2013 BASEL 3 TRANSITIONAL
	BASEL 3 FULL APPLICATION	BASEL 3 TRANSITIONAL		AMOUNT	%	
Common equity Tier 1 (CET 1)			300,674	10,996	2.84%	303,076
Additional Tier 1 capital (AT1)	-	-	-	-	n.a.	-
Tier 2 capital	49,005	50,921	12,753	38,168	242.81%	14,854
<b>Total own funds</b>	<b>379,885</b>	<b>362,591</b>	<b>313,427</b>	<b>49,164</b>	<b>14.05%</b>	<b>317,930</b>
Credit and counterparty risk	144,493	144,493	115,319	29,174	17.83%	122,628
Market risk	3,558	3,558	5,950	-2,392	-40.20%	5,950
Operating risk	56,615	56,615	47,840	8,775	18.34%	47,840
<b>Total absorbed capital</b>	<b>204,666</b>	<b>204,666</b>	<b>169,109</b>	<b>35,557</b>	<b>16.01%</b>	<b>176,418</b>
Excess over absorbed capital	175,219	157,925	144,318	13,607	11.60%	141,512
Risk-weighted assets	2,558,325	2,558,325	2,113,863	444,463	16.01%	2,205,225
Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)	12.93%	12.18%	14.22%	-2.04%	-11.36%	13.74%
<b>Total own funds/Risk-weighted assets (Total capital ratio)</b>	<b>14.85%</b>	<b>14.17%</b>	<b>14.83%</b>	<b>-0.65%</b>	<b>-1.7%</b>	<b>14.42%</b>

The increase in absorbed capital compared to the previous year (+35.5 million euros) is primarily to be attributed to the effects of the transition to the new Basel 3 rules, which entailed the introduction of new requirements for DTAs and significant investments (+11.1 million euros). The expansion of the Bank's operations during the year also resulted in a significant increase in the capital absorbed by operating risk, commensurate with the three-year performance of net banking income (+8.8 million euros).

Consolidated own funds, calculated in accordance with Basel 3 rules, which will become fully applicable as of 1 January 2019,

were 380.0 million, with a Total Capital Ratio at 14.85%.

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 measuring 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 3 framework, effective 1 January 2014, as allowed by the Bank of Italy, until the entry into force of the international accounting standard IFRS 9 in 2018.

#### Reconciliation statement between parent company Banca Generali's net equity and consolidated net equity

(€ THOUSAND)	31.12.2014		
	CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
<b>Net equity of Banca Generali</b>	<b>274,917</b>	<b>167,460</b>	<b>442,377</b>
<b>Differences between net equity and book value of companies consolidated using the line-by-line method</b>	<b>65,679</b>	<b>-</b>	<b>65,679</b>
Goodwill	4,289	-	4,289
Income carried forward of consolidated companies	61,442	-	61,442
Reserve for actuarial losses IAS 19	-70	-	-70
Other changes	18	-	18
<b>Dividends from consolidated companies</b>	<b>39,096</b>	<b>-122,596</b>	<b>-83,500</b>
<b>Consolidated companies' result for the year</b>	<b>-</b>	<b>116,041</b>	<b>116,041</b>
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Valuation reserves - consolidated companies</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidation adjustments</b>	<b>-4,289</b>	<b>-</b>	<b>-4,289</b>
Goodwill	-4,289	-	-4,289
<b>Net equity of the Banca Generali Group</b>	<b>375,403</b>	<b>160,905</b>	<b>536,308</b>

## 5.4 Cash flows

At the end of 2014, operating activities had generated a total of 1,844 million euros in cash, primarily owing to:

- the reduction in interbank inflows (-1,193 million euros), mainly due to the repayment of repurchase agreements finalised in the previous year (-891 million euros) and the advance reimbursement of a tranche of the LTRO set to mature in February 2015 (300 million euros);
- the increase of disbursement for loans to customers (-202 million euros) and investments in financial assets (-368 million euros).

Those cash flows were only partially offset by cash flows generated by loans to customers (+557 million euros) and operating activities, which generated liquidity amounting to 207 million euros.

Liquidity used for operating activities (-997 million euros) was entirely covered through net cash flows generated by the repayment of maturing securities within the HTM portfolio (+1,218 million euros, net), which were also used to fund the acquisition of the Credit Suisse's business line and to cover the significant dividend payout (-109.6 million euros).

(€ THOUSAND)	2014	2013
<b>Cash flows generated by operations:</b>	<b>207,183</b>	<b>173,522</b>
Financial assets	-367,917	105,261
Loans to banks	51,727	512,874
Loans to customers	-202,136	-193,766
Other operating assets	31,604	58,960
<b>Total assets</b>	<b>-486,723</b>	<b>483,329</b>
Amounts due to banks	-1,193,249	-3,388
Loans to customers	556,789	-919,101
Other operating assets	-80,864	46,655
<b>Total liabilities</b>	<b>-717,324</b>	<b>-875,834</b>
<b>Liquidity generated by/used for operating activities</b>	<b>-996,864</b>	<b>-218,983</b>
HTM portfolio	1,217,910	311,122
Investments	-3,479	-3,387
Purchase of business lines	-44,713	-
<b>Liquidity generated by/used for investing activities</b>	<b>1,169,718</b>	<b>307,735</b>
Dividends paid	-109,623	-108,302
Capital increases	7,606	18,777
<b>Liquidity generated by/used for financing activities</b>	<b>-102,017</b>	<b>-89,525</b>
<b>Net cash liquidity generated/used</b>	<b>70,837</b>	<b>-773</b>
<b>Cash and deposits</b>	<b>80,450</b>	<b>9,613</b>

## 6. Indirect Inflows

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

### 6.1 Asset management and insurance products

#### Banking Group asset management products

In the asset management sector, in 2014 the Banking Group worked in the wealth management field through BG Fund Management Luxembourg and the asset management services of Banca Generali and BG Fiduciaria.

(€ MILLION)	BG GROUP 31.12.2014	BG GROUP 31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
Funds and Sicavs	8,861	14,474	-5,613	-38.8%
attributable to the banking group GPF	1,090	1,139	-48	-4.2%
GPF/GPM	3,702	3,322	380	11.5%
<b>Total assets managed by the Group, net of Group UCITs included in GPF</b>	<b>11,473</b>	<b>16,657</b>	<b>-5,184</b>	<b>-31.1%</b>

Total assets invested in UCITs managed by the Banking Group amounted to 8.9 billion euros, referring exclusively to Sicavs. The virtual reduction over 2013 year-end figure was attributable to the de-merger of the formerly Luxembourg-based management company Generali Fund Management in mid-2014. As a consequence of the de-merger, one of the two resulting entities was entrusted the management of two Sicav families (BG Sicav and BG Selection) and became the newly set-up company BG FML, fully owned by Banca Generali. The other entity manages Sicavs which are chiefly included in the Assicurazioni Generali Group's insurance assets and accounted for 7.9 billion euros of total GFM assets at the end of 2013. Accordingly, net of the aforementioned de-merger, the Banking Group's assets invested in

Luxembourg Sicavs increased by approximately 2.3 billion euros. This result included 1.73 billion euros referring to the promotion of institutional asset classes within the multi-line insurance products distributed by both Banca Generali and Assicurazioni Generali Group companies.

In the course of the years, these classes of collective investment products launched several new sub-funds (44 for BG Selection and 33 for BG Sicav), which are managed either directly or – in most of the cases – through mandate granted to third-parties. The value of individual portfolio management marked an increase, mainly due to the acquisition of the Credit Suisse Italia's Financial Advisor network and the contribution of their assets.

#### 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 and foreign (mainly Luxembourg Sicavs) UCITs, Banca Generali distributed the products of the Assicurazioni Generali Group and major international investment firms.

In 2014, third-party UCITs amounted to 4,241 million euros, with an increase of almost one billion euros. For the most part, this was due to a significant increase in the use of "open architecture," which affords customers access to a very wide range of investment products, including at an international level, in support of the advisory approach that characterises Banca Generali's commercial offerings.

(€ MILLION)	BG GROUP 31.12.2014	BG GROUP 31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
Funds and Sicavs	4,241	3,290	951	28.9%
GPF/GPM	187	-	187	n.s.
<b>Total third-party asset management products</b>	<b>4,428</b>	<b>3,290</b>	<b>1,138</b>	<b>34.6%</b>

Within the overall Bank's offering, the placement of third-party products is much more diversified than shown in the previous table due to two main reasons.

Investments directed towards the Luxembourg umbrella fund-of-funds BG Selection increased progressively since its launch in 2009. The Sicav is promoted directly by the Banca Generali Group but invests almost exclusively in third-party UCITSs.

Moreover, and in confirmation of the product's multi-manager orientation, since the beginning marketing was launched for its sub-funds (currently, 33 of 44 total sub-funds), management of which is entrusted directly to some of the 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 adopted in BG Sicav for 17 of 33 total sub-funds. Therefore, approximately 73% of BG Fund Management Luxembourg Sicavs resorts to direct third-party management.

With reference to the overall UCITS sector in which the assets of Banca Generali's customers are invested, the diversification achieved through third-party products, whether directly or indirectly (management mandate on Luxembourg Sicavs), accounts for more than 80% of total investments.

### Third-party insurance products

Almost all assets invested in insurance and retirement products consist of traditional, unit-linked and multi-line policies of Genertellife, a company of the Assicurazioni Generali Group. In November 2014, following the acquisition of Credit Suisse Italia's Financial Advisor business line, about 0.5 billion policies mostly issued by Unipol and HDI was contributed. Total assets amount-

ed to 13.7 billion euros at the end of 2014, up 42% compared to December 2013. The result, less redemptions and expiring contracts, was mainly attributable to the extraordinary result of life new business in the year, which benefited, inter alia, from the launch of the innovative multi-line policy GB Stile Libero. The CSI contributions further added to this result.

(€ MILLION)	BG GROUP 31.12.2014	BG GROUP 31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
Insurance products (unit-linked, traditional, multi-line policies, etc)	13,694	9,676	4,019	41.5%
<b>Total third-party insurance products</b>	<b>13,694</b>	<b>9,676</b>	<b>4,019</b>	<b>41.5%</b>

## 6.2 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 2014, these amounted to 6,709 million euros at market value, compared to the 6,192 million euros at year-end 2013 (+8.3%).

Given the net outflows of nearly 0.6 billion euros, the increase in this segment was partly due to the revaluation of the securities held in customers' portfolio and, above all, to the contributions related to the acquisition of Credit Suisse Italia's Financial Advisor business line.

(€ MILLION)	BG GROUP 31.12.2014	BG GROUP 31.12.2013	CHANGES VS 31.12.2013	
			AMOUNT	%
Securities portfolios of the Generali Group's corporate customers	343	335	8	2.4%
Other customers' securities portfolios	6,366	5,857	509	8.7%
<b>Indirect inflows of assets under administration and custody of the banking group (market value)</b>	<b>6,709</b>	<b>6,192</b>	<b>517</b>	<b>8.3%</b>

## 7. Results by Line of Business

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 and Financial Planners chiefly 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 financing activities of the Finance Department and the provision of banking and investment services not directly referring to the above channels (e.g., captive customers).

The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations.

PROFIT AND LOSS ACCOUNT (€ THOUSAND)	31.12.2014				31.12.2013			
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL
<b>Net interest income</b>	<b>19,983</b>	<b>11,358</b>	<b>75,664</b>	<b>107,005</b>	<b>16,032</b>	<b>9,721</b>	<b>96,090</b>	<b>121,843</b>
Fee income	289,040	172,270	23,308	484,618	229,439	150,078	25,231	404,676
Fee expense	-145,132	-68,776	-13,442	-227,351	-109,647	-55,824	-12,817	-178,287
<b>Net fees</b>	<b>143,908</b>	<b>103,494</b>	<b>9,865</b>	<b>257,268</b>	<b>119,792</b>	<b>94,254</b>	<b>12,414</b>	<b>226,388</b>
Profit (loss) of financial operations	-	-	52,370	52,370	-	-	18,065	18,065
Dividends	-	-	2,570	2,570	-	-	915	915
<b>Net banking income</b>	<b>163,892</b>	<b>114,852</b>	<b>140,469</b>	<b>419,213</b>	<b>135,824</b>	<b>103,975</b>	<b>127,483</b>	<b>367,210</b>
(€ MILLION)								
Assets under management	21,189	15,374	1,653	38,216	17,190	11,926	1,134	30,249
Net inflows	2,977	1,047	n.a.	4,024	1,475	785	n.a.	2,260
Financial Advisors/RMs	1,244	401	n.a.	1,645	1,141	334	n.a.	1,475

## Affluent Channel

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE
Net interest income	19,983	16,032	24.65%
Net fees	143,908	119,792	20.13%
<b>Net banking income</b>	<b>163,892</b>	<b>135,824</b>	<b>20.66%</b>
AUM	21,189	17,190	23.27%
Net Inflows	2,977	1,475	101.83%
Financial	1,244	1,141	9.03%
AUMs/FP	17.03	15.07	13.06%
Net inflows/FP	2.39	1.29	85.12%

At 31 December 2014, the assets under management attributable to this channel amounted to 21.2 billion euros, up by approximately 4.0 billion euros (+23.3%) compared to the previous year, owing both to the positive performance of the market and the increase in net inflows (2,977 million euros), concentrated in asset management products, against outflows from assets under administration and custody.

In 2014, net revenues generated by this channel reached 163.9 million euros, up by 20.7% compared to 135.8 million euros in 2013, primarily owing to:

- the strong development of Lombard loans contributed to increasing net interest income and the average liquidity balance;
- an increase in net fees (+20.1%) driven by the improvement in average assets (+18%) and asset mix, mainly in the insurance segment thanks to the success obtained by the new multi-line policy BG Stile Libero.

The Affluent business was also driven by the Financial Advisors formerly working for Simgenia, which discontinued operations at year-end 2013. 69 out of over a thousand professionals (agents/financial advisors) were engaged by Banca Generali, others joined other brokerage firms, while the majority continued to serve as insurance agents only. The net inflows attributable to these new financial advisors were approximately 0.65 billion euros.

The channel's contribution to total consolidated net revenues amounted to 39%.

Net fees amounted to 0.75% of average AUM.

## Private Channel

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE
Net interest income	11,358	9,721	16.84%
Net fees	103,494	94,254	9.80%
<b>Net banking income</b>	<b>114,852</b>	<b>103,975</b>	<b>10.46%</b>
AUM	15,374	11,926	28.92%
Net Inflows	1,047	785	33.38%
Financial	401	334	20.06%
AUMs/FP	38.34	35.71	7.38%
Net inflows/FP	2.61	2.35	11.09%

At 31 December 2014, AUM in this channel amounted to 15.4 billion euros, up significantly compared to 2013 (+3.4 billion euros, or +28.9%). Net inflows totalled 1.047 billion euros, increasing sharply compared to 2013 (+33.4%) as a result of the Credit Suisse extraordinary transaction, which contributed 1.9 billion euro in assets to the Private Banking Division through the acquisition of its network of 51 Financial Advisors. As the transaction was performed on 1 November 2014, revenues related to this component only refer to the last 2 months of the year.

Transformation of administration and custody products into asset management solutions was also remarkable.

In 2014, net revenues generated by the channel reached 114.9 million euros, with an increase of 10.5%. The reasons of this improvement are the same as those already illustrated for the Affluent Channel. The contribution to total consolidated net revenues amounted to 27%.

Net revenues accounted for 0.79% of average AUM. This ratio exceeds that reported by the Affluent channel, mainly due to the fact that the activity carried out by Relationship Managers serving under employment contract did not generate any fee expense.

## Corporate Channel

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE
Net interest income	75,664	96,090	-21.26%
Net fees	9,865	12,414	-20.53%
Result from banking activities and dividends	54,940	18,979	189.47%
<b>Net banking income</b>	<b>140,469</b>	<b>127,483</b>	<b>10.19%</b>
AUM	1,653	1,134	45.77%
Net Inflows	n.a.	n.a.	n.a.
Financial Advisors	n.a.	n.a.	n.a.

At 31 December 2014, the AUM in this channel amounted to 1.653 billion euros, up 46% compared to the previous year. This increase was entirely attributable to (direct and indirect) net inflows of assets under administration and custody of Generali Group, which amounted to just 1.1 billion euros at 31 December 2013. In 2014, net revenues generated by the Corporate channel reached 140.5 million euros (+10.2% compared to 2013), owing to the combined effect of the following:

- a very sharp increase of capital gains on securities (from 19 million euros to 55 million euros);
- a decline in net interest income due to a reduction in interest rates;
- significant capital gains on government securities achieved by leveraging the positive market conditions arising from the decline in the spreads on Italian government debt.

Simgenia's network discontinued operations causing a sharp reduction in net fees due to the decrease of the "indirect network" segment.

The contribution to total consolidated net revenues amounted to 34%.



## 8. Corporate Social Responsibility

### 8.1. Distribution of global added value

The following is a summary of the 2014 results in the various areas of the Banking Group's social responsibility. In particular, the profit and loss figures for the year have been restated according to the GAV (Global Added Value) method. GAV represents the wealth that the Group has generated and distributed to the various classes of stakeholders in its daily operations (for example, first and foremost, Financial Advisors networks and human resources). GAV is equal to the difference between total revenues and total costs of goods and services (so-called "consumption").

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

nity and the environment through charitable initiatives, as well as social and cultural works.

Lastly, there is the Group as a "business system" that must be able to rely on adequate resources to allocate to production investments and everyday operations. This is essential to guarantee the Group's economic growth and stability and, consequently, ensure the creation of new wealth for all stakeholders.

From a methodological standpoint, Value Added is obtained by reclassifying items of the profit and loss account of the Consolidated Financial Statements with the aim of highlighting the process involved in the formation of value added, in its various formulations, as well as its distribution.

The statements for the determination and distribution of Value Added were prepared based on the figures reported in the Consolidated Financial Statements for 2013-2014 and using the ABI guidelines as a reference.

#### The distribution of Value Added

In 2014, Banca Generali Group's net revenues amounted to 698.5 million euros, up by 99.2 million euros (+16.6%) compared to 2013, whereas consumption expanded more moderately (up 21.8 million euros). The remarkable revenue increase was driven by the rise in the fee aggregate and the net income from trading activities which offset the strong decline of interest income.

The trend of the consumption aggregate was instead mainly attributable to the increase in administrative expense, as a result of the non-recurring charges incurred and the increase in provisions and adjustments, net of the reduction in interest expense.

Therefore, gross GAV reached 523.7 million euros and was broken down as follows:

- Human Resources (employees and other workers): approximately 14.2% of gross GAV generated, totalling 72.5 million euros (15.5% in 2013);
- Financial Advisors: 37.8% of gross GAV generated, in the

amount of 198.1 million euros (up compared to 33.3% in 2013);

- Shareholders: 21.7% of gross GAV, down compared to 25.5% in 2013, but nonetheless able to maintain the payout level of the Bank among the highest of the sector;
- State: approximately 16.4% of gross GAV, equal to 85.9 million euros, down compared to 17.3% in 2013, due to the combined effect of the elimination of IRES one-off surtax and higher stamp duty charges.

The Business System retained, in the form of undistributed profits, depreciation and amortisation, an overall amount of 51.9 million euros, or 9.9% of GAV (8.2% in 2013). The amount is to be regarded as an investment that the other categories of stakeholders make each year in order to keep the company in efficient condition and foster its development.

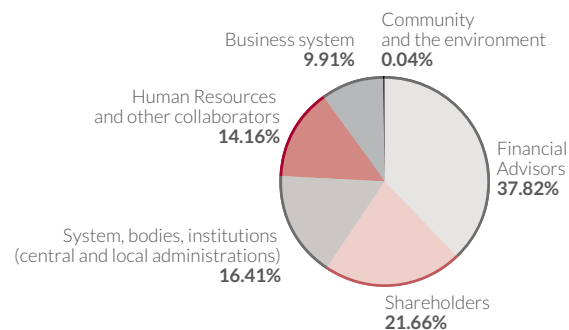
## Breakdown and Distribution of Gross Global Added Value

ITEMS (€ THOUSAND)	2014	2013 RESTATED	CHANGE
A. Total net revenues	698,537	599,314	99,223
B. Total consumption	-177,821	-156,041	-21,780
C. Net result from insurance operations	-	-	-
D. Gross core added value	520,716	443,273	77,443
<b>E. Gross global added value</b>	<b>523,749</b>	<b>447,830</b>	<b>75,919</b>
Divided among:			
<b>1. Shareholders</b>	<b>113,431</b>	<b>114,308</b>	<b>-877</b>
Private shareholders <sup>(1)</sup>	113,431	109,623	3,808
Minority interests (+/-) for the year	-	4,685	-4,685
<b>2. Human Resources</b>	<b>272,276</b>	<b>218,825</b>	<b>53,451</b>
Employee expense; expense for indefinite- and fixed-term contracts	72,513	67,755	4,758
Expense for Financial Advisors	198,094	149,342	48,752
Expense for other collaborators	1,669	1,728	-59
<b>3. System, entities, institutions (central and peripheral administrations)</b>	<b>85,923</b>	<b>77,840</b>	<b>8,083</b>
Indirect and income taxation	41,639	29,575	12,064
Income taxes for the year	44,284	48,265	-3,981
<b>4. Community and the environment</b>	<b>225</b>	<b>178</b>	<b>47</b>
Charitable gifts	225	178	47
<b>5. Banca Generali Group</b>	<b>51,894</b>	<b>36,679</b>	<b>15,215</b>
Change in reserve	47,474	31,633	15,841
Amortisation and depreciation	4,420	5,046	-626
<b>Total Gross Global Added Value</b>	<b>523,749</b>	<b>447,830</b>	<b>75,919</b>

(1) Figures take into account the official dividend approved.

(2) The 2013 figures were restated pursuant to IFRS 5 (de-merger of BGFm).

## Breakdown of total added value



## Statement of determination of the Global Added Value

ITEMS (€ THOUSAND)	2014	2013 RESTATED <sup>(5)</sup>	CHANGE
10. Interest income and similar revenues	117,712	144,492	-26,780
40. Fee income	484,619	404,675	79,944
70. Dividends and similar income	2,570	915	1,655
80. Net income (loss) from trading activities	4,584	-2,538	7,122
90. Net profit from hedging	-	-	-
100. Gain (loss) from sales or repurchase of:	47,786	20,603	27,183
a) receivables	3,120	1,710	1,410
b) AFS financial assets	44,666	18,903	25,763
c) HTM financial assets	-	-10	10
d) financial liabilities	-	-	-
110. Net profit from financial assets and liabilities at fair value	-	-	-
220. Other operating expense/income	41,266	31,167	10,099
240. Gain (loss) of equity investments	-	-	-
<b>A. Total net revenues</b>	<b>698,537</b>	<b>599,314</b>	<b>99,223</b>
20. Interest expense and similar charges	-10,707	-22,650	11,943
50. Fee expense <sup>(1)</sup>	-29,257	-28,945	-312
180.b Other general and administrative expense <sup>(2)</sup>	-86,594	-75,474	-11,120
130. Net adjustments/reversals due to impairment of:	-10,995	-6,073	-4,922
a) receivables	-7,530	-4,915	-2,615
b) AFS financial assets	-3,035	-1,299	-1,736
c) HTM financial assets	-286	141	-427
d) other financial operations	-144	-	-144
190. Net provisions for liabilities and contingencies	-40,268	-22,899	-17,369
200. Net adjustments/reversal of property and equipment (excluding depreciation)	-	-	-
210. Net adjustments/reversal of intangible assets (excluding amortisation)	-	-	-
260. Adjustments of goodwill	-	-	-
<b>B. Total consumption</b>	<b>-177,821</b>	<b>-156,041</b>	<b>-21,780</b>
<b>C. Net result from insurance operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D. Gross core added value</b>	<b>520,716</b>	<b>443,273</b>	<b>77,443</b>
250. Net result of measurement at fair value of tangible and intangible assets	-	-	-
270. Gains (loss) from disposal of investments	-18	-4	-14
310. Income of disposal groups, net of taxes	3,051	4,561	-1,510
<b>E. Total gross added value</b>	<b>523,749</b>	<b>447,830</b>	<b>75,919</b>
Amortisation and depreciation	-4,420	-5,046	626
<b>F. Net total added value</b>	<b>519,329</b>	<b>442,784</b>	<b>76,545</b>
180.a Staff expenses <sup>(3)</sup>	-272,276	-218,825	-53,451
180.b Other general and administrative expense: Indirect taxation <sup>(4)</sup>	-41,639	-29,575	-12,064
180.b Other general and administrative expense: Charitable gifts <sup>(5)</sup>	-225	-178	-47
<b>G. Pre-tax result</b>	<b>205,189</b>	<b>194,206</b>	<b>10,983</b>
290. Income taxes for the year on operating activities	-44,284	-48,265	3,981
330. Minority interests (+/-) for the year	-	-4,685	4,685
<b>H. Profit (loss) of the parent company for the year</b>	<b>160,905</b>	<b>141,256</b>	<b>19,649</b>

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

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

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

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

(5) The 2013 figures were restated pursuant to IFRS 5 (de-merger of BGF.M).

## 8.2 Some social and environmental aspects

### 8.2.1 Employee Policies

In employee relations, the social responsibility of the Banking Group is mainly reflected in its selection, remuneration, management and career development policies which ban all forms of discrimination. Diversity is seen as an opportunity for enrichment. In close connection with the orientations and methods of the Generali Group, the companies of the Banking Group have adopted policies that make human resources the focus of corporate activities. In general, the Banking Group complies with the provisions of constitutional laws, ordinary laws and regulations, as well as the collective and contractual provisions (at national and corporate level), and the regulations governing the employment relationship. All employees are provided with regular employment contracts and all forms of child, forced or compulsory labour is banned.

The Group strives to valorise people, recognising the contribution that each and all can give to the organisation. The Code of Ethics of the Generali Group confirms its attention and commitment towards collaborators, who are considered the strategic capital on which the Group bases its success, respect for human dignity, freedom and equality, and equal opportunity in the workplace and on career paths, without any kind of discrimination due to nationality, gender, race or ethnic origin, religion, political convictions, age, sexual orientation, disabilities or health conditions.

Banca Generali's workforce consists almost entirely (99%) of Italian personnel. In any event, employees of all nationalities are offered equal opportunities for professional and career growth, owing in part to policies that foster mobility within the Group. At Banca Generali Group companies, 98% of executives are local.

With regard to equal opportunities for the differently abled, national regulations safeguarding this category are respected and implemented.

From a geographical standpoint, the number of resources in Italy rose by 14 resources, whereas that in Luxembourg decreased by 6, due to the de-merger of the business unit from BG FML.

With regard to the distribution in Italy, it should be noted that the situation remained essentially in line with the previous year, except for the Lombardy region, where the central coordination structures for the commercial area and the structures supporting business are located. In the reporting period, all these structures were strengthened through the recruitment of specialised profiles.

#### Geographical distribution of employees

	2014	2013	CHANGE
Abruzzo	2	2	-
Calabria	2	2	-
Campania	11	13	-15%
Emilia Romagna	8	10	-20%
Friuli Venezia Giulia	321	326	-2%
Lazio	25	23	9%
Liguria	11	10	10%
Lombardy	365	350	4%
Piedmont	19	17	12%
Puglia	4	3	33%
Sicily	1	1	-
Tuscany	6	6	-
Umbria	1	1	-
Veneto	15	13	15%
<b>Italy</b>	<b>791</b>	<b>777</b>	<b>2%</b>
<b>Luxembourg</b>	<b>26</b>	<b>32</b>	<b>-19%</b>

The following flexibility mechanisms were introduced some time ago in order to allow employees to reconcile their professional commitments with their personal and family needs:

- flexible start and end of working hours for all company activities, with the exception of front-end activities dedicated to direct, daily contact with customers;
- authorisation of part-time work, within medium-to-large departments, following the birth or adoption of children;
- additional paid leave for doctor's visits and diagnostic examinations that objectively cannot take place outside the individual's working hours.

In this context, some years ago the Generali Group inaugurated at the offices in Mogliano Veneto, Trieste and Rome the company day-care facilities known as "I Cuccioli del Leone", which are dedicated to children between three months and three years of age. The facilities are accessible to the children of Banca Generali employees, through a specific application process.

The Banca Generali Group supports efforts to achieve the new strategic goals and the pursuit of top performance through significant investments in training and professional development. Training offerings take the form of internally designed programmes, programmes run by the Generali Group and technical or advanced training courses purchased from leading external companies or prestigious academic institutions.

There was an increase in per-employee training hours compared to 2013, from both a quantitative and a qualitative standpoint, concentrated in the middle manager segment, for which there were increases in both the hours of training and, above all, the number of individuals involved.

Human resource managers and other individuals placed in development programmes took part in extensive managerial training projects. In addition, the top management benefited from several specific measures. Specifically, a number of business coaching programmes were launched, whose methods proved effective and appreciated.

As mentioned briefly above, during the year advanced training programmes were launched with Ca' Foscari University of Venice, the Catholic University of Milan, Carlo Cattaneo Free University (LIUC) of Castellanza and the ISTUD Foundation.

A workshop was planned and executed with the aim of disseminating broadly throughout the company population the strategic guidelines that will steer the Bank in the coming years. This programme, which met with broad consent amongst participants, ensures the fullest possible understanding of the New Service Model implemented by the Bank.

In Banca Generali Group surveys are periodically conducted to assess the general working climate and other forms of dialogue with employees, as well as other activities that involve the bank's employees and which are aimed at building a corporate culture and identity. The banking group's employees, along with the Generali Group's employees, benefit from dedicated information channels, such as the HR Portal (a new release of which is scheduled shortly), Bollettino.com and the newsletters, which gather and spread information about events, projects and organisational notes.

### 8.2.2 Policies in support of families and young people

#### Banca Generali offering for families and young people

Over time, Banca Generali has developed solutions targeted to

families aimed at protecting investments and preserving family welfare.

With specific regard to savings products dedicated to children and projects for their future, we realised and marketed a number of products such as:

- **BGnext.it**: this Banca Generali mini-site represents the ideal environment for proposing commercial products and new content and initiatives for the very young;
- the policy **BG 18 anni**, which allows a savings plan to be used to create capital intended for a child's future, from support for educational costs to the certainty of being able to contribute to the first big expenditures. The product is highly flexible and includes interesting features:
  - the Scholarship option (paid out when the contract expires) which allows the capital to be disbursed in instalments in order to finance university studies or to be redeemed to be put towards purchasing a first car or home or launching a career;
  - 5% Loyalty Bonus paid out when the contract expires;
  - additional payments accepted from persons other than the policyholder, such as grandparents, aunts and uncles;
  - additional payments supplemented by the Company in case of unexpected and adverse event affecting the policyholder;
  - an innovative simulation that parents can use, in a simple, intuitive process, to formulate an investment plan in BG 18 Anni with the aim of reaching the career path or course of study of interest to their children;
- the account card **BG GO!**, the card created for a young customer target that associates all of the main services linked to a current account with the special functions of a debit card. The reduced annual fee and the ability to use it to make online purchases make BG GO! an ideal product for the under 30 market;
- the **BG 10+ deposit account**, which includes a free prepaid card and no management fee, is an account on which young people may put their savings, under the supervision of an adult who in practice manages the account. This product is part of a project aimed at increasing awareness on children's financial education, which Banca Generali has been developing for several years;
- finally, also the initiative "**Un Campione per Amico**", which is touring the Italian major cities with the help of four sports champions, aims to involve young people in financial education through sports and play.

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

In particular, with respect to protecting families' welfare, worthy of note is **BG Stile Libero**: the new multi-line policy launched in February 2014, which represents one of the most innovative solutions of its kind currently on the Italian market.

BG Stile Libero offers an integrated system of insurance covers such as death cover according to age, accident cover and increased cover in the event of capital losses, allowing policyholders to protect their investments and guarantee peace of mind to their families.

In addition to BG Stile Libero, the range of insurance products developed to satisfy this need for protection also includes:

- a **temporary life insurance policy, BG Tutela** which, in case of the insured's death, guarantees the payment of capital to the designated beneficiaries with an annual minimum premium of 50 euros;
- the **insurance Casa** by Genertel which provides insurance coverage for the home and family activities in case of injury caused to third parties, damage to the building and its contents.

**As part of our banking services dedicated to improving families' welfare**, in the year we continued offering current accounts with ad-hoc conditions intended for family associations whose members include people with disabilities (e.g., the non-profit organisation La Goccia, ANNFASS, L'anatroccolo) or associations supporting scientific research on rare diseases (e.g. AISM - Italian Multiple Sclerosis Association), as well as offering mortgages and loans of major third party financial institutions to promote and protect the residential real estate investments of our customers. Moreover, in order to meet families' increasing mobility and the need for constant connectivity, the Bank offers two Apps for iOS and Android systems through which people can access their current account and perform transactions from their smartphones.

**With regard to commercial initiatives aimed at protecting families' investments**, products with **capital protection at maturity** continued to be offered.

The offer includes multi-manager asset allocation on 8 investment lines and different maturities according to clients investment objectives (from 11 to 16 years) to manage the BG Target portfolio, and a range of insurance products such as BG Stile Libero which, thanks to its multi-line structure, allows to place up to 30% of the investment in Assicurazioni Generali Group segregated accounts providing capital **protection** also in the event of early divestment.

Moreover, BG Stile Libero offers an innovative insurance death cover which enables the policyholder to cover possible capital losses arising from investments in UCITs through increasing coverage (up to 175,000 euros) based on the premium paid in UCITs.

### 8.2.3 Environmental policies

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

The objectives and undertakings that guide the Group's choices and actions in order to make a positive contribution to sustainable development are defined in the Charter of Sustainability Commitments of the Generali Group. Among these objectives, environmental commitments refer not only to the direct impacts on the environment attributable to the Group's insurance and trading activities, but also indirect impacts connected with the procurement, planning and distribution of insurance and financial products, as well as corporate investment activities.

In 2014, the new Group Policy for the Environment and Climate – replacing the previous Environmental Policy – was defined. It outlines the guiding principles by which the strategies and goals of environmental management must abide in order to integrate the needs related to business development with the protection of the environment and the challenges posed by climate change. The Policy reiterates the commitment of the Generali Group in safeguarding the environment, as stated in the Code of Conduct.

In addition, the Generali Group has long been committed to a project aimed at implementing an Environmental Management System (EMS) compliant with the requirements of the ISO 14001 standard, which the Banking group has adopted.

Since 2011, on an annual basis, the Certification Body RINA Services S.p.A. certifies the System's greenhouse-gas emissions, in accordance with the ISO 14064-1 standard.

In order to identify the significant impacts of the Company's activity on the environment, an environmental analysis was conducted for the main offices at Via Ugo Bassi 6 in Milan and Corso Cavour 5/a in Trieste. The facilities in question host 630 employees, accounting for 77% of the Banca Generali Group's workforce.

### Per-capita electrical energy consumption

	31.12.2014		31.12.2013	
kWh	SHARE OF RENEWABLE ENERGY (%)	kWh	SHARE OF RENEWABLE ENERGY (%)	CHANGE
2.951,66	100	3,008.89	100	-1.90%

In 2014, total electrical energy consumption was 1,859.54 GWh, slightly up compared to the previous year (+2.83%) mainly due to the increase in the number of buildings monitored within the EMS.

The higher concentration of resources employed within the scope of EMS (+17) however generated a decline in per-capita consumption to 2,951.66 kWh compared to 3,008.89 kWh in 2013.

Electrical power is chiefly used for air-conditioning and heating, lighting and the operation of machines.

### Per-capita gas consumption

	31.12.2014		31.12.2013	
	m <sup>3</sup>		m <sup>3</sup>	CHANGE
	271.16		291.94	-7.12%

Turning to thermal power consumption, in 2014, a total of 170,828 cubic metres of natural gas was consumed at the offices monitored by the Environmental Management System, with a 2.64% decrease in consumption compared to 2013. Following the increased number of resources at the offices subject to EMS' monitoring, the reduction in per-capita gas consumption was higher than in the previous year (-7.12%).

Climate conditions also helped the overall reduction of total consumption, as the winter season was short and mild.

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

### Total paper consumption

	31.12.2014		31.12.2013	
	QUINTALS		QUINTALS	CHANGE
	400.74		401.60	-0.21%

Paper consumption was essentially unchanged compared to the previous year (-0.21%), whereas the use of "green" recycled paper continued to improve. Recycled paper use accounted for

93% of total consumption, compared to the level of 91% recorded in the previous year, and 80% in 2012.

In 2014, 400.74 quintals of paper were consumed, including both blank and pre-printed paper, i.e., paper purchased from suppliers of Group print documents and publications (contracts, advertising material, annual reports, etc.).

### Per-capita water consumption

	31.12.2014		31.12.2013	
	m <sup>3</sup>		m <sup>3</sup>	CHANGE
	19.04		15.08	+26.29%

In 2014, total water consumption was 11,998 cubic metres, up by 2,935 cubic meters (+32.38%) compared to the previous year. The increase was attributable to a different consumption measurement provided by the Generali Real Estate's Facility Management Department which – with regard to its share of consumption and limited to the Milan offices at Via Ugo Bassi 6 – charged to Banca Generali the water consumption used for the irrigation of the building's shared garden.

The per-capita consumption increase was instead less marked (+26.29%) owing to the increased number of resources who occupy the buildings within the EMS.

### Waste

	31.12.2014		31.12.2013	
	QUINTALS		QUINTALS	CHANGE
Total sorted waste collection	347.3		208.6	+66.48%
Total unsorted waste collection	81.5		73.8	+10.00%

In 2014, we produced 428.8 quintals of waste, of which 347.3 quintals (81%) was collected separately and 81.5 quintals (19%) to be disposed of through incineration or landfill disposal. Differentiated waste disposal refers to paper and cardboard, plastic and aluminium, electronics and toner, glass and wet waste. The bulk of this waste consists of spent toner cartridges (49% of separated waste), followed by paper and cardboard, representing 46%.

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

## Greenhouse-gas emissions

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

In 2014, total GHG emissions amounted to 1,361.5 tonnes of carbon-dioxide equivalents (CO<sub>2</sub>e), calculated by using appropriate coefficients to transform quantities of nitrogen oxide (N<sub>2</sub>O) and methane (CH<sub>4</sub>). Electrical power consumption accounted for 52.9% of such emissions, while 29.2% was due to thermal power and 17.9% to company mobility.

Compared to the previous year, emissions of carbon-dioxide equivalents (CO<sub>2</sub>e) increased slightly by +1.49%, totalling 20 tonnes. That increase was essentially due to a greater electrical power consumption at the Milan offices, as a result of the expansion of available spaces and the higher number of employees occupying the building monitored by the EMS, in addition to the increase in trips by airplane instead of train reported by the company mobility.

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

Scope 1 – Direct emissions produced by heating systems and the fleet of company cars have been estimated at 398.4 tonnes of CO<sub>2</sub>e. In particular, those resulting from natural gas consumption were estimated at 322.8 tonnes of CO<sub>2</sub>e, while emissions directly produced by the company's fleet were estimated at 75.6 tonnes of CO<sub>2</sub>e.

Scope 2 – Indirect emissions caused by power consumption associated with the use of electrical power generated using fossil fuels have been estimated at 720.4 tonnes of CO<sub>2</sub>e and derive essentially from the purchase of 1,859.54GWh of electrical power.

Scope 3 – Indirect emissions other than power consumption associated with employees' business trips have been estimated to a total of 243.9 tonnes of CO<sub>2</sub>e, of which 51.7 tonnes of CO<sub>2</sub>e were associated with travel by car, 173.2 tonnes of CO<sub>2</sub>e with travel by airplane and 19.1 tonnes of CO<sub>2</sub>e with travel by train.



## 9. Comments on the Parent Company's Operations

Considering the Banca Generali Group's operating structure, the report on consolidated figures better meets the needs of valid representation of earnings and financial position performance

than an analysis of the Bank's aggregates alone. Accordingly, these comments complete the consolidated information to which primary reference should be made.

### 9.1 Profit and loss results

Banca Generali's net profit amounted to 167.5 million euros at the end of 2014, sharply increasing compared to 94.9 million euros reported at the end of the previous year. This figure is chiefly

attributable to the higher contribution of dividends (+65.3 million euros) distributed by the Luxembourg-based subsidiary BG Fund Management Luxembourg S.A.

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
Interest income	117,700	144,479	-26,779	-18.5%
Interest expense	-10,770	-22,694	11,924	-52.5%
<b>Net interest income</b>	<b>106,930</b>	<b>121,785</b>	<b>-14,855</b>	<b>-12.2%</b>
Fee income	329,751	263,824	65,927	25.0%
Fee expense	-208,130	-160,144	-47,986	30.0%
<b>Net fees</b>	<b>121,621</b>	<b>103,680</b>	<b>17,941</b>	<b>17.3%</b>
Dividends	2,570	915	1,655	180.9%
Net income from trading activities	52,370	18,065	34,305	189.9%
<b>Net operating income</b>	<b>283,491</b>	<b>244,445</b>	<b>39,046</b>	<b>16.0%</b>
Staff expenses	-68,964	-65,146	-3,818	5.9%
Other general and administrative expense	-124,858	-102,283	-22,575	22.1%
Net adjustments of property, equipment and intangible assets	-4,372	-4,982	610	-12.2%
Other operating expenses/income	38,634	29,618	9,016	30.4%
<b>Net operating expenses</b>	<b>-159,560</b>	<b>-142,793</b>	<b>-16,767</b>	<b>11.7%</b>
<b>Operating profit</b>	<b>123,931</b>	<b>101,652</b>	<b>22,279</b>	<b>21.9%</b>
Net adjustments for non-performing loans	-7,530	-4,915	-2,615	53.2%
Net adjustments of other assets	-3,465	-1,158	-2,307	199.2%
Net provisions	-39,921	-22,946	-16,975	74.0%
Dividends and income from equity investments	122,596	57,312	65,284	113.9%
Gains (losses) from the disposal of equity investments	-18	-4	-14	350.0%
<b>Operating profit before taxation</b>	<b>195,593</b>	<b>129,941</b>	<b>65,652</b>	<b>50.5%</b>
Income taxes	-31,185	-34,953	3,768	-10.8%
Profit (loss) from non-current assets, net of taxes	3,051	-124	3,175	-2560.5%
<b>Net profit</b>	<b>167,459</b>	<b>94,864</b>	<b>72,595</b>	<b>76.5%</b>

**Net operating income**, net of dividends on the Banking Group's equity investments, amounted to 283.5 million euros, with an increase of 39 million euros (+16.0%) compared to the previous year, due to several factors:

- the decline in net interest income (-14.9 million euros), affected primarily by the dramatic decline in yields on the Italian government bond market;
- the contribution of non-recurring components of the operating profit, chiefly attributable to the excellent income from trading activities and dividends (+35.9 million euros)

- achieved by leveraging the positive market conditions arising from the decline in the spreads on Italian government debt;
- the rise in net fees (+17.3%), primarily thanks to the performance of management fees, driven by the significant increase in average AUM compared to the previous year.

**Net interest income** was **106.9 million euros**, down by 14.9 million euros compared to 2013 (-12.2%), due to the constant decline in the profitability of investments as a result of the ongoing downtrend in interest rates.

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
HFT financial assets	546	9,839	-9,293	-94.5%
AFS financial assets	27,894	29,178	-1,284	-4.4%
HTM financial assets	59,875	81,338	-21,463	-26.4%
Financial assets classified among loans	4,528	3,998	530	13.3%
<b>Total financial assets</b>	<b>92,843</b>	<b>124,353</b>	<b>-31,510</b>	<b>-25.3%</b>
Loans to banks	608	626	-18	-2.9%
Loans to customers	24,247	19,495	4,752	24.4%
Other assets	2	5	-3	-60.0%
<b>Total interest income</b>	<b>117,700</b>	<b>144,479</b>	<b>-26,779</b>	<b>-18.53%</b>
Due to ECB	1,811	6,799	-4,988	-73.4%
Due to banks	533	623	-90	-14.4%
Repurchase agreements - banks	2,102	3,963	-1,861	-47.0%
Due to customers	5,401	8,333	-2,932	-35.2%
Repurchase agreements - customers	240	2,265	-2,025	-89.4%
Subordinated loan	683	711	-28	-3.9%
<b>Total interest expense</b>	<b>10,770</b>	<b>22,694</b>	<b>-11,924</b>	<b>-52.5%</b>
<b>Net interest</b>	<b>106,930</b>	<b>121,785</b>	<b>-14,855</b>	<b>-12.2%</b>

Net fees amounted to 121.6 million euros, up 17.9 million euros (+17.3%) compared to the previous year thanks to the

marked increase in the placement and distribution of third-party services for 68.4 million euros (+29.8%).

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
Asset management	29,385	22,670	6,715	29.6%
Placement of securities and UCITSs	154,325	121,997	32,328	26.5%
Distribution of third-party financial products	114,087	84,735	29,352	34.6%
Trading, receipt of orders, and custody of securities and currencies	22,348	24,826	-2,478	-10.0%
Consultancy	1,619	1,655	-36	-2.2%
Collection and payment services	3,481	3,992	-511	-12.8%
Other banking services	4,506	3,949	557	14.1%
<b>Total fee income</b>	<b>329,751</b>	<b>263,824</b>	<b>65,927</b>	<b>25.0%</b>
External offer	198,094	149,342	48,752	32.6%
Collection and payment services	2,580	2,724	-144	-5.3%
Trading and securities custody	7,183	7,790	-607	-7.8%
Asset management	-	-	-	-
Other banking services	273	288	-15	-5.2%
<b>Total fee expense</b>	<b>208,130</b>	<b>160,144</b>	<b>47,986</b>	<b>30.0%</b>
<b>Net fees</b>	<b>121,621</b>	<b>103,680</b>	<b>17,941</b>	<b>17.3%</b>

Within this aggregate, the distribution of the insurance products for **Genertellife** (+29.1 million euros, or +35.4%) continued to grow, also thanks to the success obtained by the new multi-line policy **BG Stile Libero**, which reported approximately **2.2 billion euros** in net inflows since its launch in March, thus significantly driving net inflows of insurance products to the record level of

3.6 billion euros (+181.4% compared to 2013).

In 2014, the placement of UCITSs also performed strongly, with total revenues up by 26.2% compared to 2013 (+29.8 million euros), and a remarkable peak of 61.1% in the placement of third-party UCITSs.

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
1. Individual asset management	29,385	22,670	6,715	29.6%
<b>Portfolio management</b>	<b>29,385</b>	<b>22,670</b>	<b>6,715</b>	<b>29.6%</b>
1. Placement of Banking Group's UCITS units	100,906	87,327	13,579	15.5%
2. Placement of UCITS units	42,895	26,626	16,269	61.1%
3. Bond placement	10,524	8,044	2,480	30.8%
4. Distribution of portfolio management services	2,772	2,499	273	10.9%
5. Distribution of insurance products	111,136	82,063	29,073	35.4%
6. Distribution of other third-party financial services	179	173	6	3.5%
<b>Placement and distribution of third-party products</b>	<b>268,412</b>	<b>206,732</b>	<b>61,680</b>	<b>29.8%</b>
<b>Total</b>	<b>297,797</b>	<b>229,402</b>	<b>68,395</b>	<b>29.8%</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 amounted to 21.9 million euros, decreasing compared to 2013 (-7.2%), chiefly due to the reduction in net revenues on trading services rendered to the product companies of the banking and insurance Group.

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
Dealing in securities and currencies	15,090	16,631	-1,541	-9.3%
Order collection	6,806	7,479	-673	-9.0%
Securities under custody	452	716	-264	-36.9%
Collection and payment services	3,481	3,992	-511	-12.8%
Fee income and account-keeping expenses	2,845	2,945	-100	-3.4%
Consultancy	1,619	1,655	-36	-2.2%
Other banking services	1,661	1,004	657	65.4%
<b>Total traditional banking operations</b>	<b>31,954</b>	<b>34,422</b>	<b>-2,468</b>	<b>-7.2%</b>
Securities trading and custody	-5,950	-6,738	788	-11.7%
Securities under custody	-1,233	-1,052	-181	17.2%
Collection and payment services	-2,580	-2,724	144	-5.3%
Other banking services	-273	-288	15	-5.2%
<b>Total fee expense</b>	<b>-10,036</b>	<b>-10,802</b>	<b>766</b>	<b>-7.1%</b>
<b>Net fees</b>	<b>21,918</b>	<b>23,620</b>	<b>-1,702</b>	<b>-7.2%</b>

**Net income from trading activities and dividends** totalled 54.9 million euros, largely attributable to the gains realised on the purchase of medium/long-term government bonds allocated to the portfolio of AFS assets (47.8 million euros).

The result of trading activities was also positive overall (4.7 mil-

lion euros), witnessing a reversal of the trend compared to 2013, which was weighed down by the net losses realised (-7.8 million euros) in relation to a government securities portfolio set to mature in the near term, acquired in between late 2012 and early 2013.

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
Dividends from trading	126	86	40	46.5%
Trading of financial assets and equity derivatives	-136	64	-200	-312.5%
Trading of financial assets and derivatives on debt securities and interest rates	697	-7,841	8,538	-108.9%
Trading of forward derivative contracts	290	2,102	-1,812	-112.7%
Trading of UCITS units	251	1,052	-801	-76.1%
<b>Securities transactions</b>	<b>1,228</b>	<b>-4,537</b>	<b>5,765</b>	<b>-127.1%</b>
<b>Currency and currency derivative transactions</b>	<b>3,482</b>	<b>2,085</b>	<b>1,397</b>	<b>67.0%</b>
<b>Net income (loss) from trading activities</b>	<b>4,710</b>	<b>-2,452</b>	<b>7,162</b>	<b>-292.1%</b>
Net profit from hedging	-	-	-	-
Dividends from AFS assets	2,444	829	1,615	194.8%
Gains and losses on equity securities	-	108	-108	-100.0%
Gains and losses on AFS and HTM debt securities and loans	47,786	20,495	27,291	133.2%
<b>Net profit (loss) of financial operations</b>	<b>54,940</b>	<b>18,980</b>	<b>35,960</b>	<b>189.5%</b>

**Net operating expenses** amounted to 159.6 million euros, up 16.8 million euros overall compared to the previous year (+11.7%).

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
Staff expenses	-68,964	-65,146	-3,818	5.9%
Other general and administrative expense	-124,858	-102,283	-22,575	22.1%
Net adjustments of property, equipment and intangible assets	-4,372	-4,982	610	-12.2%
Other income and expenses	38,634	29,618	9,016	30.4%
<b>Operating expenses</b>	<b>-159,560</b>	<b>-142,793</b>	<b>-16,767</b>	<b>11.7%</b>

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to tangible and intangible assets) to net operating income (net of dividends from equity investments),

amounted to 54.7%, in line with the previous year (56.3%), thus confirming the positive operating leverage effect, which saw the cost performance outpaced by the revenue performance.

**Staff expenses**, including full-time employees, interim staff and directors totalled 69.0 million euros (+5.9%), due to both a moderate increase in their remuneration and incentive components.

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
<b>1) Employees</b>	67,944	63,929	4,015	6.3%
Wages and salaries and social security charges	47,875	44,853	3,022	6.7%
Contributions to outside supplemental pension funds and provision for termination indemnity	3,698	4,351	-653	-15.0%
Costs related to payment agreements based on own financial instruments	1,596	476	1,120	235.3%
Production bonuses and short-term incentives	9,073	8,599	474	5.5%
Other long-term incentives	1,623	2,216	-593	-26.8%
Other employee benefits	4,079	3,434	645	18.8%
<b>2) Seconded staff from and to other companies and other employees</b>	-157	102	-259	-253.92%
<b>3) Directors and Auditors</b>	1,177	1,115	62	5.56%
<b>Total</b>	<b>68,964</b>	<b>65,146</b>	<b>3,818</b>	<b>5.9%</b>

Group employees at year-end numbered 777, with an increase of 13 resources in terms of exact figures, of which 8 from the business line acquired in November.

Average headcount rose by 19 resources (+2.5%) compared to the previous year.

	31.12.2014	31.12.2013	CHANGE		AVERAGE 2014	AVERAGE 2013
			AMOUNT	%		
Managers	43	44	-1	-2.3%	44	44
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	121	116	5	4.3%	119	115
1 <sup>st</sup> and 2 <sup>nd</sup> level executives	91	84	7	8.3%	88	78
Other employees	522	520	2	0.4%	521	516
<b>Total</b>	<b>777</b>	<b>764</b>	<b>13</b>	<b>1.7%</b>	<b>771</b>	<b>752</b>

Other **general and administrative expense** amounted to 124.8 million euros, a 12.3 million euros increase, net of stamp duty recovery from customers on current accounts and financial instruments, compared to the previous year (+16.5%).

lion euros.

With regard to stamp duty on financial instruments, it bears noting that commencing in 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 2013 was however offset by the symmetrical increase in taxes recovered from customers, recognised among the other operating income and expense aggregate for 37.7 mil-

Net of that effect, the increase in general and administrative expense was largely due to non-recurring charges arising from the acquisition of the Credit Suisse Italia's business line (legal and advisory fees and merger costs), as well as the significant commitments for the continuous upgrading of the bank's digital platform and the development of the New Service Model.

The acquisition of the Credit Suisse's business line generated extraordinary operating expenses of 5.2 million euros, of which 4.0 million euros recognised under administrative expense and 1.2 million euros under other operating expenses.

In developments relating to the New Service Model, in 2014 total charges of 2.9 million euros were recognised in connection with project management consulting, sales network training, and the launch of the new app (financial/insurance app desk) and real-estate platform. In addition, the technological platform for the new BG Advisory service, which will become operative in 2015,

has also entered the advanced stages of development. In addition, the Bank incurred charges of 2.7 million euros for the launch of a development project aimed at entering the new market of mobile gaming apps with an application intended to combine the investment culture with an entertainment component (Appy Life).

(€ THOUSAND)	2014	2013	CHANGE	
			AMOUNT	%
<b>Administration</b>	<b>18,712</b>	<b>12,952</b>	<b>5,760</b>	<b>44.5%</b>
Advertising	3,264	4,074	-810	-19.9%
Consultancy and professional advice expense	11,206	4,565	6,641	145.5%
Auditing	360	354	6	1.7%
Insurance	2,811	3,077	-266	-8.6%
Other general costs (insurance, T&E)	1,071	882	189	21.4%
<b>Operations</b>	<b>32,444</b>	<b>30,882</b>	<b>1,562</b>	<b>5.1%</b>
Rent and usage of premises	15,520	15,049	471	3.1%
Outsourced services (administrative, back office)	6,150	4,809	1,341	27.9%
Post and telephone	2,838	2,917	-79	-2.7%
Print material and contracts	1,107	931	176	18.9%
Other indirect staff expenses	2,543	2,463	80	3.2%
Other operating expenses	4,286	4,713	-427	-9.1%
<b>Information system and equipment</b>	<b>33,401</b>	<b>29,968</b>	<b>3,433</b>	<b>11.5%</b>
Outsourced IT services	23,456	20,955	2,501	11.9%
Fees for financial databases and other IT services	5,342	5,593	-251	-4.5%
Software maintenance and servicing	3,049	2,661	388	14.6%
Other expenses (equipment rental, etc.)	1,554	759	795	104.7%
<b>Taxes and duties</b>	<b>40,301</b>	<b>28,481</b>	<b>11,820</b>	<b>41.5%</b>
of which stamp duty on current accounts and financial instruments	38,347	28,046	10,301	36.7%
<b>Total other general and administrative expense</b>	<b>124,858</b>	<b>102,283</b>	<b>22,575</b>	<b>22.1%</b>

**Net provisions and net adjustments** amounted to 50.9 million euros, up 21.9 million euros (+75.5%) compared to 2013, as a result of higher provisions in connection with incentives, development and contractual indemnities of the Financial Planner

network. In addition, prudential adjustments were also made to non-performing loans to customers and impairment losses were recognised on the AFS equity securities portfolio.

**Current and deferred taxes for the year** are estimated at 31.2 million euros, down 3.8 million euros compared to the previous year.

It bears however recalling that an 8.5% IRES one-off surtax – applicable solely to the taxable income of financial and insurance intermediaries, net of value adjustments on temporarily non-de-

ductible loans – was introduced at year-end 2013. Excluding the effect of this surtax, total tax rate was 21.9% in 2013.

At the end of 2014, total tax rate was estimated at 15.9% due to greater impact on dividends from equity investments (+66.3 million euros), subject to 5% IRES surtax.

INCOME COMPONENTS / VALUES	2014	2013	CHANGE	
			AMOUNT	%
Current taxation	-37,291	-36,922	-369	1.0%
of which 8.5% IRES surtax	-	-6,482	6,482	-100.0%
Current taxes for prior years	1,433	996	437	43.9%
Deferred tax receivables and payables	4,673	973	3,700	380.3%
<b>Taxes for the year</b>	<b>-31,185</b>	<b>-34,953</b>	<b>3,768</b>	<b>-10.8%</b>

**Net profit for the year** amounted to 167.5 million euros, with basic earnings per share of 145.1 eurocents.

## 9.2 Balance sheet and net equity aggregates

At the end of 2014, total consolidated assets amounted to 6.1 billion euros, declining by 0.4 billion euros compared to the end of 2013 (-6.0%).

At year-end, total net inflows amounted to 5.4 billion (-8.6%), reflecting the sharp reduction in interbank inflows (-53.4%), which accelerated in the fourth quarter as a result of the partial

repayment (300 million euros) of LTROs set to mature in February 2015 and partly offset by the strong increase in customer deposits.

Similarly, core loans amounted to 5.8 billion euros at year-end (-7.6%), with a decline in government securities and a marked increase in loans to customers.



ASSETS (€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
HFT financial assets	32,444	229,509	-197,065	-85.9%
AFS financial assets	2,235,403	1,626,116	609,287	37.5%
HTM financial assets	1,403,122	2,652,686	-1,249,564	-47.1%
Loans to banks (*)	344,080	279,539	64,541	23.1%
Loans to customers	1,756,611	1,461,098	295,513	20.2%
Equity investments	14,024	14,024	-	0.0%
Property, equipment and intangible assets	89,417	45,669	43,748	95.8%
Tax receivables	40,473	38,031	2,442	6.4%
Other assets	181,613	134,001	47,612	35.5%
Financial assets held for sale	-	7,957	-7,957	-100.0%
<b>Total assets</b>	<b>6,097,187</b>	<b>6,488,630</b>	<b>-391,443</b>	<b>-6.0%</b>

(\*) Demand deposits with ECB included.

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
Due to banks	1,038,869	2,230,833	-1,191,964	-53.4%
Due to customers	4,352,877	3,665,295	687,582	18.8%
Financial liabilities held for trading and hedging	2,655	597	2,058	344.7%
Tax payables	18,767	14,183	4,584	32.3%
Other liabilities	143,227	139,354	3,873	2.8%
Special purpose provisions	98,415	75,788	22,627	29.9%
Valuation reserves	18,054	5,502	12,552	228.1%
Reserves	95,653	110,058	-14,405	-13.1%
Additional paid-in capital	45,575	37,302	8,273	22.2%
Share capital	115,677	114,895	782	0.7%
Treasury shares (-)	-41	-41	-	0.0%
Net profit for the year	167,459	94,864	72,595	76.5%
<b>Total net equity and liabilities</b>	<b>6,097,187</b>	<b>6,488,630</b>	<b>-391,443</b>	<b>-6.0%</b>

Direct inflows from customers amounted to 4,353 million euros, with an increase of 687.6 million euros compared to 31 December 2013, due both to the Generali Group's operations and the higher inflows from retail customers.

With regard to the latter, the acquisition of the Credit Suisse's business line contributed approximately 115 million euros in current account deposit inflows.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
Current accounts	4,163,043	3,018,632	1,144,411	37.9%
Repurchase agreements	-	85,754	-85,754	-100.0%
Term deposits	-	428,430	-428,430	-100.0%
Subordinated loan	51,312	16,124	35,188	218.2%
Other debts	138,522	116,355	22,167	19.1%
<b>Total due to customers (Item 20)</b>	<b>4,352,877</b>	<b>3,665,295</b>	<b>687,582</b>	<b>18.8%</b>

Captive inflows from the Banking Group's subsidiaries, the Parent Company Assicurazioni Generali, and the Italian and foreign subsidiaries of such Group increased by 116 million euros overall to 1,336 million euros at the end of the year (30.7% of total net inflows).

The aggregate includes 43 million euros for the Tier-2 subordinated loan issued by the subsidiary Generali Beteiligungs GmbH in relation to the acquisition of the Credit Suisse's business line. Interest-bearing inflows from customers outside the banking

and insurance group increased by approximately 548 million euros and are entirely attributable to the increase of current account balances. At year-end, inflows in the form of repurchase agreements and term deposits were essentially interrupted in light of the interest rate evolution.

Core loans totalled 5.7 billion euros, with an overall slight decrease compared to 31 December 2013 (-7.6%).

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
<b>HFT financial assets</b>	<b>32,444</b>	<b>229,509</b>	<b>-197,065</b>	<b>-85.9%</b>
<b>AFS financial assets</b>	<b>2,235,403</b>	<b>1,626,116</b>	<b>609,287</b>	<b>37.5%</b>
<b>HTM financial assets</b>	<b>1,403,122</b>	<b>2,652,686</b>	<b>-1,249,564</b>	<b>-47.1%</b>
<b>Loans to banks</b>	<b>344,080</b>	<b>279,539</b>	<b>64,541</b>	<b>23.1%</b>
Financing (*)	195,887	154,311	41,576	26.9%
Debt securities	148,103	125,165	22,938	18.3%
Operating loans	90	63	27	42.9%
<b>Loans to customers</b>	<b>1,756,611</b>	<b>1,461,098</b>	<b>295,513</b>	<b>20.2%</b>
Financing	1,636,573	1,327,405	309,168	23.3%
Life insurance participating policy	-	22,208	-22,208	-100.0%
Debt securities	35,345	38,583	-3,238	-8.4%
Operating loans and other loans	84,693	72,902	11,791	16.2%
<b>Total core loans</b>	<b>5,771,660</b>	<b>6,248,948</b>	<b>-477,288</b>	<b>-7.6%</b>

(\*) Demand deposits with ECB included.

However, in this context, the share of the balance sheet invested in financial assets declined by 817.6 million euros (-17.5%), primarily owing to the flow of redemptions of maturing securities in

the HTM portfolio, only partially offset by the new investments allocated to the AFS portfolio, whereas there was a significant increase in loans to customers (+309.1 million euros).

**Loans to customers** grew to 1,636.6 million euros. However, one-third of this increase (94 million euros) was attributable to the acquisition of the Credit Suisse's business line. The increase was driven in particular by the disbursement of new loans to customers (+25.8%), whereas current account overdraft

facilities (+23.8%) were more directly influenced by the aforementioned business combination.

By contrast, the GESAV participating policy was surrendered in full.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
<b>Financing</b>	<b>1,636,573</b>	<b>1,327,405</b>	<b>309,168</b>	<b>23.3%</b>
Current accounts	931,341	752,116	179,225	23.8%
Personal loans	693,619	551,450	142,169	25.8%
Other loans:	11,613	23,839	-12,226	-51.3%
<b>Life insurance participating policy</b>	-	<b>22,208</b>	<b>-22,208</b>	<b>-100.0%</b>
<b>Debt securities</b>	<b>35,345</b>	<b>38,583</b>	<b>-3,238</b>	<b>-8.4%</b>
<b>Other</b>	<b>84,693</b>	<b>72,902</b>	<b>11,791</b>	<b>16.2%</b>
Operating loans to product companies	49,803	38,003	11,800	31.1%
Sums advanced to Financial Advisors	30,545	27,029	3,516	13.0%
Stock exchange interest-bearing daily margin	2,092	2,237	-145	-6.5%
Changes to be debited and other loans	2,253	5,633	-3,380	-60.0%
<b>Total loans to customers</b>	<b>1,756,611</b>	<b>1,461,098</b>	<b>295,513</b>	<b>20.2%</b>

**Net non-performing loans** amounted to 41.2 million euros (2.3% of total loans to customers).

The aggregate includes 28.3 million euros referring to bad and substandard loans originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. upon the sale of the foregoing company and chiefly secured to that end by cash collateral payments by the counterparty. Net of that portfolio, the weight of non-performing exposures de-

clined to 0.74%.

The increase in substandard positions was also essentially attributable to positions covered by indemnities of approximately 8.2 million euros, previously classified as past due.

The most significant position in this category is a loan of 10.8 million euros to Investimenti Marittimi, not covered by indemnity and subject to an impairment loss of 6.7 million euros.

(€ THOUSAND)	GROSS EXPOSURE	ADJUSTMENT VALUE	NET EXPOSURE 2014	NET EXPOSURE 2013	CHANGE		INDEMNITY	RESIDUAL UNSECURED
					AMOUNT	%		
Bad loans	32,068	-16,335	15,733	20,381	-4,648	-22.8%	14,328	1,405
of which financing	28,589	-13,647	14,942	16,083	-1,141	-7.1%	14,328	614
of which debt securities	-	-	-	3,326	-3,326	-100.0%	-	-
of which operating receivables	3,479	-2,688	791	972	-181	-18.6%	-	791
Substandard loans	25,682	-7,288	18,394	15,221	3,173	20.8%	13,929	4,465
Restructured loans	1,847	-624	1,223	981	242	24.7%	-	1,223
Expired loans/outstanding over 90 days	6,335	-447	5,888	8,743	-2,855	-32.7%	-	5,888
<b>Total non-performing loans</b>	<b>65,932</b>	<b>-24,694</b>	<b>41,238</b>	<b>45,326</b>	<b>-4,088</b>	<b>-9.0%</b>	<b>28,257</b>	<b>12,981</b>
Performing loans	1,717,037	-1,664	1,715,373	1,415,772				
<b>Total loans to customers</b>	<b>1,782,969</b>	<b>-26,358</b>	<b>1,756,611</b>	<b>1,461,098</b>				

The **interbank position**, net of the securities portfolio and operating loans, showed a net loss balance of -842.9 million euros at the end of 2014, down -1,233.5 million euros (-59.4%) compared to the end of the previous year, due to the combined effect of:

- early repayment in November of 300 million euros for the LTRO received from the ECB in 2012 and set to mature in February 2015;

- the decline of interbank funding in the form of repurchase agreements (-890.6 million euros), with maturities within 12 months, made during the previous year.

At 31 December 2014, the interbank position included also overnight deposits with the ECB amounting to 68 million euros.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
<b>1. Repayable on demand</b>	<b>149,913</b>	<b>80,825</b>	<b>69,088</b>	<b>85.5%</b>
Demand deposit with ECB	68,000	-	68,000	n.a.
Demand deposits	-	40,000	-40,000	-100.0%
Transfer accounts	81,913	40,825	41,088	100.6%
<b>2. Time deposits</b>	<b>45,974</b>	<b>73,486</b>	<b>-27,512</b>	<b>-37.4%</b>
Deposits with central banks	45,891	59,600	-13,709	-23.0%
Term deposits	83	13,886	-13,803	-99.4%
Repurchase agreements	-	-	-	-
Collateral margins	-	-	-	-
<b>Total due to banks</b>	<b>195,887</b>	<b>154,311</b>	<b>41,576</b>	<b>26.9%</b>
<b>1. Due to central banks</b>	<b>811,645</b>	<b>1,114,185</b>	<b>-302,540</b>	<b>-27.2%</b>
<b>2. Due to banks</b>	<b>227,224</b>	<b>1,116,648</b>	<b>-889,424</b>	<b>-79.7%</b>
Transfer accounts	5,408	397	5,011	1262.2%
Term deposits	6,792	187	6,605	3532.1%
Financing	200,834	1,095,032	-894,198	-81.7%
Repurchase agreements	200,734	1,091,372	-890,638	-81.6%
Collateral margins	100	3,660	-3,560	-97.3%
Other debts	14,190	21,032	-6,842	-32.5%
<b>Total due to banks</b>	<b>1,038,869</b>	<b>2,230,833</b>	<b>-1,191,964</b>	<b>-53.4%</b>
<b>Net interbank position</b>	<b>-842,982</b>	<b>-2,076,522</b>	<b>1,233,540</b>	<b>-59.4%</b>
3. Debt securities	148,103	125,165	22,938	18.3%
4. Other operating receivables	90	63	27	42.9%
<b>Total interbank position</b>	<b>-694,789</b>	<b>-1,951,294</b>	<b>1,256,505</b>	<b>-64.4%</b>

### 9.3 Net equity

At 31 December 2014, net equity, including net profit for the year, amounted to 442.4 million euros compared to the 362.6

million euros at the end of the previous year and underwent the following changes.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
1. Share capital	115,677	114,895	782	0.7%
2. Additional paid-in capital	45,575	37,302	8,273	22.2%
3. Reserves	95,653	110,058	-14,405	-13.1%
4. (Treasury shares)	-41	-41	-	0.0%
5. Valuation reserves	18,054	5,502	12,552	228.1%
6. Equity instruments	-	-	-	n.a.
7. Net profit (loss) for the year	167,459	94,864	72,595	76.5%
<b>Total net equity</b>	<b>442,377</b>	<b>362,580</b>	<b>79,797</b>	<b>22.0%</b>

<b>Net equity at year-start</b>	<b>362,580</b>
Dividend paid	-109,622
Previous stock option plans: issue of new shares	7,606
New stock option plans	224
Other changes	1,578
Change in valuation reserves (AFS and financial flows)	12,552
Net profit (loss) for the year	167,459
<b>Net equity at year-end</b>	<b>442,377</b>
<b>Change</b>	<b>79,797</b>

The change in net equity in 2014 was influenced by the distribution of the 2013 dividends amounting to approximately 109.6 million euros, authorised by the Shareholders' meeting held on 24 April 2014 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, fair value valuation reserves for AFS financial assets recorded a positive balance of 19.5 million euros at year-end, with an improvement of 13.0 million euros compared to year-end 2013. Such reserves mainly refer to the government bond portfolio (14.8 million euros).

**Own funds**, calculated in accordance with the new Basel 3 rules in effect since 1 January 2014, and net of the expected dividend payout, amounted to 265.8 million euros, up by 52.3 million euros compared to the end of the previous year, when they were calculated in accordance with the previous Basel 2 rules.

At the end of the reporting year, capital for regulatory purposes was 74.1 million euros higher than the amount required by the Supervisory Authority to cover credit, market, and operating risks, down 20.7 million euros compared to the previous year.

The increase in absorbed capital compared to the previous year (+73.0 million euros) is primarily to be attributed to the effects of the transition to the new Basel 3 rules, which entailed the elimination of the 25% flat-rate reduction required by the previous regulation for banks belonging to banking groups (+39.6 million euros), and the introduction of new credit requirements for DTAs and significant investments (+10.2 million euros). The expansion of the Bank's operations during the year also resulted in a significant increase in the capital absorbed by operating risk, commensurate with the three-year performance of net banking income.

Own funds, calculated in accordance with Basel 3 rules, which will become fully applicable as of 1 January 2019, were 275.5 million, with estimated Total Capital Ratio at 11.62%.

(€ THOUSAND)	31.12.2014 BASEL 3		31.12.2013 BASEL 2	CHANGE		31.12.2013 BASEL 2 PRO FORMA
	FULL APPL.	PHASE IN		AMOUNT	%	
Common equity Tier 1 (CET 1)	226,512	217,463	200,680	16,783	8.36%	203,875
Additional Tier 1 capital (AT1)	-	-	-	-	-	-
Tier 2 capital (T2)	49,005	48,300	12,754	35,546	278.70%	14,854
<b>Own funds</b>	<b>275,517</b>	<b>265,763</b>	<b>213,434</b>	<b>52,329</b>	<b>24.52%</b>	<b>218,729</b>
B.1 Credit risk	135,528	137,548	111,391	26,157	23.48%	118,698
B.2 Market risk	3,555	3,555	5,946	-2,391	-40.21%	3,555
B.3 Operating risk	50,577	50,577	40,902	9,675	23.65%	40,902
Flat-rate deduction pursuant to Basel 2	-	-	-39,560	39,560	-100.00%	-
<b>Absorbed capital</b>	<b>189,660</b>	<b>191,680</b>	<b>118,679</b>	<b>73,001</b>	<b>61.51%</b>	<b>163,155</b>
Excess over absorbed capital	85,857	74,083	94,755	-20,672	-21.82%	55,574
Risk-weighted assets	2,370,750	2,396,000	1,483,488	912,513	61.51%	2,039,433
Tier 1 capital /Risk-weighted assets (Tier 1 capital ratio)	9.55%	9.08%	13.53%	-4.45%	-32.91%	10.00%
<b>Regulatory capital/Risk-weighted assets (Total capital ratio)</b>	<b>11.62%</b>	<b>11.09%</b>	<b>14.39%</b>	<b>-3.30%</b>	<b>-22.9%</b>	<b>10.72%</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 measuring 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 3 framework, effective 1 January 2014, as allowed by the Bank of Italy, until the entry into force of the international accounting standard IFRS 9 in 2018.

## 9.4 Cash flows

At the end of 2014, a total of 1,119.5 million euros had been used in operating activities, primarily owing to:

- the reduction in interbank inflows (-1,193 million euros), mainly due to the repayment of repurchase agreements finalised in the previous year (-891 million euros) and the early repayment of a tranche of the LTRO set to mature in February 2015 (300 million euros);
- the increase of disbursement for loans to customers (-194 million euros) and investments in financial assets (-394 million euros).

Those cash flows were only partially offset by cash flows generated by loans to customers (+541.4 million euros) and operating

activities, which generated liquidity amounting to 99.0 million euros.

Operations imbalance was financed through the reimbursement of government securities included in the HTM portfolio (1,218 million euros) and dividends of the subsidiary BG Fund Management (122.6 million euros).

Therefore, those flows allowed the full funding of the acquisition of Credit Suisse's business line (44.7 million euros) and financing activity, which used 109.6 million euros in resources in connection with the dividends paid, but also benefitted from the capital contributions resulting from the exercise of stock options (+7.6 million euros).

(€ THOUSAND)	31.12.2014	31.12.2013
<b>Cash flows generated by operations:</b>	<b>98,955</b>	<b>93,475</b>
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	-394,120	111,215
Cash flows generated by (+) used for (-) loans to banks	33,679	546,535
Cash flows generated by (+) used for (-) loans to customers	-194,252	-170,821
Cash flows generated by (+) used for (-) amounts due to banks	-1,193,269	-3,350
Cash flows generated by (+) used for (-) amounts due to customers	541,370	-889,457
Cash flows generated by (+) used for (-) other operating assets and liabilities	-11,879	30,170
<b>Liquidity generated by/used for operating activities</b>	<b>-1,119,516</b>	<b>-282,233</b>
<b>Liquidity generated by/used for investing activities</b>	<b>1,292,372</b>	<b>365,174</b>
<b>Liquidity generated by/used for financing activities</b>	<b>-102,017</b>	<b>-83,712</b>
<b>Net cash liquidity generated/used</b>	<b>70,839</b>	<b>-772</b>
<b>Cash and deposits</b>	<b>80,449</b>	<b>9,610</b>

## 9.5. Purchase of treasury shares and parent company shares

### Treasury Shares

At 31 December 2014, the Parent Company Banca Generali held 10,071 treasury shares, for a total book value of 41 thousand euros, in connection with the stock-granting plan for the Financial Advisors of the former Prime Consult network, originally launched in 2001.

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

### Parent Company Shares

At 31 December 2014, Banca Generali held the following shares in the parent company, Assicurazioni Generali:

- 45,955 shares classified among AFS financial assets, originally acquired in the service of two stock-option plans for the Chief Executive Officer for 2004 and 2005. The carrying

amount, equal to the fair value of the shares, is 783 thousand euros, whereas the acquisition cost was 1,230 thousand euros;

- 15,899 shares classified as held for trading, purchased by the merged Banca BSI Italia under the authorisation granted at the time by the Shareholders' Meeting of the merged company Banca BSI Italia, in the capacity of fund charged with the repurchase of non-negotiable fractions of Assicurazioni Generali shares deriving from bonus share issues. The shares are carried at fair value in the amount of 272 thousand euros, gross of reversals for 8 thousand euros recognised during the year.

Pursuant to Article 2359-bis of the Italian Civil Code, a restricted provision was allocated in the amount of 1,054 thousand euros in relation to the ownership of Parent Company shares.

## 9.6 Other information

### Privacy obligations

Despite the repeal of Article 34, paragraph 1, of Legislative Decree No. 196/2003, in March 2014 the Company prepared its Data Security Plan. In fact, it was considered that this document represents a security measure providing protection against the risks of the destruction or loss of data, unauthorised access or

improper processing, pursuant to Article 31 of Legislative Decree No. 196/2003.

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

## 10. Performance of Subsidiary Companies

### 10.1 Performance of BG Fund Management Luxembourg S.A. (BGFM)

BG Fund Management Luxembourg S.A. (BGFM) 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).

On 1 July 2014, the company finalised a reorganisation process, whereby the fund and Sicav management business line of the Generali Group's insurance companies, acquired in 2009 through the merger of Generali Investments Luxembourg S.A. (former GIL unit), 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 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 reorganised in 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.

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).

The de-merger entailed the distribution in full of dividends on class-B shares at 1 January 2014 (6.0 million euros) to the minority shareholder Generali Investments Holding S.p.A.

The transaction was effective retroactively from 1 January 2014 from an accounting standpoint. Therefore, the profit and loss components recorded by BGFM in the first half of 2014 were entirely recognised in the newly set-up company.

Accordingly, the 2014 Financial Statements do not include profit and loss components of the de-merged business line and the analysis of the results was carried out based on previous year's figures, restated pursuant to IFRS 5.

BG Fund Management Luxembourg S.A. closed 2014 with net profit of 114.7 million euros, up 7.8 million euros compared to the previous year.

Net banking income stood at 130.9 million euros, growing by 12.5 million euros compared to 2013 year-end, largely attributable to the increase in performance fees acquired in relation to the SicavSs promoted and managed by the Banking Group (+9.5 million euros). Operating expenses amounted to 3.8 million euros, essentially unchanged compared to 2013 and taking account of approximately 0.6 million euros for the recovery of charges incurred on behalf of GIL in the second half of 2014.

Net of the net profit generated by former GIL's discontinued operations (4.7 million euros in 2013), operating profit grew by 12.6 million euros compared to the previous year.

The Company's net equity amounted to about 89.1 million euros, net of a dividend payout of 122.6 million euros, as payment in advance and total payment for 2013.

Overall, assets under management at 31 December 2014 amounted to 8,861 million euros, compared to 6,575 million euros at 31 December 2013 (+2,286 million euros). This aggregate no longer includes the assets of the de-merged business line, consisting of Sicavs and mutual funds distributed by management companies and/or third parties outside the banking group, of a total of 7.9 billion euros at 31 December 2013.



## 10.2 Performance of BG Fiduciaria SIM

BG Fiduciaria, a company specialised in individual portfolio management in the form of securities and funds, primarily through trusts, ended 2014 with net profit at 1.2 million euros and net equity of 13.7 million euros.

Net banking income amounted to 4.1 million euros, whereas

operating expenses was 2.0 million euros, including 1.1 million euros for staff expenses.

Total assets under management amounted to 817 million euros, down compared to 891 million euros at 31 December 2013.

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

Generfid, a company specialising in custodian capacity of assets, ended financial year 2014 with 115 thousand euros in net profit, while net equity amounted to about 800 thousand euros.

Net banking income amounted to 1,001 thousand euros, where-

as operating expenses was 829 thousand euros. Assets under management amounted to 961 million euros (813 million euros at the end of 2013).

## 10.4 Public disclosure by country of operation

In accordance with the provisions set forth in Circular Letter No. 285 issued by the Bank of Italy on 17 December 2013 (Part I, Title III, Chapter 2), information to be disclosed by the Banking Group by country in which it has an establishment, pursuant to

Article 89 of Directive 2013/36/EU dated 26 June 2013, is available on the corporate website of Banca Generali: <http://www.bancagenerali.com/site/home/corporate-governance/sistema-di-corporate-governance.html>.

# 11. Related Party Transactions

## 11.1 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**.”

The aforementioned Procedure was then revised in accordance 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 amendment of Circular No. 263 of 27 December 2006 called “New Regulations for the Prudential Supervision of Banks” on Transactions of Greater Importance.

On 18 December 2012, the internal policies regarding controls on risk activities and conflicts of interest in respect of Connected Parties were approved in view of the practical implementation of the new procedure. Said policies were updated by the Board of Directors on 26 June 2013 in order to incorporate organisational changes, effective as from 1 May 2013, which regarded primarily changes of the organisational model related to the management of risk assets and conflicts of interest in respect of Connected Parties.

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 Transactions of Greater Importance with Related Parties and Connected Parties governing the related investigation activities and

approval, reporting and disclosure powers.

The main changes introduced by the provisions of the Bank of Italy and implemented in the Procedure are the following:

- expanded scope of the parties involved, i.e., Connected Parties (Related Parties and Connected Entities), and change in the characteristics of some of the identified parties compared to Consob Regulation;
- introduction of prudential limits in respect of the Capital for Regulatory Purposes and the assumption of risks with Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with entities qualifying as non-financial related parties;
- introduction of specific guidelines relating to organisational arrangements and internal controls intended to identify corporate bodies’ responsibilities and corporate functions tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time;
- the changed 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 capital for regulatory purposes of less than 500 million euros, and the lower of 1,000,000 euros and 0.05% of capital for regulatory purposes, in the other cases. In respect of these transactions, the exemption only applies to the provisions relating to approval procedures;
  3. **Highly Significant Transactions**, as the Bank of Italy identifies these transactions on the basis of two parameters – relevance of the consideration and relevance of the assets – making no mention of the liabilities parameter as provided by Consob Regulation;
  4. **Transactions of Greater Importance**, i.e., transactions within the scope of the applicable provisions laid down in the 15th update to Circular No. 263 and the provisions

of Article 150 of the TUF. These are transactions the specific characteristic of which is an impact from the standpoint of financial performance and financial position, as well as transactions that, while entirely normal, either exceed 2.5% of capital for regulatory purposes or have a material impact on the companies and group, inasmuch as they represent departures from specific contractual conditions and standards.

Furthermore, with reference to the approval procedures on Connected Party Transactions provided for by the Bank of Italy provisions, they appear to be similar to those set forth by Consob Regulation, and therefore, the assessment/approval procedures for Highly Significant and Moderately Significant transactions have been aligned to the Bank of Italy Regulation to ensure simplification and process uniformity.

Transactions of Greater Importance, provided for by Bank of Italy provisions, shall be approved by the Board of Directors, as set forth in Article 18 of the Articles of Association.

It is also envisaged that the Risk Management function expresses a prior opinion of the consistency of the transaction with the RAF (**Risk Appetite Framework**) and the compatibility of risk policies.

If the Risk Management function expresses a negative opinion, the Board of Directors may approve the proposed transaction, while providing an adequate, express indication of the rationale for the approval of the transaction despite the negative opinion rendered.

This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant Transactions with Related Parties or Connected Parties to be effected by Italian or foreign subsidiaries within the mean-

ing of Article 2359 of the Italian Civil Code.

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

- the Company's Board of Directors to include an account of all related party transactions concluded during any financial year, including through Subsidiaries, in the Directors' Report mentioned in Article 2428 of the Italian Civil Code;
- the Chief Executive Officer shall report to the Board of Directors, as well as the Board of Statutory Auditors in respect of the conclusion of any and all Moderately Significant Related Party and Connected Party Transactions and Transactions of Greater Importance, at least on a quarterly basis;
- the Chairman of the Board of Directors shall ensure that adequate information on all Moderately Significant Transactions pertaining to the Board of Directors and all Highly Significant Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Italian Civil Code, but also to the Board of Statutory Auditors;
- the Board of Statutory Auditors shall monitor compliance with the provisions of the above-mentioned Procedure and shall submit a report in such regard to the Shareholders' Meeting pursuant to Article 2429, paragraph 2, of the Italian Civil Code, as well as Article 153 of TUF.

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

## 11.2 Disclosure on Related Party Transactions

### Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in 2014. Nor were such transactions undertaken with parties other than related parties such as intragroup entities or third parties.

Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, "atypical and unusual transactions" are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject

matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

### Highly significant transactions

A single transaction qualifying as "highly significant", and thus entailing the obligation to publish a market disclosure document,

was undertaken by the Group in 2014. This transaction was represented by the subordinated loan issued by Generali Beteiligungs GmbH, a Generali Group company, of a maximum of 50 million euros, intended to fund the acquisition of the Credit Suisse Italia S.p.A.'s business line announced to the market on 9 July 2014. The rate applied to the loan was determined on the basis of the conditions applied on the market for similar transactions.

### Highly Significant Intragroup Transactions

With respect to Highly Significant Intragroup Transactions – which, pursuant to the Procedure on Related Party Transactions, are exempt from the escalated decision-making process and the obligation to publish a market disclosure document, unless there are significant interests in the subsidiary by other related parties – the reporting period saw the full disposal of the equity investment in the Sicav BG Dragon China, incorporated by Banca Generali for institutional investors, resulting in a situation of control and distributed by Generali Fund Management (now BG Fund Management Luxembourg S.A.).

### Other Significant Transactions

The following should be noted with regard to ordinary transactions undertaken at market conditions qualifying as moderately significant, which are subject to a prior non-binding opinion from the Audit and Risks Committee:

- on 23 January 2014, following the entry into force of the new SEPA (Single Euro Payments Area) legislation, which entailed changes to collection and payment services, the Board of Directors resolved to amend the economic conditions for the Generali Group companies already subject to notice to the Audit and Risk Committee during its meeting of 24 October 2013 and subsequently approved by the Board of Directors on 5 November 2013;
- during that same session, following the appointment of the independent expert (KPMG Advisory S.p.A.) and obtainment of a favourable opinion from the Audit and Risk Committee, the Board of Directors also approved the plan to de-merge a part of the operations of the subsidiary Generali Fund Management S.A. (BG Fund Management Luxembourg SA with effect from 1 July 2014) to a newly incorporated Luxembourg company controlled by Generali Investments S.p.A., with the resulting rationalisation of management, administrative and economic processes, differentiated by product and client type (captive for the underlying insurance products and retail for the former GFM Sicav managed);
- in April, the Board of Directors ratified a time deposit placed by the Treasury & Corporate Service on 28 February 2014 for Assicurazioni Generali with the following specifications:

200,000,000.00 euros from 28 February 2014 to 7 November 2014 at the rate of 0.45%. Specifically, Assicurazioni Generali requested a time deposit with a term of approximately eight months, entailing the payment at maturity of 621,370.00 euros of interest. During its session of 17 April 2014, the Audit and Risk Committee unanimously acknowledged that the economic conditions applied to the transaction were in line with the conditions applied over time by the Bank to similar transactions with group and non-group counterparties;

- on 23 April 2014, following evaluation by the Audit and Risk Committee of the Bank's interest in undertaking the transaction and its advisability and essential propriety, the Board of Directors approved the proposal of Generali Investments Europe to reduce the trading fee from 3.8bps to 2bps of the Commission Sharing Agreement entered into on 19 December 2007, which governs the trading and order collection activity performed by Banca Generali on the aforementioned company's behalf;
- on 25 June 2014, the Board of Directors renewed a BBB (Banker's Blanket Bond) insurance policy with Assicurazioni Generali S.p.A. that it had carried for some time. AON S.p.A. – Insurance & Reinsurance Brokers – was charged with verifying the best offers on the Italian and international insurance market in terms of the conditions and costs of the aforementioned insurance cover. In the comparison of the offers received by primary insurance companies, that received from Generali Italia S.p.A. was found to be the best in terms of costs/benefits, as well as the improvements made in conditions;
- on 9 July 2014, the Board of Directors, with the favourable opinion of the Audit and Risk Committee, approved the transformation from a pool loan to a one-to-one loan for Citylife, with a change of collateral, the release of the guarantee provided by Allianz S.p.A. and the concurrent confirmation of the guarantee provided by Generali Properties S.p.A. for the full amount of the loan, with approval of the release of Allianz Bank from the constraints imposed by the subordination agreement in question;
- on 4 November 2014, the Board of Directors of Banca Generali, after having obtained the favourable opinion of the Audit and Risk Committee, including as regards renegotiation of the rate, in any event deemed market-consistent (since the transaction was with a pool and the conditions thus already applied to another unrelated bank), approved the extension of the pool loan granted to Investimenti Marittimi S.p.A. until 31 December 2016, with a reduction of the rate applied from the three-month Euribor plus 600bps to the three-month Euribor plus 400bps;

- during that same session, the Board of Directors approved the proposed contract for the provision of performance, risk management and reporting services by BG Fund Management Luxembourg S.A. to Generali Investments Luxembourg S.A., after the Audit and Risk Committee recognised that the economic conditions of the offer fell within the broad range of market conditions.

### **Ordinary or Recurring Transactions**

Transactions of an ordinary or recurring nature carried out in 2014 with related parties fall within the Group's ordinary course of business and are usually carried out on an arm's length basis

and in any case based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regards these transactions, there were no changes in the situation of related party transactions, which might have a material effect on the financial situation and the results of the company and the banking group compared to 2013.

The developments of ordinary transactions with related parties are presented in the specific section of the Notes and Comments – Part H of the separate and consolidated financial statements for the year ended 31 December 2014, along with other information on related party transactions.

## 12. Banca Generali Stock Performance

Equity markets performed well overall in 2014, albeit with significant differences between the various geographical areas, and, to an even greater extent, between individual markets.

While the U.S. market continued to perform extremely well, the Eurozone's markets posted more moderate performances characterised by high volatility tied to both events of a political nature (the Russian and Ukrainian crisis and the Greek elections) and persistent uncertainty regarding the prospects of an economic recovery. There was also considerable diversity of performance at the level of geographical areas for emerging markets, among which the Chinese equity market stood out.

On the Italian stock exchange, the FTSE MIB posted strong gains in the first half of the year, driven by a crucial contribution from the banking sector. In the second half of the year indices then fell back, closing at the previous year's levels (+0.2% over the year) in the wake of uncertainties concerning the economic recovery and the Greek situation. The FTSE MID CAP index was weaker in 2014, closing the year down 3.9%.

### Performance of the main stock indices

(% CHANGE, Y/Y)	2011	2012	2013	2014
<b>Banca Generali</b>	<b>-20.6%</b>	<b>79.3%</b>	<b>74.4%</b>	<b>2.4%</b>
FTSE MIB	-25.2%	7.8%	16.6%	0.2%
FTSE Italia Mid Cap	-26.6%	-0.4%	48.8%	-3.9%
FTSE Italia Banks (All Shr)	-45.1%	-0.02%	33.1%	6.8%
DJ EuroStoxx 600	-11.3%	14.4%	17.4%	4.4%
DJ EuroStoxx 600 Banks	-37.6%	12.0%	25.9%	-4.9%
MSCI World (*)	-4.7%	11.2%	18.8%	17.3%
S&P 500 (USA) (*)	3.1%	11.4%	24.0%	26.9%
DAX 50 (Germany)	-14.7%	29.1%	25.5%	2.7%
CAC 40 (France)	-17.0%	15.2%	18.0%	-0.5%
CSI 300 (China) (*)	-19.1%	6.7%	-9.0%	68.5%
IBOV (Brasil) (*)	-25.3%	-4.1%	-29.9%	-1.8%

(\*) Changes in euro.

Banca Generali's shares performed well against the backdrop of high volatility. The price of the shares (22.76 euros at the beginning of the year) reached an all-time high of 25.11 euros, to then close the year at 23.05 euros, a decrease that was partly due to the decline of the entire index. The overall increase during the

year was 2.4%, a value that increases to 7.14% if dividends distributed (Total Return Ratio) are taken into account.

The 2014 performance appears even more noteworthy if it is considered that the price of Banca Generali shares had already

shown excellent gains of 213% during the previous two years, 2012-2013, one of the best results of any Italian or international financial stock. If the contribution of the dividend paid is also

considered (Total Return Ratio), the return for shareholders over the two-year period 2012-2013 was 253% (source: Bloomberg).

#### Market prices of Banca Generali shares - Summary

(EURO)	2011	2012	2013	2014
Maximum	11.560	13.000	22.510	25.110
Minimum	6.265	6.540	12.920	18.580
Average	8.798	9.640	16.940	21.810
Year-end	7.200	12.910	22.510	23.050
<b>Capitalisation (€ m)</b>	<b>804</b>	<b>1,458</b>	<b>2,586</b>	<b>2,666</b>

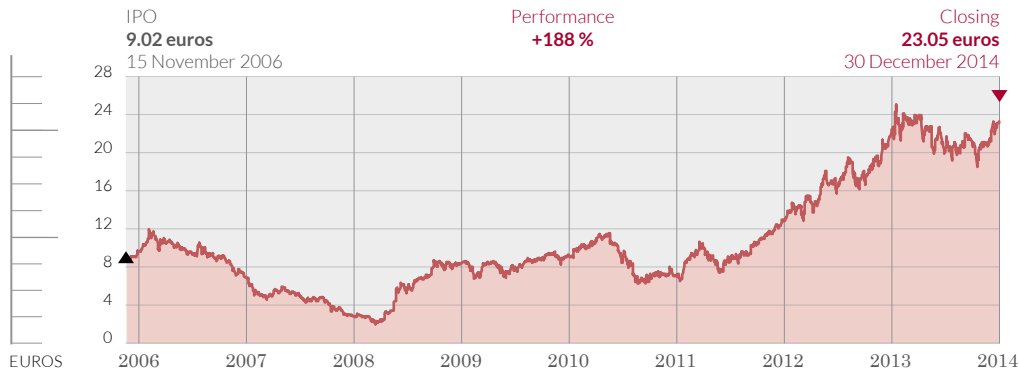
Banca Generali shares have been listed on Borsa Italiana since 15 November 2006. Specifically, the stock is included in the FTSE Italia All-Share and FTSE Italia Mid Cap indices.

major Italian listed banks at the end of 2014.

At the end of the reporting year, the Bank's capitalisation reached 2.7 billion euros, placing the Bank in ninth place amongst the ma-

It bears also recalling that since the IPO on 15 November 2006, Banca Generali shares have yielded a compound average annual appreciation of 14.1%, which rises to 18.9% in terms of total return, i.e., including the dividend payout.

#### Stock performance following the IPO



## 12.1 Investor Relations

In 2014, Banca Generali markedly intensified the meetings with the Italian and international financial community in response to the rising interest generated by the positive performance of the Bank and the Italian asset management industry.

During the year, meetings were organised with shareholders, institutional investors and financial analysts in major international financial markets as part of roadshows and industry conferences held by top Italian and international brokers. In detail, the Bank doubled the number of industry conferences in which it took part, represented by top management and the Investor Relations service. The number of roadshows remained stable, recording a higher level of investor participation compared to the past. The number of investors visiting Banca Generali's head-

quarters and of conference calls with investors grew remarkably. On the whole, the Bank met with approximately 300 investors during the year, showing an increase by 49% compared to the previous year.

Also noteworthy are the constant efforts to maintain dialogue and follow up with sell-side analysts from top Italian and international brokerage firms. As in the previous year, sell-side analyst recommendations at year-end 2014 confirmed a marked prevalence of positive recommendations (buy/outperform) at 67% of total coverage, no negative recommendations, and the remaining 33% consisting of recommendations of a neutral nature (hold/neutral).



# 13. Products and Marketing

## 13.1 Development of the product line

In a macroeconomic scenario of improvement but without a consistent direction, marketing activity focused on constant enhancement of the level of service offered to the customer, as well as on the launch of sophisticated new investment solutions. The search for yield on the bond market, containment of volatility on the equity market and recovery of the real economy were the factors that drove new developments in the offering of asset management products. In this regard, new specialised bond, thematic equity and long/short funds with controlled volatility were introduced, in addition to the new Real Assets family. There were important developments in the insurance range of products: on the one hand, BG Stile Garantito, a policy that offers a guarantee of invested capital, and on the other BG Stile Libero, a multi-line solution that combines the typical advantages of an insurance product in terms of protection, taxation and succession with extreme diversification, represented by a broad, constantly evolving range of investments, a trait that has long distinguished Banca Generali's multi-manager offering. Product development activity was also accompanied by enhancement of the portfolio of digital tools available to customers with the creation of a Personal Advisor Page, a digital showcase for the sales network that represents a new means of developing and managing the business. Lastly, Banca Generali confirms its commitment to IT security with the launch of the Secure Biometric Signature, a feature that allows clients to sign contracts directly from their advisors' tablets.

### Development and promotion of the product range of BG Fund Management Luxembourg (BGM)

#### BG Selection Sicav

In 2014, the offerings of **BG Selection Sicav**, the innovative fund-of-fund platform of BG Fund Management Luxembourg S.A. that for more than six years has represented Banca Generali's flagship asset management product, were further enriched.

The following is a summary of the major changes in 2014:

- the launch of a new segment of products, Real Assets, to complement equities (18 sub-funds), flexible (25 sub-funds) and liquidity (one sub-fund). The new Real Assets family offers clients the ability to invest in a range of asset classes positively correlated with the inflation rate, such as energy, utilities, infrastructure, property, and inflation-linked. In detail, this family comprises four new sub-funds, with manage-

ment 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.

- Enhancement of equity offerings on the Asian market through the creation of three geographical areas of investment: 1) Greater China, 2) India and South East Asia and 3) Global Asia. This activity resulted in:
  - a change of the investment policy for the China&India Equities fund, which was consequently renamed Greater China Equities; and
  - a change in the delegated managers of the two funds managed by JP Morgan and Vontobel, assigned to BGFML and Invesco, respectively.
- Change of the delegated managers of the two equity funds managed by BGFML and Amundi, assigned to Aberdeen and BGFML, respectively, and of the flexible fund managed by Lyxor and assigned to Kairos Partners.
- Launch of the new flexible fund Pictet – Dynamic Advisory, which combines investment in a range of asset classes, geographical areas, sectors and management styles.

At 31 December 2014, BG Selection Sicav had 44 sub-funds, of which 12 managed by BG Fund Management Luxembourg and 32 under mandate entrusted to leading international investment houses.

#### BG Sicav

In 2014, BG Sicav was repositioned within Banca Generali's asset management product strategy.

BG Sicav was transformed into a platform for developing securities-based management products, in line with the main offering trends, and complementary to the fund-of-fund range of BG Selection Sicav.

In the reporting year, 13 new sub-funds were launched, consisting of 7 equity sub-funds and 6 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), Eurozone small and mid caps (BGM Small-Mid Cap Euro Equities), and European companies which can leverage the recovery of the Euro Area countries (Generali Investments

Europe – Equity Recovery Fund) and internationally.

The use of alternative long-short approach, diversified at geographical level or by specific segment, was a response to the search for innovative investment strategies, which resulted in the launch of 3 new sub-funds: Threadneedle Global Equity Long-Short, Controlfida Low-Volatility European Equities and Tenax Global Financial Equity Long Short.

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

The end of 2014 saw the change of the delegate managers of two bond sub-funds managed by Franklin Templeton and JP Morgan, assigned to Vontobel and UBS, respectively.

At 31 December 2014, BG Sicav had 24 sub-funds, of which 7 managed by BG Fund Management Luxembourg and 17 under mandate entrusted to leading international investment houses.

Also worthy of note is the continuation of the successful partnership with Generali Italia for the multi-line insurance product Valore Futuro, which combines the segregated account component, dedicated to the protection of invested capital over time, with 3 equity management lines (Multi Emerging Markets, Multi Global Plus and Europe Plus) that invest in a basket of the sub-funds of BG Selection Sicav and BG Sicav, through the advisory services offered by Banca Generali's Asset Management Department.

Moreover, the multi-manager platform was further developed. In 2014, placement was started for six asset managers: Credit Suisse (5 Sicavs), Gam (2 Sicavs), Kairos (1 Sicav), Janus Capital (1 Sicav), M&G (7 Sicav), and Pimco (1 Sicav). On the whole, Banca Generali offers a total of 1,800 products available to its customers and distribution networks.

## Asset 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

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

In detail, the segments emphasised by the new funds are high yield (UBS Dynamic Credit High Yield), convertible bonds (Schroders Convertible Bond Opportunities) and emerging debt on "new frontier" markets (Vontobel New Frontier Debt).

2024) in post-sales.

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 36 management lines (14 GPFs, 14 GPMs and eight protected-capital GPMs) 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.

It should be also noted that the new GPM Real Estate Top Portfolio was launched in December 2014, with placement in the first 2 months of 2015.

This GPM offers extremely innovative solutions in terms of asset allocation, inasmuch as it allows to invest in the segment of real estate lending (non-performing and subordinated loans), through products managed by major international specialised companies. The Real Estate Top Portfolio GPM is therefore an innovative response to two needs of most demanding customers: diversification, compared to the traditional real-estate investments, and achievement of returns in a market phase characterised by low interest rates.

## Insurance products

In 2014, Banca Generali launched a deep innovation process of its life insurance products.

Against the backdrop of steady, general decreasing yields on government bonds – fore and foremost Italian bonds – the Bank revamped its insurance offering on two levels:

1. strengthening the offering of LOB I products with attractive returns for customers and annual consolidation of the return offered by segregated accounts;
2. developing high financial content insurance solutions and high value added services.

## Strengthening LOB 1 products offering

In January 2014, the Bank launched BG Stile Garantito, the new single-premium, whole-life 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 (2014 certified return: 4.01%).

This product complements BG Cedola Più, which – through annual payment of returns generated by the segregated accounts – allows customers to safely supplement their income, without being affected by the volatility of financial markets.

## Development of high financial content insurance solutions and high value added services

At the end of February 2014, after considerable research and development efforts, Banca Generali launched BG Stile Libero, the new multi-line policy that is amongst the most innovative offerings currently available on the Italian market.

BG Stile Libero combines in a single investment solution the guarantee of invested capital offered by the Rialto segregated account (from 5% up to 30% of savings) with the additional returns provided through 800 UCITSs of 41 Italian and international asset managers.

In addition to the clear advantages deriving from its wide range of financial instruments and investment mix, BG Stile Libero proposes numerous value-added services:

- the flexibility of personalising investment by also varying it over the life of the contract, through switches and additional contributions, with no penalty;
- the possibility to extract value from the investment, through coupon and draw-down options;
- the security of a range of insurance covers, such as death cover according to age, accident cover and increased cover in the event of capital loss.

In light of the success obtained by BG Stile Libero on the distribution network, BG Stile Libero “Special” was launched in October 2014; upon subscription, it immediately offers a 5% bonus calculated on the amount invested in UCITSs.

In the fourth quarter of 2014, a series post-sales products underwent a significant requalification towards BG Stile Libero.

In 2015, BG Stile Libero is expected to prove a linchpin of Banca Generali’s insurance product innovation: new features and services will be introduced with the aim of strengthening the posi-

tion of this insurance-financial solution on the Italian Market.

## Banking products

In 2014, the Bank strove to improve and expand the services it offers to its customers, with a particular focus on technological innovation.

Innovation and the security of payment instruments were the main driving forces behind the various activities relating to these products:

- in the first quarter, Banca Generali took centre stage at the joint press release with MasterCard for the official launch of BG MasterPass and continued its promotional activities via its main communications channels with customers;
- a new procedure was launched for sending customers PINs for their e-commerce ATM cards and home-banking access codes, thus providing a simpler way of sending this information to customers;
- the Mobile POS service was added to the offering of traditional POS terminals, allowing all self-employed professionals to accept electronic payments on the go;
- the annual credit limit was increased for the prepaid card BG Cash, allowing customers to use it without the restrictions of a limit too low for their various needs.

In addition, the prior years’ promotion involving an exemption from stamp duty for new customers and customers who make new investments with Banca Generali was also renewed.

Three bonds with guaranteed principal at maturity were also placed, and the Bank participated as placing agent in Italy’s BTP auctions in April and October, as well as to several major public subscription offerings and sale and subscription offerings (General Electric, Fineco, Fincantieri, Rayway, Cerved Information solution and Anima).

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.

Cooperation with our outstanding partners was confirmed, including the referral agreement for Intesa Sanpaolo Group’s loans and the related promotions available to customers.

## 13.2 The New Service Model: BG Personal Advisory

Throughout 2014, efforts converged on the design and subsequent start-up of the New Service Model (hereinafter BG Personal Advisory), which will result in the creation of a new integrated advisory platform.

The new service model of Banca Generali aims to increase knowledge of the customer in terms of total assets, family situation and risk appetite, with the goal of offering an integrated, balanced approach to managing customers' assets and risks.



The new commercial approach will be supported by the development and evolution of all factors of success available to financial advisors to permit them to meet the customer's needs optimally:

- platforms and tools;
- services and partnerships with professionals;
- training and information;
- products.

The complexity of the design required a two-level design process, involving different timings of development and a plan for gradual, steady release:

- a **vertical "APP" approach** to each individual area of the new model, with the aim of establishing a culture and providing operating tools and services expeditiously;
- **the creation of the new advisory platform, fully integrated with the Banca Generali's IT systems** and within all functional modules.

In further retail, with respect to the above-mentioned "APP" approach, the following activities were launched in 2014:

- in the **Financial Assets** area:
  - the **"Financial and Insurance Desk"** app was fully developed; it allows to assess the level of portfolio diversification through an analysis based on diverse innovative measurement/parameters, in addition to offer detailed information on products and financial market;
  - the partnership with **Tosetti Value SIM** continued through a referral agreement, with the aim of offering the possibility of mapping and analysing a customer's entire body of financial assets, while benefiting from independent advice from one of the main Family Office in Italy;
  - the first agreements with several investment partners were signed (starting from that with Blackrock in December 2014) with the aim of expanding the range of portfolios offered and extending the multi-brand approach to the advisory services provided by the Bank's Financial Advisor network. In 2015, further agreements will be entered into with other partners (2 new activations in January 2015).
- in the **Real Estate** area:

- following a pilot activity conducted in July, the entire network was provided with the services offered by Analysis which, thanks to the Real Estate tool, allows the Financial Advisors to extend the analysis and monitoring of the client's wealth to the real-estate component, providing coverage of information concerning the individual's real-estate assets and permitting changes in such assets to be monitored over time;
- in addition to this tool, a collaboration with Deloitte was launched in December 2014, in order to provide in 2015 the Real Estate area with a more "industrial" approach compared to the model generally adopted by institutional operators, as well as offer professional support to identify real-estate solutions able to satisfy the needs of Banca Generali's customers.
- In the **Family** area, the partnership with Studio Legale Chiomenti was forged ahead, with the aim of offering customers specialised advice on legal, tax and succession issues from a highly qualified operator. Moreover, to support the launch of the new Stile Libero Multi-Line Unit, several apps were developed in order to help the Financial Advisor network to communicate with their customers, and inform them on the benefits their families can obtain through an insurance investment, both in terms of financial objectives and protection of investments over time.
- In the **Lombard lending** area, a partnership with Price Waterhouse Coopers was launched with the goal of offering customers specialised corporate finance services, mainly on succession and extraordinary finance issues.

Along with the "APP" approach, the designing and development activities for the new advisory platform began in March 2014. The goal is to create an innovative solution for the market, in order to:

- implement an approach which ensures **end-to-end business opportunities**, while guaranteeing a full integration of all functional modules included in the advisory model (the first phase will focus on the Financial, Real Estate and Generational Transfer modules);
- develop a **commercial process based on the Banca Generali's messages**;
- **simplifying the investment and customer communications**

**processes through a full integration with all Banca Generali's IT systems**, both in the first phase (information/position) and the final steps (orders), in addition to provide detailed reports.

The platform presents a multi-device architecture (for PCs and tablets) which guarantees functions and layout consistency on all devices.

In terms of content, the platform provides a series of enabling elements, such as:

- analysis of **all types of assets** (real estate and securities) held by customers **both with BG and with third parties** (for the real estate section, the platform has been integrated with Analysis systems for the download of information from the land registry);
- **analysis of accounts** for the **protection and transfer of assets**;
- **presentation of both the client's overall situation and the situation by area of interest** (client's 'horizontal' view vs "vertical" view on individual areas of interest).

In addition to our partner CSE, the company Prometeia was engaged for the development of the platform. To cover the platform financial information, in addition to Prometeia, an agreement was signed with Morningstar which has been engaged to develop a structured system for the mapping of customers' portfolios with investments in UCITSs and ETFs. Our collaboration with Analysis and Chiomenti ensures the quality of information and algorithms for the Real Estate and Generational Transition modules.

Already in December, the development plan saw the start of a pilot phase with a limited number of Financial Advisors involved in testing the Financial module while the Real Estate and Generational Transition modules started running in test mode.

In 2015, the other functional modules are expected to be released in the pilot stage and then gradually extended to the entire network, and additional functional integrations are expected for the new BG Personal Advisory platform.

## 13.3 Technological infrastructure and digital marketing

### Financial Advisor Front End

Banca Generali is continuing with its gradual release plan as part of the FEP on Tablets project, the customer relations tool devoted to all Financial Advisors that allows Integrated Contract Management features to be used on mobile devices.

The App, available for next generation Samsung Galaxy Note tablets, allows for simple and intuitive access at any time of customers' positions, markets sections, products, warnings and all notices published by the Bank.

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

1. the new Contract Status section which enables to monitor the status of transactions ordered by customers;
2. increase in the transaction managed through the Integrated Contract Management features in FEP on tablets, which represent the new alternative to the customary print order process (e.g., policy issue, post-sales services for multi-line policy BG Stile Libero). As usual, upon completion of the process a pre-completed form may be downloaded to be signed by the customer.

February 2014 saw the launch of the Secure Biometric Signature feature, 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 – currently available to approximately 900 advisors – customers can rely on a technological and advanced solution that will make authorising transactions even simple, 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 account-holder's signature and eliminating the need to print out and send signed contracts, saving time while operating in a fully secure manner.

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 GIC feature to fill in after-sales requests for Requalification into BG Stile Libero 09/14 of BG VITA policies;
3. new features for monitoring customer risk profiles;
4. new archive searches allowing simpler access to documenta-

tion thanks to the new Google search engine, which allows information to be located in just a few seconds;

5. new FEP feature to display all transactions ordered by customers through Internet banking;
6. new information on extant liabilities and electronic payment instruments and electronic payment systems.

### Customer Front End

In 2014, Banca Generali further expanded the portfolio of digital tools available to its customers through the launch of the Advisor Personal Page, a new tool dedicated to business development and management.

Thanks to Advisor Personal Page, Banca Generali's sales network can publish personal Web pages to enhance its digital presence and ensure that it plays an increasingly central role in Customers' financial lives.

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.

In 2014, Banca Generali remained at the top of the market in terms of IT security:

- it launched 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 service;
- it expands the use of the Secure Call also to online trading of securities. Secure Call allows customers to safely confirm their orders via a free call from their mobile phones. It can now be used as a single strong authentication system for all online transactions;
- it has provided its customers with the possibility to certify their contact email address and telephone number with the Bank.

Moreover, in line with the strong growth of mobile banking in Italy, Banca Generali reviewed the graphic concept and layout of its home banking App, including the possibility to make payments by simply reading the barcode of the postal payment slip with their

smartphones or tablet device, to manage their contacts directly from the App and viewing all available documents in Doc@online also on the move. Finally, with a view to increasingly reducing the environmental impact, the electronic reporting service has been expanded to include a set of documents that were previously

sent to the customers in printed form.

In light of all the above significant new products, Banca Generali was also awarded **first place in the prestigious ranking drawn up by Osservatorio Finanziario**, which recognises the top ten **Internet banking services**.

## 13.4 Other aspects of marketing policies

### Customer communications

In 2014, the Bank's attention to increasingly clear and effective communications has led to the creation of an organisational unit exclusively devoted to the management and development of information to customers.

As a preparatory step, the unit analysed all the documents that accompany the product, including periodic reporting, and prepared a revision plan involving the contents of the documents and their graphical layout and display.

In detail, the launch of the product "BG Stile Libero" led to a particular focus on the preparation of all types of communications targeted to the customers, which have been structured with a view to establish a model of reference for increasingly personalised and easily understandable messages.

The Customer Communications unit also defined a new customer target group and introduced the Top Client brand. A whole set

of initiatives have been developed – and will be strengthened during 2015 – for these customers who require more comprehensive information.

### Incentive and image enhancing events

During 2014 Banca Generali had a rich calendar of institutional events, in addition to the many initiatives developed at the local level by the Financial Planner and Private Banking divisions.

As usual, the roadshow devoted to the resumption of sales activity and the unveiling of the distinctive features of the investment solutions BG Selection Sicav and BG Sicav took place in January, with details provided in special talk-show sessions held with the support of representatives from third partner firms.

In addition, with the aim of continuing to strengthen the bond of trust between the Bank and its clients by sharing in their interests and passions, in 2014 the Private Banking Division continued to organise the Invitational Golf Tour, an exclusive circuit consisting of seven of Italy's major golf courses.

## 13.5 Media communications and relationships

The efforts towards greater transparency and accessibility in communications also extended to the digital communications arena: during the year, Banca Generali launched the **new version of its institutional website**, [www.bancagenerali.com](http://www.bancagenerali.com), which was implemented at the level of both visual presentation and content. The new site features an interface that allows simpler access to financial reporting and has been expanded to include two new sections, Sustainability and Career. Furthermore, the new institutional website has been developed with a focus on responsiveness, so as to guarantee optimal access from the new mobile devices such as smartphones and tablets as well.

During the year, Banca Generali also launched a new app for investors. Available for the Android and iOS operating systems, Banca Generali's **new IR App** provides simple, immediate access to all company information, with a focus on share performance and multimedia content that can be accessed without overload-

ing the mobile device's memory thanks to an innovative file-sharing system.

In 2014, Banca Generali also intensified its efforts in the areas of culture and matters of social interest. In this regard, the company began a collaborative process with FAI, the Italian Environmental Fund, as part of which it contributed to the organisation of the **Days of Spring** event, held on 22 and 23 March 2014, allowing more than 700,000 Italians to visit more than 750 of the country's most captivating locales.

The company's commitment to culture and the art world then continued with the organisation of the prestigious show **The Power of Colour**. Hosted by the Banca Generali Private Banking office in Milan, The Power of Colour featured a selection of the finest works of Milanese artist Mario Arlati, in a meditation



on colour informed by some of the greatest artists of the past, such as Guido Reni, Alessandro Magnasco, Carlo Cignani, Gianbattista Crosato, and Antoon Van Dyck: an innovative exposition that met with great success with the public and considerable interest from the media. The initiative was also at the heart of an advertising campaign in Italy's major generalist and specialist publications.

Sponsorship efforts continued during the year, involving the Banca Generali brand in a number of projects. For the fifth consecutive year, the company supported the travelling event **A Champion for a Friend**, which involved over 8,000 elementary and middle school children, without any distinctions by skill level, in a day of play and sport with four Italian athletic legends (Adriano Panatta, Andrea Lucchetta, Jury Chechi and Ciccio Graziani). Banca Generali's media activities also included celebrity endorsements. In May, Banca Generali and **Alessandro Del Piero** played a leading role in National Prevention Day, as part of a roundtable entitled **The Champions of Prevention**, drawing over 1,500 visitors to the Milan offices of Borsa Italiana, Italy's stock exchange, and receiving extensive coverage from generalist and sport publications and television channels. Banca Generali also acted as sponsor to the 2014 **Nuvolari Grand Prix**, a key event in the vintage car community, alongside partners of high international standing such as Audi, Eberhard and Etiqueta Negra. Celebrity endorser **Federica Brignone** took part in a solidarity

project benefiting the victims of the flood that devastated Liguria.

During the year a large number of solidarity initiatives continued to be developed by Banca Generali, which also renewed its commitment alongside important associations devoted to researching serious illnesses, foremost among which are AISM, the Italian Multiple Sclerosis Association and LILT, the Italian League for the Fight Against Cancer.

The many industry events in which Banca Generali took part in 2014 included ConsulTia 2014 in Rome, Salone del Risparmio in Milan, IT Forum in Rimini and the EFPA convention in Lecce.

The advertising presence was constant in the main specialised financial media and major generalist newspapers. As many as four creative concepts were used during the year: in addition to the pre-existing institutional creative efforts, the company added a page focusing on the various stops of the event A Champion for a Friend, another recounting the bank's efforts alongside the Italian Environmental Fund during the Days of Spring event, and a creative campaign specifically developed for the show The Power of Colour.

Company informational material was enriched last year to include a new corporate video illustrating the Bank's history and results, and new institutional leaflets summarizing the peculiarities of the banking and insurance products offered.





## Media Relationships

Banca Generali received extensive coverage from the media in 2014. The bank's results at the level of both net inflows and profits were reported on very closely by both Italy's foremost generalist and industry publications. Great interest was shown in the record numbers achieved in 2013, which made Banca Generali the centre of attention in the banking industry, owing in part to the current period of positive performance of financial advisory firms.

During 2014 sales performance was announced monthly in the customary press releases on inflows involving the main Italian and international agencies, which generated responses from publications and websites. Management always responded in a timely manner to requests from the press, seeking to accom-

modate interest in meetings and interviews to the fullest possible extent. Quarterly results were emphasised on all occasions through interviews with the Chief Executive Officer by the press, commenting on and supporting the informational materials made available, beside the usual conference call with analysts. On the subject of sales activities, the Chief Executive Officer and Joint General Manager provided several updates concerning the new projects being developed by the Bank. The hiring of new managers was immediately accompanied by follow-up articles in various specialised media with the aim of communicating the growth dynamics of individual activities with the utmost clarity. Finally, the Bank consolidated its relationship with local press, which on several occasions required the involvement of the managers active in the area in order to review the Italian investment situation and financial planning contingencies.

# 14. Human Resources

## 14.1 Employees

### Personnel

At 31 December 2014, the Bank's workforce was 817, composed of 45 Managers, 135 3<sup>rd</sup> and 4<sup>th</sup> level Executives and 637 employees at other levels; of the last category, 93 were 1st and 2nd level Executives, and 7 were apprentices.

	BANCA GENERALI	BG FIDUCIARIA	GENERFID	BG FML	TOTAL FY 2014	TOTAL FY 2013
Managers	43	-	-	2	45	46
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	121	5	-	9	135	131
Other	613	5	4	15	637	632
<b>Total</b>	<b>777</b>	<b>10</b>	<b>4</b>	<b>26</b>	<b>817</b>	<b>809</b>

Among the 817 employees at 31 December 2014, 31 were working under fixed-term contracts (16 of these as substitutes for employees on maternity leave or leaves of absence).

There was a net increase in the workforce of 8 resources compared to 2013. Specifically, net of the exit of 6 resources due to the de-merger of the business unit from BG FML, there were:

- an increase of 12 people with indefinite-term contracts due to:
  - the acquisition of Credit Suisse Italia's business line (8 resources);
  - the inclusion of specialised, experienced professionals within business supporting structures especially in the sales area;
  - the reinforcement of support and control structures;
  - the hiring of staff to replace outgoing employees in previous periods, also through the reinforcement of the staff in place;
- a decrease of 4 resources on fixed-term contracts, mainly attributable to a decline in the number of resources hired to replace staff on leave for maternity or other reasons.

Given these net increases, the total turnover, inclusive of inter-company transfers, temporary staff and replacements for maternity leaves, involved 194 job positions.

### Workforce flows

<b>Workforce at 31 December 2013</b>	<b>809</b>
Hirings	101
Terminations	-93
<b>Workforce at 31 December 2014</b>	<b>817</b>

The effective workforce, comprising the staff in force (817) net of people seconded to (-4) or from (0) other Generali Group companies, increased by 9 as a result of the reduction in net secondments (4 in 2014 vs 5 in 2013).

### Actual workforce

	31.12.2014	31.12.2013	CHANGES
Banca Generali	769	756	13
BG Fiduciaria	10	9	1
Generfid	8	7	1
BG FML	26	32	-6
<b>Total</b>	<b>813</b>	<b>804</b>	<b>9</b>

## Breakdown of workforce

Staff members with university degrees accounted for 50.92% of the total.

The Group's average age is 42 years, while the percentage of female staff members is 49.94%.

	WOMEN		MEN		TOTAL FY 2014	
	Count	%	Count	%	Count	%
Managers	9	2.2%	36	8.8%	45	5.5%
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	34	8.3%	101	24.7%	135	16.5%
Other	365	89.5%	272	66.5%	637	78.0%
<b>Total</b>	<b>408</b>	<b>100.0%</b>	<b>409</b>	<b>100.0%</b>	<b>817</b>	<b>100.0%</b>

## Labor relations

At the national level, in 2014 negotiations continued for the renewal of the National Collective Labour Agreement for the banking sector which, however, were interrupted by labor unions, who formally broke relations at the end of November 2014. The situation further deteriorated when ABI terminated the mentioned Collective Agreement, which resulted in the agreement no longer being applied as of 1 April 2015 and in subsequent mobilisation activities implemented by the Unions.

Nevertheless, the renewal of the supplementary company contract for the 2011-2014 period and the related agreements were formalised on 30 May 2014, which confirmed the current provisions and provided for a modest "one-off" amount for supplementary pension purpose only. On this occasion the agreement for the 2013 company bonus was also signed.

On the other hand, the agreement related to the method to calculate the 2014 performance bonus has not yet been formalised.

With reference to the implementation of the National Collective Labor Agreement, our endorsement of the Prosolidar Foundation, engaged in international solidarity projects, was confirmed: in 2014, approximately 400 employees participated, paying in the established contribution, followed by a similar contribution by Group companies.

With reference to union relations within the Banca Generali Group, it should be recalled that the union agreement reached on 9 October 2014 concluded the union procedure pursuant to Article 47 of Law No. 428/90 on the acquisition of the Credit Suisse Italia S.p.A.'s business unit.

## Development of resources – Creation and support of managerial value

The company continued to focus on **internal mobility at all levels** as a tool to increase the professionalism and managerial development of the staff.

Mobility involved those already holding senior management positions as well as those with professional roles, with a view to expanding job rotation and promoting professional growth. Growth was also strongly supported for junior people, who were mainly allocated to areas characterised by high technical and banking know-how such as bank branches and contact centres. Those moving to positions with greater managerial responsibilities were supported through business coaching programmes. In addition, the development and professional growth of people already holding key positions or currently on a career path were ensured by participation in specialisation and post-graduate training programmes at qualified academic institutions.

With a view to ensuring a targeted development of our people, assessment sessions were organised for both junior people and talents in order to identify any gaps between actual skills/behaviours and those required by the role.

The objective is to help people becoming more aware of their abilities while working on the development of 'weaker' skills in a structured way (through development plans or targeted training).

**The annual evaluation of qualitative performance** was carried out, as usual, during the first half of the year. All employees were involved in this process, which also included discussion sessions with the respective managers.

The above initiatives — performance appraisal, assessment, talent management, strengthening of the commercial area — alongside specific strategic indications given by the Managing Committee, constitute the basis for designing the training plan in support of and for the development of the bank's professional skills.

### **Training**

The bank's excellent performance was supported by extensive training projects emphasising technical knowledge and conduct with the aim of consolidating professional and managerial growth.

As in previous years, managerial training was the focus of internally planned training measures. In particular, the senior management took part in several business coaching modules, whereas human resource managers and several individuals participating in development programmes benefited from far-reaching training projects.

Workshops on the new service model were introduced in order to provide the entire bank with an update concerning the strategic projects being pursued. Many individuals took part in these well-received sessions, although the aim is to extend the programme to reach the broadest possible number of participants. Courses focusing on technical skills continued in the form of two programmes concerning banking transactions, one taught by internal teachers and one organised by a prestigious Milanese university, intended for individuals in the greatest need of specialisation.

In 2014, language training offerings were further expanded in response to increasing demand, owing in part to heightened international collaboration within the Generali Group and thus the Bank. The courses were provided mainly to executives and middle managers in the formats one to one, full immersion, English workshop and phone call.

Specialised professional sessions and training courses for the various subject areas were made possible through participation in outside courses organised by top consulting firms with industry expertise or by prestigious university organisations.

A strong focus continues to be placed on mandatory training, according to legal requirements. In particular, courses concerning Legislative Decree No. 81/08 on safety continued.

Particular emphasis was placed on the issue of the prevention of money-laundering, on which an e-learning course was held for the entire company population, and follow-up classroom sessions were then organised for individuals with the greatest exposure. In addition, branch employees were offered an e-learning course on cash management as part of further efforts to combat money-laundering. Privacy was also the focus of legal training measures, with an e-learning module and a follow-up classroom session.

All mandatory web-based courses for new recruits, under both indefinite- and fixed term contracts, are provided through the e-learning platform.

### **People selection – employer branding and talent engagement**

The company continued to focus on talented young people in order to encourage their professional growth within the Group, both through participation in career days organised in cooperation with Generali Group and through established and consistent relationships with leading Universities and Specialisation Schools.

Key positions were filled using both Head Hunters and specialised active search channels through the main dedicated platforms, depending on the specific needs.

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

### **Internal communications**

Internal communication activity involving employees is guaranteed through several channels, some of which are managed in collaboration with Generali Italia Internal Communications Department.

A project to implement a new release of the information portal was started with Generali Italia, which will materialize in 2015.

The Group continued to carry out policies on environmental matters through a series of initiatives ranging from recycling to the development of sustainable mobility and the careful management of business travels, up to the reduction in paper consumption. The programme called "*Io viaggio solidale*" was especially successful, leading to significant charity donations from money saved through improved travel management.

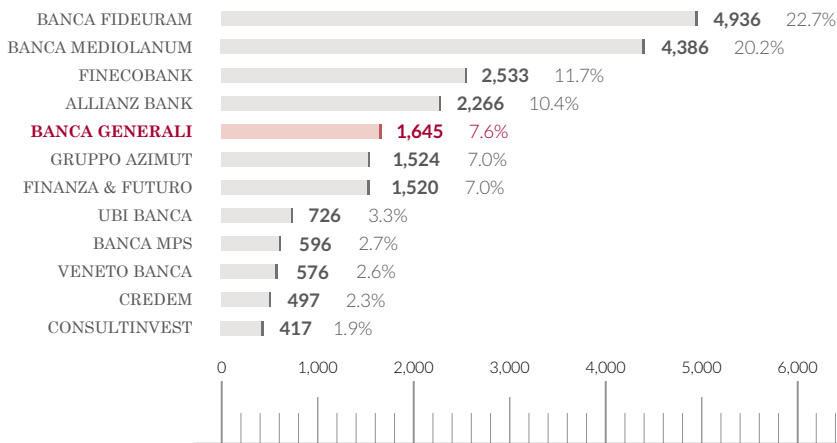
## 14.2 Financial Advisors

In line with the general growth in both the asset management market and that mainly based on financial advisors (“Assoreti” market), the number of professionals, with respect to the major companies surveyed, also increased by roughly 2% (from 21,352 to 21,741). In this sector, Banca Generali owns one of the most important Financial Advisor-based distribution networks in the Italian market: at 31 December 2014, the network included 1,645 Financial Advisors and Relationship Managers, a significant increase compared

to 2013 (+ 12%, 170 additional Financial Advisors). As a result of this increase, Banca Generali climbed to fifth place, with market share increasing from 6.9% to 7.6%.

This growth reflected both the recruiting of new professionals, including those from the dissolved network of Simgenia Sim, and the acquisition of 51 professionals from Credit Suisse Italia’s Financial Advisor business unit.

Number of Assoreti Financial Advisors: 21,741 (December 2014)



Source: Assoreti

The main data relating to Banca Generali’s distribution network are briefly summarised in the following tables, which compare 2014 and 2013 data and break them down into the two divisions making up the network, one more specifically dedicated to

“affluent” customers and the other to higher profile customers (“private”). Both divisions are growing in terms of number and average assets under management, as evidence of the quantitative and qualitative development of the distribution structure:

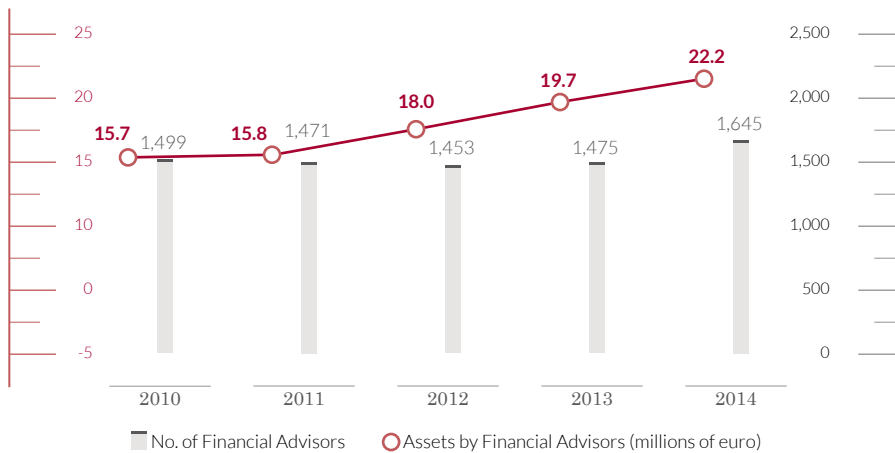
31.12.2014	NO. OF FAS/ PBS/RMS	ASSETS (€ MLN)	ASSETS PER PROFESSIONAL (€ MLN)
BG Financial Planner Division	1,244	21,189	17.0
BG Private Banking Division	401	15,374	38.3
<b>Total</b>	<b>1,645</b>	<b>36,563</b>	<b>22.2</b>

31.12.2013	NO. OF FAS/ PBS/RMS	ASSETS (€ MLN)	ASSETS PER PROFESSIONAL (€ MLN)
BG Financial Planner Division	1,141	17,190	15.1
BG Private Banking Division	334	11,926	35.7
<b>Total</b>	<b>1,475</b>	<b>29,115</b>	<b>19.7</b>

As regards the growth trend of the network, it is important to note that for years the selection process has been marked by the inclusion of high standing professionals with significant client portfolios. They are perfectly in tune with the bank's qualitative approach, which has led to a gradual reduction of lower profile staff to the advantage of higher qualitative standards. In the years prior to 2014, this approach resulted in a substantial

stability in the number of active advisors and concurrent gradual increase in average assets under management. In the last year, the number of financial advisors significantly increased through recruiting and acquisitions which, far from watering down per capita averages, further improved them, reflecting a truly consistent and solid growth process.

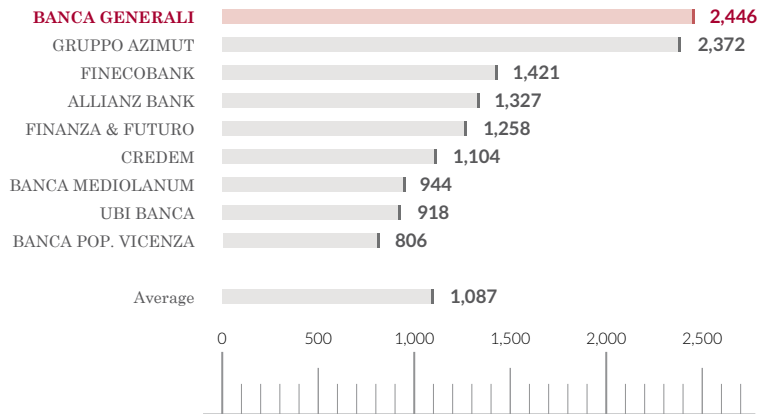
### Financial Advisors and assets by Financial Advisor



Even during years of high instability of the financial markets – indeed, owing precisely to such instability, Banca Generali's advisory approach and the professional skills of its Financial Advisors have thus proven able to provide customers true added value. As a result, for years the per capita indicators of the Bank's financial advisors have been at the top of the market in terms of ability to attract investments, which resulted in higher and more significant average assets under management. Per capita net inflows of

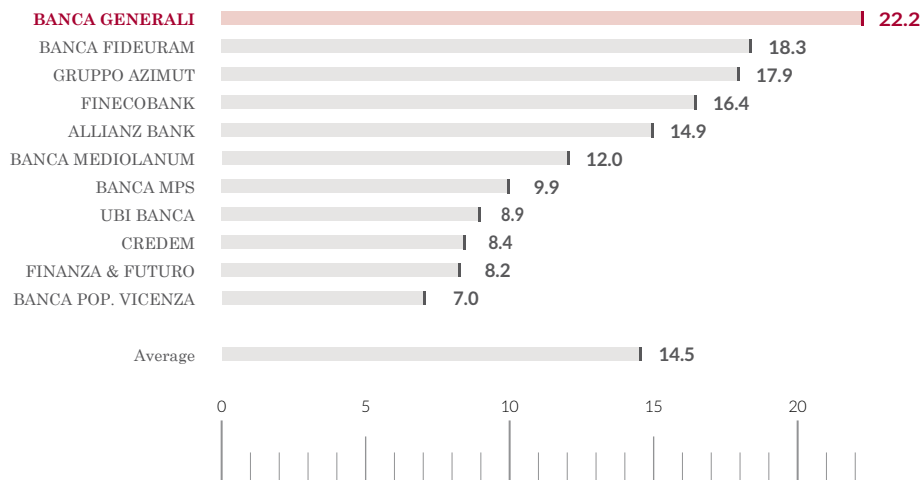
2.4 million euros in 2014 were the highest in absolute terms and 2.25 times higher than the industry average; average assets under management, an indicator that summarizes the quantitative and qualitative success of the strategy implemented, were firmly at the top of the market, with a value that exceeded the general market average by more than 50% (22.2 million euros compared to 14.5 million euros).

## Average Net Inflows of Assoreti Financial Advisors (December 2014)



Source: Assoreti

## Average assets of Assoreti Financial Advisors (December 2014)



Source: Assoreti

In further detail, Banca Generali added 102 new, carefully selected professionals with solid experience in the banking industry, who were able to draw on the vast array of investment opportunities offered by the bank to meet customers' needs more thoroughly in accordance with their individual risk profiles. They were joined by about seventy financial planners carefully selected from over one thousand of the dissolved Simgenia Sim network. Finally, 51 new financial advisors joined the network following the acquisition of Credit Suisse Italia's business unit.

Against these additions, there was a modest number of professionals leaving the network, including for retirement reasons – in line with the well-established structure of the bank – or due to a change in professional activity. The turnover of Banca Generali network is extremely small, equal to 2.85%, net of retirements and deaths (1.97% in the highest professional category) reflecting the loyalty of existing professionals and Banca Generali's attractive market proposal.

## Network's organisational structure

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

	2014	2013
1 <sup>st</sup> Level Managers	22	20
2 <sup>nd</sup> Level Managers	44	49
Executive Manager	46	44
FAs/PBs/RMs	1,533	1,362
	<b>1,645</b>	<b>1,475</b>

In Banca Generali, the number of managers proper (first- and second-level managers, i.e., those who are the referees of professional figures dedicated solely to customer relations) is even decreasing compared to the considerably higher figures of traditional networks, which continue to be characterised by extensive use of classic pyramid structures, with a strong drive towards quantitative growth and high turnover.

## Geographical Breakdown by Gender and Age

The network is broadly distributed throughout Italy, with a greater concentration (2/3 of the workforce) in the regions of the Centre-North than in the Centre-South, in accordance with the distribution of national wealth. Female presence remained

stable (14.2% of the total), as did the average age (51 years). An average length of service of about 12 years, also considering the "young age" of the Company, bears witness to the network's stability and its modest turnover.

REGION	FA	PB-RM	TOT	% ON TOT.	% WOMEN	AVERAGE AGE			AVERAGE LENGTH OF SERVICE*		
						M	W	TOTAL	M	W	TOTAL
Piedmont	75	60	135	8.2%	18.5%	51.5	49.5	51.2	10.4	9.9	10.3
Valle d'Aosta	-	2	2	0.1%	-	50.3	-	50.3	8.7	-	8.7
Lombardy	222	115	337	20.5%	16.3%	51.1	48.7	50.7	11.2	9.6	11.0
Trentino-Alto Adige	20	-	20	1.2%	5.0%	50.0	37.7	49.4	7.7	2.5	7.5
Veneto	134	45	179	10.9%	9.5%	52.4	48.2	52.0	11.4	6.0	10.9
Friuli Venezia-Giulia	64	6	70	4.3%	10.0%	51.1	52.5	51.3	11.8	9.5	11.6
Liguria	48	52	100	6.1%	17.0%	54.3	51.6	53.9	12.9	11.2	12.6
Emilia-Romagna	167	28	195	11.9%	21.0%	52.5	50.5	52.1	13.4	11.3	12.9
Tuscany	61	33	94	5.7%	8.5%	52.5	49.5	52.2	10.9	9.3	10.8
Umbria	23	-	23	1.4%	13.0%	53.6	45.3	52.5	18.2	7.5	16.8
Marche	50	-	50	3.0%	14.0%	49.4	49.0	49.4	13.9	16.4	14.3
Lazio	83	40	123	7.5%	22.8%	51.1	50.0	50.8	10.0	14.1	10.9
Abruzzo	26	-	26	1.6%	7.7%	52.7	58.5	53.1	11.7	7.3	11.4
Molise	1	-	1	0.1%	-	45.8	-	45.8	1.1	-	1.1
Campania	123	9	132	8.0%	3.8%	49.3	45.2	49.1	12.5	12.1	12.5
Puglia	64	7	71	4.3%	11.3%	50.2	43.3	49.4	13.7	11.3	13.4
Basilicata	1	-	1	0.1%	-	49.3	-	49.3	6.8	-	6.8
Calabria	23	3	26	1.6%	15.4%	48.3	53.3	49.0	12.2	15.6	12.7
Sicily	49	-	49	3.0%	4.1%	47.7	46.9	47.6	11.2	8.4	11.0
Sardinia	10	1	11	0.7%	36.4%	48.3	50.8	49.2	14.0	14.7	14.3
Not resident in Italy	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,244</b>	<b>401</b>	<b>1,645</b>	<b>100.0%</b>	<b>14.2%</b>	<b>51.3</b>	<b>49.4</b>	<b>51.1</b>	<b>11.8</b>	<b>10.7</b>	<b>11.7</b>

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



## Presence in Italy

Banca Generali's Financial Advisor network covers a very extensive area in Italy and was supported, at 31 December 2014, by a total of 184 bank branches and FA offices.

31 DECEMBER 2014	BRANCHES			OFFICES			OVERALL TOTAL
	FINANCIAL PLANNER DIVISION	PRIVATE BANKING DIVISION	TOTAL BRANCHES	FINANCIAL PLANNER DIVISION	PRIVATE BANKING DIVISION	TOTAL OFFICES	
Abruzzo	1	-	1	1	-	1	2
Calabria	1	-	1	2	1	3	4
Campania	3	1	4	10	2	12	16
Emilia-Romagna	4	-	4	14	4	18	22
Friuli Venezia-Giulia	2	-	2	3	1	4	6
Lazio	1	1	2	3	3	6	8
Liguria	4	1	5	6	5	11	16
Lombardy	4	2	6	14	5	19	25
Marche	-	-	-	3	-	3	3
Piedmont	3	1	4	6	9	15	19
Puglia	2	1	3	6	2	8	11
Sardinia	-	-	-	1	-	1	1
Sicily	1	-	1	4	-	4	5
Tuscany	3	1	4	10	2	12	16
Trentino-Alto Adige	-	-	-	2	-	2	2
Umbria	1	-	1	2	-	2	3
Valle d'Aosta	-	-	-	-	1	1	1
Veneto	6	-	6	14	4	18	24
<b>Overall total</b>	<b>36</b>	<b>8</b>	<b>44</b>	<b>101</b>	<b>39</b>	<b>140</b>	<b>184</b>

## Training and Development of the Network

### Management Training

Again in 2014, Banca Generali renewed its commitment to providing management training to the Financial Advisors' network. 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.

In the first half of the year, 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.

In the second half of the year, the District Managers team, broken down in three, geographically diversified groups, continued the training with two days dedicated to supporting managers in bringing about cultural changes and to strengthening their leadership role, through effective communication tools and coaching techniques aimed at facilitating and encouraging the professional growth of their collaborators.

The Area Managers also began an important individual coaching

path focused on two steps: the first, dedicated to analysing and defining a development plan and the second, targeted to personal and professional growth.

The managers of the Private Bankers Network took part in a two-day collective edition, aimed at encouraging reflection on guiding and involving the team under a continuous improvement approach, trying to convey the sense of change that is being implemented by the Bank.

The management team represented by the heads of Private Centres 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 following six months, 30 Relationship Managers attended a training course organised in three modules of 2 days each. The objective of this type of training was to refocus the managers' professional identity through self-motivation in order to encourage a more maker-oriented approach and strengthen the mix of skills and tools in line with the changing internal and external environment.

### Commercial training

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

In February 2014, Banca Generali extended its range of products through an innovative tool: "BG StileLibero", the 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 (through the course "The Value of Insurance Products") to the entire management team, which in turn passed that training down to the departments under their care.

February 2014 also saw the completion by the entire network of the course "The Value of Diversification" (started in 2013), 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 800 Private Bankers, Financial Planners and Relationship Managers, with the aim of exploring the main advantages and potential benefits.

June 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. In 2014, the entire network participated in the course, organised in collaboration with prestigious, well regarded industry professionals.

### Institutional training

In the second half of the year, all members of the network had access to the 2014 Ivass update through the online course "**Insurance tools and succession planning strategies**" which further explored the concepts covered in class on succession planning.

In 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 2014, five editions involved about 60 newly recruited Financial Planners and Private Bankers, and three editions devoted to the about 50 Financial Advisors of Credit Suisse who joined Banca Generali.

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 to create Value." 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.

## 15. Organisation and ICT

The overall organisational structure, which in 2013 underwent a major internal reorganisation, in 2014 deeply focused on the implementation of corporate strategies, through the completion of important corporate projects and an improved portfolio of services offered to customers.

In this regard, the entire organisation managed to successfully complete the acquisition of the Credit Suisse Italia's business unit. In terms of services offered to customers, mention should be made of the successful placement on the market of innovative insurance products with unique features in their target market.

### 15.1 Sales network services and customer services

#### Sales network services

The Bank adopted a two-fold approach in providing support to network professionals: on the one hand, a number of important projects related to the innovative software application dedicated to consulting services – BG Personal Advisory – were completed, on the other, the Bank continued to invest in the application platform dedicated to the Financial Advisors/Private Bankers sales channel – Front End Promotori; this platform was further enriched with both information and transaction functions, including a new transaction authorisation process that enables customers, supported by their financial advisors, to place orders using a graphometric digital signature, a feature that is unique in the market.

#### Customer services

The Bank continued attention to and investments in the online channel over the years were favourably received by the market, and the channel won the award as best Italian Internet Banking website in 2015.

Also, as previously mentioned, the Bank has a new range of insurance products available for distribution which are unique in the industry; such an important initiative, which required the implementation of effective and high-quality architecture and processes, obtained immediate positive feedback from the market.

### 15.2 Internal Support Processes for Company Business

#### Loans

New digital-paperless processes were re-designed and implemented by the Credit Department, which improved both the internal efficiency and the information provided to the network professionals concerning progress in the loan approval process. The commissioning of a Credit DataMart was especially significant and provided an important business intelligence tool for management reporting processes with strategic and second-level control purposes.

#### Finance

In the Finance Department the project concerning the deployment of the Treasury Services application platform, which uses a high-quality solution available on the market, was completed; in addition, the Bank continued adding new functions related to securities trading.

#### Administration and operations

In this context, the approach was to implement incremental improvements to processes and applications in order to ensure high levels of operating efficiency in a context of strong growth in business activities.

### 15.3 Legal Compliance

In 2014, very significant efforts were devoted to legal-compliance changes to information technology systems and organisational processes. The most significant activities were in the FATCA, SEPA – end date, Money Laundering and Privacy areas,

as well as a series of initiatives related to Bank of Italy Circular 263 on the “New Prudential Supervisory Provisions Concerning Banks.”

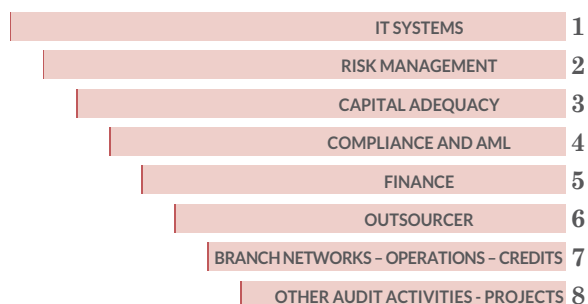
## 16. Auditing activities

In the course of its activities, Internal Audit verified the quality and accuracy of internal and external information according to the company values of substantial and procedural fairness and transparency, ensuring the determinability and verifiability of transactions and, more generally, management-related activities; the reliability of accounting and management data; compliance with laws and regulations and the safeguarding of company integrity, including with the aim of preventing fraud to the detriment of the Company and market.

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

- CoSo Report, ERM (Enterprise Risk Management) model and CobiT-Pam methodology;
- the Bank of Italy's supervisory instructions;
- International standards for professional internal auditing, guidelines and position papers of the Internal Auditors Association;
- Borsa Italiana's Corporate Governance Code;
- Basel Committee on Banking Supervision, June 2012;
- Consob-Bank of Italy Joint Regulation.

The measures carried out during the period related to the quality and reliability of safeguards associated with the risks present or potentially inherent in the eight Audit areas:



- IT Audit Area: CSE consortium Audit, IT risk analysis, end-user data security audit, new technologies audit, continuous

auditing activities on Internet banking security, secure pay ECB;

- Risk Management Area: functional analysis, management of counterparty risk, audit on consortium project for the implementation of rating models, management of business continuity plan;
- Capital Adequacy and Liquidity Area: ICAAP, public disclosure, planning and control, budgeting and development and management of marketing plan;
- Compliance and Anti-Money Laundering Area: management of network risk, analysis of the regulatory compliance function, transactions with related, associated and connected parties, remuneration policies, Centralised Computer Archive and AML due diligence project;
- Finance Area: verification/test activities for administrative and accounting processes with reference to the 2014 half-year and annual financial statements; special attention was paid to securities in the watch list, portfolio management and investment process, RM and PB telephone orders, investment processes and market abuse;
- Outsourcers Area: audits on the outsourcers FIDELITAS and SIAED;
- Branches, Operations and Loans areas: audit on bank branches and cash management process, impaired loans, audits on conditions applied to Citylife mortgages and audit on payment systems;
- Governance Area and other audits: activities and projects related to the assessment report pursuant to Law No. 263/06, Data Protection Authority Project II, audits pursuant to Legislative Decree No. 231/01, support activities to the Board for the appointment of the new firm in charge of the statutory audit of the accounts.

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

The audit found that risk control and management systems performed in an effective manner. The developments and innovation that constantly concern the information systems require increased monitoring on the implementation of protection measures.

## 17. Main Risks and Uncertainties

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

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

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

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

At the end of 2014 that risk was maintained at low levels, with one-day VaR 99% of less than 0.5% of the total portfolio. In terms of capital requirements, the average annual risk was approximately 4.8 million euros, with an average weigh on the underlying trading portfolio of 3.6%.

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 Service 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.

At the end of 2014, the average risk of the portfolio, including exposures to institutional and customer counterparties, amounted to a capital requirement of about 113 million euros, with an average weigh on that portfolio of 1.9%.

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, it monitors the action plans adopted to mitigate material risks, and controls KRIs (Key Risk Indicators).

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.

During 2014, the average risk in terms of capital requirement amounted to approximately 52.2 million euros.

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 net inflows.

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 mismatches, the calculation of the net balance of funding requirement (or surplus) over the holding period considered.

Liquidity risk is managed through appropriate short-term and structural (beyond one year) operating limits, monitored by the Risk Management function, aimed at maintaining a level of risk deemed consistent with the strategies and risk appetite set by the Board of Directors.

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

In 2014, the Banking Group had an adequate **capitalisation** level with average CET1 ratio of 13% and average Total Capital ratio of 14.5%.

The effective management of **compliance risk**, defined as the risk that the Company may incur legal or administrative penalties, significant financial losses or reputational damages as a result of the breach of laws, regulations or voluntary codes of conduct, as well as **money laundering and terrorist financing** activity, defined as the risk of involvement, also unintentional, of the Company in such offences, requires a company culture that promotes integrity, propriety and compliance with the spirit of the law in accordance with the principle of proportionality and the entity's size and specific operational characteristics.

In this context, compliance is a process that permeates the entirety of each Banca Generali Group company's activities and organisation, beginning with the definition of company values and strategies and extending to influencing the definition of policies, internal procedures, operating practices and conduct. Likewise, an efficient prevention and management of money laundering and terrorism financing risks are totally dependent on an adequate definition of internal policies and procedures aimed at combating these events.

Accordingly, the said risk monitoring is most effectively pursued in a company context that emphasises the principles of honesty and integrity and applies to each resource by involving Company Boards, Committees, the Compliance function, as well as the Anti-money Laundering function, each to the extent of its respective competency, and, more generally, all employees and contract workers.

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

During 2014, the Compliance function focused on those areas of activity and processes that, because they are inherently complex or more extensively affected by changes in the law, require revision or implementation or present compliance risk in need of management action. In accordance with the provisions of (i) the Regulation of the Bank of Italy and Consob issued pursuant to Article 6, paragraph 2-bis, of the Consolidated Finance Act and (ii) the Supervisory Provisions governing compliance functions, the activities performed by the Compliance function are as follows:

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

The activities described above focused in particular, over the year, on:

- matters relating to staff remuneration and incentives policies, the management of conflicts of interest, personal transactions carried out by relevant persons and the requirements relating to disclosure of information between banks and traceability of banking transactions;
- advisory support on various topics (e.g. provision of investment services; Privacy; conflicts of interest; development of corporate projects ...) aimed at the correct application of and compliance with the law;
- the safeguards adopted in the provision of investment services, with special regard to, inter alia, the placement service, the provision of execution and transmission services and the prevention of the risk of market abuse;
- the verification of indirect sales activity conducted through the financial advisors network;
- training concerning the supervision of the activity carried out by the distribution network, concerning compliance obligations in relation to the Privacy Code and the Administrative Liability of entities (Legislative Decree No. 231/2001);
- activities aimed at ensuring full compliance with the New Supervisory Provisions on the Internal Control System, the Information Systems and Business Continuity within the prescribed time limits (Bank of Italy Circular No. 263/2006),

including the definition of a collaboration and cooperation model between Compliance and Tax following the introduction of the monitoring of non-compliance risk with respect to tax laws within the Compliance scope of responsibility.

In 2014, activity specifically relating to the Anti-Money Laundering function primarily focused on the following:

- the fulfilment of anti-money laundering obligations relating to active collaboration (identifying and reporting of suspect transactions and associated formalities);
- coverage of obligations to record data in the Centralised Computer Archive and submit aggregate statistical reports;
- management of infraction reports relating to Article 49 of Legislative Decree No. 231/07 pertaining to restrictions on the transfer of cash and bearer securities and limitations on cheques;
- working with the competent company functions to define training processes, also in classrooms aimed at fostering knowledge of and compliance with laws and regulations on anti-money laundering;
- refinement of the adjustments necessary to comply with the provisions contained in the “Measure containing implementing provisions on customer due diligence, pursuant to Article 7, paragraph 2, of Legislative Decree No. 231 of 21 November 2007, which will become effective on 1 January 2014.

## 18. Outlook

The year 2015 will likely be characterised by a slightly improved macroeconomic scenario within the Eurozone albeit characterised by low growth prospects. Italy, in particular, is expected to continue to be impacted by a slight development of GDP, a high level of unemployment and flat disposable income.

In consideration of this scenario, in which families will continue to show a gradual decrease in their propensity to save, the competence and reliability of asset managers and advisors will be qualities for which there will be increasing need and demand. Indeed, in the last two years there have been significant developments in the financial environment, characterised by plummeting interest rates on bonds, and moderate recovery in the stock market. This resulted in a markedly changed composition of households' financial flows, with an increasing tendency towards asset management and investments in insurance products. More specifically, the financial advisor network sector timely responded to customers' need for expert advice, which emerged when government bonds were no longer available as a typical safe haven asset.

In this context, which is certainly complex but offers excellent development opportunities, the measures taken by the Banking Group will continue to seek to increase its market share by developing its competitive edge, represented by a specific combination of quality products, networks and services, within an Italian market in which just 10% of financial assets held by households are managed through financial advisors.

This market has growth potential but is also increasingly complex and competitive, also in view of the renewed attention to the advisory segment by traditional banks, a segment they had neglected for many years. This will require increasing investments to improve the quality of the network, complete the range of products and services offered and develop technological tools in support of more sophisticated and informed investment decisions.

In 2015, the banking group's goal will be to increase total incom-

ing assets, with special focus on asset management, through:

- dynamic offering policies in line with the market trend outlined above, by completing the current product range to more thoroughly meet customers' financial needs;
- reallocation of the existing portfolio towards products that are consistent with new market scenarios, pursuing high diversification, liquidity and risk control;
- completion of the new service model, through an advisory proposal that offers a more comprehensive and in-depth approach to the management of customers' overall assets;
- acquisition of specialised know-how by entering into agreements and partnerships with third parties for the provision of advanced services to customers, such as family offices, corporate finance, real estate analysis, tax consulting, generational transitions, asset protection;
- investing in technology and training for the network to ensure its competitive advantage, by supporting Financial Advisors in defining portfolio and product selections that are consistent with market scenarios and with customers' risk profiles and investment objectives.

On the cost front, in 2015 the bank will continue to pursue its current strategy aimed at containing cost growth well below revenue growth. More specifically, the increase in costs will be primarily applied to the development of useful products and services that help further improve the quality of advice given to customers and the network's productivity, with specific focus on technology investments.

The activities aimed at growing the assets under management and market share will therefore be accompanied by strong cost containment actions, including through constant efforts to implement more efficient processes and focus on activities that provide higher value to customers and the Network.



## 19. Events Occurred After the Reporting Date

The preliminary consolidated results for 2014 were analysed by the Board of Directors on 11 February 2015.

The draft Financial Statements of Banca Generali were approved by the Board of Directors on 10 March 2015, when the Board also authorised its disclosure pursuant to IAS 10.

No events occurred after 31 December 2014 and until the approval of the draft of the annual financial statements that would make it necessary to adjust the results presented in these Accounting Statements.

## 20. Proposal for the Distribution of Profits

### Shareholders,

We invite you to approve the financial statements as of 31 December 2014, which include the Balance Sheet, Profit and Loss Account, Notes to the Financial Statements and related attach-

ments, as well as this Report on Operations, both taken as a whole and with regard to the individual entries. We therefore propose allocating net profit for the year as follows:

<b>Net profit for the year</b>	<b>167,459,532</b>
To legal reserve	70,682
To retained earnings	53,957,747
<b>Dividend</b>	<b>113,431,103</b>
Allocation to the 115,746,023 outstanding ordinary shares of 0.98 euro per share, including the amount to treasury shares as per Article 2357-ter of the Italian Civil Code	113,431,103

The dividend payment date will be 20 May, with ex-date 18 May and record date 19 May, pursuant to Article 83-terdecies of Consolidated Law on Finance.

*Trieste, 10 March 2015*

*The Board of Directors*

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**Giornate FAI di Primavera**

Il 21 e 22 marzo Banca Generali affianca il FAI nelle Giornate FAI di Primavera 2015



1.2

# REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP

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

BOARD OF DIRECTORS - 10 MARCH 2015

# Report on corporate governance and Company Ownership

pursuant to Section 123-*bis*  
of Legislative Decree No. 58/1998

## CONTENTS

<b>Glossary</b>	130
<b>1. Issuer profile</b>	
1.1 Organisation of the Company	131
<b>2. Information on company ownership (pursuant to article 123-<i>bis</i> TUF) as of 10 March 2015</b>	133
a) Structure of the Share Capital (pursuant to Article 123- <i>bis</i> , paragraph 1, letter a) of TUF)	133
b) Restrictions on the Transfer of Securities (pursuant to Article 123- <i>bis</i> , paragraph 1, letter b) of TUF)	134
c) Significant Equity Investments in Share Capital (pursuant to Article 123- <i>bis</i> , paragraph 1, letter c) of TUF)	134
d) Securities Bearing Special Rights (pursuant to Article 123- <i>bis</i> , paragraph 1, letter d) of TUF)	134
e) Shares held by employees: Mechanism for the exercise of the voting rights (pursuant to Article 123- <i>bis</i> , paragraph 1, letter e) of TUF)	134
f) Restrictions on voting rights (pursuant to Article 123- <i>bis</i> , paragraph 1, letter f) of TUF)	134
g) Shareholders' Agreements (pursuant to Article 123- <i>bis</i> , paragraph 1, letter g) of TUF)	134
h) Change of control clauses (pursuant to Article 123- <i>bis</i> , paragraph 1, letter h) of TUF), and statutory provisions regarding takeover bids (pursuant to Articles 104, paragraph 1- <i>ter</i> , and 104- <i>bis</i> , paragraph 1)	135
i) Powers to increase the share capital and authorisation for the acquisition of treasury shares (pursuant to Article 123- <i>bis</i> , paragraph 1, letter m) of TUF)	135
l) Direction and coordination (pursuant to Article 2497 et seq. of Civil Code)	136
<b>3. Compliance (pursuant to article 123-<i>bis</i>, paragraph 2, letter a) of TUF)</b>	137

<b>4. Board of directors</b>	138	<b>10. Internal control and Risk management system</b>	170
4.1 Appointment and Replacement of the Board of Directors (pursuant to Article 123-bis, paragraph 1, letter l) of TUF)	138	10.1 The Director in charge of the Internal Control and Risk Management system	172
4.2 Composition of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d), TUF)	140	10.2 Internal Auditor	172
4.3 Role of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) Functioning of the Board of Directors	144	10.3 Organisational model pursuant to Legislative Decree No. 231/2001	175
4.4 Delegated organs	146	10.4 Independent Auditors	176
Chief Executive Officer	148	10.5 Manager in charge of the company's financial reports	176
Chairman of the Board of Directors	148	10.6 Coordination amongst parties involved in the internal control and risk management system	179
Report to the Board	151	<b>11. Directors' interests and related party and connected party transactions</b>	180
4.5 Other Executive Directors	152	Obligations of Company Officers and Executives Pursuant to Legislative Decree No. 136 of TUB	181
4.6 Independent and Non-executive Directors	152	<b>12. Appointment of the board of statutory auditors</b>	183
4.7 Lead Independent Director	154	<b>13. Composition and functioning of the board of statutory auditors (pursuant to article 123-bis, paragraph 2, letter d) of TUF)</b>	185
<b>5. Handling of corporate information</b>	155	14. Investor relations	187
Internal Dealing	155	<b>15. General shareholders' meetings (pursuant to article 123-bis, paragraph 2, letter c) of TUF)</b>	188
<b>6. Internal committees of the board of directors (pursuant to article 123-bis, paragraph 2, letter d), of TUF)</b>	157	Regulations of the Shareholders' Meeting	188
<b>7. Remuneration and nomination committee</b>	158	<b>16. Other corporate governance practices (pursuant to article 123-bis, paragraph 2, letter a) of TUF)</b>	190
<b>8. Directors' remuneration</b>	162	<b>17. Changes since the end of the financial year of reference</b>	190
Directors' Severance Indemnities in the Event of Resignation, Dismissal or Severance as a Result of a Takeover Bid (pursuant to Article 123-bis, paragraph 1, letter i), of TUF)	164	<b>Annex 1 - Information on company ownership</b>	191
<b>9. Internal Audit and Risk Committee</b>	166	<b>Annex 2 - Board of directors' and committees' structure</b>	192
		<b>Annex 3 - Statutory Auditors' Structure</b>	194



## GLOSSARY

**Code/Corporate Governance Code:** the Corporate Governance Code of listed companies as amended in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, ASSOGESTIONI, ASSONIME and CONFINDUSTRIA (Confederation of Italian Industry).

**Civil Code:** the Italian Civil Code.

**Board:** the Board of Directors of the Issuer.

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

**Period:** the financial period to which the Report refers.

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

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

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

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

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

**Bank of Italy Circular No. 263:** Bank of Italy Circular No. 263 of 27 December 2006 on Prudential supervisory provisions for banks (as subsequently amended).

**Bank of Italy Circular No. 285:** Bank of Italy Circular No. 285 of 17 December 2013 on Supervisory provisions for banks (as subsequently amended).

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

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

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

*Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (10 March 2015).*



## 1. ISSUER PROFILE

### 1.1 Organisation of the Company

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

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

Against this background, with a view to reinforcing minimum standards of corporate organisation and governance, and ensuring “healthy and prudent management” (Article 56 of TUB), by Circular Letter No. 285/2013 entitled “Supervisory Provisions Concerning Banks” – most recently amended by the first update of 6 May 2014 – the Bank of Italy established a regulatory framework under which organisation is to play a central role in strategic corporate policy-making and risk assessment and management within the banking and financial industry.

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

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

- i) Board of Directors;
- ii) Chairman of the Board of Directors;
- iii) Chief Executive Officer;
- iv) Remuneration and Nomination Committee;
- v) Internal Audit and Risk Committee;
- vi) General Shareholders’ Meeting;
- vii) Board of Statutory Auditors.

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

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

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

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

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

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

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

The Internal Audit and Risk Committee is tasked with: (i) assisting the Board of Directors in laying down the guidelines of the internal control and risk management system, periodically checking that said system is adequate to the bank’s character-

ristics and risk profile, reviewing its effective functioning and also ensuring that the major company risks have been identified, adequately measured, managed and monitored, as well as determining the degree to which such risks are compatible with management of the enterprise in accordance with the strategic goals identified, in liaison with the responsible company functions; (ii) expressing its opinion regarding related party and connected party transactions, in accordance with the terms and conditions set forth in the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance approved by Banca Generali pursuant to applicable laws and regulations; (iii) assisting the Board of Statutory Auditors in discharging its statutory auditing duties pursuant to the provisions of Legislative Decree No. 39 of 27 January 2010; and (iv) expressing opinions in compliance with the Equity Investment Management Policy.

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

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

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

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

## 2. INFORMATION ON COMPANY OWNERSHIP (pursuant to article 123-bis TUF) as of 10 March 2015

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

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to 115,756,094.00 euros, divided into 115,756,094 ordinary shares of a par value of 1.00 euro each. In the annexed Table 1) the categories are indicated.

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)	RIGHTS AND OBLIGATIONS
Ordinary shares	115,756,094	100	Listed on MTA organised and managed by Borsa Italiana S.p.A.	All the rights contemplated under the Civil Code and Articles of Association

The Table 1 annexed to this Report provides a breakdown of categories of shares in which the share capital is split.

Banca Generali holds 10,071 treasury shares acquired to execute the Stock Granting Plan reserved for financial advisors of the merged company Prime Consult SIM S.p.A. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Civil Code.

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

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

For further information on the aforesaid share-based incentive plans, see part I of the Notes and Comments to the Banca Generali's Financial Statements for 2011, and the Press Release issued on 17 September 2007, drawn up pursuant to Consob Resolution No. 15915 of 3 May 2007, regarding the allotment of financial instruments to company managers, employees and collaborators, pursuant to the Plans submitted for approval to the corporate organ in charge of the implementation thereof prior to 1 September 2007, available for consultation on the company's website ([www.bancagenerali.com](http://www.bancagenerali.com)) under the section *Investor Relations - Press releases* and the Information Document pursuant to Article 84-bis of the Rules for Issuers published on 2 April 2010 and available for consultation in the corporate website ([www.bancagenerali.com](http://www.bancagenerali.com)) under *Corporate Governance - AGM*. The Shareholders' Meeting held on 21 April 2010 also approved two stock option plans reserved for the distribution networks, respectively one for Financial Advisors and Private Bankers, and one for Relationship Managers, as well as the share capital increase in one or more tranches, excluding option rights, pursuant to Article 2441, paragraphs 5 and 8, of the Civil Code, in service of the above-mentioned two new stock option plans and the subsequent amendment of Article 5 of the Articles of Association. Overall, the share capital increase envisages the issuance of up to a maximum of 2.5 million ordinary shares of a par value of 1.00 euro each, at the service of the aforementioned two plans, of which respectively a maximum of 2.3 million euros in service of the plan reserved for Financial Advisors and Private Bankers, and a maximum of 0.2 million euros in service of the plan reserved for Relationship Managers. The deadline for the completion of the aforesaid share capital increase is 30 June 2017.

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

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

- (i) the Stock Granting Plan reserved for specific financial advisors provides that should the recipient intend to sell all or some of the granted shares, the said recipient must first inform Banca Generali thereof, since the latter retains the right to indicate a third-party purchaser at the same terms and conditions and at the market price;
- (ii) the Regulations of the Stock Option Plan in favour of employees provides that recipients of the plan be bound to reinvest at least 50% of the gains generated through any disposal of the shares acquired by virtue of exercise of stock options, in ordinary shares in Banca Generali S.p.A., and to hold the said investment in the latter company for at least twelve months following the date on which it was made.

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

Shareholders holding more than 2% of the Company's share capital, directly and/or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices received pursuant to law, as well as other information available to the company as at 10 March 2015, are indicated in Table 2 of Attachment sub 1) to this Report.

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

No securities bearing special rights of control have been issued.

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

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

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

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

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

Moreover, the Company's ownership structure at 10 March 2015, indicates that:

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

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

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

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

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

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

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

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

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

- a) within the limits of the distributable profits and reserves as per the last approved financial statements, at a unit price per ordinary share ranging between no less than the par value of the share, that is to say, 1.00 euro and no more than 5% (five percent) of the reference price of the trading day preceding the day on which each acquisition is made;
- b) within the imperative time period of eighteen months following the related shareholders' resolution;
- c) the corresponding restricted reserve is established pursuant to Article 2357-ter of the Civil Code;

- d) acquisitions are made, pursuant to Article 132 of TUF and Article 144-bis paragraph 1, letter b, of the Rules for Issuers, with the operating procedures set forth in the organisational and operating rules on the markets themselves, so as to ensure equal treatment for all shareholders. Accordingly, the acquisitions shall be made exclusively, including in several tranches, on regulated markets organised and managed by Borsa Italiana S.p.A., pursuant to operating procedures established by the latter which do not allow for the direct matching of buy orders with pre-placed sell orders.

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

Pursuant to sections 2357 and 2357-ter of the Civil Code, on 23 April 2014, the General Shareholders' Meeting authorised – with the sole aim to endow the Company with the resources necessary to comply with the Banking group's Remuneration policies – the acquisition by Banca Generali of no more than 10,515 ordinary shares issued by Banca Generali S.p.A., of a nominal value of Euro 1.00 each, as well as the disposal of the same, together with those acquired on the basis of previous authorisations to acquire treasury shares, subject to the following terms and conditions:

- a) the unit price per ordinary share shall range between no less than the par value of the share, i.e., 1.00 euro, and no more than 5% of the reference price of the trading day preceding the day on which each acquisition is made;
- b) authorisation for acquisition is granted for eighteen months as of the date of approval of the relevant Shareholders' resolution, whilst authorisation for disposal is granted without any time limit whatsoever, in order to enable the achievement of the specified objectives;
- c) the purchase will be carried out within the limits of distributable profits and unrestricted reserves, as per the latest duly approved financial statements;
- d) acquisitions of treasury shares are made, pursuant to Article 144-bis, paragraph 1(b), of the Rules for Issuers, in accordance with the operating procedures set forth in the organisational and operating rules on the markets, so as to ensure equal treatment for all Shareholders. Accordingly, the acquisitions shall be made exclusively, including in several tranches, on regulated markets organised and managed by Borsa Italiana S.p.A., pursuant to operating procedures established by the latter which do not allow for the direct matching of buy orders with pre-placed sell orders.

The same General Shareholders' Meeting also authorised the Company to assign its treasury shares, without any time limit whatsoever, free of charge, to the Risk Takers identified in the Remuneration Policy, provided that any and all conditions, whether

regulatory or imposed under the Policy itself, for entitlement to the variable component of remuneration have been duly met. Lastly, the Shareholders' Meeting vested the Chief Executive Officer with powers to identify the reserve funds from which the restricted reserve amount, contemplated under Article 2357-ter

of the Civil Code, is to be drawn, as well as to also use treasury shares already currently held by the Company to achieve specified objectives.

At 31 December 2014, the Company held 10,071 treasury shares.

## I) Direction and coordination (pursuant to Article 2497 et seq. of Civil Code)

Banca Generali is part of the Generali Group.

The Company is subject to management and coordination by its Parent Company, Assicurazioni Generali S.p.A., within the meaning and for the intents and purposes of Article 2497 of the Civil Code.

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

In any case, it is hereby confirmed that the conditions provided for by Article 37, paragraph 1, of Consob Regulation No. 16191/2007 have been satisfied, and it is specifically stated that:

- a) the disclosure obligations pursuant to Article 2497-bis of the Civil Code have been complied with;
- b) the company has the ability to negotiate with customers and suppliers on an arm's length basis;

c) the Company has no centralised treasury accounts with the company that exercises centralised management or with other companies of the Generali Group, unless it is in the interest of the company;

d) an Internal Audit and Risk Committee is in place, composed of independent Directors only (Section 9) and a Board of Directors composed of a majority of independent Directors (Section 4.2).

With regard to further information as per article 123-bis of TUF, it should be pointed out that:

- the information to be disclosed pursuant to Article 123-bis, paragraph 1, subparagraph (i) ("*agreements between companies and directors, members of the control body or supervisory council which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid*") is contained in the section of the Report focusing on Directors' remuneration (Section 8), as well as in the Remuneration Report to be published pursuant to Article 123-ter of the TUF;
- the information to be disclosed pursuant to Article 123-bis paragraph 1, subparagraph (l) ("*rules applying to the appointment and replacement of directors and members of the control body or supervisory council, and to amendments to the articles of association if different from those applied as a supplementary measure*") is set forth in the section of the Report focusing on the Board of Directors (Section 4.1).

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

Banca Generali S.p.A. (the "Company") was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code, having determined that bringing its corporate governance system (i.e., the framework of rules, principles and procedures making up a company's management and internal control system) in line with the international corporate governance best practices on which the Code is based is an essential pre-requisite for achieving the Company's objectives. These objectives in fact include not only the creation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in related party and connected party transactions, intra-group transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all

the Company's stakeholders. The company is in fact fully aware that no corporation can hope to boost its reputation for reliability without implementing effective and efficient operating rules and procedures. To this end, the Company, at the Board of Directors on 18 February 2013, updated its Internal Code of Conduct, setting out the minimum standards of conduct to be observed in relations with colleagues, customers, competitors, suppliers and other stakeholders. Therefore it contains explicit rules and principles relating to Corporate Social Responsibility, the promotion of diversity and inclusion, safety and health in the workplace, the protection of company assets, fair competition and antitrust and the fight against corruption and bribery.

The Corporate Governance Code is available to the public on the Corporate Governance Committee's website at [www.borsaitaliana.it/comitato-corporate-governance/codice/2014cleaneng.en.pdf](http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014cleaneng.en.pdf).



## 4. BOARD OF DIRECTORS

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

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

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

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

Moreover, pursuant to the provisions of Article 26 of Legislative Decree No. 385 of 1 September 1993 and Article 147-quinquies of TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning on 18 March 1998. It should finally be noted that six members of Banca Generali's Board have been found to satisfy applicable independence re-

quirements, in accordance with the principles set forth in the Corporate Governance Code for listed companies (issued by Consob in Notice No. DEM/10078683 of 24 September 2010, and equivalent to the standards contemplated in Article 148, paragraph 3, of Legislative Decree No. 58/1998), whilst seven members satisfy the independence requirements pursuant to Article 37, paragraph 1(d), of the Regulation adopted by Consob Resolution No. 16191 of 29 October 2007, as further amended and extended.

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

In order to ensure that the governing bodies includes persons capable of guaranteeing that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Remuneration and Nomination Committee, shall: (i) define in advance the professional expertise required to achieve this result; (ii) define, in light of the bank's characteristics, the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence); (iii) verify that the outcome of the appointment process complies with the provisions on the optimal qualitative and quantitative composition; (iv) periodically perform self-assessments for verifying the Board of Directors' composition and functioning. The results of the above analysis (i) and (ii) shall be submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates may take account of such indications.

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



be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each candidate may appear on only one list, upon penalty of ineligibility.

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

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

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

Should only one list be submitted, all the members of the Board of Directors shall be appointed from the said list. Should, on the other hand, two or more lists be submitted, the first candidates on the list obtaining the greatest number of votes, equal to eight ninths of the number of members of the Board of Directors determined by the Shareholders' Meeting – with rounding down in the case of split number – will be elected Board members. In the case where the number of Board members belonging to the gender less represented, and appearing on the list that obtained the highest number of votes, is lower than the number required under applicable statutory provisions, the elected candidate with the highest serial number, and belonging to the more represented gender, shall be excluded. The eliminated candidate shall be replaced by the following candidate belonging the gender less represented and appearing on the same list as the eliminated candidate. In the case where it is not possible to draw from the list obtaining the highest number of votes, the required number of Directors belonging to the gender less represented, the Board seats in question will be filled by appointments made by the General Shareholders' Meeting, by majority vote. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

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

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

If, during the term of office, one or more Board members should leave office for whatever reason, they will be replaced according to the procedures established by law. If the outgoing director

was taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the outgoing director and willing to accept office or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office, and taken, in serial order, from the list to which the first unappointed candidate belonged. The term of the replacement director shall expire together with the term of the directors in office at the time of the replacement Director's appointment to the Board.

Where it is not possible to proceed as described above, either because of too few candidates being presented on the lists or as a result of non-acceptance of appointments, the Board of Directors shall co-opt, within the meaning of article 2386 of the Civil Code, a director selected by the Board in accordance with the criteria established under law. The director thus coopted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Article 15 of the Articles of Association.

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

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

With respect to criterion 5.C.2 of the Code, which remits the decision of adopting a succession plan for executive directors to a Board's discretionary assessment, the Board has not currently deemed it appropriate to adopt a succession plan for executive directors. In this respect, taking also into account the provisions set forth in the Bank of Italy's Circular Letter No. 285, and in light of the renewal of the Board of Directors which is scheduled upon approval of the 2014 Financial Statements, Banca Generali intends to adopt a succession plan for the executive directors and the General Manager in the first half of 2015.

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

The Shareholders' Meeting of 24 April 2012 established that the Board would be made up of ten members and appointed a new Board through the list voting system.

The Shareholders' Meeting of 24 April 2012 passed a resolution on the basis of the single list submitted by the majority shareholder Assicurazioni Generali S.p.A., which contained the following names: Girelli Giorgio Angelo, Motta Piermario, Perissinotto Giovanni, Anaclerio Mario Francesco, Baessato Paolo, Brugnoli Giovanni, Genovese Fabio, Gervasoni Anna, Miglietta Angelo, and Riello Ettore. Candidates were elected by the affirmative vote of 99.642% of the shareholders present

and entitled to vote at the Meeting. Following the resignations of two Directors in 2012 and subsequent co-option, the Shareholders' Meeting of 24 April 2013 resolved to maintain the number of Board members at 10 and appoint two Directors to replace those leaving office. Subsequently, 1 of the 2 Directors resigned, and on 15 October 2013 the Board of Directors resolved to co-opt a Director in order to replace the outgoing member. The Shareholders' Meeting of 23 April 2014 resolved to maintain the number of Board members at 10 and appoint one Director to replace the member who had resigned, confirming the already co-opted Director.

Therefore, 8 of the Directors currently in office were taken from the only list presented at the Shareholders' Meeting for the renewal of the Board, whereas 1 member was appointed by the Shareholders' Meeting of 24 April 2013 and 1 by the Shareholders' Meeting of 23 April 2014.

The term of the Board of Directors shall expire on the date of the Shareholders' Meeting called for the approval of the Financial Statements for the year ended 31 December 2014.

It should be noted that, when appointing the new Board of Directors, the Shareholders' Meeting must reserve at least one fifth of Board seats to the less represented gender, in application of the provisions set forth in Law No. 120/2011, as well as those provided in Section IV, Chapter 1, Title IV, of the aforementioned Bank of Italy's Circular Letter No. 285.

The table provided in Attachment 2 lists the members of the Board of Directors as of 31 December 2014, other information about them and Board and Committees meeting attendance.

In order to ensure that the Board includes persons capable of ensuring that the role assigned to them is discharged effectively, the Board of Directors, with the advisory support of the Remuneration and Nomination Committee, shall: (i) define in advance the professional expertise required to achieve this result, (ii) define, in light of the bank's characteristics, the qualitative and quantitative composition of company bodies (determining and justifying the theoretical profiles of candidates considered suitable, including as regards professional qualifications and independence). The results of the above analysis have been submitted to the shareholders' attention in a timely manner so that the process of selecting and appointing candidates could take account of such indications. Moreover, upon the conclusion of the process of appointing company bodies, the Board of Directors (with the advisory support of the Remuneration and Nomination Committee) assessed that the actual result of the appointment process corresponded to the qualitative and quantitative composition deemed optimal.

With regard to the composition of the Board – given that Banca Generali is subjected to management and coordination by another Italian company whose stock is listed for trading on regulated markets – pursuant to Article 37, paragraph 1(d), of the Rules adopted by Consob with Resolution No. 16191 of 29 October 2007, as amended and extended, the Board is made up of a majority (7) of independent directors.

Pursuant to Article 36 of Law No. 214/2011, the Board, within the time limit set by law, has verified, in respect of each director, that there were no grounds of incompatibility.

At the time of the next renewal of corporate bodies, the Issuer shall implement all measures to comply with applicable laws governing gender balance within governing and control bodies as set forth by Law No. 120 dated 12 July 2011, effective as of the first renewal of corporate bodies subsequent to 12 August 2012. Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in large companies other than Group companies.

**Paolo Vagnone.** Born in Turin on 4 December 1963, he graduated in Electronic Engineering at Turin Polytechnic and holds a Master in Business Administration from the INSEAD Business School in Fontainebleau. He started his career in McKinsey and then worked in the Allianz Group from 1997 to 2007, where he developed a thorough knowledge of the insurance field. He held offices of increasing responsibility in the Allianz Group, where he served as Chief Executive Officer and General Manager of RAS. He also broadened his professional profile managing investments in Italy of Apax and Fortress Investment Group's Private Equity funds. In these companies he was also appointed CEO and General Manager. He joined the Generali Group in February 2011 as General Manager and until 2012 he was Country Manager for Italy. He is currently Head of Global Business Lines of Assicurazioni Generali S.p.A. and member of the Board of Directors of the main Group companies; he does not hold positions in other companies outside the Group.

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

**Mario Francesco Anacletio.** Born in Genoa on 2 May 1973, he graduated in Economics at the Cattolica University in Milan, is Certified Public Accountant and is enrolled in the Certified Auditors Register. He owns a chartered accountant firm in Milan, specialising in finance, business valuations, fairness opinions, apprai-

sals and extraordinary operations, governance, internal auditing and organisational, management and control models pursuant to Legislative Decree No. 231/2001. He is member of the Board of Statutory Auditors of several companies outside the Generali Group (see details of the main positions set out below).

Società Italiana per Azioni per il Traforo del Monte Bianco	Acting Auditor
Pasticceria Bindi S.p.A.	Acting Auditor
FILP - Fabbrica Isolanti e Laminati Plastici S.p.A.	Acting Auditor
S.I.P.A. S.p.A.	Chairman of the Board of Statutory Auditors
Nuova Tagliamento S.p.A.	Acting Auditor
Engineering 2K S.p.A.	Acting Auditor
FBH S.p.A.	Acting Auditor
Combimar & Agemar S.p.A.	Acting Auditor
Società Gestione Servizi BP S.c.p.A.	Acting Auditor
Class S.p.A.	Acting Auditor
Cogetech Gaming S.r.l.	Chairman of the Board of Statutory Auditors
Egon Zehnder International S.p.A.	Acting Auditor
IMser 60 Società di Investimento Immobiliare non quotata	Acting Auditor
Orion S.r.l.	Acting Auditor
Socrates consulenze direzionali S.p.A.	Chairman of the Board of Statutory Auditors

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

Setefi S.p.A.	Director
Progressio SGR S.p.A.	Director
Carlo Tassara S.p.A.	Director
Intesa Sanpaolo Re.o.co	Director
MilanoSesto S.p.A.	Director

**Giovanni Brugnoli.** Born in Busto Arsizio (Varese) on 24 January 1970, he has always been actively engaged in entrepreneurial associations, in the Employers' Association of the Province of Varese, in which he was Vice President of the Young Entrepreneurs Group from 1999 to 2001 and President from 2001 to 2004, member of the Association's Board of Directors since 1999, member of the Executive Committee since 2001 and Vice President from May 2007 to May 2011.

He is currently Chairman of the Board of Directors of Tiba Tricot S.r.l. and of Palatino S.r.l. and sole shareholder of Tiba immobiliare S.r.l. – companies all belonging to the Brugnoli Group – as well as Chairman of the Board of Directors of Cofiva S.p.A. and Promindustria S.p.A, both of which belonging to the Gruppo Industriali di Varese. Moreover, he is Chairman of the Board of Directors of Industria e Università S.r.l. and Iniziativa Universitaria 1991 S.p.A., belonging to the same group and specialised in university and non-university post-secondary education.

**Philippe Donnet.** Born in Suresnes (France) on 26 July 1960, he graduated at the École Polytechnique in Paris and the Institut des Actuaire Français. Afterwards, Donnet developed a thorough knowledge of the insurance field working in AXA, where he entered in 1985 and acquired professional experience working in France and Canada. In 1999, he was appointed Chief Executive Officer of Axa in Italy. In 2001, he was appointed Chief Executive Officer of AXA for Southern Europe, Middle East, Latin America and Canada. In 2003, he was appointed Chief Executive Officer of AXA in Japan and became also responsible for the Asia-Pacific area of the company. In the past few years, he broadened his professional profile serving the Wendel Group and HLD. He currently holds a position as Country Manager for Italy and Chief Executive Officer in Generali Italia S.p.A.'s, and is member of the Group Management Committee of the Generali Group. He is also a Director in other Generali Group companies and does not hold positions in other companies outside the Group.

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

**Anna Gervasoni.** Born in Milan on 18 August 1961, she graduated in Economics and Commerce through the Luigi Bocconi University in Milan. She is currently a tenured professor of economics and business management. Having participated in the founding of the Cattaneo University - LIUC, she has been Professor of Economics and Business Administration and "Corporate Finance" since 1999. She has been responsible for the Specia-

lised Master Degree program in private equity since the year 2000: "Master in Merchant Banking: Private Equity, Finance and Business". She is Chairman of the Private Equity Monitor - PEM® and the Venture Capital Monitor - VEM®, two entities that monitor the Italian private equity market. Since 1986 she has been General Manager of AIFI, the Italian Private Equity and Venture Capital Association. She is also Acting Auditor at Saipem S.p.A. and member of the Board of Directors of Fondo Italiano d'Investimento SGR S.p.A., as well as member of the Board of Directors of Sol S.p.A, a leading supplier of industrial gas.

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

E.ON Italia S.p.A.	Acting Auditor
E.ON Energia S.p.A.	Acting Auditor
E.ON Produzione S.p.A.	Acting Auditor
Cogemat S.p.A.	Chairman of the Board of Statutory Auditors
Cogetech S.p.A.	Chairman of the Board of Statutory Auditors
FBH S.p.A.	Chairman of the Board of Statutory Auditors
Smarthub S.r.l.	Chairman of the Board of Directors
Nuova Tagliamento S.p.A.	Director
Sirti S.p.A.	Chairman of the Board of Directors
S.I.P.A S.p.A.	Director
Heta Asset Resolution Italia S.r.l.	Director
Luigi Botto S.p.A.	Director
Umuve S.r.l.	Chairman of the Board of Directors

**Ettore Riello.** Born in Forte dei Marmi (Lucca) on 1 April 1956, Ettore Riello earned his degree in Business Administration at the age of twenty-three at the Ca' Foscari University in Venice. In March 2000, he acquired the entire family Group through an alliance with the American Carlyle investment fund; the Group

reorganisation that followed led to the creation of a single company – Riello S.p.A. – for which Ettore Riello has served as President since 2000. He currently sits on the Boards of other companies, as specified below:

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

Cristina Rustignoli, Head of the Governance and Company Risks Area, serves as Secretary to the Board.

The “Rules on the Functioning of the Board of Directors of Banca Generali S.p.A.” (the “Board Rules”), which were approved by the Board at the meeting on 16 February 2007 and amended on 11 February 2015 in accordance with section 1.C.3 of the Rules and Article 15, paragraph 3 of the Articles of Association, establish the maximum number of corporate positions normally compatible with the role of Company Director, as allowed based on regulations in force from time to time. Such indications are summarised in the following table and take the following into account: (i) the different degree of a director’s commitment in relation to the position held, (ii) the nature and size of the company in which the position is held, and (iii) whether the company is part of the Issuer’s group or of a same group:

	LISTED COMPANIES			FINANCIAL OR INSURANCE COMPANIES AND BANKING INSTITUTIONS			LARGE CORPORATIONS		
	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	AUDITOR	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	AUDITOR	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTOR	AUDITOR
Executive Directors	0	5	0	0	5	0	0	5	0
Non-executive Directors	2	5	2	2	5	2	2	5	2

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

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

All Company Directors are fully aware of the duties and responsibilities attaching to their office and actively participate in initiatives designed to help them deepen their knowledge and grasp of

Company operations and dynamics, so as to enable them to make fully informed decisions.

In accordance with paragraph 2.C.2. of the Code, the Chairman of the Board of Directors ascertained that the Directors and Auditors, after their appointments and throughout their office, participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the Issuer runs its activity, the corporate dynamics and the relevant evolutions, as well as the applicable regulatory framework. In this respect, the Chairman involved the independent directors in training programs, organised by specialised companies, on the role and tasks of independent directors; the chairman also ensured that at the Board of Directors’ and Committees’ meetings special focus be dedicated to providing updates on major regulatory changes, analysing the development of portfolio management activities and the development of impacts of Banca Generali’s lending activities. These issues were described and examined in depth by the Bank’s management in order to encourage adequate knowledge of these areas of the Bank’s activity and their developments.



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

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

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

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

In detail, pursuant to the Articles of Association, save in the emergency situations contemplated in Article 18, paragraph 9 of the same, the Board alone is vested with decision-making powers in respect of: a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transactions of considerable economic, equity and financial importance, including with Related and Connected Parties; b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement; c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors; d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors; e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Manager in charge of the company's financial reports, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring of actual compliance with administrative and accounting procedures; f) authorising company representatives fulfilling managerial, executive and supervisory roles to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases; g) purchasing or selling shareholdings that

cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company business lines; entering into agreements pertaining to joint ventures or strategic alliances; h) approving the organisational structure and any and all amendments to internal rules and policies; i) carrying out periodic checks to ensure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly; l) carrying out checks to ensure that the system of information flows is adequate, complete and timely; m) drawing up guidelines for the recruitment and internal placement of Company executives; n) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, duration, powers and authority of said committees or commissions at the time they are set up; p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely; q) approving related party and connected party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing such transactions. The Board of Directors may approve highly significant related party transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning of Article 2364, paragraph 1 (5), of the Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related and connected party transactions. With respect to transactions that could have a significant impact on the Company's equity, capital or financial position, the Board of Directors adopted a special regulation (Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance) that defines the general criteria for their identification and a specific authorisation process, which, in accordance with the regulatory provisions in force, also involves the Risk Management function which has to provide prior opinion. In general, the following transactions are identified as transactions of Greater Importance: (i) the issuance of financial instruments; (ii) the granting of personal guarantees and collateral on behalf of subsidiaries; (iii) the granting of loans to subsidiaries, real-estate investments and divestments, the acquisition and sale of equity investments, companies or business lines; (iv) mergers or demergers; (v) other transactions, the value of which is higher than 2.5% of the consolidated regulatory capital, which do not fall within the ordinary activities of the Bank and are not carried out at or near market conditions.

The Board of Directors of the Bank, in its capacity as Parent Company of the Banking Group, is also assigned exclusive competence over resolutions concerning the purchase and sale of

shareholdings by subsidiaries belonging to the banking group, as well as the establishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.

Finally, pursuant to the current regulatory framework governing companies providing investment services, the Board of Directors is tasked with drawing up corporate policies, measures, processes and procedures aimed at containing risks and ensuring financial stability, as well as sound and prudent management. The Board of Directors is consequently in charge of: (i) identifying the objectives, strategies, risk profile and tolerance thresholds of the Bank and the guidelines for the internal control system, by defining corporate risk management policies within the Risk Appetite Framework - RAF and by concurrently determining the corporate policies; it periodically checks its correct implementation and its consistency with business developments and the associated risks, paying special attention to the adequacy and effectiveness of the Risk Appetite Framework and the compatibility between actual risk and the risk appetite; (ii) ensuring that the remuneration and incentive system does not increase company risks and is consistent with the RAF and with long-term strategies; (iii) with respect to the Internal Capital Adequacy Assessment Process, defining and approving the general outline of the process, ensuring its consistency with the Risk Appetite Framework and promoting full use of ICAAP results for strategic purposes and business decisions.

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

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

interest of the banking group that establishes procedures for handling such conflicts;

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

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

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

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

disclosure of documents and information pertaining to the Company, with special regard to insider information.

## Functioning of the Board of Directors

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

As mentioned above, on 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code and the supervising instructions issued by the Bank of Italy, the Board approved the Regulations of the Board of Directors, most recently amended at the Board Meeting held on 11 February 2015.

The aforesaid Board Rules provide, *inter alia*, that:

- (i) pursuant to Article 1.C.2 of the Code, without prejudice to the causes for inelegibility and disqualification, as well as limits on simultaneous offices established in laws and regulations, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, also in light of their professional activities, the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including abroad) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities (Article 5.2 of the Board Rules);
- (ii) the Chairman of the Board of Directors shall ensure that documentation pertaining to items of business on the agenda is brought to the attention of the directors and statutory auditors in advance of the date of the Board meeting (Article 4.2 of the Board Rules). Specifically, should the said items pertain to routine business, the related documents, if available, must generally be forwarded at least one day prior to the scheduled date of the Board meeting, save in the case where this is not possible for reasons of confidentiality, with specific reference to "price sensitive" information. This provision was generally complied with, as regards to most of the topics; when, due to urgency or confidentiality reasons, this was not possible, the Chairman made sure that during the meeting for the discussion thereof, sufficient time was devoted to an in-depth analysis and related discussion;
- (iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a shareholder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result – as a priority objective – in the creation of value for shareholders, in the medium-to-long term (Article 7 of the Board Rules);

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

In compliance with the said provision, and the provisions of the Circular Letter No. 285 issued by the Bank of Italy, in its meeting held on 11 February 2015 the Board carried out a self-assessment and approved the "Self-assessment Report of the Board of Directors of Banca Generali S.p.A." (the "Self-assessment").

On the same date, again in compliance with the provisions of Bank of Italy's Circular Letter No. 285, the Board of Directors also approved the "Rules of the Board of Directors' self-assessment process."

With regard to the self-assessment conducted at the meeting of 11 February 2015, on the initiative of the Chairman of the Board, the Directors were individually asked to express their opinion, through a confidential questionnaire, to a series of issues covered by the self-assessment. The questionnaires were processed and the results were reported in a separate document, which identifies strengths and potential weaknesses; these were collectively discussed at the meeting of the Board of Directors of 11 February 2015, and also included in the Self-assessment Report.

In assessing the adequacy of the Board, both in terms of its composition and operation, special attention was paid to subject areas that are of particular interest in terms of sound and prudent management; these included strategy identification, business administration and planned and achieved performance levels, the risk measurement system, the organisational structure, the management of conflicts of interest, the internal control system, financial reporting and accounting systems, the interdepartmental information flows and the remuneration and incentives systems.

Once the assessment described above was completed, the Board of Directors reached the following conclusions:

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

- with respect to size and composition of the Board of Directors:
  - a) as regards quantitative aspects:
    - having considered, first and foremost, the size of the administrative organ that seems commensurate with the dimensions and operations of the Company, and also in keeping with the Company's role as Parent Company of the banking group of the same name, insofar as it allows for adequate monitoring and management of all the Group's business operations in terms of managing and control requirements;



- b) as regards qualitative aspects:
- having considered, secondly, the membership of the same administrative organ, which, without prejudice to compliance with requirements provided for as per Article 26 of Consolidation Law on Banking, may be deemed appropriate with respect to both its technical competence arising from the inclusion of a wide variety of professional competencies featured on the Board of Directors, allowing for an authoritative and knowledgeable approach to the various matters that the Board of Directors is called upon to deal with from time to time, as well as to the prevalence of non-executive and independent Directors;
  - *with respect to the functioning of the Board of Directors and its Committees:*
    - having considered the efficient and effective functioning of the governing organ and its Committees which are regulated by specific Rules in addition, obviously, to applicable statutory and regulatory provisions;
    - having examined, as a panel body, the answers to the questionnaires that each Board member filled in, individually and on a confidential basis;
    - bearing in mind the considerations set forth by the Independent and Non-executive Directors;
    - taking due account of best Corporate Governance practices implemented on the market;

pursuant to the Corporate Governance Code and the Bank of Italy's Circular No. 285/2013 "Supervisory Provisions for Banks" **expresses an overall clean opinion, with nothing to report on**

- (i) the size and functioning of the Board of Directors of Banca Generali S.p.A., as well as any and all delegated organs and/or Board committees set up;
- (ii) the ability of Board members to properly discharge their assigned tasks and functions, in terms of professionalism, time available, and where applicable, independence;
- (iii) the appropriateness and effectiveness of the provisions contained in the Rules of the Board of Directors."

The Board meetings are held periodically and, in general once a month, in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2014, Banca Generali's Board met 14 times. The meetings lasted about 2 hours and 15 minutes on average. In the year underway a total of 12 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The table in Attachment 2 provides also information on the attendance of Directors at the Board meetings held in 2014.

Absentee Directors provided justification for non-attendance.

In accordance with the Board Rules and to encourage the development of mechanisms for the flow of information amongst and within company bodies aimed at achieving management efficiency and control effectiveness, the information flows involving company bodies are regulated by a specific internal

company circular letter, approved by the Board of Directors. The aforesaid circular letter lays down the timetable, procedures and contents of the information to be provided to the company bodies in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the need of providing a timely flow of information to the Board with regard to the exercise of delegated powers. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank's organisational units, other public and non-public documentation and accounting documentation intended for publication. The information reported through the procedures set forth above shall be supplemented (and where necessary for reasons of confidentiality, replaced) by oral explanations provided to the Chairman, the Chief Executive Officer or members of the Bank's management, either at Board meetings or at informal gatherings open to Board members and members of the Board of Statutory Auditors, organised for the specific purpose of allowing the latter to discuss and acquire deeper insight into issues of interest in terms of the Bank's operations. Apart from matters over which the Bank's Board of Directors is vested with exclusive powers of decision and approval pursuant to law and the Articles of Association, reports to the members of the Board of Directors and the Board of Statutory Auditors shall focus primarily on: (i) general business performance and foreseeable developments, with an indication of departures from previous forecasts; (ii) activities undertaken, with specific reference to transactions that could have a particularly significant impact on the company's balance sheet, income statement and/or cash flow, related and connected party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control system and the level of Bank's exposure to all significant types of risk; (iv) the performance of the products placed and the relevant returns; (v) the performance of lending activities; (vi) the performance of the bank's investing activities; and (vii) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors. As an additional contribution to the promotion of methods for circulating information among the Corporate Bodies with the aim of achieving management efficiency and control effectiveness, at its first meeting of 2013, the Board adopted a computer application called e-Boards, whose objective is the secure distribution of digital documents to the members of Banca Generali Board of Directors and Committees, through iPad and PC platform. The application general features enable the exchange of documents without e-mails and printing

on paper, while ensuring maximum security and confidentiality of the documents on the Board's agenda. In fact, (i) all communications to and from devices are encrypted, (ii) the authentication process involves the use of a numeric code as Personal Identification Number (PIN), (iii) all documents on the devices (iPad and/or PC) are encrypted and, (iv) the documents cannot be retrieved and consulted without the application and the security key (in case the device is lost or stolen),.

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

- a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
- b) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer, as well as carried out quarterly comparisons of results achieved against expectations and forecasts;
- c) determined, as proposed by the Remuneration and Nomination Committee and after hearing the opinion of the Board of Statutory Auditors, the remuneration of the Chief Executive Officer and General Manager, the Directors serving on Board committees and other professional figures who can influence the risk profile of the Bank, as well as those responsible for control functions.

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

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

This integration is especially evident in:

- i) the ownership structure: the share capital of the subsidiaries is wholly owned by Banca Generali S.p.A. (including BG Fund Management Luxembourg S.A., in which Banca Generali currently holds a 100% interest acquired on 1 July 2014, following the completion of the authorised de-merger of a part of the subsidiary's assets with transfer to a newly incorporated Luxembourg company that operates under the control of Generali Investments S.p.A.);

- ii) the composition of the governing and control bodies of the subsidiaries, whose members include various officers of the Parent Company with a view to ensuring that the latter's guidelines are effectively and efficiently imparted so as to allow for sound business administration without jeopardising the decisional autonomy of subsidiaries in any way, whilst also providing for a uniform level of care, caution and concern in assessing risk-containment mechanisms and the actions taken in this regard. Joint meetings of the Boards of Statutory Auditors of Italian group companies are periodically held for risk control purposes;
- iii) the organisational, administrative and accounting layout, as well as the control system adopted for the subsidiaries, featuring the centralisation of certain key functions within the Parent Company.

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

## 4.4 Delegated organs

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

### Chief Executive Officer

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

The Board of Directors met on 24 April 2013 and vested Chief Executive Officer Piermario Motta with the following management powers:

1. to oversee the General Manager with regards to the implementation of Board resolutions;
2. to prepare the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
3. to determine and orient human resources management policies, within the framework of the guidelines established by the Board of Directors;
4. at the behest of the relevant company functions, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
5. to set up and maintain an effective Internal Audit and Risk management system;
6. to promote and coordinate the Company's communications strategies, enhancing the Company's public image and the press and media relations;
7. to liaise with any and all public authorities and bodies, the Bank of Italy, Consob, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
8. to represent the Company before any and all offices of the Financial Administration and effect any and all tax filings and related formalities; to resist tax assessments and audits and settle tax disputes;
9. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
10. to forward to the Board his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and Consolidated Financial Statements drawn up by the Chief Executive Officer as proposed by the General Manager;
11. to represent the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;
12. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy, as well as with centralised deposit bodies, negotiating any and all related contractual terms and conditions;
13. to bring and resist legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings, as well as proceed at arbitration, quitclaim and/or settle any and all disputes up to the maximum amount of 300,000.00 euros per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
14. to process and authorise the write-off of bad debts, and totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, up to the threshold of 100,000.00 euros per transaction, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;
15. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
16. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
17. to set up, transfer or shut down secondary offices, representative offices and branches;
18. within the framework of the budget approved by the Board, to cover the Company's current expenses;
19. within the approved budget and up to the threshold of 500,000.00 euros for each individual asset, to acquire, dispose of or barter immovable and movable assets, including those subject to registration, collect amounts due by way of prices and delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
20. within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements, as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangible assets, the acquisition of intangible assets, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of 500,000.00 euros per transaction, it being understood that, in the case of multi-year transactions, the aforesaid ceiling shall apply on a per annum basis, provided

- that the said multi-year transactions do not extend over more than three years, save in the case of finance leases and/or loans for use, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc.), or payments required pursuant to law;
21. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiatives up to the ceiling of 500,000.00 euros per contract and/or commitment;
  22. to book as losses any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than 100,000.00 euros per transaction;
  23. to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;
  24. to approve loans within the limits imposed under lending rules and regulations, from time to time;
  25. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
  26. within the framework of the pre-established budget, the Remuneration Policies approved by the Shareholders' Meeting and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
  27. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
  28. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
  29. within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
  30. to issue demand drafts;
  31. to execute cash withdrawals and advance notices of cash withdrawals on management accounts held with the Bank of Italy, and on the centralised treasury accounts mentioned in the Bank of Italy form 144 dir.;
  32. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
  33. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
  34. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Article 18 of the Articles of Association;
  35. to exercise any and all powers conferred on him by the Board on an ongoing basis or from time to time;
  36. to delegate to third parties who need not necessarily be Company employees, the completion of specific tasks or categories of tasks that fall within the scope of the powers conferred on him pursuant to the foregoing points, establishing in advance the limits to the powers thus delegated.
- The aforesaid powers must be exercised in compliance with the general guidelines established by the Board of Directors and in accordance with strategic corporate policies adopted by the Group. Pursuant to Article 22 of the Articles of Association, the Chief Executive Officer is vested with full powers to represent and sign on behalf of the Company in respect of any and all the powers granted to him.
- Furthermore, in compliance with current regulations governing the provision of investment services, in light of his delegated powers and pursuant to the guidelines approved by the Board of Directors, the Chief Executive Officer is in charge of:
- implementing the corporate policies, strategies, Risk Appetite Framework and business risk governance policies, defined by the Board of Directors;
  - defining and monitoring on a continuous basis the implementation of the risk management process, ensuring its consistency with the risk appetite and with risk governance policies, taking also into account the changes in operating conditions both inside and outside the Bank;
  - establishing operating limits to the assumption of the various types of risk, consistent with the risk appetite and taking into account the stress test results and developments in the economy;
  - defining the information flows aimed at ensuring that the corporate bodies and control functions are informed of the most relevant management events, including ensuring full knowledge and governability of risk factors and verification of compliance with the Risk Appetite Framework; ensuring proper, timely and safe information management for accounting, management and reporting purposes;
  - implementing all necessary initiatives and actions to ensure that the internal control system is complete, adequate, efficient and reliable, and reporting the results of the analysis to the Board of Directors;
  - clearly defining the duties and responsibilities of corporate structures and functions, and preparing and implementing the necessary corrective actions where any shortcomings or anomalies are identified;
  - ensuring that all the staff concerned are given timely notice of corporate policies and procedures;

- ensuring the ongoing implementation of processes for the assessment of corporate activities, with specific regard to financial instruments;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies, the Risk Appetite Framework and the guidelines drawn up by the Board of Directors and meets the requirements imposed under the prudential supervisory rules for banks;
- with specific reference to credit and counterparty risks — in line with the strategic guidelines established by the Board of Directors — approving specific guidelines designed to ensure both the effectiveness of the system for managing risk mitigation techniques and compliance with the general and specific requirements of such techniques;
- ensuring the implementation of the company's policy for the outsourcing of business functions;
- ensuring that the internal procedures, responsibilities and corporate structures and functions are defined, implemented and updated in order to avoid the unintentional involvement in money laundering and terrorist financing activity; in this area, his or her other duties include defining the reporting procedure for suspicious transactions and other procedures aimed at ensuring the timely discharge of disclosure obligations to the authorities provided for in legislation governing money laundering and financing for terrorism; defining the information flows aimed at ensuring that risk factors are known by all corporate structures involved and the bodies with control responsibilities; approving training and education programmes of employees and external staff;
- ensuring that the information system is complete, adequate, effective, efficient and reliable and, in the event of anomalies, taking action with the service outsourcers so that they carry out the necessary corrective actions; furthermore, taking timely decisions in the event of serious IT security events or significant malfunctions, reporting information to the Board of Directors;
- promoting the development and periodic monitoring of the Business Continuity Plan and its update when significant organisational, technological and infrastructure changes occur (as well as if any gaps or deficiencies are identified or new risks occur); approving the annual audit plan of business continuity measures and examining the test results report; reporting to the Board of Directors on the above matters.

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

By virtue of the powers assigned to him, Piermario Motta is the Chief Executive Officer. He does not hold directorships in any other listed Issuer.

### Chairman of the Board of Directors

The Chairman of the Board of Directors was appointed by the Board on 24 April 2013.

The Bank of Italy's Circular Letter No. 285 highlights the importance of the role of the Chairman of the Board of Directors who is in charge of promoting internal debate, ensuring the balance of powers, and promoting the effective functioning of the corporate governance system, including with regard to the Chief Executive Officer and the other executive directors. He acts as interlocutor of the control body and of the internal committees. To this end, the Chairman, in addition to meeting the requirements provided for directors, must have the skills needed to fulfill the tasks assigned to this role. In order to effectively discharge this key function, the Chairman must play a non-executive role and must be free from operating responsibilities.

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

Therefore, in addition to the powers granted by law and the Articles of Association, on 24 April 2013 the Board has vested its Chairman, Paolo Vagnone, with powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business operations and compliance with strategic policy guidelines, as follows:

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

Moreover, under Article 18, paragraph 9, of the Articles of Association, the Chairman of the Board is vested with exceptional

emergency decision-making powers pertaining to all matters falling outside the scope of the powers delegated to the Chief Executive Officer and not reserved to the sole and exclusive competence of the Board as a whole, under imperative statutory provisions. The Board will be informed of such decisions at the next Board meeting.

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

### Report to the Board

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

- usually, on a monthly basis:
  - (i) on any and all transactions that could have a particularly significant impact on the balance sheet, income statement or cash flow statement of the company or any of its subsidiaries;
  - (ii) on decisions pertaining to lending policies and, in general, on credit trend;
  - (iii) on property investments;
  - (iv) on the performance of sales and inflows;
  - (v) on Banca Generali stock performance;
- on a quarterly basis:
  - (i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts;
  - (ii) on activities carried out by the Company and the Group with related parties and connected parties;
  - (iii) on the activities performed by control functions and the findings thereof;
  - (iv) on the type and performance of managed products;
  - (v) on the macroeconomic scenario and the definition of managed portfolios investment policies;
  - (vi) on compliance with limits established for activities generating conflicts of interest within the portfolio management activity;
- on a half-yearly basis:
  - (i) on the situation of litigations;
  - (ii) on the need to update risk allocations or provisions.

### 4.5 Other Executive Directors

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

### 4.6 Independent and Non-executive Directors

Considering that Banca Generali is subject to management and coordination by another Italian company with shares listed in regulated markets, the Board of Directors consists of a majority of independent directors, pursuant to the provisions of Article 37, paragraph 1, letter d), of the Regulation adopted by Consob in Resolution No. 16191 of 29 October 2007, as amended.

Independent Directors are tasked with independently overseeing corporate management, and contributing towards ensuring that the company is administered in the interest of its shareholders and in accordance with the principles of good corporate governance (Article 12.6 of the Board Rules).

Moreover, Article 12.5 of the Board Rules requires the Board to be made up primarily of non-executive directors.

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

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

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2014 was made up of two executive and eight non-executive directors. The said situation still prevails to date.

In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.

Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

In compliance with this requirement, Banca Generali's Independent Directors met separately on 27 January 2015, to discuss the following matters:

1. methods for discharging the tasks entrusted to Non-executive Directors;



## 2. information flows from Executive Directors.

The Company's Board of Directors includes seven non-executive Directors, who are independent for the meaning and provisions set forth in Article 37, paragraph 1 (d), of the Regulation adopted by Consob in Resolution No. 16191 of 29 October 2007, which provides that no person, who sits on the Board of Directors of a company or body engaging in management and coordination activities in respect of the Company or on the Board of Directors of any listed entity controlled by such company or body, may be considered an independent director of the Company. It also includes six non-executive Directors, who are independent in accordance with the Corporate Governance Code (paragraph 3.C.1), as issued by Consob in Notice No. DEM/10078683 of 24 September 2010, which provides that the independence requirements set forth by the said Code may be considered equivalent to the standards contemplated in Article 148, paragraph 3, of Legislative Decree No. 58/1998 and reflected in Article 13 of the Board Rules, pursuant to which, a Director may not, as a general rule, be considered independent in the following cases (although the same are not to be deemed imperatively applicable):

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

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

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

In compliance with the said requirement, Banca Generali's Independent Directors met separately on 11 February 2015 to discuss the following matters:

1. appropriateness of the number of Independent Directors;
2. contribution of independent Directors to the Board's meetings.

In light of Article 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.

The Board Rules (Article 13.8) also require the Board to assess the compliance with the independence requirements by examining all credit situations in which the bank is involved and related to the independent director in question.

The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to independently verify the outcome of the aforesaid checks, as recommended in Article 3.C.5 of the Code.

In compliance with the said provisions, at the time of appointment, the Board of Directors checked that each of the directors who had declared themselves independent, in fact, fully met all the statutory requirements of independence. Moreover, on 14 February 2014, following its scheduled annual assessment of satisfaction of the requirements of independence, the Board of Directors, acting as a panel, found that the Directors Mario Francesco Anaclerio, Paolo Baessato, Giovanni Brugnoli, Fabio Genovese, Anna Gervasoni and Ettore Riello, qualified as independent directors within the meaning of Articles 147-ter, paragraph 4, and 148, paragraph 3, of Legislative Decree No. 58/1998, and Directors Mario Francesco Anaclerio, Pa-

olo Baessato, Giovanni Brugnoli, Fabio Genovese, Anna Gervasoni, Angelo Miglietta and Ettore Riello are independent directors within the meaning of the requirements set forth by the Application Criteria of Article 3 of the Code, and pursuant to Article 37, paragraph 1(d), of Regulation No. 16191 adopted by Consob on 29 October 2007, as further amended and extended. The Board of Directors announced the outcome of its assessments by issuing a press release. On 14 February 2014, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

#### 4.7 Lead Independent Director

The Company has not appointed a lead independent director within the meaning of Article 2.C.3 of the Corporate Governance

Code. This choice is considered appropriate to the Company as the Chairman of the Board of Directors, Paolo Vagnone, is Head of Global Business Lines of the Parent Company, Assicurazioni Generali S.p.A.

This is because the Company deems that Paolo Vagnone's role within Assicurazioni Generali S.p.A. does not entail potential conflict of interest or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali, Paolo Vagnone is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board of Directors, of the resolutions passed by the Shareholders' Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.

Paolo Vagnone, therefore, serves as an observer, monitor and supervisor tasked primarily with ensuring that Company management scrupulously complies with strategic corporate guidelines and policy.



## 5. HANDLING OF CORPORATE INFORMATION

Members of the Board of Directors and the Board of Statutory Auditors shall handle with the utmost confidentiality any and all documents and information of which they may become aware in the discharge of their duties, and shall strictly comply with Company procedures for the internal handling and outside disclosure of the said documents and information.

Pursuant to the above, and to Articles 114 and 115-*bis* of TUF, as well as Articles 65-*duodecies et seqq.* and 152-*bis et seqq.* of Consob Regulation (the “Rules on Issuers”), on 18 July 2006, the Board of Directors, upon request of the Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside information (the “Code on Inside Information”), most recently amended by Board of Directors’ resolution dated 24 April 2013.

A copy of the Code on Inside Information is available on the website [www.bancagenerali.com](http://www.bancagenerali.com), section “Corporate Governance”-*Corporate Governance System – Company Regulations*”.

The Code on Inside Information is aimed at regulating the obligations of persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries. More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to avoiding asymmetrical information; and (ii) to protect the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.

The essential elements of the Code on Inside Information are summarised below.

Inside Information means information of a precise nature which has not been made public and relates, directly or indirectly, to the Company or its Subsidiaries and which, if it were made public, would be likely to have a significant effect on the prices of the financial instruments issued by the Company.

The procedures set forth in the Code on Inside Information must be followed by the members of the Board of Directors and the Board of Statutory Auditors, and the employees of the Company and its subsidiaries as well as any and all insiders, and that is to say, persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries (the “Insiders”).

In handling the confidential information of which they may be-

come aware in the course of their duties, company executives and insiders are bound to exercise the utmost confidentiality and implement any and all suitable precautions so as to allow the said information to be circulated within the Company and amongst subsidiaries without any breach of the confidentiality thereof.

The aforesaid persons are barred from issuing interviews to the press and media, or in general, any declarations containing Inside Information not included in documents already disclosed to the public.

Any and all relationships with financial analysts and institutional investors entailing the disclosure of Inside Information must take place solely through the Investor Relations department, following authorisation from the Chief Executive Officer, whose responsibilities include the procedures for managing Inside Information pertaining to the Company and its subsidiaries, relations between the Company and institutional investors, as well as press relations, availing for such purpose of the support and assistance of the External Communications department.

The Board of Directors has assigned the Investor Relator the task of preparing the press release drafts concerning inside information on the Company or its Subsidiaries, and to the External Relations Manager the task of liaising with the media. The Company Secretariat Service is responsible for fulfilling market disclosure obligations and issuing the press releases pertaining to inside information approved by the Company CEO, in the manner provided for by the Rules for Issuers, the Market Rules of Borsa Italiana and the Instructions accompanying the Market Rules, as well as the Code on Inside Information, regarding the issuing of press releases disclosing Inside Information, approved by the Company’s CEO.

Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali (or in the case of the absence or unavailability thereof, the Chief Executive Director) may meet with market operators in Italy and abroad.

The Company has also set up the Register of Insiders, within the meaning of Article 115-*bis* of TUF, establishing procedures for the maintenance of the said Register and appointing the Head of Governance and Company Risks Area to maintain and update the same.

### Internal Dealing

In accordance with the provisions of Article 114, paragraph 7 of TUF, as well as Articles 152-*sexies et seqq.* of the Rules on Issuers, on 18 July 2006, the Board of Directors approved a code of conduct in respect of internal dealing (the “Code on Internal Dealing”), as most recently amended by Board resolution of 18 December 2012.

The said Internal Dealing Code defines “Relevant Persons” (which include, in particular, the members of the Board of Direc-

tors and the Board of Statutory Auditors of the Issuer, persons performing managerial responsibilities within the Company, as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, Consob and the public of any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.

The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or barter of Banca Generali shares or financial instruments linked to shares, effected, including through third party intermediaries, by Relevant Persons and Persons closely associated with Relevant Persons.

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

- (i) transactions that collectively do not exceed 5,000.00 (five thousand/00) euros in a solar year, where such significance threshold is calculated by taking account of all transactions involving the Shares and Financial Instruments linked to the Shares carried out on behalf of each Relevant Person and those carried out by Persons closely associated with Relevant Persons during the 12 months prior to the date of the last transaction undertaken, without prejudice to the fact that each subsequent transactions need not be subject to further notice unless they exceed an additional 5,000 euros by year-end;
- (ii) transactions effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights, as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
- (iii) transactions effected between Relevant Persons and Persons closely associated with Relevant Persons;
- (iv) transactions effected by the Company and its subsidiaries;
- (v) transactions effected by a lending institution or an investment company, provided that they are part of the creation of a trading portfolio of such institution or company, as defined by Article 11 of Directive 2006/49/EC, as amended and extended by Directive 2013/36/UE, and provided that the same party: (i) keeps its trading and market-making units separate from its treasury and units responsible for managing strategic equity investments from an organisational standpoint; (ii) is able to identify the shares held

for trading and/or market-making, in a manner that may be subject to review by Consob, i.e., by holding such shares in a specific separate account; and, where it operates as market maker, (iii) is authorised by its home Member State pursuant to Directive 2004/39/EC to conduct market-making activity; (iv) provides Consob the market-making agreements with the market management company and/or the issuer as required by the law and associated implementing provisions in force in the EU Member State in which the market maker conducts its activity; and (v) notifies Consob that it intends to conduct or conducts market-making activity on the shares of an issuer of listed shares using form TR-2 contained in Annex 4C; the market-maker shall also notify Consob without delay of the cessation of market making activity on those same shares.

The Internal Dealing Code also contains rules governing the management, handling and disclosure of information pertaining to the said transactions.

Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or the condensed half-year reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. Such limitations shall not apply to the exercise of any stock options or option rights and, as limited to Shares deriving from stock option plans, the ensuing disposal transactions, provided they are undertaken concurrently with exercise. In addition, the limitations shall not apply in the case of exceptional situations of subjective necessity, for which the interested party provides adequate justification to the Company.

The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said Relevant Persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.

The Board of Directors has appointed the Head of Governance and Company Risks Area as the person responsible for implementing the provisions of the Code.

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

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

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

In particular, the Code recommends the setting up of an Internal Audit and Risk Committee, a Remuneration Committee and a Nomination Committee. Similarly, Bank of Italy's Circular Letter No. 285 calls for the setting up of Committees within the Board of Directors.

In accordance with the above, the Board of Directors set up both the Internal Audit and Risk Committee and the Remuneration and Nomination Committee, requiring the same to be made up entirely of non-executive Directors and independent Directors. The decision to assign the functions of the Remune-

ration Committee and the Nomination Committee to a single Committee was justified by the contiguity of the matters dealt with and taking into account the overall size of the Bank's Board of Directors. In this regard, in compliance with the provisions of Bank of Italy's Circular Letter No. 285 – according to which "larger banks with complex operations" (Banca Generali being one of them as a listed company under the said regulation) are required to establish three separate committees within the Board of Directors, respectively specialised in nomination, risks and remuneration – Banca Generali, following appointment of the new Board of Directors which is scheduled to take place upon approval of the Financial Statements for the year ended 31 December 2014, shall set up the three required Committees, by separating the activities and responsibilities of the Nomination Committee from those of the Remuneration Committee.

## 7. REMUNERATION AND NOMINATION COMMITTEE

In accordance with point 5.P.1. of the Corporate Governance Code and pursuant to “Instructions on the remuneration and incentive policies and practices of banks and banking groups” issued by the Bank of Italy, it should be noted that the Board of Directors convened upon the setting up of the Nomination and Remuneration Committee, vesting it with the tasks set forth in the said Code and the supervisory instructions, as described in detail herebelow.

The Remuneration and Nomination Committee is tasked with assisting the Board of Directors in laying down Company policies in respect of the remuneration of the Company’s directors, officers and top management and submitting recommendations concerning the qualitative and quantitative composition of the Board of Directors deemed optimal and its subsequent assessment, as well as forwarding nomination recommendations for the post of Director within subsidiaries and of key management personnel within the Company’s organisational structure.

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

NAME AND SURNAME	POSITION (AS OF 10 MARCH 2015)
Paolo Baessato	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007
Fabio Genovese	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007
Ettore Riello	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007

Cristina Rustignoli, the Board Secretary, also serves as Committee secretary.

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

The Committee’s responsibilities include advising and making recommendations and proposals to the Board of Directors on matters pertaining to nomination and remuneration. More specifically, the Remuneration and Nomination

Committee is entrusted with the following tasks and responsibilities:

- submitting non-binding opinions and recommendations to the Board of Directors in respect of the determination of the remuneration packages of the Chairman of the Board of Directors, and the Chief Executive Officer; the Committee’s opinions and recommendations must be based on the independent judgment of its members, who must take into account, *inter alia*, the following factors:
  - level of responsibilities in the corporate organisational structure;
  - impact on business results;
  - profit and loss results achieved by the Company;
  - achievement of specific targets set by the Board of Directors;
- expressing non-binding opinions and proposals on the general principles for determining the remuneration payable to the General Manager and, if appointed, the Joint General Managers, Deputy General Managers and the Central Managers, upon prior proposal from the CEO, according to an independent assessment based on the following criteria:
  - level of responsibility and risks associated with the performed functions;
  - results achieved in relation to the objectives;
  - activities carried out to meet commitments of an exceptional nature;
- periodically assessing the adequacy, overall consistency and practical application of the general policy adopted by the company for the remuneration of executive directors, directors holding special offices and key management personnel, relying for the last named task on the information provided by the Chief Executive Officer; monitoring the implementation of decisions adopted by the Board by verifying the actual achievement of results and objectives; formulating general recommendations on the matter to the Board of Directors;
- providing opinions on the determination of the criteria for the remuneration of professionals in a position to impact the Bank’s risk profile, and directly overseeing the proper application of the said criteria;
- providing the Board of Directors with non-binding opinions and recommendations on the determination of the variable remuneration of company top management, as well as managers tasked with internal audit and risk management functions;
- expressing a qualitative judgment on the activities undertaken by the General Manager and the Manager in charge of the company’s financial reports and, after consulting with the Internal Audit and Risk Committee, by the heads of the internal control and risk management functions;

7. providing opinions on the determination of severance indemnities to be offered in the event of termination of office ahead of the scheduled expiry of the term of appointment, assessing, where necessary, the effects of such termination on the rights accrued under share-based incentive plans;
8. providing assessments – albeit without overstepping the bounds of their sphere of competence – on the attainment of performance objectives underlying access to incentive plans, and monitoring the evolution and implementation of approved plans, over time;
9. performing preliminary activities in the event the Board of Directors decided to adopt succession plans for Executive Directors;
10. expressing non-binding opinions and proposals for any stock option plans and shares allotment or other share-based incentive systems, also suggesting the objectives associated with the provision of such benefits and the criteria for assessing the achievement of those objectives; monitoring the evolution and application in time of any plans approved by the General Shareholders' Meeting on the Board's proposal;
11. expressing an opinion to the Board of Directors of the Parent Company on proposals relating to the remuneration of Directors holding special offices in strategic subsidiaries, pursuant to Article 2389 of the Civil Code, as well as the general managers and key management personnel of those companies;
12. providing the Board of Directors with reports, recommendations and opinions, duly supported by grounds, as well as a report on the Committee's activities, with the timeliness necessary to allow for due preparation of Board meetings called to pass resolutions on matters pertaining to remuneration;
13. ensuring appropriate functional and operational links with the relevant company structures in charge of preparing and monitoring remuneration policies and practices;
14. working with the other Board committees, in particular with the Internal Audit and Risk Committee of the company in order to evaluate the incentives created by the remuneration system;
15. carrying out any and all other tasks and duties entrusted to the Committee by the Board of Directors through specific resolutions;
16. reporting to the shareholders on the exercise of its own functions, ensuring in particular its participation at the Shareholders' Meeting through its Chairman or any other Committee's member;
17. expressing opinions and proposals to the Board of Directors, particularly with regard to cases of co-optation pursuant to Article 2386, paragraph 1, of the Civil Code;
18. formulating opinions to the Board on resolutions concerning the replacement of members of the committees within the Board of Directors, which may become necessary during the Committee's term of office;
19. expressing opinions on the appointment of corporate officers in the Banca Generali Group Companies;
20. expressing opinions to the Board of Directors regarding its size and composition and expressing recommendations with regard to the professional skills necessary within the Board;
21. expressing opinions to the Board of Directors on resolutions concerning the prior identification of its members' qualities and number and the optimal profile of candidate directors in order to comply with the required professionalism and composition of corporate bodies pursuant to the supervisory law in force from time to time;
22. expressing opinions to the Board of Directors on resolutions regarding the subsequent verification that the qualitative and quantitative composition identified under the previous point is consistent with that resulting from the nomination process; in particular the Committee is requested to provide an opinion on the suitability of candidates who, on the basis of prior analysis, were identified by the Board of Directors as suitable for the office;
23. formulating opinions on resolutions regarding the maximum number of management or control offices that can be held by the Directors in companies listed on regulated markets or in large companies not being part of the Group, subject to the regulations in force from time to time in respect of holding or exercising positions in companies or groups that compete in the banking, insurance and financial services markets.

The procedures governing the functioning of the Remuneration and Nomination Committee are set forth in the Remuneration and Nomination Committee Rules approved by the Board of Directors.

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

Apart from Committee members, the Chairman of the Board of Statutory Auditors and the other Statutory Auditors shall attend Committee meetings. The Chief Executive Officer may be invited to participate in meetings of the Committee, save during the discussion of matters regarding him.

Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.

Directors do not take part in Committee meetings at which recommendations in respect of their own remuneration are prepared for submission to the Board of Directors.

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

In 2014, the Remuneration and Nomination Committee met ten times. The meetings lasted about 1 hour and 30 minutes on average. In the year underway a total of six Board meetings are scheduled; since the beginning of the year as at the date of this report, three meetings were held.

The main activities carried out by the Committee in 2014 are listed below.

At its meeting of 13 February 2014, the Committee examined the following:

- i) report on the self-assessment of the remuneration and incentives system;
- ii) competitive remuneration analysis for the role of Chief Executive Officer;
- iii) definition of weights and objectives to define the Balance Score Cards.

At its meeting of 7 March 2014, the Committee examined the following issue:

- i) recommendations on the optimal qualitative and quantitative composition of the Board of Directors.

At its meeting of 1 April 2014, the Committee examined the following issues:

- i) verifying the achievement of the access gate requirements and the objectives set forth by the MBO system for 2013 assigned to the CEO/General Manager, Deputy General Managers, Central Managers and control functions, and consequent definition of the related variable remuneration;
- ii) verifying the achievement of the objectives set forth by the Long Term Incentive Plan for the period 2011-2013;
- iii) verifying the achievement of the objectives in first year of the Long Term Incentive Plan for the period 2013-2015;
- iv) proposals concerning the definition of the remuneration package of the CEO;
- v) Remuneration Report: Banking Group's remuneration policies and report on the application of remuneration policies in 2013;
- vi) proposal for assigning a remuneration to the Supervisory Body.

At its meeting of 22 April 2014, the Committee examined the following issues:

- i) analysis of the remuneration of the CEO, the Joint General Manager and the Central Managers and definition of the lists of objectives underlying the short-term component of their variable remuneration;
- ii) definition of remuneration of heads of control functions and definition of the lists of objectives underlying the variable components of their remuneration;
- iii) proposal concerning the terms for allocating an additional bonus to the CEO.

At its meeting of 7 May 2014, the Committee examined the following issue:

- i) verifying the optimal qualitative and quantitative composition of the Board of Directors.

At its meeting of 13 May 2014, the Committee examined the following issue:

- i) opinion on whether to launch a retention programme and a 2014 Long Term Incentive Plan based on Banca Generali shares.

At its meeting of 24 June 2014, the Committee examined the following issues:

- i) presentation of the draft LTIP 2014-2016 Regulation and the special annex for Banca Generali;
- ii) definition of gates and objectives of the 2014-2016 LTIP specific to Banca Generali;
- iii) identification of the Banca Generali 2014-2016 LTIP beneficiaries and of the maximum number of Assicurazioni Generali shares that can potentially be granted to them;
- iv) analysis of the remuneration of the CFO Area Central Manager and definition of the list of objectives underlying the short-term component of his/her variable remuneration;
- v) analysis of the remuneration of the Governance and Company Risks Area Central Manager and definition of the list of objectives underlying the short-term component of his/her variable remuneration.

At its meeting of 29 July 2014, the Committee examined the following issues:

- i) verification of whether the threshold of Banca Generali Group's Net Inflows, set at 30 June 2014 for the payment of the bonus to Piermario Motta, has been exceeded;
- ii) opinion on the appointment of a Manager in the subsidiary BG Fund Management Luxembourg S.A.

At its meeting of 11 September 2014, the Committee examined the following issues:

- i) opinion on the remuneration to be allocated to the Chairman of the subsidiary BG Fund Management Luxembourg S.A.;
- ii) report on the activities performed by the Nomination and Remuneration Committee.

At its meeting of 18 December 2014, the Committee examined the following issues:

- i) presentation of the main changes arising from the new regulations on remuneration introduced by Bank of Italy;
- ii) review of expected economic and financial results concerning the 2014 BSC of the Head of Company;
- iii) criteria and procedures for setting the 2015 BSC, taking into account the new regulations and the implementation of guidelines arising from Group policies on the remuneration of the following positions: CEO and General Manager, Joint General Manager – Commercial Area, Central Managers of the Bank Area, CFO Area, and Governance and Company Risks Area.

The proceedings of each meeting, coordinated by the Chairman, were duly recorded in minutes.

Seven of the ten meetings held in 2014 were attended by all the Committee's members, while at the others one member was absent.

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

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



## 8. DIRECTORS' REMUNERATION

With regard to remuneration, the Company is subject to the provisions of Bank of Italy's Circular Letter No. 285. With such provision, the Supervisory Body also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, the regulations provide that, in addition to establishing the remuneration of the members of the corporate organs, the Ordinary Shareholders' Meeting shall also approve the remuneration and incentive policies applicable to personnel with functions of strategic oversight, management and control, as well as to other personnel; the remuneration plans based on financial instruments (e.g. stock option plans); the criteria for defining the remuneration to be allocated in case of early termination in a post, including limits imposed on such compensation in terms of years of fixed remuneration and the maximum amount resulting from their application.

The aforementioned regulations set forth specific principles and requirements that banks must comply with so as to ensure that: remuneration systems are properly designed and implemented; potential conflicts of interest are effectively managed; the remuneration system takes due account of current and prospective risks, the degree of capitalisation, as well as liquidity levels of each intermediary; transparency towards the market is maximised; and oversight by regulatory authorities is reinforced.

The objective of the regulations is to promote – in the interest of all stakeholders – the implementation of remuneration systems that are in line with long-term corporate values, objectives and strategies, linked to corporate performance but appropriately adjusted to reflect all risks, commensurate with the capital and liquidity levels required to cover ongoing business operations, and in any event, designed to avoid distorted incentives that could lead to regulatory violations and excessive risk-taking by individual banks and within the system as a whole.

Moreover, the Company is subject to the provisions set forth in Article 123-ter of TUF, under which a special Remuneration Report – whose content is described in detail in Annex 3 of the Rules for Issuers – must be approved by the Board of Directors and submitted to the non-binding resolution of the General Shareholders' Meeting called to approve the Financial Statements.

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

Therefore, the Shareholders' Meeting of 23 April 2014 acknowledged the disclosure on the implementation in 2013 of the remuneration policy approved by the General Shareholders' Meeting on 24 April 2013 and approved the new remuneration

policy of the Company and the Group. In this regard, it should be mentioned that in implementing its remuneration policies, Banca Generali aims at ensuring the greatest possible convergence of the long-term interests of the banking group's shareholders and management, especially by focusing on careful corporate risk management and commitment to long-term strategies. The remuneration package consists of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the strategic importance of the position to which the remuneration refers.

The fixed components of the remuneration serve to remunerate the managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.

The aim of the recurring variable components of remuneration and long-term incentives (such as stock option plans, stock granting schemes and deferred bonus systems), on the other hand, is to balance directly the interests of the shareholders and those of management.

A Management by Objectives mechanism, consistent with the achievement of the operating and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Chief Executive Officer and Executives. The Management by Objectives system is linked to the Balanced Scorecards principle. The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved, with a minimum access threshold.

In 2010, a system for the deferral of the disbursement of variable remuneration was introduced for the Generali Banking Group's key management personnel and main network managers who earn a bonus in excess of 75,000 euros.

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

The remuneration patterns of high-level executives and managers are monitored, taking due account of trends recorded on reference markets, using the HAY point-factor job evaluation method. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics, also with reference to the markets in which the company operates.

Information regarding the remuneration received by Board members and the General Manager during the year is contained



in Banca Generali's Remuneration Policy, under the section focusing on the application of the said policy in 2014.

Information regarding the cumulative remuneration received during the year by key management personnel – i.e., Joint General Manager Giancarlo Fancel (resigning on 30 April 2014), Joint General Manager - Commercial Area Gian Maria Mossa, Central Managers Stefano Grassi, Stefano Insaghi and Cristina Rustignoli – as well as further details pertaining to the Company's remuneration policy, will similarly be provided in Banca Generali's Remuneration Policy, which will be published pursuant to Article 123-ter of TUF. However, it should be mentioned that in any case the objectives set for the persons in charge of control functions, including the HR Director and the Manager in charge of the Company's financial reports – in accordance with the above-mentioned Bank of Italy's Regulations – are consistent with the tasks assigned to each of them and are not linked to economic results of the Company or the Group.

Pursuant to the criteria described in Article 6.C.4 of the Code, the remuneration due to non-executive directors is not linked to the Issuer's financial performance. Non-executive directors may not benefit from any share-based remuneration plan, and are consequently remunerated solely on the basis of the fixed compensation established by the General Shareholders' Meeting.

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 Banca Generali approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market – MTA (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's Financial Advisors, area managers and business managers.

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

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

ordinary shares of a nominal value of 1.00 euro each, with specific exclusion of option rights afforded to shareholders pursuant to Article 2441, paragraph 8, of the Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A. Employees", reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.

In order to compensate optionees for the loss in value of the above-mentioned Stock Option Plans due to the well-known market conditions that occurred in 2007 and 2008, which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows, the Shareholders' Meeting held on 21 April 2010 resolved to approve an extension by three years of the exercise period for both of the above-mentioned Plans.

The price of the aforesaid options shall be determined at a whole number reflecting the arithmetic mean of the listed prices of shares in the Company on the electronic share market from the date of assignment of the stock options to the same day of the previous month.

The exercise of the options is subject to the attainment of overall targets and, in the case of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", including individual targets.

Pursuant to the applicable Rules, the Delegated Organs awarded:

- 2,706,870 option rights in application of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", of which 2,383,584 were exercised and 323,286 were cancelled;
- 839,000 option rights, of which 768,000 exercised, 148,500 cancelled and 22,500 to be exercised, in application of the "Stock Option Plan for Banca Generali S.p.A. Employees".

In total, 3,545,870 option rights were awarded pursuant to the aforesaid Plans, of which 3,151,584 were exercised, 471,786 were waived and 22,500 are to be exercised.

Moreover, on 21 April 2010, the Shareholders' Meeting approved a broad-ranging retention programme, which comprised two Stock Option Plans targeted at (a) Financial Advisors and Private Bankers, as well as (b) Relationship Managers employed in Banca Generali.

This initiative had a twofold objective: maintaining the interest of the distribution network and network managers in line with the interest of shareholders, in the medium- and long-term, as well as retaining the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity in the medium term.

The new Plans apply to financial year 2010, in addition to the fourth quarter of 2009, as limited to net inflows associated with the so-called "tax shield."

The retention programme called for the granting of a total maximum of 2,500,000 option rights for the subscription of Banca Generali ordinary shares (of which 2,300,000 reserved for Financial Advisors and network managers and 200,000 for employed Relationship Managers).

In this regard, options were to be granted in a single instalment to the optionees identified as included in one of the above-mentioned categories by the relevant Plan Management Committee. The grant was conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period.

Pursuant to the applicable Rules, in 2011 the Delegated Organs awarded:

- (i) 2,300,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers;
- (ii) 200,000 option rights in application of the Stock Option Plan for Banca Generali S.p.A. Relationship Managers.

In total, 2,500,000 stock options were awarded pursuant to the aforesaid Plans.

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

In order to give full effect to the Stock Option Plan for the Financial Advisors and Network Managers of Banca Generali S.p.A. for 2010 and the Stock Option Plan for the Relationship Managers of Banca Generali S.p.A. for 2010, the Shareholders' Meeting held on 21 April 2010 resolved, pursuant to Article 2441, paragraphs 5 and 8, of the Civil Code, on a Company's share capital increase, in several tranches, by an amount equal to the maximum number of options that may be granted under the above-mentioned Plans, and thus in a maximum nominal amount of 2,500,000.00 euros, broken down as follows:

- a) for a maximum amount of 2,300,000.00 euros, reserving the same for Financial Advisors and Private Bankers of the Banca Generali Group, to serve the "Stock Option Plan for Financial Advisors and Network Managers of Banca Generali S.p.A. for 2010";
- b) for a maximum nominal amount of 200,000.00 euros, reserving the same to Banca Generali employed Relationship Managers and their coordinators, to serve the "Stock option plan for Relationship Managers of Banca Generali S.p.A. for 2010".

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

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

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

Lastly, in approving the Remuneration Policies and with regard to long-term incentives, on 24 April 2013 the General Shareholders' Meeting resolved to increase the variable component of the remuneration of some of Banca Generali's managers by admitting the same beneficiaries of the Generali Group's Long Term Incentive Plan (LTIP) for executives serving the Generali Group in Italy and abroad, approved by the General Shareholders' Meeting of Assicurazioni Generali S.p.A. The plan is targeted at reinforcing the relationship between the remuneration of management and expected performance according to the strategic plan of the Group (absolute performance), as well as the relationship between remuneration and value generation in relation to a group of peers (relative performance).

### **Directors' Severance Indemnities in the Event of Resignation, Dismissal or Severance as a Result of a Takeover Bid (pursuant to Article 123-bis, paragraph 1, letter i), of TUF)**

The benefits envisaged in the event of the termination of the employment contract or revocation from office of Chief Executive Officer Piermario Motta include – in addition to the notice indemnity required by law or pursuant to the national collective labour contract – a sum equivalent to 24 months of recurring compensation (defined as the annual gross remuneration as General Manager, his compensation as Chief Executive Officer, plus half of the average amount actually collected by way of short-term component of variable remuneration over the past three years) in the following cases: (i) severance of employment at the bank's initiative, where such initiative is not the result of a just cause attributable to the employee; (ii) severance of employment at the employee's initiative, where it is a consequence of the Bank's decision to modify the economic terms of the contract for the position of chief executive officer to the employee's detriment; (iii) dismissal by the competent body from the position of General Manager, not resulting from wilful misconduct or

gross negligence and where such dismissal is in accordance with one's desire to terminate the employment contract as well; (iv) dismissal by the competent body from the position of chief executive officer at the bank's initiative, where such initiative is not the result of wilful misconduct or gross negligence by the employee and where such dismissal is in accordance with Mr. Motta's desire to terminate his employment contract as well.

If Piermario Motta is dismissed from only one of the two positions he fills (Chief Executive Officer or General Manager) at the

bank's initiative, the compensation obligation, where applicable, applies if, and only if, he also resigns from the other position concurrently filled.

Upon express agreement, this amount may be paid in compliance with the provisions of Bank of Italy's Circular Letter No. 285, and therefore in connection with the Bank's performance objectives, partly in cash and partly in financial instruments, subject to deferral and tied to the Bank's risk and stability indicators (access gate).

## 9. INTERNAL AUDIT AND RISK COMMITTEE

The Board of Directors has endowed itself with an Internal Audit and Risk Committee made up of four Board members, all of whom are non-executive and independent, vested with consulting and recommendatory functions. The current Internal Audit and Risk Committee was appointed by the Board of Directors on 24 April 2012, and is made up as follows:

NAME AND SURNAME	POSITION (AS OF 10 MARCH 2015)
Mario Francesco Anaclerio	Chairman Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007
Paolo Baessato	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007
Giovanni Brugnoli	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007
Anna Gervasoni	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007

The Board of Directors ascertained that Paolo Baessato, Giovanni Brugnoli and Anna Gervasoni have adequate experience in accounting and finance, and Mario Francesco Anaclerio and Paolo Baessato have adequate experience in the field of risk management.

Cristina Rustignoli, the Board Secretary, also serves as Internal Audit and Risk Committee secretary.

The functioning of the Internal Audit and Risk Committee is regulated by specific rules (the "Audit and Risk Committee Rules"), approved by the Board.

The Committee is charged with the following tasks and powers: (i) supporting the Board of Directors with adequate investigative activity in its evaluations and decisions concerning the internal control and risk management system and the approval of periodic financial reports; (ii) advisory powers in the area of related party and connected party transactions, in accordance with the terms and conditions established by the related party and connected party transaction procedure approved by Banca Generali (the "Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance"); (iii) advisory and investigative powers in relation to the Board of Statutory Auditors in the area of the statutory auditing of the accounts,

pursuant to Italian Legislative Decree No. 39 of 27 January 2010; and (iv) consulting and supporting powers to the decision-making body concerning equity investments, in compliance with the "Equity Investment Management Policy" approved by Banca Generali.

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

In this context, the Committee:

- assists the Board in carrying out the tasks incumbent on the latter pursuant to the Corporate Governance Code of Listed Companies, in respect of the Internal Control and Risk Management system;
- expresses its opinion on the appointment and dismissal of heads of internal control functions (the Remuneration and Nomination Committee is the body tasked with expressing opinions on the remuneration of the above-mentioned functions);
- monitors the independence, adequacy, efficacy and efficiency of the Internal Audit, Compliance and Risk Management functions;
- ensures that the Internal Audit, Compliance and Risk Management functions possess adequate resources to discharge their duties;
- assesses the work programme prepared by the Compliance, Internal Audit and Risk Management officers and examines the periodic reports prepared by said officers for further submission to the Board for its approval;
- assesses, together with the company Manager in charge of the company's financial reports and after having heard the statutory Auditor and the Board of Statutory Auditors, the sound application and consistency of the accounting principles for the purpose of preparing the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main company risks;
- reports to the Board of Directors on its activity and the adequacy of the Internal Control and Risk Management system, during the Board meetings called to approve the annual and half-yearly financial statements;
- may request that the Internal Audit, Compliance or Risk Management functions (according to their various specific

competencies) perform checks on specific areas of operation while simultaneously notifying the Chairman of the Board of Statutory Auditors thereof;

- may be consulted, directly or indirectly, on specific transactions entailing a conflict of interests;
- advises, upon request, the Chief Executive Officer, the Head of the Compliance Department, the Head of the Internal Audit Department and the Head of the Risk Management Department on issues or questions that must be dealt with before being submitted to the Board of Directors for its information and/or approval;
- performs the other duties entrusted to it by the Board of Directors;
- undertakes whatsoever may be required pursuant to the resolution establishing its powers and responsibilities, and whatsoever may be necessary or useful for implementing the said resolution.

Regarding related party and connected party transactions, in compliance with the provisions set forth in the Regulations on related party transactions approved by Consob with Resolution No. 17221 of 12 March 2010, as further amended and extended by Consob Resolution No. 17389 of 23 June 2010, and as required pursuant to the New Prudential Supervisory Provisions Concerning Banks, Circular No. 263/2006, 9<sup>th</sup> update of 12 December 2011, and 15<sup>th</sup> update of 2 July 2013, as well as in compliance with the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance adopted by the company, the Committee shall:

- in respect of Moderately Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, express, in the manner and form and in accordance with the deadlines established in the Procedure, a non-binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions;
- in respect of Highly Significant Related Party Transactions, as defined in the Related Party and Connected Party Transaction Procedure, (i) play an active role in the preliminary fact-finding and negotiation phases of each such transaction, including by seeking information from and/or forwarding comments and observations to any and all the persons and parties involved in the said phases; and (ii) express, in the manner and form and in accordance with the deadlines established in the Related Party and Connected Party Transaction Procedure, a binding opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions. If a definitive "Transaction of Greater Importance", within the meaning of the 15<sup>th</sup> update of the Bank of Italy's Circular Letter No. 263/2006 on 2 July 2013, is also classified as a "Highly Significant Transaction" pursuant to the document

"Procedure for Transactions of Greater Importance with Related Parties and Connected Parties," the transaction in question is to be subject not only to the procedure described above, but also to a prior opinion by the Risk Management Service.

The Committee is also in charge of providing support to the Board of Statutory Auditors, at the latter's request, especially in the form of advice and assistance in conducting the fact-finding inquiries required to discharge the duties entrusted to the Board of Statutory Auditors with regard to the statutory auditing of accounts pursuant to Legislative Decree No. 39 of 27 January 2010. More specifically, the Committee shall:

- assess the proposals put forward by auditing firms to obtain the audit engagement, within the framework of the Company's procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly financial statements, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Statutory Auditors;
- assess the work schedule of the statutory audit, and examine the results set forth in the report drawn up by the independent auditors together with any suggestions the latter may have put forward, reporting its findings to the Board of Statutory Auditors;
- monitor the effectiveness of the processes followed for the statutory auditing of accounts, reporting its findings to the Board of Statutory Auditors;
- undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.

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

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

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

At the invitation of the Committee Chairman, Committee meetings may be attended by Statutory Auditors, top managers, the Compliance Officer, Internal Auditor, the Risk Management Officer, the Anti Money Laundering Officer, the Heads of other corporate functions, the Manager in charge of Company's financial reports and any and all other persons whose presence is deemed useful in relation to the items on the Agenda.

In 2014, the Internal Audit and Risk Committee met sixteen times, for an average of approximately 1 hour and 50 minutes each time. In the year under review, a total of seven Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

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

- In its meeting of 21 January 2014, the Committee examined the following issues:
  - i) annual report of the Compliance Service and relevant activity plan for 2014;
  - ii) annual report of the Anti Money Laundering Service and relevant activity plan for 2014;
  - iii) annual report of the Internal Audit Department and relevant activity plan for 2014;
  - iv) annual report of the Risk Management Service and relevant activity plan for 2014;
  - v) opinion on the internal audit activity plan for 2014;
  - vi) self-assessment report in accordance with the supervisory provisions of the Bank of Italy's Circular Letter No. 263;
  - vii) de-merger plan of Generali Fund Management;
  - viii) public disclosures regarding related party and connected party transactions.
- In its meeting of 23 January 2014, the Committee examined the following issues:
  - i) Internal audit functions' activity plan for 2014;
  - ii) opinion on the internal audit activity plan for 2014.
- In its meeting on 7 March 2014, the Committee examined the following issues:
  - i) check of the adequacy of the accounting policies followed in preparing the annual financial statements;
  - ii) annual report on the internal control system and assessments carried out at the subsidiary companies;
  - iii) report within the meaning of Article 2.3.8 of the Internal Audit and Risk Committee Rules.
- In its meeting on 31 March 2014, the Committee examined the following issues:
  - i) public disclosure regarding the changes made in a transaction with related parties and connected parties;
  - ii) annual report by the Risk Management Service on its activities;
  - iii) change in the financial terms of distribution agreements with related parties.
- In its meeting on 17 April 2014, the Committee examined the following issues:
  - i) presentation of the ICAAP report;
  - ii) presentation of Pillar 3 public disclosures;
  - iii) presentation of the Liquidity plan;
  - iv) public disclosure on the impacts identified in view to the entry into force of IFRS 9;
  - v) periodic report on the activities undertaken by the Internal Audit Service;
  - vi) proposal by Generali Investment Europe to reduce trading and order collection fees;
  - vii) public disclosure of a time deposit transaction for the customer Assicurazioni Generali.
- In its meeting of 7 May 2014, the Committee examined the following issues:
  - i) disclosure of the Bank of Italy's notice regarding the meeting with the Heads of internal audit functions;
  - ii) periodic report on the activities undertaken by the Compliance Service and the Anti Money Laundering Service;
  - iii) update of the Internal Control System pursuant to Bank of Italy's Circular Letter No. 263/2006 and ensuing amendment of the internal regulatory framework.
- In its meeting of 8 May 2014, the Committee examined the following issue:
  - i) public disclosure of a significant transaction.
- In its meeting of 13 May 2014, the Committee examined the following issue:
  - i) opinion on a significant transaction.
- In its meeting of 14 May 2014, the Committee examined the following issue:
  - i) opinion formalised with respect to a significant transaction.
- In its meeting on 24 June 2014, the Committee examined the following issues:
  - i) disclosure based on Bank of Italy's notice on "malfunction of the credit process and offences perpetrated by Financial Advisors";
  - ii) update on the implementation of provisions laid down by Bank of Italy's Circular Letter No. 263/2006 resulting from the self-assessment report and the identified adjustment measures;
  - iii) public disclosures regarding related party and connected party transactions;
  - iv) definition of the standard conditions applied by the Finance Department.
- In its meeting of 9 July 2014, the Committee examined the following issue:
  - i) presentation of related party transactions and connected party transactions.
- In its meeting on 28 July 2014, the Committee examined the following issues:
  - i) check of the adequacy of the accounting policies followed in drawing up the condensed half-yearly financial statements;

- ii) presentation of the Compliance Service's *tableau de bord*;
- iii) presentation of the Risk Management Service's *tableau de bord*;
- iv) presentation of the Internal Audit Department's *tableau de bord*;
- v) public disclosures regarding related party and connected party transactions;
- vi) report within the meaning of Article 2.3.8 of the Internal Audit and Risk Committee Rules.
- In its meeting of 10 September 2014, the Committee examined the following issues:
  - i) meeting with the Head of the O.U. Network Control and focus on methodology adopted.
- In its meeting on 14 October 2014, the Committee examined the following issues:
  - i) Presentation of the Information Document on the funding of the Credit Suisse business unit acquisition;
  - ii) public disclosures regarding related party and connected party transactions.
- In its meeting on 3 November 2014, the Committee examined the following issues:
  - i) presentation of the Compliance Service's *tableau de bord*;
  - ii) presentation of the Anti Money Laundering Service's *tableau de bord*;
  - iii) presentation of the Risk Management Service's *tableau de bord*;
  - iv) presentation of the Internal Audit Department's *tableau de bord*;
  - v) public disclosures regarding related party and connected party transactions;
  - vi) Update on ongoing inspections by the Bank of Italy.
- In its meeting on 18 December 2014, the Committee examined the following issues:
  - i) public disclosures regarding related party and connected party transactions;
  - ii) conclusion of audit activities by the Bank of Italy.

The proceedings of each meeting, coordinated by the Chairman, were duly recorded in minutes.

Ten of the sixteen meetings held in 2014 were attended by all the Committee's members, while at the others one member was absent.

The table in attachment sub 2 hereto provides information on the attendance rate of each member at the Committee meetings.

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



## 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The bank's Board of Directors adopted an organisational model for the Group's internal control system, under which so-called second and third control functions are centralised within the Parent Company, especially so as to meet the need for managerial, as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the governance and control bodies of subsidiaries. As required pursuant to the Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has therefore adopted an internal control system capable of continuously monitoring typical business risks. La Banca, in linea con la normativa civilistica e di vigilanza e in coerenza con le indicazioni del Codice, si è quindi dotata di un sistema di controllo interno idoneo a presidiare nel continuo i rischi tipici dell'attività sociale,

The internal control system is therefore a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with pre-set targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific sphere of competence.

Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of Article 7 of the Corporate Governance Code and, moreover, specifically designed to ensure healthy and prudent corporate management of the bank and the banking group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors and is regularly revised and amended, lastly, to comply with the provisions of the Bank of Italy's Circular No. 263.

The Internal Control System consists of:

- (i) *checks involving the business lines*: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the transactions effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;
- (ii) *risk management checks*: checks carried out by the heads of individual operating units and by the Risk Management Department, as part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating departments, as well as in order to maintain the operations of individual

- production units in line with the risk/return targets set for specific types of risk (credit risk, market risk, operating risk);
- (iii) *compliance checks*: checks carried out by the Compliance Department on the compliance of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-regulatory provisions;
- (iv) *checks regarding money laundering*: checks carried out by the Anti Money Laundering Service on the compliance of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-regulations;
- (v) *internal auditing*: checks carried out by the Internal Audit Department with a view to ensuring the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal control.

The Company's Internal Control system is structured to ensure proper disclosure of information and adequate oversight of all the Banking Group's activities, with a view to promoting fairness and transparency, in both form and substance, whilst also ensuring the efficiency, traceability and auditing of transactions, and more in general all management activities; the reliability of accounting and management data; compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially in order to prevent fraud against the customers, the Company and the financial markets.

The key principles underlying the Company's Internal Control System include:

- the separation of roles in the performance of the main tasks involved in individual production processes;
- the traceability and constant visibility of choices;
- objective decision-making with regard to individual operating processes.

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of: (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system; (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main company risks are identified and appropriately managed, the Company's control structures are endowed with sufficient autonomy and independence within the Company's organisation, as well as with adequate resources to ensure the proper functioning thereof.



The Board of Directors, with the support of the Internal Audit and Risk Committee, also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective actions in case of shortcomings and/or anomalies in the performance of the checks themselves.

Pursuant to supervisory regulations, internal control functions must be independent of other operating functions, and report directly to the Board of Directors and Board of Statutory Auditors, on a periodic basis, in respect of the outcome of its activities.

On 25 September 2003, the Board of Directors appointed Francesco Barraco Head of the Internal Audit Function, effective 1 October 2003. His remuneration is examined each year by the Board of Directors, with the support of the Remuneration and Nomination Committee and in concert with the Board of Statutory Auditors, and is in line with market best practices.

The Internal Audit Department: (i) performs assurance activities and submits potential improvements to the corporate bodies, with specific reference to the RAF, the risk management process and its risk measurement and control tools, as well as audit advisory activities; (ii) directly reports the assessments and evaluations results to the corporate functions; (iii) promptly and directly forwards to the governing bodies the audit results concluded with negative judgments, or highlighting major deficiencies; (iv) provides guidance to the concerned Areas, Divisions, Departments, Services and Organisational Units; (v) in drawing up procedures for managing and containing company risks, monitors the implementation of the said risk management procedures and measures, and, moreover, expresses its opinion on the effectiveness of the system in maintaining overall risk exposure within acceptable limits; (vi) submits the results of its activities to the Board of Directors, the Internal Audit and Risk Committee, the Chief Executive Officer and the Board of Statutory Auditors.

The Internal Audit Department performs said activities not only for Banca Generali, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit function, and in an institutional capacity as a function of the Parent Company of the Banking Group.

The auditing method, on which internal auditing activities are based, is defined under the Internal Audit Rules approved by the Board of Directors and the supervisory model, also approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (CoSo Report, professional standards).

Pursuant to applicable regulations, on 28 March 2013, the Board of Directors appointed Luca Giaimo Head of the Compliance Service, effective 1 May 2013. The Board of Directors approved the Banking Group's Compliance Policy and related Compliance Rules, ordering the timely notification thereof to all subsidiaries, with a view to ensuring that the said Policy and Rules are fully implemented throughout the banking group.

On 27 August 2008, the Board of Directors vested Antonino Fici with the responsibility of the Risk Management Service, effective

1 September 2008, and on 28 March 2013, it also vested Julia Merson with the responsibility of the Anti Money Laundering Service, effective 1 May 2013.

As already noted, in order to implement the Code's recommendations regarding internal control and comply with the supervisory provisions in force, the Board set up within itself an Internal Audit and Risk Committee in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Audit and Risk Committee", above).

Moreover, with regard to risks, the Chief Executive Officer may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the banking group's risk management and control system, and identifying and implementing appropriate risk containment measures.

In order to transpose the Code's provisions on internal controls, pursuant to Article 8 of the Board Rules requirements, the Board:

- (i) defined guidelines for the Internal Control and Risk Management System so that the primary risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored; moreover, through the approval of the Risk Appetite Framework, it also determined the degree to which such risks are compatible with management of the Company consistent with the strategic goals identified, on both an annual and a multi-year basis;
- (ii) periodically assesses the adequacy of the internal control and risk management system with respect to the Company characteristics and risk profile, as well as its effectiveness; this assessment is mainly carried out through (i) examination, carried out on a quarterly basis with the support of the Internal Audit and Risk Committee, of the performance indicators prepared by the heads of the control functions, and (ii) examination, carried out on an annual basis and again performed with the support of the Audit and Risk Committee, of the results of the Company's Annual Reports and the annual Reports on subsidiaries prepared by the heads of the control functions. The assessments carried out in 2014 showed the adequacy of the internal control and risk management system with respect to the characteristics of the Company and its compatibility with the Risk Appetite Framework; (iii) approves the plans prepared by the Heads of Compliance, Anti Money Laundering, Internal Audit and Risk Management and examines the periodic *tableaux de bord* and the annual reports prepared by those functions.

In managing and coordinating the Group as its Parent Company, the Bank also exercises:

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the own securities portfolio. This type of control is aimed

- at monitoring the expansion of the business operations of group companies, and their policies in terms of mergers, demergers and acquisitions. Strategic coordination is ensured primarily through presence, within the subsidiaries' Board of Directors, of a certain number of persons appointed by the Bank's Board;
- b) operating control aimed at ensuring that the income statements, cash flow statement and balance sheets of both, individual group companies and the group as a whole, are appropriately balanced. These checks are carried out preferably through the drawing up of plans, programmes and budgets (for each group company and for the group as a whole) and by analysing the quarterly performance, interim results and annual financial statements of each group company and the group as a whole, duly broken down by specific business sector, and with regard to the entire group. Operations are coordinated by the Planning and Control Department which liaises with the company bodies/functions of each of the subsidiaries;
- c) technical-operating control aimed at assessing the profiles of the various risks incurred by the group as a whole as a result of the business operations of individual subsidiaries.

## 10.1 The Director in charge of the Internal Control and Risk Management system

The Board of Directors has appointed the Chief Executive Officer as the Executive Director in charge of overseeing the functioning of the internal control and risk management system.

The Chief Executive Officer defines, for the matters not falling within the Board of Directors' remit, operating policies and related risk control procedures, identifying and evaluating, including on the basis of management trends and departures from forecasts, any and all factors giving rise to risks, and assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same as may be necessary or useful, from time to time.

The Chief Executive Officer shall, *inter alia*:

1. identify the main company risks, taking due account of the business operations of the Company and its subsidiaries, and submit periodic reports on the same to the Board of Directors and the Internal Audit and Risk Committee;
2. implement the guidelines laid down by the Board of Directors in designing, setting up and managing the internal control system, and constantly monitor the overall adequacy, effectiveness and efficiency of the same, whilst also adapting the said system to changes in operating conditions and in the applicable statutory and regulatory framework;
3. recommend to the Board, after hearing the opinion of the Internal Audit and Risk Committee, the appointment and or

dismissal and, after hearing the opinion of the Remuneration and Nomination Committee, the remuneration of a person in charge of internal control;

4. request that the heads of Internal Audit, Compliance or Risk Management, each according to their respective competencies, conduct audits of specific operating areas and compliance with internal rules and procedures in carrying out company operations;
5. report in a timely manner to the Internal Audit and Risk Committee and the Board of Directors on problems and critical issues brought to light, or of which he has otherwise become aware, so that they may undertake the appropriate initiatives.

The Internal Auditor directly reports to the Board of Directors. With regard to the activity performed, the Internal Auditor directly reports to the Board of Directors, the Board of Statutory Auditors and the Internal Audit and Risk Committee.

## 10.2 Internal Auditor

On 25 September 2003, the Board of Directors appointed Francesco Barraco Head of the Internal Control Department and Head of the Internal Audit Function, with effect as from 1 October 2003.

The Internal Audit Department is an independent function intended, on the one hand, to supervise, from a third-tier standpoint and including through onsite checks, the regular course of operations and evolution of risks and, on the other, to assess the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the internal control system, as well as to inform the company bodies of possible improvements, in particular to the Risk Appetite Framework, risk management process, and risk measurement and control instruments.

The Internal Audit function is charged with constantly and independently verifying that the internal control system is completely adequate, fully functional and operational. The Internal Audit function assesses and contributes to the improvement of the governance, risk management and control processes through a systematic professional approach.

The Internal Auditor:

1. is charged with verifying that the internal control system is always adequate, fully operational and functional; to that end, he verifies, both on a ongoing basis and in relation to specific needs, and in accordance with international standards, the suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks;

2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
3. is to be afforded direct access to any and all the information that may be useful for the performance of his duties;
4. is to be endowed with adequate resources for the performance of his assigned duties;
5. reports on his actions to the Internal Audit and Risk Committee, the Board of Statutory Auditors, the Board of Directors and the Chief Executive Officer, preparing periodic reports containing adequate information about his activity, the manner in which risks are managed and compliance with the plans defined to contain those risks. Specifically, he expresses an opinion on the effectiveness of the internal control and risk management system in ensuring an acceptable overall risk profile;
6. prepares reports on events of particular significance in a timely manner, forwarding them to the bodies mentioned above;
7. verifies the reliability of the systems in the context of audit plans;
8. has a budget to refer to for completing his tasks and activities.

During the year, Internal Audit activity pertained in particular to the safeguards associated with risks arising from IT and security processes, privacy, the processing of customers' orders, risk management (credit, liquidity, operating, anti-money laundering and fraud risks), investment services and administrative and accounting entries, with intervention at all levels of control with the responsible departments. The Internal Auditor also monitored the improvement paths for existing controls, which were initiated as a result of previous audits (follow ups).

### **Main features of the Company's risk management and internal control systems related to the financial reporting process (pursuant to Article 123-bis, paragraph 2, letter b), of TUF).**

#### **Foreword**

The risk management and internal control system as it relates to the financial reporting process adopted by the bank (the "System") is part of the broader Internal Control and Risk Management System described in the previous section.

The System addresses the issues of internal control and risk management arising in respect of the financial reporting process, from an integrated perspective, with a view to identifying, assessing and containing the so-called financial reporting risks (i.e., risks of errors leading the annual financial statements, the condensed half-yearly financial statements,

the consolidated financial statements and/or other financial disclosures and filings to reflect a view of the balance sheet, income statement and/or cash flow that cannot be described as true and/or fair) to which the Company and the Group are exposed.

The System is thus intended to guarantee the reliability, accuracy and timeliness of financial reports. To this end, the bank created a financial reporting risk model consisting of principles and rules that aim to guarantee an adequate administrative and accounting system, in part by ensuring the availability of procedures and instructions.

The Manager in charge of the company's financial reports works within this framework. The Manager is charged by Italian Law No. 262 of 28 December 2005 ("Law 262") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy. The Manager in charge of the company's financial reports is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group, to the extent of the powers and means granted to him/her under paragraph 4 of Article 154-bis of the TUF.

The financial reporting risk model adopted is based on a process developed by the Company in accordance with the following reference frameworks, which are generally recognised and accepted internationally:

- (i) the CoSO (Committee of Sponsoring Organisation of the Treadway Commission). Internal Control - Integrated Framework, released in 1992, defines guidelines for assessing and developing an internal control system. In the CoSO Framework, the model refers to the component of the internal control system concerning the processes of collection, processing and publication of financial information flows (financial reporting);
- (ii) COBIT (Control Objective for IT and Related Technology, built by the IT Governance Institute based on the CoSO Framework), provides specific IT guidelines and can be used together with ITIL (Information Technology Infrastructure Library, a framework already used by the Group) and ISO/IEC 27001 (International Organisation for Standardisation/Information Electrotechnical Commission).

Within the Group, the financial reporting risk model has been extended to companies identified as relevant in the context of the model ("Companies within the Scope of Application"). In particular, the Companies within the scope of analysis area adopt a financial reporting risk model that is consistent with the model used by the Company so as to create a uniform system throughout the Group. The models are then changed as indicated by Banca Generali's Manager in charge of the company's financial reports.

## Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process

The key characteristics of the financial reporting risk model adopted by Banca Generali are summarised below, with particular reference to: (A) phases of the model; (B) departments/employees involved in the model and their respective roles, and information flows.

### (A) Phases of the financial reporting risk model

The different phases of the financial reporting risk model were defined by the Company based on the reference framework (CoSO Framework). In detail, the model may be divided into the following phases: (i) identification and assessment of financial reporting risks, (ii) identification and assessment of controls for mitigating identified risks.

#### (i) Identification and assessment of financial reporting risks

To identify and assess financial reporting risks, the Company identifies the relevant companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative elements. Companies within the scope of analysis are those that, in considering the relationships between the assets, revenues and profit or loss of the individual companies and consolidated balances, exceed specific limits established by best market practice (in 2014, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included in the scope of processes to be analysed. Each process is assigned an analysis priority based on quantitative elements. Lastly, qualitative elements referring to the companies' risk profiles, which are based on both internal and external factors, are added to the scope of analysis. The scope of analysis is revised at least annually or when warranted by changes in the Group's structure.

Each risk is evaluated to determine its level of significance based on the parameter "inherent risk" (or gross risk), which does not consider the mitigating effect of controls associated with it. The assessment of gross risk is based on a combination of (i) the probability that the event, that could potentially cause an administrative or accounting error, will occur during a specific timeframe, and (ii) the impact that such event could have on accounting and financial data and, consequently, on the presentation of a true and fair view of assets, liabilities, profit or loss and financial position. The probability is determined by the frequency of controls and how they are carried out, while the impact is measured based on the analysis process' priorities, as described above. The result of the assessment process can be either "high", "medium"

or "low". Furthermore, as part of the assessment, control objectives are established in accordance with market best practices. Each control objective is associated with a specific financial assertion (existence or occurrence, completeness, valuation or allocation, presentation and disclosure, rights and obligations).

#### (ii) Identification and assessment of controls for mitigating identified risks

The financial reporting risk model includes the following types of controls: (a) company-level; (b) process-level; (c) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

1. time of execution: controls can be either preventative or after-the-fact;
2. the execution procedure: manual, automatic or semi-automatic;
3. nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
4. frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design is evaluated and a phase in which the actual application is evaluated according to specific methods for each type of control. If during these phases shortcomings are identified in the management of financial reporting risk, the appropriate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the Manager in charge of the company's financial reports.

#### (a) Company-level controls

The goal of company-level controls is to ensure the existence of an organised, formal company structure designed to reduce the risk of improper conduct through adequate governance systems, standards of conduct based on ethics and integrity, efficient organisational structures, clarity in the assignment of powers and responsibilities, adequate risk management policies, employee disciplinary systems, efficient codes of conduct and fraud-prevention systems. Adequacy assessments focus on ensuring the existence and dissemination of the appropriate tools (such as policies, codes, rules, service rules, etc.) used to identify rules of conduct applicable to company employees. The next phase involves evaluating the actual application of the aforementioned rules.

#### (b) Process-level controls

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determi-

ning the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

*(c) Controls on Information Technology (IT)*

IT controls focus on processes associated with managing and handling information stored in the computer systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development and maintenance, data completeness and accuracy, IT risk analysis and information system management. As for the applications used to create the financial statements in relation to business processes, as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the main automatic controls performed by applications as part of major processes.

**(B) The departments/employees involved in the model, their roles and information flows**

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages its corporate boards and operating and control units in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Audit and Risk Committee, ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the Manager in charge of the company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law No. 262.

The Manager in charge of the company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board. Accordingly, the said Manager is responsible for evaluating the adequacy and use of administrative and accounting procedures and their appropriateness to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the Manager in charge of the company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him. The Unit also serves as a point of reference for the entire Group as regards the management of administrative

and accounting risks through guidance and coordination activities.

Banca Generali's Regulations Service is responsible for mapping the Company's processes, and therefore also the administrative and accounting processes of the Group's companies; it ensures that the information and documentation pertaining to them is kept up-to-date.

The Internal Audit Department periodically evaluates the efficiency of procedures and controls included in these processes and supports the Law 262 Organisational Unit in its assessment of the risks and related controls within the Group's administrative and accounting processes.

The Compliance Service is responsible for checking and assessing the appropriateness and effectiveness of administrative and accounting processes, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all the banking and investment services offered by the Banking Group, especially so as to minimise the risk of non-conformities.

Process Owners (managers of the Company's and Group's Organisational Units) are in charge of managing one or more major processes in accordance with Law No. 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found.

Furthermore, if key activities and/or controls that are the responsibility of a department other than the Process Owner's are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion within one's remit.

The Company also developed – through a special circular related to all Group companies – a documentation system that ensures that all boards, departments and employees with specific tasks within the internal control and risk management system work together to complete their respective duties.

The activities, information and documents included in the financial reporting risk model are managed using computer applications that are shared with other control units.

The Manager in charge of the financial reports of the Company reports to the Board of Directors on a regular basis as to the activities carried out in exercising his functions.

### 10.3 Organisational model pursuant to Legislative Decree No. 231/2001

Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their

benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.

The above-mentioned Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.

The adoption of an Organisational and Management Model (hereinafter the "Model") is not an obligation or duty, but a right, that the Company has decided to exercise in order, not only to restructure and formalise, where necessary, a system of preventive checks aimed at preventing conduct entailing administrative liability for the Company pursuant to the above-mentioned Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.

The Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The aforesaid Model must be constantly updated taking due account of changes in the relevant regulatory framework. A copy of the Model is available on the website [www.bancagenerali.com/About us/Corporatestructure/BancaGenerali](http://www.bancagenerali.com/About us/Corporatestructure/BancaGenerali).

Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption and aims at preventing from all types of offences contemplated in the relevant laws. The Model is complemented by regulations and corporate rules, is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, and is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.

In accordance with the provisions of the aforesaid Decree, the task of supervising compliance with the Model and updating the same must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.

In this regard, the regulations applicable to the Company provide precise rules for the assignment of the role of Supervisory Body, which was previously based on internal assessments and the guidelines proposed by industry associations. According to Article 6, paragraph 4-bis of Legislative Decree No. 231/2001, as introduced by Article 14, paragraph 12, of Law No.183 of 12 November 2011 ("Provisions for preparing the annual and multi-year state budget – 2012 Stability Law"), corporations are now authorised to assign this role to the Board of Statutory Auditors. In addition, Bank of Italy's Circular Letter No. 263, as amended by the 15<sup>th</sup> update issued on 2 July 2013, provides that the body with control function (i.e., the Board of Statutory Auditors in the governance system adopted by the Company) generally also carries out the functions of the supervisory body.

The Corporate Governance Code approved by the Italian Stock Exchange in its latest version also shows a recommendation for

assigning the tasks of the Supervisory Body to the Board of Statutory Auditors.

In light of the foregoing, the Board of Directors of Banca Generali, on 1 April 2014, resolved to identify the Board of Statutory Auditors as the body entrusted with the Supervisory Body's functions, concurrently attributing to the latter all necessary powers to carry out such functions.

Accordingly, subject to prior verification that the integrity and professionalism requirements are met and that there are no relevant situations incompatible with taking on the office in question, the current members of the Board of Statutory Auditors are now members of the Supervisory Body, namely the Chairman of the Board of Statutory Auditors, Giuseppe Alessio Verni, and the Acting Auditors, Angelo Venchiarutti and Alessandro Gambi.

Furthermore, the following remuneration was established for the members of the Supervisory Body:

- euro 15,000 gross per year for the Chairman of the Supervisory Body, identified in the Chairman of the Board of Statutory Auditors;
- euro 10,000 gross per year for each of the other members of the Supervisory Body, identified in the Acting Auditors.

In carrying out its tasks, the Supervisory Body is also to avail of the support of other corporate functions, especially the Compliance function.

## 10.4 Independent Auditors

In light of the regulatory framework following the entry into force of the Italian Legislative Decree No. 303/2006, the Ordinary Shareholders' Meeting held on 24 April 2007 extended the appointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ended 31 December 2014. As a consequence of this extension, the total number of consecutive years subject to auditing is nine, and, therefore, the appointment complies with the provisions of Article 17, of Legislative Decree No. 39 of 27 January 2010.

## 10.5 Manager in charge of the company's financial reports

Article 154-bis of Legislative Decree No. 58 of 24 February 1998, introduced by Law No. 262 of 28 December 2005, requires *inter alia*:

- a) the Manager in charge of the company's financial reports to issue a written statement attesting that any and all notices



and information the Company discloses on the market in respect of its annual and/or interim financial reports corresponds to the documentary results, books and accounting records;

- b) the Manager in charge of the company's financial reports and the delegated Administrative Bodies to issue a joint written statement to be attached to the annual financial statements, the condensed half-yearly financial statements, and, where applicable, the consolidated financial statements, certifying the appropriateness and effective implementation of all relevant accounting and administrative procedures during the accounting reporting period, as well as warranting that all the related accounting documents were prepared in accordance with the international accounting principles generally accepted and applied within the European Union, and, accordingly faithfully reflect the contents of the Company's accounting books and records, with the result that the said accounting documents may be deemed to provide a true and fair view of the balance sheet, income statement and cash flow statement of the Company and the Group. Moreover, with respect to the annual financial statements and the consolidated financial statements, the said written statement shall certify that the related Directors' Report on Operations includes a reliable analysis not only of business trends and operating results, but also of the situation of the issuer and all the companies included in the scope of consolidation of the reporting entity, together with a description of the main risks and uncertainties to which the Company and Group are exposed, as well as, in respect of the condensed half-yearly financial statements, that the related interim Directors' Report comprises a reliable analysis of the information mentioned in paragraph 4 of Article 154-ter of TUF;
- c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Manager in charge of the company's financial reports and the proper implementation of "administrative and accounting procedures".

Pursuant to Article 23, paragraph 3, of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, appoints and dismisses the Manager in charge of the company's financial reports, in compliance with Article 154-bis of Legislative Decree No. 58 of 24 February 1998, establishing the powers and resources of the same.

Paragraph 4 of the same Article provides that the said Manager shall be selected from amongst the company executives in possession of the following professional qualifications:

- adequate professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
- specific know-how in the field of financial reporting and auditing, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures, acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The said Manager must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.

On 26 June 2013, pursuant to the Articles of Association, and having heard the opinion of the Board of Statutory Auditors, the Board of Directors appointed Stefano Grassi to serve, as of 1 September 2013, as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree No. 58/1998, having ensured that he was fit and proper for such appointment within the meaning of Article 23 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.

Stefano Grassi is the head of the CFO Area (i.e., the area including the Finance Department, Planning and Control Department and the 262 Organisational Unit) and is tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

The Board of Directors of 26 June 2013, effective 1 September 2013, granted Stefano Grassi, Head of the CFO Area and assigned the role of Manager in charge of the company's financial reports, the following powers, which are to be exercised, under his sole signature, in accordance with the general directives imparted by the Board of Directors and the guidelines established by the Chief Executive Officer and the General Manager, as well as in the context of the strategies of the banking group in question:

1. to coordinate and supervise the activities of the Departments and Services that report to his Area of competence, reporting to the Joint General Manager on the results and activities of those departments and services;
2. to implement Board resolutions, in the course of all activities falling within his remit, in accordance with the guidelines imparted by the Chief Executive Officer and the General Manager;
3. in the course of all activities falling within his remit, to recommend to the Joint General Manager, to whom he reports, measures designed to ensure the optimal organisation of the activities of the Company's offices, on the basis of functional criteria that, by breaking down tasks, allows for concurrent

- and subsequent checks, as well as the determination of individual responsibilities;
4. to recommend to the Joint General Manager, to whom he reports, up to the limits of his responsibilities, to determine the job description and assigned tasks of employees in service at offices, in accordance with the guidelines established by the Board of Directors and the Chief Executive Officer;
  5. to draw up proposals regarding the annual budget and strategic three-year plan;
  6. to submit proposals concerning the draft financial statements and consolidated financial statements, as well as interim financial reports;
  7. as Manager in charge of the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, to ensure that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports, are accompanied by a written statement issued by him, and attest that the said notices and information corresponds to the documentary results, books and accounting records;
  8. as Manager in charge of the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, to draw up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports, as well as any and all other financial notices;
  9. as Manager in charge of the company's financial reports, within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator Consob and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow statement of the issuer and all the companies included in the scope of consolidation of the reporting entity;
  10. to certify that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
  11. to certify that the Directors' report on operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;
  12. to certify that the interim Directors' report on operations attached to the interim financial statements includes a reliable analysis of the information mentioned in Article 154-*ter*, paragraph 4;
  13. to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in Article 154-*bis* of Legislative Decree No. 58/1998;
  14. for the purposes of discharging the tasks and/or exercising the powers mentioned in Article 154-*bis* of Legislative Decree No. 58/1998, to avail of the support and collaboration of other corporate functions (including the Internal Audit service), should intervention by the latter be deemed necessary or even merely useful towards such end;
  15. to express his opinion concerning the proposals formulated by the Central Managers responsible for writing off loans, totally or partially waiving repayment of any credit extended, and thus waiving the guarantees acquired, where applicable, consenting to notations for the cancellation, subrogation, restriction, reduction and/or subordination of mortgages and/or liens and/or other collateral and settling disputed positions;
  16. to express his opinion concerning the proposals formulated by the Central Managers responsible for writing off expenses incurred by the company due to employees' errors;
  17. within the framework of the budget approved by the Board, to cover the Company's current expenses;
  18. to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
  19. within the framework of the budget approved and up to the limits of his responsibilities, with a threshold of 100,000.00 euros for each individual asset, to acquire, dispose of or barter moveable assets, including those subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
  20. within the framework of the approved budget and within his remit, to negotiate and enter into, amend and terminate lease agreements, tender agreements, as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangibles, the acquisition of intangibles, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of 100,000.00 euros per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year



transactions do not extend over more than three years, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;

21. within the limits of his responsibilities and delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
22. within the limits of his responsibilities, to liaise with any and all public authorities and bodies, the Bank of Italy, Consob, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;
23. with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
24. to issue demand drafts;
25. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
26. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, deposits subjected to central management by the Bank of Italy, as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;
27. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
28. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
29. to exercise the powers granted to him from time to time by the regulations adopted by the bank and all other powers

granted to him on an ongoing basis or from time to time by the Board of Directors or General Manager, in the context of his responsibilities.

In order to fully comply with the regulation in question, in early 2007, the Company launched an initiative known as the FARG – *Financial Accounting Risk Governance* Project, the management of which was entrusted to a specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such purpose. The previous section “*Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process*” provides further information on FARG.

## 10.6 Coordination amongst parties involved in the internal control and risk management system

Methods of coordination between the various parties involved in the internal control and risk management system have been established with the aim of avoiding overlapping and ensuring complete coverage of the various risks. Efforts to this end included the following:

- i) setting up of the Risks Committee, a collegial body including the Chief Executive Officer, General Management and Area Central Managers;
- ii) collegial meetings were planned between the Board of Statutory Auditors and the heads of control functions, also in conjunction with the preparation of the activity plan;
- iii) a specific circular letter was issued concerning the coordination of activities between internal audit, compliance, anti-money laundering and risk management and all other control functions, with the aim of formulating an effective activity plan, while respecting the independent authority of each;
- iv) the Boards of Statutory Auditors of Goup companies periodically hold joint meetings;
- v) the Board of Statutory Auditors participates in the meetings of the Internal Audit and Risks Committee and the Chairman of the Board of Statutory Auditors participates in the meetings of the Remuneration and Nomination Committee;
- vi) the Board of Statutory Auditors has been acting as Supervisory Body since 1 April 2014;
- vii) the various control functions perform the necessary analyses jointly on specific projects and subjects.

For information concerning the other parties involved in the internal control and risk management system, refer to Chapter 10, Internal Control and Risk Management System.

## 11. DIRECTORS' INTERESTS AND RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

In compliance with Article 2391-bis of the Civil Code and Article 4 of the Regulation on Related Party Transactions (approved pursuant to Consob Resolution No. 17221 of 12 March 2010, as further amended and extended by Consob Resolution No. 17389 of 23 June 2010), Banca Generali's Board of Directors – after hearing the opinion of the Internal Audit and Risk Committee set up within the Board of Directors and made up of independent directors – approved procedures aimed at ensuring the transparency, as well as the procedural and substantive correctness of related party transactions (the “Related Party Transaction Procedure” or merely the “Procedure”).

Following the adoption by the Bank of Italy, on 12 December 2011, of the Provisions on risk activities and conflicts of interest of banks and banking groups with Connected Parties, on 21 June 2012 the Board of Directors of Banca Generali, in light of the contiguity of the matters, supplemented the above Procedure by including the provisions on Connected Parties within the same Procedure and passing resolution on a new version of the “Related Party and Connected Party Transaction Procedure”.

The procedure in question was last revised in accordance with Article 150 of TUF and the provisions introduced by Bank of Italy's Circular Letter No. 263 on Transactions of Greater Importance. The new *Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance* is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

The Procedure applies to Related Party Transactions and Connected Party Transactions that:

- a) are to be effected in exercise of the Company's powers of management and coordination over subsidiaries within the meaning of Article 2359 of the Civil Code; and
- b) pursuant to the system of delegated powers currently in force, are subject to prior assessment and approval by the Company.

Authorisation must be obtained from the Company in any event for any and all Highly Significant Related Party Transactions or Connected Party Transactions to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Civil Code.

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

- (i) the Company's Board of Directors to include an account of all related party and connected party transactions conclu-

ded during the year, including through subsidiaries. in the Directors' Report on Operations pursuant to Article 2428 of the Civil Code;

- (ii) the decision-making body through the Chief Executive Officer to report to the Board of Directors, as well as the Board of Statutory Auditors in respect of the conclusion of any and all Moderately Significant Related Party and Connected Party Transactions and Transactions of Greater importance, at least on a quarterly basis;
- (iii) the Chairman of the Board of Directors to ensure that adequate information on all Moderately Significant Related Party Transactions pertaining to the Board of Directors and all Highly Significant Related Party Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Civil Code, but also to the Board of Statutory Auditors;
- (iv) the Board of Statutory Auditors to monitor compliance with the provisions of the above-mentioned Procedure and submit a report in such regard to the Shareholders' Meeting pursuant to Article 2429, paragraph 2, of the Civil Code and Article 153 of TUF.

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

The Procedure for Related Party Transactions can be viewed on the corporate website ([www.bancagenerali.com](http://www.bancagenerali.com)), section “Corporate Governance – Corporate Governance System – Governance Policies”.

Moreover, Bank of Italy's Circular Letter No. 263 introduced new industry-wide regulations governing risk-taking and conflicts of interest in respect of Connected Parties (Title V, Chapter 5, of the said Circular Letter). These provisions are aimed at containing the risk that the closeness of certain persons to the bank's decision-making centres could compromise the objectivity and impartiality of decisions pertaining to the approval of loans and other transactions involving the said persons, and potentially give rise to distortions in the resource-allocation process, expose the bank to risks that are not adequately measured or contained, and/or result in harm and losses to depositors and shareholders. In pursuit of this objective, the aforesaid regulatory provisions include within the scope of the term “Related Parties”, first and foremost, the company top management, main shareholders and other persons in a position to influence bank management, in light of their seniority or authority, or otherwise, the delegated powers vested in them, whether to be exercised individually or

jointly with others. The regulatory provisions specify that conflicts of interest might emerge even in course of business and other dealings with subsidiaries or entities over which the bank exercises considerable influence, or in respect of which the bank is significantly exposed pursuant to loans, and/or as a result of participating interests held in the same.

Under the aforesaid provisions, any related party and any and all persons thereto connected fall within the scope of the definition of the term “connected parties”, all of which are subject to quantitative restrictions and procedural rules imposed under the said regulatory framework. The quantitative restrictions consist in the imposition of prudential limits on the amount of risk a bank or banking group may assume in respect of the said parties, it being understood that the related ceilings are differentiated on the basis of the type of related party in question, with a view to ensuring proportionality with the closeness of the ties and the repercussions of associated risks in terms of sound and prudent business management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with related parties qualifying as non-financial entities. The regulatory framework is completed by supplementing prudential restrictions with procedural requirements entailing specific decision-making steps designed to ensure the proper allocation of resources and adequately protect third parties against undue harm and losses. Moreover, specific guidelines relating to organisational arrangements and internal controls enable the identification of corporate bodies' responsibilities and corporate functions tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time.

In order to duly implement the above-mentioned regulatory framework, on 18 December 2012, Banca Generali's Board of Directors approved specific “Internal Policies Governing Controls of Risk Assets and Conflicts of Interest in Relation to Connected Parties”, which are constantly updated by the Board of Directors to keep them in line with company's organisational structure.

The said “Policies”, *inter alia*:

- (i) require risk-appetite levels to be maintained in line with the strategic profile and organisational features of the bank or banking group, it being understood that the risk appetite is also defined in terms of the maximum risk exposure towards connected parties that may be considered acceptable in light of regulatory capital requirements, taking due account of the cumulative risk assumed in respect of the sum total of connected parties;
- (ii) without prejudice to Banca Generali's existing rules and regulations with regard to conflicts of interests, set forth specific provisions governing business dealings with connected parties, and the sectors of operations and types of economic relationships involved, which, whilst not necessarily entailing risk-taking, could give rise to conflicts of interest;
- (iii) regulate organisational processes designed to identify and individually list all connected parties, duly recording and quantifying any and all transactions effected with the same, at all stages of the relationship;
- (iv) require the implementation of checks and monitoring procedures designed to ensure that risks are properly assessed and managed throughout the course of dealings with connected parties, and that internal policies are appropriately designed and effectively enforced.

### Obligations of Company Officers and Executives Pursuant to Legislative Decree No. 136 of TUB

With regard to the obligations binding on company officers and executives of banks, it must be borne in mind that pursuant to Article 136 of the TUB, as most recently amended with Legislative Decree No. 179/2012, the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, with the bank. This prohibition may only be overcome with the favourable resolution of the governing body, and with the unanimous vote of all the members of the control body, without prejudice to the obligations set forth by the Civil Code regarding the directors' interests, as well as related party and connected party transactions.

In order to ensure thorough oversight of situations that might give rise to a potential conflict of interest, Banca Generali took the appropriate measures, and in particular all company exponents are directly and personally informed, upon appointment, of the content of the legislation in question through a brochure entitled “Obligations of Bank Exponents – General Concepts”, which summarises applicable legislation and the pertinent interpretative guidance, as well as a “Declaration Form” that all company exponents are to compile and that satisfies both the Consob and Bank of Italy rules on Related Party and Connected Party Transactions and the prescriptions of Article 136 of TUB.

Moreover, bearing in mind that on 21 June 2012, in compliance with the requirements imposed under the Consob Regulation No. 17221 of 12 March 2010 and the Bank of Italy Provisions of 12 December 2011, Banca Generali S.p.A.'s Board of Directors approved the “Procedure for Transactions with Related Parties and Connected Parties”, within the framework of an internal project aimed at designing and implementing, both from an IT and an organisational standpoint, a multi-regulatory process for managing the type of transaction in question, Banca Generali adopted the application software Easy Regulation that enables: (i) the identification and listing of Relevant Persons, whilst also allowing data pertaining to the same, to be managed and processed; (ii) the identification of those Bank's transactions that fall within the scope of the various regulations; (iii) the registration and monitoring of the said transactions; (iv) the identification of

transactions subject to specific procedural requirements, whilst supporting the computerised management and processing of transactions that exceed significance thresholds; (v) the production of personalised reports.

It must be pointed out that the process model selected by Banca Generali and supported by Easy Regulation is designed to ensure the streamlined, integrated and multi-regulatory management of Related Party and Connected Party Transactions and transactions with Company Officers and Executives pursuant to Article 136 of TUB.

Lastly, in compliance with the provisions set forth in the *Procedure for Related Party and Connected Party Transactions and Transac-*

*tions of Greater Importance*, the Bank's specific unit, made of one or more members of the Corporate Secretariat Service, has been entrusted with the following main tasks: (i) updating the list of the persons and parties involved, after having identified the latter; (ii) managing decision-making procedures, information flows regarding the transactions, and relations with the Internal Audit and Risk Committee and the Board of Directors; (iii) managing internal and external transparency obligations with supervisory bodies; (iv) drawing up the reports to be filed under the aforesaid Consob and Bank of Italy regulations; (v) coordinating activities with relevant corporate functions of the Parent Company and Subsidiaries.

## 12. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three acting and two alternate Auditors, whose functions, duties and terms of office are defined by the law.

Pursuant to Article 20 of the Articles of Association, acting and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.

Auditors are appointed on the basis of lists of candidates, in accordance with the procedures set forth below.

Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Currently, the percentage is 1.00%. Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the acting Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each of the two sections of the lists, save for those featuring less than three candidates, must present candidates in a manner that ensures gender balance. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence

of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office.

The lists, signed by the submitting shareholders, shall be filed at the Company's registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any and all forms required by applicable laws and regulations, no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.

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

The first two candidates on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected acting Auditors; the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes and submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes shall be deemed elected alternate Auditors. In the case where the number of acting Auditors belonging to the gender less represented falls short of the threshold established under applicable statutory provisions, the candidates appearing in the acting Auditor section of the list obtaining the highest number of votes will be replaced following the order in which the candidates were presented for election.

In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.

Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof by majority of the votes cast, in accordance with law.

In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall shall be elected Chairman of the Board of Statutory Auditors. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.

In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the same list as the replaced Auditor will succeed him. Such alternate will succeed him for a period conterminous with the term of the other statutory Auditors in office at the time of his appointment as an Auditor. Should the outgoing Auditor be the Chairman of the Board of Auditors, his replacement on such Board shall also assume the Chairmanship of the Board of Auditors. In the case where it is not possible to proceed as indicated above and the procedure for the replacement of the members of the Board of Statutory Auditors

fails to ensure gender balance on the same, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the voting list system set forth above.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience in:

- a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;
- b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity.

In such regard, Article 20 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, parabanking, financial and insurance sectors.

## 13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letter d) of TUF)

The Banca Generali's Board of Statutory Auditors currently in office was appointed by the General Shareholders' Meeting on 24 April 2012.

The Table provided in Attachment 3 hereto lists the members of the Board of Statutory Auditors as of 31 December 2014, other information about them and Board meeting attendance.

The Shareholders' Meeting of 24 April 2012 unanimously elected the members of the Board of Statutory Auditors from the only list presented by controlling shareholder Assicurazioni Generali S.p.A. The list contained the nominees that were elected, as follows: Acting Auditors (Giuseppe Alessio Verni, Alessandro Gambi and Angelo Venchiarutti) and Alternate Auditors (Luca Camerini and Anna Bruno).

At the time of the next renewal of corporate bodies, the Issuer shall implement all measures to comply with applicable laws governing gender balance within governing and control bodies as set forth by Law No. 120 dated 12 July 2011, effective as of the first renewal of corporate bodies subsequent to 12 August 2012. A summary profile of the members of the Board of Statutory Auditors is provided below.

**Giuseppe Alessio Verni.** Born in Trieste on 5 October 1964, Giuseppe Alessio Verni graduated in Economics from the University of Trieste in 1989. He is registered with the rolls of Certified Public Accountants and Commercial Experts of Trieste, as well as the list of Certified Auditors, the rolls of the Technical Consultants to the Civil Court of Trieste. Within the framework of his professional activities, he has acquired experience in the field of accounting, business administration, finance, taxation and tax litigation, and as a valuer of corporations and extraordinary corporate transactions. Since 1993, he has been an Official Receiver with the Civil Court of Trieste. He is member of the Board of Governors of the Order of Certified Accounting Consultants and Expert Accountants of Trieste. Within the banking Group, he also serves as the Chairman of the Board of Statutory Auditors of Banca Generali S.p.A and Generfid S.p.A. Giuseppe Alessio Verni is also a Statutory Auditor in other companies belonging to the Generali Group and another listed company, as well as Chairman of the Supervisory Board in an industrial listed company.

**Alessandro Gambi.** Born in Ferrara on 17 May 1965, he graduated in Economics from the University of the same city in 1989, he is registered with the Roll of Certified Public Accountants and Commercial Experts of Trieste, in the list of Certified Auditors since 2000 and with the rolls of the Technical Consultants and Experts since 1999. He provides specialist consultancy services in the fields of corporate accounting, taxation and company law, and is often appointed to value corporations ahead of extraor-

inary transactions. He serves as an Acting and Alternate Auditor at various Generali Group companies. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

**Angelo Venchiarutti.** Born in Rome on 20 September 1956, he graduated in Law from the University of Trieste in 1981. He earned a doctorate in Civil Law in May 1983, was appointed Associate Professor of Comparative Private Law in 1999 and subsequently tenured Professor of Private Law. He currently holds various positions within the University of Trieste where he has conducted a large number of university and other courses. He is also involved in research, and has published a large number of papers on civil law, comparative private law and commercial and insurance law. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company. Within the banking group, he also serves as the Chairman of the Board of Auditors of BG Fiduciaria SIM S.p.A.

**Luca Camerini.** Born in Trieste on 8 October 1963, he graduated in Economics from the University of Trieste in 1988. He is registered with the rolls of Certified Public Accountants of Trieste, as well as the list of Certified Auditors. He has had his own practice since 2008. Within the Banking Group, he is an Acting member of the Boards of Auditors of BG Fiduciaria SIM S.p.A. and serves as Acting Auditor and Alternate Auditor in other Generali Group Companies.

**Anna Bruno.** Born in Trieste on 16 October 1967, Anna Bruno obtained her diploma in Accounting and Business and is registered with the Roll of Certified Accountants and Expert Auditors of Trieste and the Institute of Certified Auditors. She serves as an Acting and Alternate Auditor at various Generali Group companies.

The Board of Statutory Auditors met 21 times in 2014. The average attendance of Auditors at Board of Directors' meetings in 2014 was 100.00%. A total of 20 meetings are planned for 2015. To date, 6 meetings have been held.

Under the Bank of Italy's Provisions, the company body vested with control functions is required to periodically verify its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. These provisions also require the members of the company body vested with control functions to meet a level of professionalism in line with the size and operational complexity of the Bank, and to devote sufficient time and resources to discharging their duties, whilst also establishing that on the occasion of the ap-



pointment of company officers and periodically over time, the number of similar positions held must be verified and evaluated, with special attention to those requiring greater involvement in the current business of the Company. In light of the above, Article 20 of the Articles of Association, establishes, by way of reference to applicable regulations, both the maximum number of other appointments a member of Banca Generali's Board of Auditors may simultaneously hold and the requirements of professionalism to be met by the members of the said board.

In addition to meeting the requirements of personal integrity and independence and not labouring under any of the causes of unfitness or disqualification contemplated under special regulations and the Corporate Governance Code for Listed Banks, members of the Board of Auditors must also satisfy the requirements of professionalism set forth below, under penalty of forfeiting their appointments: at least one Acting Auditor and one Alternate Auditor (and in any event, the Chairman) must be registered with the Rolls of Certified Public Accountants, it being understood that acting and alternate members of the said Board who do not meet this requirement must have acquired specific experience: a) as professional practitioners or full university professors specialising in law, economics, finance or technical-scientific fields closely related to the Company's specific sector of business; b) in managerial positions in public administrations or undertakings operating in sectors closely related to the Company's business operations.

Moreover, pursuant to the Bank of Italy Provisions, no member of the control body may hold any position within any body other than control bodies within other companies belonging to the group or financial conglomerate, and/or within companies in which the Bank holds, directly or indirectly, a strategic stake (that is to say, at least 10% of the share capital or voting rights at the Ordinary Shareholders' Meeting of the investee company, and 5% of the Banking Group's consolidated assets).

Satisfaction of the relevant requirements is verified by the Board of Directors in accordance with applicable supervisory regulations, as well as the provisions of the Code.

Banca Generali's Board of Directors last verified satisfaction of the relevant statutory requirements for acting members of the Board of Directors on 8 May 2012.

All the members of Banca Generali's Board of Auditors must be enrolled with the Order of Certified Public Accountants and Auditors, save for one member who must, in any event, meet the requirements of professionalism referred to above; all the members of the Board of Auditors must also be independent within the meaning of both Legislative Decree No. 58/1998 and the Self-regulatory Code.

The Board of Auditors assessed the independence of its members, and the most recent assessment was carried out at its meeting on 19 February 2015.

In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate

Governance Code in respect of the independence of Directors.

Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. The same reporting obligations shall be binding on any Auditor falling within the scope of the cases contemplated in Article 136 of TUB, in which case the said rules shall apply.

The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

Given that, pursuant to statutory requirements, non-auditing services must be entrusted to independent auditors, Article 20 of the Articles of Association vests the Board of Statutory Auditors with the power/duty to liaise with the other persons and parties with oversight responsibilities; forms of ongoing coordination have been developed to serve this purpose, entailing, *inter alia*, the scheduling of specific meetings especially for periodic exchanges of information and views between the Board of Statutory Auditors and the independent auditors. In respect of these issues, the Board of Auditors may, if it deems fit, also avail of the advice and support of the Internal Audit and Risk Committee, as contemplated in the relevant Committee Rules.

Moreover, the Parent Company's control body must operate in close collaboration with its counterparts within subsidiaries. In performing its duties, the Board of Statutory Auditors coordinated its efforts with the Internal Audit and Risk Committee and control units (compliance, anti money laundering, internal audit and risk management). In this regard, it bears recalling the aforementioned information flows and coordination among all corporate bodies.

The Chairman of the Board of Directors ascertained that the Auditors, after their appointments, could participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the Issuer operates, of the corporate dynamics and the relevant evolutions, as well as the relevant regulatory framework. In this respect, on the initiative of the Chairman, the members of the Board of Statutory Auditors were involved in training programmes, organised by specialised companies, on the role and tasks of independent directors; the Chairman also ensured that at the meetings attended by the Statutory Auditors special focus be dedicated to providing updates on major regulatory changes, to analysing the development of portfolio management activities and the development of impacts of Banca Generali's lending activities; these issues were described and examined in depth by the management of the Bank in order to encourage adequate knowledge of these areas of the Bank's activity and their developments.



## 14. INVESTOR RELATIONS

Banca Generali feels that it has a specific interest – as well as a duty towards the market – to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.

In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market.

The management of daily relations with Shareholders is entrusted to the Company Secretariat Service within Governance and Company Risks Area.

The Investor Relations Service is in charge of liaising with institutional investors.

The Company uses its website to allow the public to consult constantly updated information regarding the Company, its products and services.

Apart from a presentation and historical overview of the Company and the Group, the website hosts the most significant documents pertaining to Corporate Governance, all the press releases on the main corporate events, as well as financial and accounting data.

The website also presents the Calendar of Events indicating the dates of meetings of Corporate Organs, such as Shareholders' and Board meetings called for the approval of the draft annual financial statements, the consolidated financial statements, the half-yearly condensed report and interim reports, as well as for making decisions in respect of purely financial matters.

In order to ensure the transparency and effectiveness of the information disclosed to the public, the website is constantly and timely updated.

### INVESTOR RELATIONS

Giuliana Pagliari

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Fax +39 02 69 462 138

[Investor.relations@bancagenerali.it](mailto:Investor.relations@bancagenerali.it)

## 15. GENERAL SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, paragraph 2, letter c) of TUF)

The procedures governing the conduct of Shareholders' Meetings are regulated by the Articles of Association and the Regulations of the Shareholders' Meeting.

The condition of shareholder implies acceptance of the Memorandum of Association and of the Articles of Association.

The Shareholders' Meeting is the body that expresses the Company's will through its resolutions. Resolutions adopted by Shareholders' Meeting in compliance with the law and the Articles of Association are binding on all shareholders, including those who are absent or dissenting.

The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors. Shareholders are called through published notice, under the terms and conditions required by applicable laws and regulations. The Shareholders' Meeting is called whenever the governing body deems necessary and advisable or upon request of the Board of Statutory Auditors or of the shareholders, in accordance with the law, or in the other cases in which call of the Shareholders' Meeting is obligatory pursuant to law. The ordinary Shareholders' Meeting must be called at least once a year within 120 days of closure of the financial year. This deadline may be extended to 180 days where certain legal conditions are met.

In the cases provided by law, those shareholders who, alone or in conjunction with others, represent at least the percentage of share capital envisaged by current applicable regulations, are entitled to request call of the Shareholders' Meeting. Those shareholders who, alone or in conjunction with others, represent at least one fortieth of the share capital are entitled to request, in compliance with laws in force, integration of the list of items on the agenda.

The notice of call may specify the date of a second or third call, in the event that the Meeting does not prove to be legally constituted.

Entitled attendees, in accordance with applicable laws, may participate in the Shareholders' Meeting, provided that they prove their entitlement pursuant to the law and that the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received by the Company by the end of the third trading day prior to the date set for the first call of the Meeting, in accordance with Article 83-sexies, paragraph 4, of TUF, after the terms specified above, provided that it arrived within the start of the Shareholders' Meeting specifically called.

Shareholders may be represented by others in the Shareholders' Meeting in accordance with the provisions of the law. In compliance with the provisions of Article 134 of TUF, the Company has appointed a representative for the exercise of voting rights.

Legal provisions are observed with regard to the validity of Shareholders' Meetings and their resolutions.

Ordinary and extraordinary Shareholders' Meetings are attributed all the powers to which they are respectively entitled pursuant to current regulations. The Ordinary Shareholders' Meeting shall also establish the remuneration due to the organs it appoints. The said Shareholders' Meeting may provide for a lump-sum amount covering the remuneration of all company directors, including those vested with specific tasks, such lump-sum amount being subject to distribution amongst individual directors pursuant to the determinations of the Board of Directors. The Shareholders' Meeting shall also approve the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees. In respect of related party and connected party transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all related party and connected party transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.

Under Article 18 of the Articles of Association, the Board of Directors is the sole corporate body qualified to deliberate on matters pertaining to the setting up or closing down of secondary offices, indication of which Directors may represent the Company and use the company signature, mergers, in the cases permitted by law, amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.

Eight Directors attended the latest Shareholders' Meeting on 23 April 2014. On that occasion, the Board reported in respect of completed and scheduled activities and ensured that all Shareholders were provided adequate information on all pertinent matters so as to enable them to make informed decisions. The Nomination and Remuneration Committee informed all Shareholders on the activities it performed in respect of remuneration policies.

### Regulations of the Shareholders' Meeting

Pursuant to article 23 of the Board Rules, the Company encourages Shareholders to attend all Shareholders' Meetings.

The Board shall report to the Shareholders' Meeting in respect of completed and scheduled activities and shall ensure that all Shareholders are provided adequate information on all pertinent

matters so as to enable them to make informed decisions about the items placed on the agenda of Shareholders' Meetings.

In compliance with the recommendations of the Code, the Shareholders' Meeting approved its own Regulations (most recently amended by resolution of the General Shareholders' Meeting on 20 April 2011), setting forth the procedures to be followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices, as well as on its website, under the section "*Corporate Governance-AGM-Attending the AGM*".

The said Regulations are aimed at governing the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, persons entitled to attend have the right to speak on each one of the items on the agenda or placed up for discussion and make proposals on them.

Pursuant to Article 127-ter of TUF, shareholders are entitled to submit questions regarding the items placed on the Agenda even before the Shareholders' Meeting. Questions submitted prior to the Shareholders' Meeting shall be answered at the very latest during the course of the Shareholders' Meeting itself, even by treating several questions regarding the same subject-matter as a single query.

Entitled Attendees who intend to take the floor shall submit a written request to the Chairman, after the items on the agenda have been read out and before the Chairman has declared closed the discussion on the item subject to the request to speak.

If the Chairman so authorises, requests to take the floor may be made by raising the hand.

In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion.

The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to entitled attendees according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, taking due account of any and all questions raised by shareholders prior to the Shareholders' Meeting and left unaddressed by the Company until the latter. Entitled attendees have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda, as well as the number of persons requesting the floor and any and all questions raised by shareholders prior to the meeting and left unaddressed by the Company, shall announce the period of time available for each Entitled Attendee to take floor, such time, as a general rule, being established at no less than five and no more than ten minutes for each speaker. When such period of time has expired, the Chairman may invite the entitled attendee to conclude within another five minutes.

## **16. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-bis, paragraph 2, letter a) of TUF)**

Further information of corporate governance practices is provided in the relevant individual paragraphs of this Report.

## **17. CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE**

No changes were brought to the corporate governance structure since the end of the financial year.

Milan, 10 March 2015

THE BOARD OF DIRECTORS

## Annex 1

### Table 1 - Information on company ownership

#### Structure of the share capital

	NO. OF SHARES	% OF SHARE CAPITAL	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	115,756,094	100	Listed on the electronic share market (MTA) of Borsa Italiana S.p.A.	All the rights contemplated under the Civil Code and Articles of Association.
Shares with multiple voting rights	-	-		
Shares with limited voting rights	-	-		
Shares without voting rights	-	-		
Other	-	-		

#### Other financial instruments (giving right to underwrite newly issued shares)

	LISTED (SPECIFY ON WHICH MARKETS)/ NOT LISTED	NO. OF OUTSTANDING INSTRUMENTS	CATEGORY OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE	NO. OF SHARES IN SERVICE OF THE CONVERSION/ EXERCISE
Convertible bonds	-	-	-	-
Warrants	-	-	-	-

### Table 2 - Significant shareholdings

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY STOCK	% OF VOTING STOCK
Assicurazioni Generali S.p.A.	Generali Italia S.p.A.	33.3233	33.3233
	Generali Vie S.A.	9.5978	9.5978
	GenertelLife S.p.A.	4.8629	4.8629
	Alleanza Assicurazioni S.p.A.	2.4235	2.4235
	Genertel S.p.A.	0.4388	0.4388
Threadneedle Asset Management Holdings Ltd.	Threadneedle Asset Management Holdings Ltd.	2.1404	2.1404

## Annex 2

### Board of Directors' and Committees' Structure

BOARD OF DIRECTORS (DATA AS OF 10 MARCH 2015)						
OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	IN OFFICE FROM	IN OFFICE UNTIL	LIST (M/N)
Chairman	Paolo Vagnone	1963	25.07.2012	24.04.2013	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	(*)
Chief Executive Officer	Piermario Motta	1957	24.04.2012	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	M (***)
Director	Mario Francesco Anaclerio	1973	24.04.2012	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	M (***)
Director	Paolo Baessato	1951	19.04.2006	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	M (***)
Director	Giovanni Brugnoli	1970	24.04.2012	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	M (***)
Director	Philippe Donnet	1960	15.10.2013	23.04.2014	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	(****)
Director	Fabio Genovese	1959	24.04.2012	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	M (***)
Director	Anna Gervasoni	1961	24.04.2012	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	M (***)
Director	Angelo Miglietta	1961	21.04.2009	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	M (***)
Director	Ettore Riello	1956	20.07.2007	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014	M (***)

(\*) On 25 July 2012, Paolo Vagnone was co-opted as Director; on 8 August 2012, he was appointed Chairman of the Board of Directors; on 24 April 2013, he was confirmed Director by the General Shareholders' Meeting, as well as Chairman in the subsequent meeting of the Board of Directors.

(\*\*) The Chairman, as required by the Bank of Italy's provision, does not have any operating power within the company.

(\*\*\*) The Majority list was the only list presented.

(\*\*\*\*) On 15 October 2013, Philippe Donnet was co-opted as Director; on 23 April 2014, he was confirmed Director by the General Shareholders' Meeting.

### Directors who left office during the reporting year

BOARD OF DIRECTORS (DATA AS OF 10 MARCH 2015)						
OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	IN OFFICE FROM	IN OFFICE UNTIL	LIST (M/N)

**Necessary quorum to present lists for the latest appointment: 2%**

**Number of Meetings held during reference year**

Board of Directors: 14

Internal Audit and Risk Committee: 16

Remuneration and Nomination Committee: 10

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

EXEC.	NON- EXEC.	BOARD OF DIRECTORS (DATA AS OF 10 MARCH 2015)		OTHER OFFICES HELD	INTERNAL AUDIT AND RISK COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE		
		INDEPENDENT AS PER CODE	INDEPENDENT AS PER ART. 37 OF CONSOB REGULATION NO. 16191/2007				MEMBER	MEMBER
	X(**)			100	0			
X				100	0			
	X	X	X	100	4	X Chairman	100	
	X	X	X	100	2	X	94	X Chairman
	X	X	X	93	0	X	75	
X				57	0			
	X	X	X	100	1			X
	X	X	X	100	3	X	94	
	X	X		79	6			
	X	X	X	36	1			X

EXEC.	NON- EXEC.	BOARD OF DIRECTORS (DATA AS OF 10 MARCH 2015)		OTHER OFFICES HELD	INTERNAL AUDIT AND RISK COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE		
		INDEPENDENT AS PER CODE	INDEPENDENT AS PER TUF				MEMBER	MEMBER

## Annex 3

### Statutory Auditors' Structure

(AS OF 10 MARCH 2015)

OFFICE HELD	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	IN OFFICE FROM	IN OFFICE UNTIL
Chairman	Giuseppe Alessio Verni	1964	01.11.1998	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014
Acting Auditor	Angelo Venchiarutti	1956	03.10.2006	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014
Acting Auditor	Alessandro Gambi	1965	21.04.2009	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014
Alternate Auditor	Luca Camerini	1963	21.04.2009	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014
Alternate Auditor	Anna Bruno	1967	23.11.2009	24.04.2012	Shareholders' Meeting called to approve the fin. statements as of 31.12.2014

(\*) The majority list was the only list presented.

**Statutory auditors who left office during the reporting year: 0**

**Number of Meetings held during reporting year: 21**

**Necessary quorum to present lists for the latest appointment: 2%**



LIST (M/N)	INDEPENDENT AS PER CODE	(%) ATTENDANCE TO THE BOARD OF STATUTORY AUDITORS' MEETINGS	OTHER OFFICES HELD
M (*)	X	100	10
M (*)	X	91	5
M (*)	X	96	6
M (*)	X	-	5
M (*)	X	-	7

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Annual Report  
2013

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2011

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2011

Interim Reports



Interim report  
as of 31 March  
2014

Interim report  
as of 30  
September  
2013

Interim report  
as of 30 June  
2013

Interim  
Operations  
of 31 March  
2013

Presentations



2014 First  
Quarter  
Results

2013 Full Year  
Results

9 Months 2013  
Results and  
Business  
Update

2013 First Half  
Results

# 2





COLURE	SCADENZA	PERCENTUALE
●	0-1Y	43%
●	1-2Y	29.4%
●	3-5Y	10.7%
●	5-10Y	36.7%
●	10-20Y	11.6%
●	>20Y	100%
<b>TOTALE</b>		<b>6.84 Y</b>

2

**CONSOLIDATED  
FINANCIAL STATEMENTS**

as of 31 December 2014

BOARD OF DIRECTORS - 10 MARCH 2015



# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

<b>Assets</b>		
(€ THOUSAND)	31.12.2014	31.12.2013
10. Cash and deposits	80,450	9,613
20. HFT financial assets	32,840	229,905
40. AFS financial assets	2,235,408	1,626,121
50. HTM financial assets	1,403,123	2,652,687
60. Loans to banks	285,620	291,379
70. Loans to customers	1,794,959	1,499,771
120. Property and equipment	3,829	4,080
130. Intangible assets:	89,965	46,010
<i>of which:</i>		
- goodwill	66,065	38,632
140. Tax receivables:	40,801	38,260
a) current	2,180	3,467
b) prepaid	38,621	34,793
b1) as per Law no. 214/2011	13,012	11,617
150. Non-current assets held for sale and disposal groups	-	74,209
160. Other assets	173,242	130,619
<b>Total Assets</b>	<b>6,140,237</b>	<b>6,602,654</b>
<b>Net equity and Liabilities</b>		
(€ THOUSAND)	31.12.2014	31.12.2013
10. Due to banks	1,038,889	2,230,871
20. Due to customers	4,285,398	3,588,700
30. Securities issued	-	-
40. HFT financial liabilities	2,655	597
80. Tax payables:	27,612	27,768
a) current	17,232	22,316
b) deferred	10,380	5,452
90. Liabilities associated with disposal groups	-	66,252
100. Other liabilities	149,770	142,598
110. Employee termination indemnities	5,250	4,585
120. Provisions for liabilities and contingencies:	94,355	72,151
b) other provisions	94,355	72,151
140. Valuation reserves	17,983	5,460
170. Reserves	196,209	164,221
180. Additional paid-in capital	45,575	37,302
190. Share capital	115,677	114,895
200. Treasury shares (-)	-41	-41
210. Minority interests (+/-)	-	6,039
220. Net profit (loss) for the year (+/-)	160,905	141,256
<b>Total Net equity and Liabilities</b>	<b>6,140,237</b>	<b>6,602,654</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Items	2014	2013 RESTATED
(€ THOUSAND)		
10. Interest income and similar revenues	117,712	144,492
20. Interest expense and similar charges	-10,707	-22,650
<b>30. Net interest income</b>	<b>107,005</b>	<b>121,842</b>
40. Fee income	484,619	404,675
50. Fee expense	-227,351	-178,287
<b>60. Net fees</b>	<b>257,268</b>	<b>226,388</b>
70. Dividends and similar income	2,570	915
80. Net income (loss) from trading activities	4,584	-2,538
100. Gain (loss) from sales or repurchase of:	47,786	20,603
a) receivables	3,120	1,710
b) AFS financial assets	44,666	18,903
c) HTM financial assets	-	-10
<b>120. Net banking income</b>	<b>419,213</b>	<b>367,210</b>
130. Net adjustments/reversals due to impairment of:	-10,995	-6,073
a) receivables	-7,530	-4,915
b) AFS financial assets	-3,035	-1,299
c) HTM financial assets	-286	141
d) other financial operations	-144	-
<b>140. Net result of financial operations</b>	<b>408,218</b>	<b>361,137</b>
180. General and administrative expense:	-202,640	-174,710
a) staff expenses	-74,182	-69,483
b) other general and administrative expense	-128,458	-105,227
190. Net provisions for liabilities and contingencies	-40,268	-22,899
200. Net adjustments/reversals of property and equipment	-1,423	-1,695
210. Net adjustments/reversals of intangible assets	-2,997	-3,351
220. Other operating expenses/income	41,266	31,167
<b>230. Operating expenses</b>	<b>-206,062</b>	<b>-171,488</b>
270. Gain (loss) from disposal of investments	-18	-4
<b>280. Net profit before income taxes</b>	<b>202,138</b>	<b>189,645</b>
290. Income taxes for the year on operating activities	-44,284	-48,265
<b>300. Net profit after income taxes</b>	<b>157,854</b>	<b>141,380</b>
310. Income of disposal groups, net of taxes	3,051	4,561
<b>320. Net profit for the year</b>	<b>160,905</b>	<b>145,941</b>
330. Minority interests (+/-) for the year	-	-4,685
<b>340. Net profit (loss) for the year of the Parent Company</b>	<b>160,905</b>	<b>141,256</b>

## STATEMENT OF COMPREHENSIVE INCOME

Items		
(€ THOUSAND)	2014	2013 RESTATED
<b>10. Net profit for the year</b>	<b>160,905</b>	<b>145,941</b>
<b>Other income net of income taxes without reversal to Profit or Loss</b>		
40. Actuarial gains (losses) from defined benefit plans	-448	-223
<b>Other income net of income taxes with reversal to Profit or Loss</b>		
100. AFS financial assets	12,971	17,158
<b>130. Total other income, net of income taxes</b>	<b>12,523</b>	<b>16,935</b>
<b>140. Comprehensive income</b>	<b>173,428</b>	<b>162,876</b>
150. Comprehensive income attributable to Minority Interests	-	-4,685
<b>160. Consolidated comprehensive income attributable to the Parent Company</b>	<b>173,428</b>	<b>158,191</b>



## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDEND	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY OF MINORITY INTERESTS
	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>159,005</b>	<b>7,048</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	159,005	7,048	5,460	-	-2,400	-41	145,941	469,132	463,093	6,039
Allocation of net income of the previous year:	-	-	-	31,633	-	-	-	-	-	-141,256	-109,623	-109,623	-
- Reserves	-	-	-	31,633	-	-	-	-	-	-31,633	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-109,623	-109,623	-109,623	-
Change in reserves	-	-	-	2	1,578	-	-	-	-	-	1,580	1,580	-
Transactions on net equity:	-1,140	-	8,273	-1,832	-1,225	-	-	2,400	-	-4,685	1,791	7,830	-6,039
- Issue of new shares	782	-	8,273	-	-1,449	-	-	-	-	-	7,606	7,606	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-
- Dividend paid	-1,922	-	-	-1,832	-	-	-	2,400	-	-4,685	-6,039	-	-6,039
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock option	-	-	-	-	224	-	-	-	-	-	224	224	-
Comprehensive income	-	-	-	-	-	12,523	-	-	-	160,905	173,428	173,428	-
<b>Net equity at 31.12.2014</b>	<b>115,677</b>	-	<b>45,575</b>	<b>188,808</b>	<b>7,401</b>	<b>17,983</b>	-	-	<b>-41</b>	<b>160,905</b>	<b>536,308</b>	<b>536,308</b>	-
<b>Group net equity</b>	<b>115,677</b>	-	<b>45,575</b>	<b>188,808</b>	<b>7,401</b>	<b>17,983</b>	-	-	<b>-41</b>	<b>160,905</b>	<b>536,308</b>	-	-
<b>Minority interests</b>	-	-	-	-	-	-	-	-	-	-	-	-	-

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDEND	TREASURY SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY OF MINORITY INTERESTS
	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	-	-	-	66	437	-	-	-	-	-	503	503	-
Transactions on net equity:	1,957	-	20,711	-	-3,436	-	-	-2,400	-	-	16,832	19,232	-2,400
- Issue of new shares	1,957	-	20,711	-	-3,891	-	-	-	-	-	18,777	18,777	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividend	-	-	-	-	-	-	-	-2,400	-	-	-2,400	-	-2,400
- Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock option	-	-	-	-	455	-	-	-	-	-	455	455	-
Comprehensive income	-	-	-	-	-	16,935	-	-	-	145,941	162,876	158,191	4,685
<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>
<b>Group net equity</b>	<b>114,895</b>	-	<b>37,302</b>	<b>157,174</b>	<b>7,047</b>	<b>5,460</b>	-	-	<b>-41</b>	<b>141,256</b>	<b>463,093</b>	-	-
<b>Minority interests</b>	<b>1,922</b>	-	-	<b>1,832</b>	-	-	-	<b>-2,400</b>	-	<b>4,685</b>	<b>6,039</b>	-	-

## CONSOLIDATED CASH FLOW STATEMENT

<b>Indirect method</b>		
(€ THOUSAND)	2014	2013
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>207,183</b>	<b>173,522</b>
Net profit (loss) for the year	160,905	145,941
Gain/loss on HFT financial assets and liabilities	336	921
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	10,995	6,073
Net adjustments of property, equipment and intangible assets	4,420	5,071
Net provisions for liabilities and contingencies and other costs/revenues	22,204	8,346
Taxes and duties not paid	-7,569	-13,704
Adjustments of discontinued operations	-	124
Other adjustments	15,891	20,750
<b>2. Liquidity generated by/used for financial assets (+/-)</b>	<b>-486,723</b>	<b>483,329</b>
HFT financial assets	198,177	-8,716
Financial assets measured at fair value	-	-
AFS financial assets	-591,670	120,611
Loans to banks: repayable on demand	12,374	31,120
Loans to banks: other receivables	17,236	519,348
Loans to customers	-199,166	-163,418
Other assets	76,326	-15,616
<b>3. Liquidity generated by/used for financial liabilities (+/-)</b>	<b>-717,324</b>	<b>-875,834</b>
Due to banks: repayable on demand	-80,397	-
Due to banks: other payables	-1,112,852	-3,388
Due to customers	556,789	-919,101
Securities issued	-	-
HFT financial liabilities	-627	-1,447
Financial liabilities measured at fair value	-	-
Other liabilities	-80,237	48,102
<b>Net liquidity generated by/used for operating activities</b>	<b>-996,864</b>	<b>-218,983</b>

**Indirect method**

(€ THOUSAND)	2014	2013
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Liquidity generated by</b>	<b>1,354,302</b>	<b>1,475,759</b>
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of HTM financial assets	1,354,302	1,475,759
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
<b>1. Liquidity used for</b>	<b>-184,584</b>	<b>-1,168,024</b>
Purchase of equity investments	-	-
Purchase of HTM financial assets	-136,392	-1,164,637
Purchase of property and equipment	-1,240	-1,388
Purchase of intangible assets	-2,239	-1,999
Purchase of business units and equity investments in subsidiaries	-44,713	-
<b>Net liquidity generated by/used for investing activities</b>	<b>1,169,718</b>	<b>307,735</b>
<b>C. FUNDING ACTIVITIES</b>		
Issue/purchase of treasury shares	7,606	18,777
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-109,623	-108,302
<b>Net liquidity generated by/used for funding activities</b>	<b>-102,017</b>	<b>-89,525</b>
<b>NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR</b>	<b>70,837</b>	<b>-773</b>
<b>Reconciliation</b>		
Cash and cash equivalents at year-start	9,613	10,386
Liquidity generated/used in the year	70,837	-773
Cash and cash equivalents - effects of exchange rate fluctuations	-	-
<b>Cash and cash equivalents at year-end</b>	<b>80,450</b>	<b>9,613</b>

# Notes and Comments

<b>PART A - ACCOUNTING POLICIES</b>	207
<b>PART B - INFORMATION ON THE BALANCE SHEET</b>	240
<b>PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT</b>	279
<b>PART D - COMPREHENSIVE INCOME</b>	298
<b>PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES</b>	299
<b>PART F - INFORMATION ON NET EQUITY</b>	334
<b>PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS</b>	349
<b>PART H - RELATED PARTY TRANSACTIONS</b>	357
<b>PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS</b>	368
<b>PART L - SEGMENT REPORTING</b>	373

## PART A – ACCOUNTING POLICIES

### Part A.1 - General

#### Section 1 - Declaration of compliance with international accounting standards

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

The consolidated annual report at 31 December 2014 was prepared based on the “Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups,” which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 “Banks’ Financial Statements: Layouts and Preparation” by Provision dated

22 December 2005. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Notes and Comments.

The third update to Circular Letter No. 262, which is discussed in further detail below, was issued on 22 December 2014 and applied immediately, including with regard to the financial statements for the year ended 31 December 2014.

In preparing the annual financial statements, Banca Generali adopted the IASs/IFRSs in force at 31 December 2014 (including SICs and IFRICs), as endorsed by the European Commission.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2014, several amendments to the IASs/IFRSs and IFRICs were adopted and new IFRICs were issued.

#### **International Accounting Standards endorsed in 2012 and 2013, and effective as of 2014**

	ENDORSEMENT REGULATION	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 IFRS 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 in 2014 but not yet effective</b>	ENDORSEMENT REGULATION	PUBLICATION DATE	EFFECTIVE DATE
IFRIC 21 - Levies	634/2014	14.06.2014	01.01.2015
Annual Improvements to IFRSs 2011–2013 Cycle: IFRS 3-13, IAS 40	1361/2014	19.12.2014	01.01.2015
Annual Improvements to IFRSs 2010–2012 Cycle: IFRS 2-3-8; IAS 16-24-38	28/2015	09.01.2015	01.01.2015
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	28/2015	09.01.2015	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 the operations of Banca Generali.

### **Circular Letter No. 262 of 22 December 2005 “Banks’ Financial Statements: Layouts and Preparation” - 3<sup>rd</sup> update of 22 December 2014**

The third update of Circular Letter No. 262 incorporates:

- ew disclosures requirements introduced by IFRS 12 - *Disclosure of Interests in Other Entities*;
- adaptation of the disclosure included in Part F - Information on Net Equity, Section 2 “Own funds and regulatory capital ratios” to the new requirements introduced by Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (“Directive CRD IV”).

The main changes introduced by IFRS 12 concern disclosures on:

- “significant judgements and assumptions” made in determining whether the company controls, has joint control or has significant influence over another entity;
- the composition of the group;
- subsidiaries with significant non-controlling interests;
- significant restrictions on the ability to use the subsidiaries’ assets or settle their liabilities;
- Nature of risks associated with interests in structured entities (e.g., special purpose entities);
- consequences of changes in interests in subsidiaries that might entail loss of control;
- joint ventures or entities under significant influence that are significant for the intermediary producing the financial statements;
- nature and extent of and risks associated with interests in unconsolidated structured entities.

IFRS 12 also provides for a special disclosure on forbearance and non performing exposures, application of which will become effective after the 2015 Financial Statements, and other disclosures on the liquidity risk and fair value of derivatives.

## **Section 2 - Preparation criteria**

The Consolidated Annual Financial Statements consist of the following documents:

- Balance Sheet;
- Profit and Loss Account;
- Statement of Other Comprehensive Income;
- Statement of Changes in Net Equity;
- Cash Flow Statement;
- Notes and Comments.

The accounting statements are accompanied by a Directors’ Report on the bank’s operations and financial situation.

The Consolidated Financial Statements are published in accordance with Article 154-ter of Legislative Decree No. 58/1998, enacted by Legislative Decree No. 195/07, which ratified the Transparency Directive, as amended by Legislative Decree No. 27 of 27 January 2010, enacting Directive 2007/36/CE on the

exercise of certain rights of shareholders in listed companies, the so-called “Shareholders Rights Directive” (SHRD).

The statute requires that, within 120 days of the end of the year, listed issuers whose home country is Italy make an **Annual Financial Report** including the following items available to the public at their registered offices, on their websites and in the other ways specified by Consob in a regulation:

- the Consolidated Financial Statements,
- the Annual Financial Statements,
- the Report on Operations, and
- the Attestation as per Article 154-bis, paragraph 5.

The Independent Auditors’ Report and the Board of Statutory Auditors’ Report pursuant to Article 153 of the Consolidated Finance Act (TUF) are published in their entirety with the Annual Financial Statements.

In addition, no fewer than 21 days must lapse between the date of publication of the Annual Financial Statements and the date of the General Shareholders' Meeting.

According to the provisions of Article 3, paragraph 3-bis, of Legislative Decree No. 87/1992, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Consolidated Annual Financial Statements were prepared in euros. All amounts in the Accounting Statements are expressed in thousands of euro, while the figures in the Notes and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The Financial Statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes. There were no derogations from the application of international accounting standards (IASs/IFRSs).

The Directors' Report on Operations and the Notes and Comments include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (Consob), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2013.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.

In further detail, the directors are reasonably certain that the bank will continue to operate in its current form for the foreseeable future (at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected

has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

## Contents of the Financial Statements

The Financial Statements and the Notes and Comments have been prepared in accordance with Bank of Italy's Circular Letter No. 262/2005.

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 Letter No. 262/2005.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:

- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) financing activities that alter the company's equity capital.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.

Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected 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.

## Section 3 - Scope of consolidation and consolidation methods

### 1. Equity investments in wholly owned subsidiaries

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 IN 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 (Italy)	1	Banca Generali	100.00%	100.00%
BG Fund Management Luxembourg S.A.	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan (Italy)	1	Banca Generali	100.00%	100.00%

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).

#### 1.1 Changes in the scope of consolidation

The scope of consolidation changed only as a result of the exit of the equity investment in the UCIT **BG Dragon China Sicav**, following the full redemption of the shares owned on 31 December 2014.

It should be noted that BG Dragon was a UCITS established under the laws of Luxembourg, promoted in 2013 by the subsidiary BGFML S.A., and authorised to invest directly in the Chinese equity market.

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

The situation of control was also subsequently confirmed on the basis of the assessment conducted according to the new criteria set out in IFRS 10, effective 1 January 2014.

However, the Bank's investment was temporary in nature, since it was aimed at permitting the start-up of the Sicav. Accordingly, the investment was considered as a purchase of an asset solely

in view of subsequent resale in the near term pursuant to IFRS 5.32.c, and had thus been accounted for as a disposal group.

The asset was then sold within the period of one year from the date of acquisition of control, as provided for in IFRS 5.

The application of the new IFRS 10 and IFRS 11 did not entail any changes in the scope of consolidation as of 1 January 2014.

#### 1.2 Business combinations

During the year, the consolidation area changed as a result of the two following business combinations:

- partial de-merger of BG Fund Management Luxembourg S.A.; and
- acquisition of Credit Suisse Italia's private banking operations.

The changes in the group's structure following business combinations are more thoroughly analysed in Part G of the Notes and Comments.

The general standards applied to such transactions and those applied to business combinations carried out during the year are provided below.



### 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 IFRS. They are accounted for in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.

The IASs/IFRSs provide specific guidelines for transactions not covered by 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 transactions the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1 on the accounting treatment of business combinations of entities under common control, and OPI No. 2 on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity

transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.

In a similar way, if an entity is disposed of, the amount received is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

## 2. Significant judgements and assumptions used in determining the scope of consolidation

### 2.1 Subsidiaries

Entities, including structured entities, over which the Group has a direct or indirect control, are subsidiaries.

Control over an entity exists when the Group has the power to influence the variable returns to which the Group is exposed from its involvement with the investee.

To determine that control exists, the Group considers the following issues:

- the investee's purpose and design, to identify the entity's purpose, the activities that determine its returns and how decisions about such activities are made;
- power, to understand whether the Group has contractual rights that give the Group the ability to direct the relevant activities; for this purpose, only substantive rights entailing practical ability to direct the investee are considered;
- exposure in the investee, to establish whether the Group has relations with the investee whose returns can vary based on changes in the investee's performance;
- existence of possible *principal/agent relationships*.

Where relevant activities are directed through voting rights, the following factors are evidence of control:

- ownership, direct or indirect through subsidiaries, of more than half of the voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute Control;
- ownership of half or less of the votes that can be exercised in the General Shareholders' Meeting and has the effective power to unilaterally govern significant activities through:
  - control of more than half of the voting rights by virtue of an agreement with other investors;
  - the power to determine the financial and operating policies of the entity under a statute or an agreement;
  - the power to appoint or remove the majority of the members of the board of directors or equivalent go-

governing body, and the entity is managed by that board or body;

- the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and the entity is controlled by that board or body.

The existence and effect of potential voting rights, if substantive, are taken into consideration when assessing whether a party has the power to direct the financial and management policies of another entity.

Subsidiaries may also include “structured entities” in which voting rights are not significant in assessing the existence of control, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries when:

- the Group has power arising from contractual rights to direct relevant activities;
- the Group is exposed to variable returns arising from such activities.

The carrying amount of investments in fully consolidated entities held by the Parent Company or other Group companies is eliminated against the assumption of the investees’ assets and liabilities, as a counterentry against the Group’s share of net equity in the respective subsidiary.

### 2.1.1 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 is 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.

## 2.2 Associate companies

An associate company is one over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Significant influence is assumed when the investor:

- holds, directly or indirectly, 20% or more of the share capital in the investee, or
- has significant influence over the investee, also by way of shareholders’ agreements, through:
  - a) representation on the governing body of the investee;
  - b) participation in policy making processes, including with regard to decisions on dividends and other distributions;
  - c) material transactions;
  - d) interchange of management personnel;
  - e) provision of essential technical information.

Investments in associates are valued using the equity method.

As of 31 December 2014, the banking group’s scope of consolidation does not include any investments in associates.

## 2.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint Control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture based on the Group’s contractual rights or obligations:

- a Joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement;
- a Joint Venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

Investments in joint arrangements are valued using the equity method.

As of 31 December 2014, the banking group’s scope of consolidation does not include any investments in joint arrangements.

## 3. Equity investments in wholly owned subsidiaries with significant non-controlling interests

As of 31 December 2014, all the Group’s equity investments are wholly owned and there are no non-controlling interests.

#### 4. Significant restrictions

As of 31 December 2014, there were no significant restrictions of a legal, contractual, or statutory nature on the Parent Company's ability to access or use the Group's assets and settle the Group's liabilities.

#### 5. Other information

The consolidated accounts include the Separate Financial Statements of the Parent Company and the subsidiaries at 31 December 2014, reclassified and adjusted where necessary to take account of consolidation requirements.

### Section 4 - Events occurred after the consolidated balance sheet date

The preliminary consolidated results for 2014 were analysed by the Board of Directors on 11 February 2015.

The draft consolidated Financial Statements of Banca Generali will be approved by the Board of Directors on 10 March 2015, when the Board will also authorise its disclosure pursuant to IAS 10.

No events occurred after 31 December 2014 and until the publication was authorised that would make it necessary to adjust the results presented in the consolidated financial statements approved on that date.

### Section 5 - Other information

#### Non-recurring significant events and transactions

During the year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account (Consob Notice No. DEM/6064293 of 28 July 2006), except as regards the business combinations reported on in Part G of these Notes and Comments:

- Acquisition of Credit Suisse Italia's private banking operations
- demerger of the former GIL business line from BG Fund Management Luxembourg S.A.;
- disposal of the held-for-sale equity investment in BG Dragon China Sicav.

Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Insurance companies Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

#### National tax consolidation option

In 2004, the parent company Insurance companies Generali and some Italian companies belonging to the Insurance companies

#### Audit

The Consolidated Financial Statements were audited by Reconta Ernst & Young S.p.A.

## Part A.2 - Main Financial Statement aggregates

### Accounting policies

This section sets out the accounting policies adopted for the preparation of the Financial Statements as of 31 December 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.

The accounting policies adopted by the Bank were not subject to material modification or supplementation during the reporting year, with the exception of changes resulting from the entry into force of the new accounting standards illustrated below.

#### 1. HFT financial assets

##### Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading, including those embedded in complex financial instruments.

Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

##### Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.

Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives, that are not closely related to the host contract but meet the definition of a derivative, are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

##### Measurement

Subsequent to initial recognition, financial assets held for trading are recognised at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or markets where such instruments are not traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors.

Values drawn from recent comparable transactions are also used.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

##### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

#### 2. AFS financial assets

##### Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:

- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;

- bonds not held for trading and not classified as assets held to maturity or Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

## Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself. Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

## Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in net equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and, in the case of loans, receivables or debt securities, recognised in profit or loss or, in the case of equity securities, under net equity. The amount of the reversal should not exceed what the amortised cost would have been, had the past adjustments not been made.

## Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 3. HTM financial assets

### Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

### Recognition

Initial recognition of these assets takes place on the settlement date.

Financial assets classified as held-to-maturity are initially recognised at fair value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

Where a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

### Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.

Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or undergo impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and recognised in the profit or loss account. The reversal may not exceed the amortised cost that would have been attributable to the asset, had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar

risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 4. Loans

### Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments, are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act (TUB) and Consolidated Finance Act (TUF).

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

### Recognition

Loans are initially recognised on the date of disbursement or, in the case of debt securities, on the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded, if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from AFS assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

### Measurement

Subsequent to initial recognition, loans are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the effective interest-rate method) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans, if discounting to present value is deemed to have a negligible effect.

Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

### Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- *Bad loans*: loans to parties in a state of insolvency or substantially equivalent situation;
- *Substandard loans*: loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;
- *Restructured loans*: loans in which a syndicate of banks (or a "single lender") grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- *Expired loans*: loans to parties that, at the end of the period, show payables past due or expired by more than 90 days.

Loans classified as *bad loans*, *substandard loans*, or *restructured loans* are normally subject to an analytical assessment process. The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate. Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing. Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery,

implies an automatic decrease in the notional financial expenses previously charged against the loans. Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.

In further detail, a probability of default and a loss given default value are attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach, probability of default and loss given default. Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

### Derecognition

Receivables are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 5. Financial assets at fair value

At the reporting date, none of the Bank's financial assets are classified under this category.

## 6. Hedging transactions

### Types of hedging transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk, with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance sheet items attributable to particular risks;



- hedges of a net investment in a foreign operation: intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

## Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flows) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

## 7. Equity investments

The initial recognition and subsequent measurement criteria used for equity investments under IFRS 10 - *Consolidated Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures* are given in Part A.1 - Section 3 - Scope of consolidation and consolidation methods in the explanatory Notes.

Other investments – other than subsidiaries, associates, joint ventures and those recognised in items 150. “Non-current assets available for sale and disposal group” and 90. “Liabilities associated to assets held for sale” (see section 10) – are classified as available-for-sale financial assets and financial assets held for trading and are recognised accordingly.

## 8. Property and equipment

### Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.

They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

### Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

### Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.

They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.

If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.



## Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

## 9. Intangible assets

### Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and restrict the access of others to those benefits.

The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the business combination of Banca Del Gottardo Italia.

This asset is an intangible asset, as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, based on the historic percentage of decline of assets under management, before the company was acquired.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, which in turn include intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system

used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected. Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

### Recognition

#### Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).

In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

#### Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits, and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

### Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

*Software costs* are typically amortised over a three-year period.

*Other capitalised costs associated with legacy systems* are amortised over a five-year period.

For contractual relations with customers, acquired as a result of the above-mentioned business combination of Banca Del Gottardo Italia, the useful lives are estimated at ten years.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

### Impairment

#### Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The impairment test for goodwill is presented in Section 1.2 “Annual Changes in Goodwill” in Part G of these Notes and Comments.

### Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset’s carrying amount exceeds its recoverable amount.

### Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

## 10. Non-current assets held for sale or disposal groups

The asset item “Non-current assets held for sale or disposal groups” and liability item “Liabilities associated with assets held for sale or disposal groups” include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.

The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, “Income (Loss) of disposal groups, net of taxes”.

## 11. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences – without time limits – between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on

the ability of the company in question or the parent company Insurance companies Generali – as a result of the exercise of its option provided by the Italian Tax Consolidation scheme – to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.

Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under “Tax assets” and deferred tax liabilities are recorded under “Tax liabilities”.

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.

Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.

Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

### Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy’s tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Finance Law) introduced the new paragraph 2-ter into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise greater amounts in the accounts for income-tax purposes, following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).

The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is

undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced a new system of optional realignment of tax and balance sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.

However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.

That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-bis and 10-ter to Article 10 of Legislative Decree No. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.

The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-ter).

The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments was to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

- 1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;
- 2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the Financial Statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-ter, of the TUIR;
- 3) redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.

IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

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

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

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be deemed recoverable on the basis of future taxable income.

## 12. Provisions for liabilities and contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.

This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

## 13. Debt and securities issued

### Classification

*Due to banks, Due to customers and Securities issued* include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Due to banks and Due to customers also include operating debts from financial services.

### Recognition

These items are initially recognised when funding is received or debt securities are issued.

Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

### Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material.

These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

### Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.

The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

## 14. HFT financial liabilities

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

## 15. Financial liabilities at fair value

There are currently no financial liabilities measured at fair value.

## 16. Foreign currency transactions

### Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

### Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

## 17. Other information

### Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

### Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

### Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits. The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

### Share-based payments

In accordance with IFRS 2 - *Share-Based Payments*, as amended in 2010, share-based benefit plans for staff and financial advisors are recognised as costs on the Profit and Loss Account of operations based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions, on which basis the option was assigned, will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

### Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute "post-employment benefits" as defined in IAS 19 - *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must – depending on the employees' choice – be allocated to a supplementary pension fund or maintained within the company and – in the case of companies with at least 50 employees – transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:

- "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods. The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
- "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the projected unit credit method;

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted to the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high-quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.

Considering that IAS 19R requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the index IBOXX EURO CORP, formed of AA series.

The plan's service costs have been recognised amongst staff expenses under the item "provisions for post-employment benefits".

Following the entry into force of IAS 19R on 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for actuarial gains and losses deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in the other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.

By contrast, in the previous accounting arrangement adopted by the Bank the above item was recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time application of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.

Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

## Productivity bonuses for salaried employees

Pursuant to the first update to Circular Letter No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item "Other liabilities".

More specifically, in accordance with IAS 19 – *Employee Benefits*, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;

- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in equity:

- the share of the variable remuneration of managers of the banking group deferred up to two years, and conditional upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;
- the long-term incentive plans authorised by the parent company Insurance companies Generali for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors, analysed in greater detail in the paragraph "Long-term incentive plans" below.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:

- incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
- provisions for post-employment medical benefits of Group executives;
- allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore entirely attributed to the item Provisions for liabilities and contingencies.

## Long-term incentive plans

During its Shareholders' Meetings of 24 April 2010 and 30 April 2011, Insurance companies Generali introduced a new type of long-term retention plans addressed to the key managers of the Insurance Group.

Such plans, with the additions required to comply with industry regulations concerning remuneration policies, were also approved and incorporated into the Company's remuneration structure of Banca Generali.

The plans launched from 2010 to 2012, in short, had the following characteristics:

- they were indefinite in duration, structured in six-year rolling cycles;



- each cycle was linked to the targets set in three-year strategic plans; in particular, the 2010 plan was linked to the targets set in the 2010-2012 strategic plan, whereas the 2011 plan was linked with the following 2011-2013 strategic plan;
- each cycle was sub-divided into two three-year components:
  - the first three years: at the end of this period, if and to the extent that certain absolute performance targets had been met, a monetary incentive was to be paid out, with an obligation or option to reinvest a share of such incentive (differing in amount depending on the segment to which the recipients belong) in shares of Insurance companies Generali;
  - the second three years: at the end of the period, for each share purchased by investing a percentage of the incentive disbursed at the end of the previous three years, the beneficiary obtained a potential right to receive from Insurance companies Generali, at no cost, a number of shares depending on the positioning of Insurance companies Generali in the rankings of a group of peers prepared on the basis of their respective total shareholders' returns (relative performances).

On 30 April 2013, Insurance companies Generali's General Shareholders' Meeting approved a new LTIP scheme.

Incentive plans based on the old model previously approved by the General Shareholders' Meeting, i.e., the 2010-2012, 2011-2013 and 2012-2014 plans, remained however in place until their natural expiry.

The new scheme presents several changes with respect to the previous ones:

- the plan no longer envisages a cash bonus, but only a share bonus assigned at the end of each cycle;
- each cycle is divided into a single three-year period in line with the objectives of the Generali Group's strategic plan;
- a lock-up restriction is envisaged for the shares assigned, applicable to 25% of the shares for one year from assignment and to 25% for two years from assignment;
- the objectives on which to render the disbursement of the incentive contingent and the maximum number of shares to be assigned are defined at the beginning of the three years of reference of each cycle;
- malus and claw-back clauses have been included and a minimum access threshold set for each tranche.

For Banca Generali, the objectives to which the payment of the incentive is linked are divided into Insurance Group's objectives (Return on Equity (RoE) and the relevant Total Shareholders' Return (TSR) in comparison with a Peer Group), weighting 40% of the overall bonus and business unit objectives (ROE and EVA of the Banking Group) weighting 60%.

Under IASs/IFRSs, both the 2010 and 2012 plans were eligible for accounting treatment on a separate basis, partly as

expenses for long-term employee benefits within the scope of IAS 19 - *Employee Benefits*, and partly within the scope of IFRS 2. Instead, the 2013 plan falls entirely within the scope of IFRS 2.

The IAS 19 expense portion, calculated according to best estimate procedures on the basis of the achievement of the predetermined objectives, is charged to profit and loss, among staff expenses, over a three-year vesting period.

In addition, pursuant to IFRS 2, the value of the stock-granting plan is measured on the basis of the grant-date fair value of the bonus shares potentially to be granted.

In this regard, with reference to the new plans launched as of 2013, and taking into consideration the special characteristics of the plans reserved for Banca Generali's Key managers, each plan should be valued individually for the components linked to the Group's objectives and the business objectives (banking group).

More specifically:

- the plan component linked to business unit objectives should be valued exclusively, as it is a pure stock grant, based on the fair value of the Generali stock at the grant date;
- the plan component linked to the Group's objectives includes TSR as an objective, since it qualifies as market condition whose value is included in the fair value of the stock grant.

The effect on the profit and loss account was thus measured and recognised for each year based on the stock vesting period, i.e.:

- for old plans (2010-2012), over a six-year period since the grant date;
- for new plans (as of 2013), over a three-year period since the date the General Shareholders' Meeting approved the Plan and until the approval of the financial statements for the last year of validity of the Plan (36 months).

Since the arrangement calls for the shares of the parent company to be granted directly by itself to a subsidiary's employees, the charge to the profit and loss account will be recognised to an equity reserve through a balancing entry, inasmuch as it is similar to a capital contribution by the parent company.

### Termination indemnity for Financial Advisors

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to Financial Advisors is calculated on the basis of the annual average direct and indirect fees

paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

- a) the total amount paid to Enasarco each year by the Bank until the date of termination;
- b) the contractual lump-sum reduction determined on the basis of the length of service and date of retirement or withdrawal (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUM during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

- a) the percentage fee reduction expected as a function of the estimated period of past service at the date of termination;
- b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

### Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.

The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.

In relation to recent market practices in the area, a thorough contractual revision of the scheme entered into effect on 1 January 2012 was carried out.

The system introduces a rule, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.

Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, in the reduced amount of 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

### Expenses functionally related to staff

In accordance with IAS 19, under item 150 a) Staff expenses are recognised exclusively costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 150 b) Other general and administrative expense. Such expense also include:

- a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
- b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
- c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

### Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interests are recognised on a pro-rata basis according to contractual interest rate, or the effective interest rate, if amortised cost is used;



- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interests.
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs, that cannot be matched with the related revenues, are immediately taken through profit and loss.

### Use of estimates and assumptions in the preparation of the Consolidated Financial Statements

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

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

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

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

- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments and reversals of non-performing loans and the provision for performing loans;

### Testing financial instruments for impairment

In accordance with IAS 39, the portfolio of securities, not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans), is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, the breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).

In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involves the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information is drawn from the market.

For corporate debt securities classified to AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- purchase cost, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- the current fair value.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/Loans.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- the book value of the asset; and

- the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the impairment loss is determined based on losses on the tranche of the security held.

Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

### Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&Rs) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.

In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (*Standard & Poor's Cumulative Average Default Rates By Rating, 1981-2011*) and using a market loss given default (LGD) between 60% and 70%.

For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.

In any event, Italian government bonds in the HTM portfolio are excluded from such testing.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.

In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years, of a sample of securitisation transactions with similar characteristics.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.

The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the bank) and verifying the share of the underlying assets potentially at risk that exceeds

the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

## Forborne exposures

### Forborne exposures – Performing

Within the context of performing loans, individual cash exposures for which the Bank, due to the debtor's worsening economic-financial conditions (in "financial difficulties"), allows changes to the original contractual conditions or a total/partial refinancing of a contract that would not have been allowed if the debtor had not found itself in such difficulties, are identified and classified as exposures subject to forbearance measures. Such exposures do not form a separate category, but constitute an attribute common to the various categories of assets and are reported on the individual arrangement subject to concession.

Performing Forborne exposures for which the forbearance measure applies and which have not been classified amongst non-performing loans by virtue of such forbearance measure are hence identified amongst performing loans (regular or past-due and/or past-due by less than 90 days).

In addition, Forborne exposure status ceases to apply when:

1. a probation period of at least 2 years has elapsed since the date forbearance was granted (or since the date on which the forborne exposure was reclassified as performing);
2. regular payments of a significant amount of the principal or interest have been made at least during half the probation period;
3. at the end of the probation period none of the debtor's exposures have become past-due and/or past due by more than 30 days.

### Forborne exposures – Non performing

Non-performing Forborne exposures, i.e., individual cash exposures belonging to the aforementioned categories, for which the forbearance principle applies, as defined previously, are identified in impaired loans. These exposures do not form a separate category but, depending on circumstances, constitute an attribute of the categories of impaired assets to which they belong. They also include any restructurings of credit exposures realised with liquidation in mind, to be reclassified as non-performing.

The exposure ceases to be considered a Non-performing Forborne exposure and is considered as "Performing Forborne exposure" when all the following conditions are met:

1. assignment of the forbearance measure does not entail the recognition of write-downs or impairment losses;
2. a year has passed since the forbearance measures on the exposure;
3. following the forbearance classification no overdue and/or past-due exposures and/or elements have been reported that jeopardise full repayment of the exposure in accordance with the conditions provided for in the forbearance measures adopted. The absence of prejudicial elements has to be determined after an analytical assessment of the debtor's financial situation. The prejudicial elements must be considered to no longer exist when the debtor has already repaid, at the due dates specified in the rescheduling/restructuring plan, an amount equal to the sum that was previously overdue/past-due (if there were overdue/past-due exposures) or equal to the sum that became impaired as part of the forbearance measures adopted or, alternatively, the debtor has already demonstrated with other actions its ability to meet the post-forbearance conditions.

## Part A.3 - Information on transfers between portfolios of financial assets

Following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standard Board) on 13 October 2008 and included in the European Regulation (EC) No. 1004/2008 of 15 October 2008, in financial year 2008 the Parent Company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at

amortised cost, assets held to maturity (HTM) and loans to banks and customers (L&Rs), while equity securities held for trading were transferred to the AFS portfolio.

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

### A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

TYPE OF FINANCIAL INSTRUMENT (€ THOUSAND)	FROM	TO	DATE OF TRANSF.	31.12.2014 BOOK VALUE	31.12.2014 FAIR VALUE	INCOME COMPONENTS WITH NO TRANSFER		INCOME COMPONENTS FOR THE YEAR	
						VALUATION	OTHER	VALUATION	OTHER
Equity securities	TRA	AFS	01.07.2008	1,816	1,816	-3	-	-3	-
Debt securities	TRA	HTM	01.07.2008	37,465	37,565	730	212	89	580
Debt securities	AFS	HTM	30.09.2008	-	-	-	1	-	2
<b>Total HTM portfolio</b>				<b>37,465</b>	<b>37,565</b>	<b>730</b>	<b>213</b>	<b>89</b>	<b>582</b>
Debt securities	TRA	Loans	01.07.2008	19,356	19,424	591	107	32	200
Debt securities	AFS	Loans	01.07.2008	-	-	-	-	-	-
<b>Total loan portfolio (banks and clients)</b>				<b>19,356</b>	<b>19,424</b>	<b>591</b>	<b>107</b>	<b>32</b>	<b>200</b>
<b>Total reclassified financial assets</b>				<b>58,637</b>	<b>58,805</b>	<b>1,318</b>	<b>320</b>	<b>118</b>	<b>782</b>

During 2014, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date, the portfolios concerned therefore presented a total carrying amount of 58.6 million euros, down sharply from the 86.9 million euros reported at the end of the previous year (-28.3 million euros). This amount includes the increases for the amortised costs gradually reaching maturity and the impairment losses recognised.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2014 would have entailed positive remaining differences compared to carrying value, before taxes, by 0.2 million euros (compared to -0.6 million euros at year-end 2013).

Had the Bank not opted to reclassify such securities, they would have registered greater capital gains through profit and loss and equity in 2014 of 1.2 million euros, equal to the positive difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to a negative balance of 0.5 million euros as a result of lower interest recognised according to the effective interest rate method recognised net of the higher realised gains remeasured based on the fair values of the previous year.

### A.3.4 Effective interest rate and cash flows expected from reclassified assets

TYPE OF FINANCIAL INSTRUMENT (€ THOUSAND)	FROM	TO	AVERAGE RESIDUAL USEFUL LIFE	ACTUAL INTEREST RATE
Debt securities	TRA	Assets	0.87	1.35%
Debt securities	TRA	Loans	1.355	0.88%

## Part A.4 - Information on fair value

### Qualitative information

#### Fair value

With the introduction of IFRS 13, the definition of fair value has been modified with respect to IAS 39, in view of a more market-based approach.

According to the new standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is thus not an entity-specific measurement, but rather a market-based measurement.

In detail, measurement at fair value:

- presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
- refers to a particular asset or liability and must take account of the characteristics of the asset or liability that market participants take into account when pricing the asset or liability;
- assumes that market participants act in their economic best interest;
- assumes that the sale of the asset or the transfer of the liability takes place:
  - a) in the principal market for the asset or liability; or
  - b) in the most advantageous market, in the absence of a principal market.

#### 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.

For the purposes of the fair value hierarchy, inputs may thus be classified as:

- **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;

- **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

#### Valuation criteria of the fair value of financial instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department, and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument’s fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.

Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not itself guarantee the presence of significant prices due to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated and yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties presenting a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

#### **A.4.1 Fair value Level 2 and Level 3: valuation techniques and inputs used**

##### **Financial instruments measured at fair value on a recurring and non-recurring basis**

For securities not listed on active markets, the procedure calls for the analysis of:

- 1) prices of similar instruments listed on active or inactive markets; and
- 2) inputs other than quotations observable directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. a single contributor on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;
2. a consensus pricing mechanism capable of determine the fair value, for example:
  - Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
  - Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
  - Markit European ABS, a consensus platform for measuring ABS-type instruments;
3. a reference to current market values of other essentially identical or similar instruments.

UCITs not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing and valorisation models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships, and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

##### **Other financial assets and liabilities not measured at fair value on a recurring basis**

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITs, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

##### **On-demand and uncommitted financial assets and financial assets with residual lives of less than one year**

The fair value of this class of assets, which essentially consists of uncommitted current account exposures, on-demand deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

##### **Assets with fixed contractual lives included in the financial portfolio**

This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisa-

tion schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:

- the cost of credit risk (the cost of covering expected losses in relation to credit risk);
- the cost of funding (the cost of funding positions);
- the cost of capital (the cost of covering unexpected losses in relation to credit risk);
- operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PDs related to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.

Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

#### **Non-performing loans**

When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.

Such loans are classified to Level 3 of the fair value hierarchy.

#### **Other financial liabilities**

Financial liabilities classified as amounts due to customers and banks consist mainly of on-demand current account deposits, short-term time deposits and operating payables.

Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other on-demand or uncommitted financial assets.

### **A.4.2 Processes and sensitivity of measurements**

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those

inputs to a different amount might result in a significantly higher or lower fair value measurement.

The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITSs. For such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (for example, the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified to the trading and AFS portfolios. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

### **A.4.3 Fair value hierarchy**

The new IFRS 13, recalling the contents of IFRS 7, 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.

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.4.4 Other information**

No cases envisaged in IFRS 13, paragraphs 51, 93(i) and 96, occur in these Financial Statements.

## Quantitative information

### A.4.5 Fair value hierarchy

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2014				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	2,777	16,098	13,965	-	32,840
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	2,191,943	30,888	3,434	9,143	2,235,408
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
<b>Total</b>	<b>2,194,720</b>	<b>46,986</b>	<b>17,399</b>	<b>9,143</b>	<b>2,268,248</b>
1. HFT financial liabilities	-	2,655	-	-	2,655
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2,655</b>	<b>-</b>	<b>-</b>	<b>2,655</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	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
<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>

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of assets and liabilities held for trading and the portfolio of AFS financial assets, comprised 96.7% of financial assets eligible for allocation to class L1, with an unchanged ratio compared to the previous year. L1 is mainly comprised of Italian government bonds (1,995.2 million euros), which increased by 286.0 million euros compared to the previous year (+17%). It also includes, to a limited extent, other debt securities chiefly refer-

ring to credit sector (189.0 million euros) and equities listed on Italian and European regulated markets (9.0 million euros).

The financial assets allocated to the L2 class, on the other hand, consist primarily of UCITs not listed on regulated markets (37.0 million euros), including an interest in the Sicav SIF Tyndaris, a closed-end fund that invests in subordinated financial assets linked to the real estate market. In addition, the L2 portfolio includes bonds of Italian banks and banks of the main Eurozone



countries (7.2 million euros) and derivative financial liabilities consisting solely of currency outright, valued on the basis of observable market parameters.

In the reporting year, no significant transfers of financial assets were performed between class L1 and class L2.

#### A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
<b>1. Amount at year-start</b>	<b>14,891</b>	<b>9,262</b>	<b>6,572</b>
<b>2. Increases</b>	<b>694</b>	<b>-</b>	<b>6,750</b>
2.1 Purchases	137	-	6,750
2.2 Gains through:			
2.2.1 Profit and loss	557	-	-
- of which: capital gains	400	-	-
2.2.2 Net equity	-	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
- of which: business combinations			
<b>3. Decreases</b>	<b>1,620</b>	<b>5,828</b>	<b>4,179</b>
3.1 Disposals	293	-	-
3.2 Redemptions	1,325	3,040	3,777
3.3 Losses through:			
3.3.1 Profit and loss	2	2,630	402
- of which: capital losses	-	2,630	402
3.3.2 Net equity	-	158	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
<b>4. Amount at year-end</b>	<b>13,965</b>	<b>3,434</b>	<b>9,143</b>

L3 financial assets in the trading portfolio now consist only of the investment in the Quarzo 1 notes. These notes were created through the securitisation of residential mortgages (RMBSs) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund (Fondo Immobiliare Scarlatti), promoted by the Insurance companies Generali Group, and were partially repaid during the year.

L3 financial assets in the AFS portfolio, amounting to 3.4 million euros, consist of:

- the investment in the private-equity special purpose entity Athena Private Equity (1.1 million euros), which became impaired in previous years and is currently in the course of liquidation and repayment;
- the equity interest in Veneto Banca (2.3 million euros), an unlisted cooperative bank purchased in 2011 and impaired

for 2.6 million euros; this company, which was previously recognised at the repurchase price decided annually by its Shareholders' Meeting, has been valued based on an independent expert valuation also in light of the company's 2014 financial results.

Some equity investments allocated to the AFS portfolio continued, on the other hand, to be measured at purchase cost in the absence of reliable estimates of fair value:

- the minor equity investments in companies linked by long-standing service supply contracts (CSE, GBS, Caricese, SWIFT, etc.), amounting to 5.5 million euros, up compared to the previous year due to the acquisition of a new CSE share (1.8 million euros);
- the equity investment in Simgenia (0.3 million euros), a company in the course of liquidation and subject to impairment.

This aggregate also increased during the year due to:

- the investment in the company Tosetti Value SIM (1.0 million euros), purchased on the basis of an expert valuation;
- the capital contribution (2.2 million euros) made in relation to the profit-sharing agreement signed with Medusa Film to produce a movie to be shown in cinemas in 2015.

The equity investment in the company Funivie Madonna di Campiglio (2.1 million euros), purchased during the year as part of debt recovery proceedings, was, instead, sold at the carrying value.

#### A.4.5.4 Breakdown by fair-value levels of annual changes in assets and liabilities not measured at fair value on a recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2014			
	BV	L1	L2	L3
1. HTM financial assets	1,403,123	1,438,225	14,106	-
2. Loans to banks	285,620	97,883	193,086	-
3. Loans to customers	1,794,959	34,671	1,042,657	760,646
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	-	-	-	-
<b>Total</b>	<b>3,483,702</b>	<b>1,570,779</b>	<b>1,249,849</b>	<b>760,646</b>
1. Due to banks	1,038,889	-	1,038,889	-
2. Due to customers	4,285,398	-	4,242,129	42,263
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
<b>Total</b>	<b>5,324,287</b>	<b>-</b>	<b>5,281,018</b>	<b>42,263</b>

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2013			
	BV	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 A.5 Disclosure about so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in the Financial Statements in question.

## PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

### Section 1 - Cash and deposits - Item 10

#### 1.1 Breakdown of cash and deposits

ITEMS/VALUES	31.12.2014	31.12.2013
a) Cash	12,450	9,613
b) Demand deposits with Central Banks	68,000	-
<b>Total</b>	<b>80,450</b>	<b>9,613</b>

### Section 2 - Financial assets held for trading - Item 20

#### 2.1 Financial assets held for trading: categories

ITEMS/VALUES	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
<b>A. Cash</b>						
<b>1. Debt securities</b>	<b>396</b>	<b>7,267</b>	<b>13,964</b>	<b>200,243</b>	<b>2,032</b>	<b>14,890</b>
1.1 Structured securities	-	6,239	-	-	-	-
1.2 Other debt securities	396	1,028	13,964	200,243	2,032	14,890
<b>2. Equity securities</b>	<b>1,243</b>	<b>-</b>	<b>1</b>	<b>2,423</b>	<b>-</b>	<b>1</b>
<b>3. UCITS units</b>	<b>-</b>	<b>6,147</b>	<b>-</b>	<b>-</b>	<b>9,265</b>	<b>-</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total A</b>	<b>1,639</b>	<b>13,414</b>	<b>13,965</b>	<b>202,666</b>	<b>11,297</b>	<b>14,891</b>
<b>B. Derivatives</b>						
<b>1. Financial</b>	<b>1,138</b>	<b>2,684</b>	<b>-</b>	<b>-</b>	<b>1,051</b>	<b>-</b>
1.1 Trading	1,138	2,684	-	-	1,051	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
<b>2. Derivatives on receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>Total B</b>	<b>1,138</b>	<b>2,684</b>	<b>-</b>	<b>-</b>	<b>1,051</b>	<b>-</b>
<b>Total (A + B)</b>	<b>2,777</b>	<b>16,098</b>	<b>13,965</b>	<b>202,666</b>	<b>12,348</b>	<b>14,891</b>

Notes

1. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes - Information on fair value.

## 2.2 Financial assets held for trading: debtors/issuers

ITEMS/VALUES	31.12.2014	31.12.2013
<b>A. Cash</b>		
<b>1. Debt securities</b>	<b>21,627</b>	<b>217,165</b>
a) Governments and Central Banks	396	200,243
b) Other public institutions	-	-
c) Banks	7,266	2,067
d) Other issuers	13,965	14,855
<b>2. Equity securities</b>	<b>1,244</b>	<b>2,424</b>
a) Banks	1	975
b) Other issuers:	1,243	1,449
- insurance companies	655	677
- financial companies	-	-
- non-financial companies	588	772
- other entities	-	-
<b>3. UCITS units</b>	<b>6,147</b>	<b>9,265</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total A</b>	<b>29,018</b>	<b>228,854</b>
<b>B. Derivatives</b>		
a) Banks	1,865	653
b) Clients	1,957	398
<b>Total B</b>	<b>3,822</b>	<b>1,051</b>
<b>Total (A + B)</b>	<b>32,840</b>	<b>229,905</b>

### Notes

- During the year, the non-performing position consisting of a bond issued by the Icelandic bank Landebanki was transferred.
- Trading of UCITS units for the year refers to the acquisition and sales of third-party monetary funds for temporary treasury balance investment purposes. At 31 December 2014, UCITS units referred for 4.6 million euros to BG Selection and BG Sicav sub-funds and for 1.6 million euros to a Finint hedge fund.

## 2.3 Available-for-sale financial assets: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCITS UNITS	LOANS	TOTAL
<b>A. Amount at year-start</b>	<b>217,165</b>	<b>2,424</b>	<b>9,265</b>	-	<b>228,854</b>
<b>B. Increases</b>	<b>873,103</b>	<b>66,166</b>	<b>2,987,081</b>	-	<b>3,926,350</b>
B.1 Purchases	872,090	66,011	2,986,699	-	3,924,800
B.2 Positive changes in fair value	446	10	237	-	693
B.3 Other changes	567	145	145	-	857
<b>C. Decreases</b>	<b>1,068,641</b>	<b>67,346</b>	<b>2,990,199</b>	-	<b>4,126,186</b>
C.1 Sales	822,981	67,055	2,990,068	-	3,880,104
C.2 Repayments	244,128	-	-	-	244,128
C.3 Negative changes in fair value	97	162	94	-	353
C.4 Transfer from other portfolios	-	-	-	-	-
C.5 Other changes	1,435	129	37	-	1,601
<b>D. Amount at year-end</b>	<b>21,627</b>	<b>1,244</b>	<b>6,147</b>	-	<b>29,018</b>

### Notes

1. Item "Increases - B.3 Other changes" includes final dividend accruals, final premiums/discounts, and gains on disposal.
2. The item "Decreases - C.5 Other changes" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.
3. Trading of UCITS units for the year refers to the acquisition and sales of third-party monetary funds for temporary treasury balance investment purposes. At 31 December 2014, UCITS units referred for 4.6 million euros to BG Selection and BG Sicav sub-funds and for 1.6 million euros to a Finint hedge fund.

## Section 4 - Available-for-sale financial assets - Item 40

### 4.1 Available-for-sale financial assets: categories

ITEMS/VALUES	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
<b>1. Debt securities</b>	<b>2,184,209</b>	-	-	<b>1,593,727</b>	<b>7,320</b>	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,184,209	-	-	1,593,727	7,320	-
<b>2. Equity securities</b>	<b>7,734</b>	-	<b>12,577</b>	<b>5,298</b>	<b>9</b>	<b>15,834</b>
2.1 Valued at fair value	7,734	-	3,434	5,298	9	9,262
2.2 Valued at cost	-	-	9,143	-	-	6,572
<b>3. UCITS units</b>	-	<b>30,888</b>	-	-	<b>3,933</b>	-
<b>4. Loans</b>	-	-	-	-	-	-
<b>Total</b>	<b>2,191,943</b>	<b>30,888</b>	<b>12,577</b>	<b>1,599,025</b>	<b>11,262</b>	<b>15,834</b>

#### Notes

1. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes - Information on fair value.
2. Item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 179,212 thousand euros. This item also includes encumbered assets used as collateral for ECB refinancing operations totalling 467,176 thousand euros and certificates of deposit with Cassa di Compensazione e Garanzia amounting to 39,943 thousand euros.

## 4.2 Available-for-sale financial assets: debtors/issuers

ITEMS/VALUES	31.12.2014	31.12.2013
<b>1. Debt securities</b>	<b>2,184,209</b>	<b>1,601,047</b>
a) Governments and Central Banks	1,995,244	1,509,414
b) Other public institutions	-	-
c) Banks	148,487	76,735
d) Other issuers	40,478	14,898
<b>2. Equity securities</b>	<b>20,311</b>	<b>21,141</b>
a) Banks	3,444	5,987
b) Other issuers:	16,867	15,154
- insurance companies	783	786
- financial companies	2,913	5,248
- non-financial companies	13,164	9,113
- other entities	7	7
<b>3. UCITS units</b>	<b>30,888</b>	<b>3,933</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total</b>	<b>2,235,408</b>	<b>1,626,121</b>

### Notes

- The portfolio of equity securities includes investments, for 5,589 thousand euros, that fall within the category of the so-called "minor equity investments" and which are not usually traded, largely related to service agreements concluded by the Group (CSE, GBS Caricese, SWIFT, etc.). During the year, the bank increased its equity investment in CSE (+1,480 thousand euros), reaching a 7% stake. In the absence of reliable estimates of fair value, those interests are measured at cost.  
In 2014, a minority interest of 9.9% in the share capital of Tosetti Value Sim – a company with which Banca Generali has business collaboration agreements – for 1,000 thousand euros.  
This aggregate also includes the remaining 15% investment (303 thousand euros) in Simgenia, a subsidiary of the Insurance companies Generali Group which, during the year, definitely discontinued its operations. Therefore, the investment was determined to be impaired.
- At year-end, an agreement was reached with Medusa Film to form a joint venture to produce a movie to be shown in cinemas in 2015. Based on the agreement, it has contributed 2,250 thousand euros. This financial instrument was also carried at cost.
- The UCITS portfolio includes 24,689 thousand euros related to an 11% interest in Tyndaris European Commercial Real Estate sa (TECREF), an alternative fund under Luxembourg law, which through the master fund invests in financial instruments linked to the European business real estate market, particularly in mezzanine instruments. The investment has an expected contractual duration of 5 years.  
The remaining portion of the UCITS portfolio is entirely comprised of sub-funds of the Group's Sicav, BG Selection Sicav.
- In 2014, following the execution of the composition with creditors procedure relating to the bad loan FFM (Funivie Folgarida Marilleva), included in the portfolio backed by a BSI Sa guarantee, the minority interest in Società Funivie Madonna di Campiglio (2,077 thousand euros, since 2013) and Funivie Folgarida Marilleva (1,700 thousand euros), received as a compensation for the receivables claimed in the procedure, were transferred to BSI S.A. This transaction also related to a bond (3,326 thousand euros), classified under loans to customers.
- AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. As a result of the test, impairment losses for an amount of 3,035 thousand euros were recognised on equity securities, as illustrated in the table below:

COMPANY	IMPAIRMENT
Simgenia	402
Veneto Banca	2,630
Other listed equity securities already impaired	3
<b>Total</b>	<b>3,035</b>



#### 4.4 Available-for-sale financial assets: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCITS UNITS	LOANS	TOTAL
<b>A. Amount at year-start</b>	<b>1,601,047</b>	<b>21,141</b>	<b>3,933</b>	-	<b>1,626,121</b>
<b>B. Increases</b>	<b>3,846,804</b>	<b>9,574</b>	<b>27,391</b>	-	<b>3,883,769</b>
B.1 Purchases	3,765,208	8,783	27,107	-	3,801,098
B.2 Positive changes in fair value	25,984	712	284	-	26,980
B.3 Reversal value:	-	3	-	-	3
- P&L	-	X	-	-	-
- net equity	-	3	-	-	3
B.4 Transfer from other portfolios	-	-	-	-	-
B.5 Other changes	55,612	76	-	-	55,688
<b>C. Decreases</b>	<b>3,263,642</b>	<b>10,404</b>	<b>436</b>	-	<b>3,274,482</b>
C.1 Sales	2,258,175	3,940	-	-	2,262,115
C.2 Repayments	985,198	3,040	-	-	988,238
C.3 Negative changes in fair value	540	296	436	-	1,272
C.4 Write-downs of non-performing loans:	-	3,035	-	-	3,035
- P&L	-	3,035	-	-	3,035
- net equity	-	-	-	-	-
C.5 Transfer to other portfolios	-	-	-	-	-
C.6 Other changes	19,729	93	-	-	19,822
<b>D. Amount at year-end</b>	<b>2,184,209</b>	<b>20,311</b>	<b>30,888</b>	-	<b>2,235,408</b>

##### Notes

1. The item "B.5 Other changes - increases" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals at the reporting date and realised gains, net of any transfers of equity reserves.
2. The item C.6 "Other changes - decreases" includes interest adjustment arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
3. Item B.3 "Reversal value" in net equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the profit and loss account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the profit and loss account.

## Section 5 - Held-to-maturity financial assets - Item 50

### 5.1 Held-to-maturity financial assets: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013			
	BOOK VALUE	FV			BOOK VALUE	FV		
		L1	L2	L3		L1	L2	L3
<b>1. Debt securities</b>	<b>1,403,123</b>	<b>1,438,225</b>	<b>14,106</b>	-	<b>2,652,687</b>	<b>2,673,681</b>	<b>19,458</b>	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	1,403,123	1,438,225	14,106	-	2,652,687	2,673,681	19,458	-
<b>2. Loans</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,403,123</b>	<b>1,438,225</b>	<b>14,106</b>	-	<b>2,652,687</b>	<b>2,673,681</b>	<b>19,458</b>	-

#### Notes

- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes – Information on fair value.
- The item “Debt securities” includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 20,681 thousand euros. The aggregate also includes encumbered assets used as collateral for ECB refinancing operations in the amount of 1,138,545 thousand euros and securities used for New Mic market operations totalling 155,457 thousand euros.
- HTM financial assets underwent analytical impairment testing but they were not found to be impaired. A collective reserve was established on the portfolio to cover contingent losses (regarding exclusively the non-government portfolio) for a total amount of 441 thousand euros.

### 5.2 Held-to-maturity financial assets: debtors/issuers

ITEMS/VALUES	31.12.2014	31.12.2013
<b>1. Debt securities</b>	<b>1,403,123</b>	<b>2,652,687</b>
a) Governments and Central Banks	1,354,154	2,578,064
b) Other public institutions	-	-
c) Banks	31,478	58,150
d) Other issuers	17,491	16,473
<b>2. Loans</b>	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total</b>	<b>1,403,123</b>	<b>2,652,687</b>

## 5.4 Held-to-maturity financial assets: year changes

	DEBT SECURITIES	LOANS	TOTAL
<b>A. Amount at year-start</b>	<b>2,652,687</b>	-	<b>2,652,687</b>
<b>B. Increases</b>	<b>154,082</b>	-	<b>154,082</b>
B.1 Purchases	136,392	-	136,392
B.2 Reversal value	112	-	112
B.3 Transfer from other portfolios	-	-	-
B.4 Other changes	17,578	-	17,578
<b>C. Decreases</b>	<b>1,403,646</b>	-	<b>1,403,646</b>
C.1 Sales	-	-	-
C.2 Repayments	1,354,302	-	1,354,302
C.3 Adjustments	398	-	398
C.4 Transfer to other portfolios	-	-	-
C.5 Other changes	48,946	-	48,946
<b>D. Amount at year-end</b>	<b>1,403,123</b>	-	<b>1,403,123</b>

### Notes

1. The item "Increases - B.4 Other changes" includes dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. The item "Decreases - C.5 Other changes" includes dividend accruals and final adjustments at amortised cost established according to the effective interest rate effective at the end of the previous year and losses on disposal.

## Section 6 - Loans to banks - Item 60

### 6.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014 BV	31.12.2013 BV
<b>A. Loans to Central Banks</b>	<b>45,891</b>	<b>59,600</b>
1. Term deposits	-	-
2. Mandatory reserve	45,891	59,600
3. Repurchase agreements	-	-
4. Other	-	-
<b>B. Loans to banks</b>	<b>239,729</b>	<b>231,779</b>
1. Loans:	91,626	106,614
1.1 Current accounts and free deposits	91,453	92,664
1.2 Term deposits	83	13,886
1.3 Other:	90	64
- Repurchase agreements	-	-
- Finance lease	-	-
- Other	90	64
2. Debt securities:	148,103	125,165
2.1 Structured securities	-	-
2.2 Other debt securities	148,103	125,165
<b>Total (book value)</b>	<b>285,620</b>	<b>291,379</b>
<b>Total (fair value)</b>	<b>290,969</b>	<b>293,772</b>

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013	
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE
		L1	L2	L3		
<b>A. Loans to Central Banks</b>	<b>45,891</b>	-	<b>45,891</b>	-	<b>59,600</b>	<b>59,600</b>
<b>B. Loans to banks</b>	<b>239,729</b>	<b>97,883</b>	<b>147,195</b>	-	<b>231,779</b>	<b>234,172</b>
1. Loans	91,626	-	91,626	-	106,614	106,614
2. Debt securities	148,103	97,883	55,569	-	125,165	127,558
<b>Total</b>	<b>285,620</b>	<b>97,883</b>	<b>193,086</b>	-	<b>291,379</b>	<b>293,772</b>

#### Notes

1. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in "Part A.4 of these Notes - Information on fair value".
2. The item includes encumbered assets used as collateral for ECB refinancing operations totalling 16,388 thousand euros.
3. A specific impairment test was conducted on debt portfolio classified among loans to banks but no impairment was detected. Moreover, a 3,631 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.

### Breakdown of loans to banks - other loans and operating receivables

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
Operating loans	90	64
Other loans	-	-
<b>Total</b>	<b>90</b>	<b>64</b>

## Section 7 - Loans to customers - Item 70

### 7.1 Loans to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013			
	TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS		TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS	
			PURCHASED	OTHER			PURCHASED	OTHER
<b>1. Loans</b>	<b>1,759,614</b>	<b>1,719,167</b>	-	<b>40,447</b>	<b>1,438,980</b>	<b>1,397,951</b>	-	<b>41,029</b>
1.1 Current accounts	931,341	910,441	-	20,900	752,116	736,040	-	16,076
1.2 Repurchase agreements	-	-	-	-	-	-	-	-
1.3 Loans	693,619	678,101	-	15,518	551,450	535,254	-	16,196
1.4 Credit cards, personal loans	-	-	-	-	-	-	-	-
1.5 Finance lease	-	-	-	-	-	-	-	-
1.6 Factoring	-	-	-	-	-	-	-	-
1.7 Other loans	134,654	130,625	-	4,029	135,414	126,657	-	8,757
<b>2. Debt securities</b>	<b>35,345</b>	<b>35,345</b>	-	-	<b>60,791</b>	<b>57,465</b>	<b>3,326</b>	-
2.1 Structured securities	-	-	-	-	-	-	-	-
2.2 Other debt securities	35,345	35,345	-	-	60,791	57,465	3,326	-
<b>Total (book value)</b>	<b>1,794,959</b>	<b>1,754,512</b>	-	<b>40,447</b>	<b>1,499,771</b>	<b>1,455,416</b>	<b>3,326</b>	<b>41,029</b>

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013	
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE
		L1	L2	L3		
<b>1. Loans</b>	<b>1,759,614</b>	-	<b>1,040,137</b>	<b>760,646</b>	<b>1,438,980</b>	<b>1,426,153</b>
<b>2. Debt securities</b>	<b>35,345</b>	<b>34,671</b>	<b>2,520</b>	-	<b>60,791</b>	<b>61,486</b>
<b>Total (fair value)</b>	<b>1,794,959</b>	<b>34,671</b>	<b>1,042,657</b>	<b>760,646</b>	<b>1,499,771</b>	<b>1,487,639</b>

#### Notes

- Operating receivables include non-performing positions of a net amount of 791 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process, or for which the term for reimbursement has otherwise lapsed.
- A specific impairment test was conducted on debt portfolio classified among loans to customers but no impairment was detected. Moreover, a 621 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.
- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes - Information on fair value.
- In 2014, as part of the execution of the composition with creditors procedure relating to the bad loan FFM (Funivie Folgarida Marilleva), included in the portfolio backed by a BSI Sa guarantee, an equity instrument - issued pursuant to Article 2356 of the Italian Civil Code, maturing in 2017 and amounting to 3,326 thousand euros, received as a compensation for the receivables claimed in the procedure - was transferred to BSI S.A., at book value.

## Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
Other grants and pooled funding	11,612	23,838
Operating loans	81,166	71,574
Sums advanced to financial advisors	30,545	27,029
Interest-bearing daily margins Italian Stock Exchange	2,092	2,237
Interest-bearing caution deposits	388	328
Amounts to be collected	8,851	10,408
<b>Total</b>	<b>134,654</b>	<b>135,414</b>

## 7.2 Loans to customers: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013			
	TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS		TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS	
			PURCHASED	OTHER			PURCHASED	OTHER
<b>1. Debt securities</b>	<b>35,345</b>	<b>35,345</b>	-	-	<b>60,791</b>	<b>57,465</b>	3,326	-
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	2,497	2,497	-	-	-	-	-	-
c) Other issuers:	32,848	32,848	-	-	60,791	57,465	3,326	-
- non-financial companies	5,510	5,510	-	-	18,771	15,445	3,326	-
- financial companies	27,338	27,338	-	-	19,812	19,812	-	-
- insurance companies	-	-	-	-	22,208	22,208	-	-
- other entities	-	-	-	-	-	-	-	-
<b>2. Loans</b>	<b>1,759,614</b>	<b>1,719,167</b>	-	<b>40,447</b>	<b>1,438,980</b>	<b>1,397,951</b>	-	<b>41,029</b>
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-	-	-
c) Other issuers:	1,759,614	1,719,167	-	40,447	1,438,980	1,397,951	-	41,029
- non-financial companies	483,463	454,066	-	29,397	408,568	375,990	-	32,578
- financial companies	98,528	98,392	-	136	96,037	95,905	-	132
- insurance companies	11,821	11,821	-	-	8,394	8,394	-	-
- other entities	1,165,802	1,154,888	-	10,914	925,981	917,662	-	8,319
<b>Total</b>	<b>1,794,959</b>	<b>1,754,512</b>	-	<b>40,447</b>	<b>1,499,771</b>	<b>1,455,416</b>	<b>3,326</b>	<b>41,029</b>

## Section 12 - Property and equipment - Item 120

### 12.1 Breakdown of property and equipment: assets valued at cost

ASSETS/VALUES	31.12.2014	31.12.2013
<b>1. Owned assets</b>	<b>3,829</b>	<b>4,080</b>
a) Land	-	-
b) Buildings	-	-
c) Furniture	2,563	2,572
d) Electronic equipment	621	678
e) Other	645	830
<b>2. Acquired under finance lease</b>	<b>-</b>	<b>-</b>
a) Land	-	-
b) Buildings	-	-
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	-	-
<b>Total</b>	<b>3,829</b>	<b>4,080</b>

## 12.5 Operating assets: year changes

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
<b>A. Gross amount at year-start</b>	-	-	16,850	4,773	7,632	29,255
A.1 Total net impairment	-	-	14,278	4,095	6,802	25,175
<b>A.2 Net amount at year-start</b>	-	-	2,572	678	830	4,080
<b>B. Increases</b>	-	-	673	421	144	1,238
B.1 Purchases	-	-	669	421	144	1,234
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal value:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.4 Fair value positive change in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	4	-	-	4
<i>of which: business combination</i>	-	-	4	-	-	4
<b>C. Decreases</b>	-	-	682	478	329	1,489
C.1 Sales	-	-	12	1	1	14
C.2 Depreciation	-	-	670	425	328	1,423
C.3 Adjustments for impairment in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.4 Fair value negative change in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	52	-	52
<i>of which: business combination</i>	-	-	-	52	-	52
<b>D. Net amount at year-end</b>	-	-	2,563	621	645	3,829
D.1 Total net impairment	-	-	14,948	4,520	7,130	26,598
<b>D.2 Gross amount at year-end</b>	-	-	17,511	5,141	7,775	30,427
<b>E. Valued at cost</b>	-	-	2,563	621	645	3,829



## Section 13 - Intangible assets - Item 130

### 13.1 Intangible assets: categories

ASSETS/VALUES	31.12.2014			31.12.2013		
	SPECIFIED MATURITY	UNSPECIFIED MATURITY	TOTAL	SPECIFIED MATURITY	UNSPECIFIED MATURITY	TOTAL
A.1 Goodwill	-	66,065	66,065	-	38,632	38,632
A.2 Other intangible assets	23,900	-	23,900	7,378	-	7,378
A.2.1 Assets valued at cost:	23,900	-	23,900	7,378	-	7,378
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	23,900	-	23,900	7,378	-	7,378
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
<b>Total</b>	<b>23,900</b>	<b>66,065</b>	<b>89,965</b>	<b>7,378</b>	<b>38,632</b>	<b>46,010</b>

## 13.2 Intangible assets: year changes

	GOODWILL	OTHER INTANGIBLE ASSETS				TOTAL
		INTERNALLY GENERATED		OTHER		
		SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY	
<b>A. Amount at year-start</b>	<b>38,632</b>	-	-	<b>29,792</b>	-	<b>68,424</b>
A.1 Total net impairment	-	-	-	22,414	-	22,414
<b>A.2 Net amount at year-start</b>	<b>38,632</b>	-	-	<b>7,378</b>	-	<b>46,010</b>
<b>B. Increases</b>	<b>27,433</b>	-	-	<b>19,519</b>	-	<b>46,952</b>
B.1 Purchases	-	-	-	2,239	-	2,239
B.2 Increase of internal intangible assets	-	-	-	-	-	-
B.3 Reversal value	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
- Net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	27,433	-	-	17,280	-	44,713
<i>of which: business combination</i>	27,433	-	-	17,280	-	44,713
<b>C. Decreases</b>	-	-	-	<b>2,997</b>	-	<b>2,997</b>
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments:	-	-	-	2,997	-	2,997
- Amortisation	-	-	-	2,997	-	2,997
- Write-downs:	-	-	-	-	-	-
- Net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
C.3 Fair value negative changes in:	-	-	-	-	-	-
- Net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
<i>of which: business combination</i>	-	-	-	-	-	-
<b>D. Amount at year-end</b>	<b>66,065</b>	-	-	<b>23,900</b>	-	<b>89,965</b>
D.1 Total net adjustments	-	-	-	25,411	-	25,411
<b>E. Gross amount at year-end</b>	<b>66,065</b>	-	-	<b>49,311</b>	-	<b>115,376</b>
<b>F. Valued at cost</b>	<b>66,065</b>	-	-	<b>23,900</b>	-	<b>89,965</b>

The consideration for the acquisition of the former Credit Suisse's business unit amounting to 44,712 thousand euros was allocated, pursuant to IFRS 3 (PPA - Purchase Price allocation), for 17,280 thousand euros to intangible assets (Transactions with customers) and 27,432 thousand euros to goodwill. The asset recognized for contractual relations on assets under management is the economic valuation of expected financial flows from this portfolio based on the profitability ratio and adequate

impairment rates. The useful life of such asset is estimated on a 15-year period.

The banking group's goodwill and intangible assets arising from the acquisition of Banca del Gottardo (customer relationships) were tested to impairment in accordance with IAS 36, without detecting any impairment losses. Tests' execution procedures and results are analysed in greater detail in Part G of these Notes.

## Breakdown of consolidated goodwill

(€ THOUSAND)	31.12.2014	31.12.2013
Prime Consult Sim e INA Sim	2,991	2,991
BG Fiduciaria Sim S.p.A.	4,289	4,289
Banca del Gottardo	31,352	31,352
Credit Suisse Italy	27,433	-
<b>Total</b>	<b>66,065</b>	<b>38,632</b>

## Breakdown of intangible assets - other assets

	31.12.2014	31.12.2013
Charges associated with the implementation of legacy CSE procedures	1,610	3,339
Transactions with customers (former Banca del Gottardo)	2,860	3,814
Transactions with customers (former Credit Suisse Italy)	17,088	-
Other software costs	124	174
Other fixed assets and payments on account	2,218	52
<b>Total</b>	<b>23,900</b>	<b>7,378</b>

## Section 14 - Tax assets and liabilities - Item 140 (Assets) and Item 80 (Liabilities)

### Breakdown of item 140: tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>Current taxation</b>	<b>2,180</b>	<b>3,467</b>
Sums due for taxes to be refunded	2,044	143
IRES arising on National Tax Consolidation	136	1,633
IRES	-	-
IRAP	-	1,691
<b>Deferred tax receivables</b>	<b>38,621</b>	<b>34,793</b>
<b>With impact on Profit and Loss Account</b>	<b>37,946</b>	<b>33,687</b>
IRES	33,095	29,847
IRAP	4,851	3,840
<b>With impact on net equity</b>	<b>675</b>	<b>1,106</b>
IRES	630	975
IRAP	45	131
<b>Total</b>	<b>40,801</b>	<b>38,260</b>

#### Notes

1. Current tax assets and liabilities represent the net positive or negative unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
2. In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of account receivable from or payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. As a consequence of Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then calculates and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.
3. Sums arising on the National Tax Consolidation refer mostly to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Law 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.

**Breakdown of item 80: tax liabilities**

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>Current taxation</b>	<b>17,232</b>	<b>22,316</b>
IRES arising on National Tax Consolidation	13,914	8,949
IRES	-	-
IRAP	3,318	5
Other direct taxes payable	-	13,362
Substitute tax	-	-
<b>Deferred tax liabilities</b>	<b>10,380</b>	<b>5,452</b>
<b>With impact on Profit and Loss Account</b>	<b>1,549</b>	<b>2,035</b>
IRES	1,445	1,950
IRAP	104	85
<b>With impact on net equity</b>	<b>8,831</b>	<b>3,417</b>
IRES	7,481	2,864
IRAP	1,350	553
<b>Total</b>	<b>27,612</b>	<b>27,768</b>

## 14.1 Breakdown of deferred tax assets

	31.12.2014	PURSUANT TO LAW NO. 214/2011	31.12.2013	PURSUANT TO LAW NO. 214/2011
<b>With impact on Profit and Loss Account</b>	<b>37,946</b>	<b>13,012</b>	<b>33,687</b>	<b>11,617</b>
Previous fiscal losses	-	-	-	-
Provisions for liabilities and contingencies	24,589	-	19,955	-
Write-down of HFT securities before 2008	11	-	11	-
Write-down of securities in the AFS portfolio	-	-	-	-
Write-downs on debt securities	-	-	-	-
Credit devaluation	3,094	3,076	2,055	1,861
Redeemed goodwill (pursuant to Article 15, par. 10, of Legislative Decree 185/08)	6,048	6,048	7,056	7,056
Consolidated goodwill of BG Fiduciaria (Article 15, par. 10-ter)	1,233	1,233	1,321	1,321
Redeemed goodwill (Article 176, par. 2-ter of TUIR)	1,379	1,379	1,379	1,379
Other goodwill	1,276	1,276	1,763	-
Other operating expenses	316	-	147	-
<b>With impact on net equity</b>	<b>675</b>	<b>-</b>	<b>1,106</b>	<b>-</b>
Measurement at fair value of AFS financial assets	308	-	923	-
Actuarial losses IAS19	367	-	183	-
<b>Total</b>	<b>38,621</b>	<b>13,012</b>	<b>34,793</b>	<b>11,617</b>

### Notes

1. DTAs which can be transformed into tax credits pursuant to Law No. 214/2011 include:
  - a) assets associated with redeemed goodwill as per Article 10 of Legislative Decree No. 185/08 and Article 172 of TUIR;
  - b) assets related to goodwill that are relevant for tax purposes but not for accounting purposes as they refer to business combinations under common control (Circular Letter Assonime No. 33/2013, paragraph 3.3.2);
  - c) write-downs of the banking portfolio exceeding 0.30% and deductible over a 18-year period, pursuant to Article 106, par. 3 of TUIR, in the version applicable until 2012;
  - d) assets associated with 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.

## 14.2 Breakdown of deferred tax liabilities

	31.12.2014	31.12.2013
<b>With impact on Profit and Loss Account</b>	<b>1,549</b>	<b>2,035</b>
Capital gains by instalments from the transfer of the funds business unit	563	844
Provisions, adjustments and write-downs, excluding off-balance sheet items	831	702
Provision for post-employment benefits	155	178
Goodwill	-	311
<b>With impact on net equity</b>	<b>8,831</b>	<b>3,417</b>
Measurement at fair value of AFS financial assets	8,831	3,417
<b>Total</b>	<b>10,380</b>	<b>5,452</b>

## Tax assets and liabilities - Item 140 (Assets) and Item 80 (Liabilities)

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>33,687</b>	<b>33,130</b>
<b>2. Increases</b>	<b>15,321</b>	<b>9,919</b>
2.1 Deferred tax assets for the year:	15,263	9,918
a) relative to prior years	245	244
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	15,018	9,674
2.2 New taxes or increases in tax rates	58	-
2.3 Other increases:	-	1
<i>of which:</i>		
- <i>adjustment of prepaid taxes for the National Tax Consolidation programme</i>	-	-
- <i>business combinations</i>	-	-
<b>3. Decreases</b>	<b>11,062</b>	<b>9,362</b>
3.1 Deferred tax receivables eliminated in the year:	11,062	9,209
a) transfers	10,542	9,177
b) write-downs for non-recoverability	520	32
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	153
a) conversion in tax credits pursuant to Law No. 214/2011	-	-
b) other:	-	153
<i>of which:</i>		
- <i>reclassified to assets for the National Tax Consolidation programme</i>	-	-
- <i>business combinations</i>	-	-
<b>4. Amount at year-end</b>	<b>37,946</b>	<b>33,687</b>

### 14.3.1 Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>11,617</b>	<b>11,629</b>
<b>2. Increases</b>	<b>3,965</b>	<b>1,149</b>
<i>of which: business combinations</i>	-	-
<b>3. Decreases</b>	<b>2,570</b>	<b>1,161</b>
3.1 Transfers	2,311	1,161
3.2 Conversion in tax credits:	-	-
a) arising from losses during the year	-	-
b) arising from fiscal losses	-	-
3.3 Other decreases	259	-
<b>4. Amount at year-end</b>	<b>13,012</b>	<b>11,617</b>

Increases include 2,202 thousand euros related to DTAs for loans impairment under Article 106, paragraph 3, of TUIR, and 1,763 thousand euros for the reclassification of DTAs on the goodwill of former BGSGR arising on the acquisition of the business unit of former GAM in 2005, which were previously classified among non material DTAs for transformation purposes

(Circular Letter Assonime No. 33/2013, paragraph 3.3.2). The goodwill refers to a business combination in which the bank acquired control of the acquiree but which has been recognized as a business operation under common control under the IAS/IFRS, and is relevant for tax and not accounting purposes.

### 14.4 Change in deferred taxes (offsetting entry to the Profit and Loss Account)

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>2,035</b>	<b>2,386</b>
<b>2. Increases</b>	<b>128</b>	<b>67</b>
2.1 Deferred tax liabilities for the year:	128	67
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	128	67
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<i>of which: business combinations</i>	-	-
<b>3. Decreases</b>	<b>614</b>	<b>418</b>
3.1 Deferred tax payables eliminated during the year:	614	418
a) transfers	281	418
b) change in accounting criteria	-	-
c) other	333	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Amount at year-end</b>	<b>1,549</b>	<b>2,035</b>



## 14.5 Changes in deferred tax assets (offsetting entry to the net equity)

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>1,106</b>	<b>6,426</b>
<b>2. Increases</b>	<b>574</b>	<b>309</b>
2.1 Deferred tax assets for the year:	574	309
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	574	309
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>1,005</b>	<b>5,629</b>
3.1 Deferred tax receivables eliminated in the year:	728	736
a) transfers	728	736
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	277	4,893
<b>4. Amount at year-end</b>	<b>675</b>	<b>1,106</b>

The item 3.3 "Other decreases" refers to the reduction in deferred taxes following the re-absorption of temporary differences, deductible as a result of reversals of financial assets in the AFS portfolio.

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

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>3,417</b>	<b>869</b>
<b>2. Increases</b>	<b>8,284</b>	<b>3,330</b>
2.1 Deferred tax liabilities for the year:	8,284	3,321
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	8,284	3,321
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	9
<b>3. Decreases</b>	<b>2,870</b>	<b>782</b>
3.1 Deferred tax payables eliminated during the year:	2,870	782
a) transfers	2,870	782
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Amount at year-end</b>	<b>8,831</b>	<b>3,417</b>

## **Section 15 - Non-current assets and groups of assets held for sale, and related liabilities - Item 150 (Assets) and Item 90 (Liabilities)**

At 31 December 2014, the financial statements of Banca Generali do not include any non-current and/or disposal groups as the investment in BG Dragon Sicav was fully disposed of during the year. In this regard, it should be recalled that BG Dragon Sicav is an UCITS launched by BGFm Luxembourg S.A. in the second half of 2013 in which Banca Generali has underwritten 80,810

class A shares in the start-up phase, for a total amount of 8,081 thousand euros. The investment was a shareholding in a subsidiary company held for sale and was accordingly classified in accordance under IFRS 5 and subjected to the related accounting treatment. The divestment took place in accordance with the above-mentioned IFRS.

## Section 16 - Other assets - Item 160

### 16.1 Breakdown of other assets

	31.12.2014	31.12.2013
<b>Fiscal items</b>	<b>36,400</b>	<b>16,851</b>
Advances paid to fiscal authorities - current account withholdings <sup>(1)</sup>	1,524	2,542
Advances paid to fiscal authorities - stamp duty	16,973	5,070
Fiscal Authority/advances on capital gains	16,109	7,720
Excess payment of substitute tax for tax shield	-	634
Fiscal Authority/VAT	447	204
Sums due from fiscal authorities for taxes to be refunded - other	89	71
Other sums due from fiscal authorities	1,258	609
<b>Leasehold improvements</b>	<b>1,228</b>	<b>1,010</b>
<b>Sundry advances to suppliers and employees</b>	<b>12,460</b>	<b>4,189</b>
<b>Operating receivables not related to financial transactions</b>	<b>671</b>	<b>85</b>
<b>Cheques under processing</b>	<b>17,161</b>	<b>24,939</b>
C/a cheques drawn on third parties under processing	188	984
Our c/a cheques under processing c/o service	10,321	23,668
Cheques - other amounts under processing	6,652	287
<b>Other amounts to be debited under processing</b>	<b>19,298</b>	<b>19,823</b>
Amounts to be settled in the clearing house (debits)	279	5,355
Clearing accounts for securities and funds procedure	16,866	12,444
Other amounts to be debited under processing	2,153	2,023
<b>Amounts receivable for legal disputes related to non-credit transactions</b>	<b>4,094</b>	<b>3,756</b>
<b>Trade receivables from customers and banks that cannot be traced back to specific items</b>	<b>27,287</b>	<b>19,446</b>
<b>Other amounts</b>	<b>54,643</b>	<b>40,522</b>
Prepayments for the new supplementary fees for FAs	50,670	25,999
Prepayments of exclusive portfolio management fees	2,363	5,847
Other accrued income and deferred charges	1,607	8,262
Sundry amounts	3	414
<b>Total</b>	<b>173,242</b>	<b>130,619</b>

(1) Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account and the related payable to fiscal authorities.

## PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

### Section 1 - Due to banks - Item 10

#### 1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>1. Due to Central Banks</b>	<b>811,645</b>	<b>1,114,185</b>
<b>2. Due to banks</b>	<b>227,244</b>	<b>1,116,686</b>
2.1 Current accounts and free deposits	5,409	398
2.2 Term deposits	6,792	186
2.3 Loans:	200,734	1,091,372
2.3.1 Repurchase agreements	200,734	1,091,372
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	14,309	24,730
<b>Total</b>	<b>1,038,889</b>	<b>2,230,871</b>
Fair value - L1		
Fair value - L2	1,038,889	2,230,871
Fair value - L3		
<b>Total - Fair value</b>	<b>1,038,889</b>	<b>2,230,871</b>

#### Notes

- The item "Due to Central Banks" refers to a LTRO entered into in 2012 and expiring in February 2015. In November 2014, the Group made an early repayment of a tranche of 300 million euros.
- Other liabilities refer for 14,190 thousand euros to deposits made by BSI S.A. as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits) and, for the remaining amount (100 thousand euros), to collateral margins received from counterparties in reverse repurchase agreements (3,660 thousand euros in 2013).

## Section 2 - Due to customers - Item 20

### 2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
1. Current accounts and demand deposits	4,090,696	2,934,906
2. Term deposits	-	428,430
3. Loans	51,312	101,878
3.3.1 Repurchase agreements	-	85,754
3.3.2 Other	51,312	16,124
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	143,390	123,486
<b>Total</b>	<b>4,285,398</b>	<b>3,588,700</b>
Fair value - L1	-	-
Fair value - L2	4,242,129	3,572,715
Fair value - L3	42,263	16,124
<b>Total - Fair value</b>	<b>4,284,392</b>	<b>3,588,839</b>

#### Notes

- Other liabilities refer for 49,515 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, to trade payables to the sales network.
- The item 3.2 "Other debts" refers exclusively, for 51,312 thousand euros, to the subordinated loans illustrated in the table 3.2 below.

### 2.2 Due to customers: subordinated debts

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>Due to customers: subordinated debts</b>	<b>51,312</b>	<b>16,124</b>
Generali Versicherung subordinated loan	8,058	16,124
Generali Beteiligungs GmbH subordinated loan	43,254	-

Subordinated debts to customers consists of the following:

- a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A. The said loan, under the contractual form known as *Schuldschein* (loan), provides for a repayment schedule that calls for five annual instalments, the fourth of which paid on 1 October 2011, and an interest rate equal to the 12-month Euribor plus 225 basis points. The loan is subordinated in the event of a default by the bank;
- a subordinated loan in the amount of 43 million euros from the German company Generali Beteiligungs GmbH to fund the

acquisition of the Credit Suisse (Italy) S.p.A. business unit. The loan, entered into on 30 October 2014, has a ten-year term and is repayable on maturity in one instalment. Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority's prior approval. The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year, the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated in the event of a default by the bank.

## Section 4 - Financial liabilities held for trading - Item 40

### 4.1 Financial liabilities held for trading: categories

TYPE OF TRANSACTIONS/VALUES	NV	31.12.2014 - FV			FV (*)	NV	31.12.2013 - FV			FV (*)
		L1	L2	L3			L1	L2	L3	
<b>A. Cash liabilities</b>										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds:	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	-	X
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities:	-	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	-	X
3.2.2 other	-	-	-	-	X	-	-	-	-	X
<b>Total A</b>	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>										
1. Financial	-	-	2,655	-	-	-	-	597	-	-
1.1 Trading	X	-	2,655	-	X	X	-	597	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	-	X	-	-	-	-
2. Credit	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total B</b>	X	-	2,655	-	-	X	-	597	-	-
<b>Total (A + B)</b>	X	-	2,655	-	-	X	-	597	-	-

(\*) Fair value measured without taking account of issuer's credit merit changes compared to issue date.

## Section 8 - Tax payables - Item 80

### Breakdown of tax liabilities - Item 80

Section 14 (Assets) provides an analysis.

## Section 10 - Other liabilities - Item 100

### 10.1 Breakdown of other liabilities

	31.12.2014	31.12.2013
<b>Trade payables</b>	<b>32,894</b>	<b>12,722</b>
Due to suppliers	29,771	10,190
Due for payments on behalf of third parties	3,123	2,532
<b>Due to staff and social security institutions</b>	<b>16,075</b>	<b>14,569</b>
Due to staff for accrued holidays etc.	3,669	3,351
Due to staff for productivity bonuses to be paid out	7,541	6,589
Contributions to be paid to social security institutions	2,164	2,373
Contributions to advisors to be paid to Enasarco	2,701	2,257
<b>Tax authorities</b>	<b>29,362</b>	<b>17,142</b>
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	4,193	3,443
Withholding taxes to be paid to tax authorities on behalf of customers	8,405	9,721
Notes to be paid into collection services	16,764	3,956
VAT payable	-	-
Tax liabilities - other (stamp and substitute tax on medium/long term loans)	-	22
<b>Amounts to be debited under processing</b>	<b>66,590</b>	<b>94,509</b>
Bank transfers, cheques and other sums payable	17,240	755
Amounts to be settled in the clearing house (credits)	34,212	71,638
Liabilities from reclassification of portfolio subject to collection (SBF)	601	1,085
Other amounts to be debited under processing	14,537	21,031
<b>Sundry items</b>	<b>4,849</b>	<b>3,656</b>
Accrued expenses and deferred income that cannot be traced back to specific items	1,443	1,959
Sums made available to customers	909	103
Sundry items	1,346	1,320
Amounts to be credited	608	274
Payables for non-performing signature loans	543	-
<b>Total</b>	<b>149,770</b>	<b>142,598</b>

Note

- Based on the instructions included in Circular Letter No. 262/05, write-downs for non-performing signature loans are commonly recognized among other liabilities. At 31 December 2014, this item referred only to the collective reserve for performing signature loans.

## Section 11 - Provisions for termination indemnity - Item 110

### 11.1 Provisions for termination indemnity: year changes

	31.12.2014	31.12.2013
<b>A. Amount at year-start</b>	<b>4,585</b>	<b>4,600</b>
Change in the opening balance	-	-
<b>B. Increases</b>	<b>803</b>	<b>531</b>
B.1 Provisions for the year	168	223
B.2 Other increases	635	308
<i>of which: business combinations</i>	18	-
<b>C. Decreases</b>	<b>138</b>	<b>546</b>
C.1 Amounts paid	137	546
C.2 Other decreases	1	-
<i>of which: business combinations</i>	-	-
<b>D. Amount at year-end</b>	<b>5,250</b>	<b>4,585</b>

### 11.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.

The provision was measured based on the actuarial value

using the methods described in Part A.2 of these Notes.

The following are the main actuarial assumptions and the breakdown of the provision for the year and of actuarial gains/(losses):

	31.12.2014	31.12.2013
Discount rate	1.53%	3.28%
Annual inflation rate	1.50%	2.00%
Salary increase rate	1.50%	2.00%
Average duration (years)	11	12
	31.12.2014	31.12.2013
1. Provisions:	168	223
- current service cost	17	23
- interest cost	151	200
2. Actuarial gains and losses:	635	308
- based on financial assumptions	777	691
- based on actuarial demographic assumptions	-142	-383
<b>Total provisions for the year</b>	<b>803</b>	<b>531</b>
<b>Actuarial value</b>	<b>5,250</b>	<b>4,585</b>
<b>Value calculated Re. article 2120 of the Italian Civil Code</b>	<b>5,097</b>	<b>5,055</b>



## Section 12 - Provisions for liabilities and contingencies - Item 120

### 12.1 Breakdown of provisions for liabilities and contingencies

ITEMS/COMPONENTS	31.12.2014	31.12.2013
<b>1. Company provisions for pensions</b>	-	-
<b>2. Other provisions for liabilities and contingencies</b>	<b>94,355</b>	<b>72,151</b>
2.1 Litigation	14,820	13,042
2.2 Staff	11,919	13,572
2.3 Other	67,616	45,537
<b>Total</b>	<b>94,355</b>	<b>72,151</b>

### Breakdown of other provisions for liabilities and contingencies

	31.12.2014	31.12.2013
<b>Provision for staff expenses</b>	<b>11,919</b>	<b>13,572</b>
<b>Provision for legal disputes</b>	<b>14,820</b>	<b>13,042</b>
Provision for risks related to litigations connected with FAs' embezzlements	10,471	8,958
Provision for risks related to legal disputes with FAs	1,525	1,391
Provision for risks related to legal disputes with staff	739	713
Provision for other legal disputes	2,085	1,980
<b>Provision for termination indemnity of Financial Advisors</b>	<b>26,731</b>	<b>15,314</b>
Provision for termination indemnity	20,978	12,354
Provision for portfolio overfee indemnities	2,009	1,467
Provisions for pension bonuses for financial advisors	3,744	1,493
<b>Provisions for risks related to network incentives</b>	<b>37,060</b>	<b>25,757</b>
Provision for network development incentives	15,415	9,680
Provision for deferred bonus	4,434	9,571
Provisions for managers with access gate	3,574	2,696
Provision for sales incentives	2,691	1,077
Provision for travel incentives	2,601	2,650
Provision for other fee plans	348	83
Provision for loyalty program	7,997	-
<b>Other provisions for liabilities and contingencies</b>	<b>3,825</b>	<b>4,466</b>
<b>Total</b>	<b>94,355</b>	<b>72,151</b>

## 12.2 Provisions for liabilities and contingencies: year changes

ITEMS/COMPONENTS	PROVISIONS FOR PENSIONS	OTHER PROVISIONS	TOTAL
<b>A. Amount at year-start</b>	-	<b>72,151</b>	<b>72,151</b>
<b>B. Increases</b>	-	<b>48,804</b>	<b>48,804</b>
B.1 Provisions for the year	-	48,666	48,666
B.2 Other increases	-	138	138
<b>C. Decreases</b>	-	<b>26,600</b>	<b>26,600</b>
C.1 Use in the year	-	22,324	22,324
C.2 Other decreases	-	4,276	4,276
<b>D. Amount at year-end</b>	-	<b>94,355</b>	<b>94,355</b>

### Provisions for liabilities and contingencies: details of movements

	31.12.2013	OTHER CHANGES	USES	SURPLUS	PROVISIONS	31.12.2014
<b>Provision for staff expenses</b>	<b>13,572</b>	-	<b>-5,269</b>	<b>-1,954</b>	<b>5,570</b>	<b>11,919</b>
<b>Provision for legal disputes</b>	<b>13,042</b>	-	<b>-1,388</b>	<b>-711</b>	<b>3,877</b>	<b>14,820</b>
Provision for risks related to litigations connected with FAs' embezzlements	8,958	-	-679	-	2,192	10,471
Provision for risks related to legal disputes with FAs	1,391	-	-205	-13	352	1,525
Provision for risks related to legal disputes with staff	713	-	-4	-	30	739
Provision for other legal disputes	1,980	-	-500	-698	1,303	2,085
<b>Provision for termination indemnity of Financial Advisors</b>	<b>15,314</b>	-	<b>-103</b>	<b>-419</b>	<b>11,939</b>	<b>26,731</b>
Provision for termination indemnity	12,354	-	-100	-377	9,101	20,978
Provision for portfolio overfee indemnities	1,467	-	-2	-22	566	2,009
Provisions for pension bonuses for financial advisors	1,493	-	-1	-20	2,272	3,744
<b>Provisions for risks related to network incentives</b>	<b>25,757</b>	-	<b>-14,239</b>	<b>-737</b>	<b>26,279</b>	<b>37,060</b>
Provision for network development incentives	9,680	-	-4,569	-532	10,836	15,415
Provision for deferred bonus	9,571	-	-5,589	-	452	4,434
Provisions for managers with access gate	2,696	-	-888	-	1,766	3,574
Provision for sales incentives	1,077	-	-675	-	2,289	2,691
Provision for fees - travel incentives	2,650	-	-2,494	-156	2,601	2,601
Provision for risks related to incentive plans	83	-	-24	-49	338	348
Provision for loyalty program	-	-	-	-	7,997	7,997
<b>Other provisions for liabilities and contingencies</b>	<b>4,466</b>	<b>138</b>	<b>-1,325</b>	<b>-455</b>	<b>1,001</b>	<b>3,825</b>
<b>Total</b>	<b>72,151</b>	<b>138</b>	<b>-22,324</b>	<b>-4,276</b>	<b>48,666</b>	<b>94,355</b>

## 12.4 Provisions for liabilities and contingencies - other provisions

### 12.4.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

- 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, for the cash bonuses only, provided for in the long-term retention programme of the Assicurazioni Generali Group top management (LTIP - Long term incentive plan);
- provisions for post-employment medical benefits of Group executives;
- the provision related to the performance bonus envisaged in the company supplementary contract (CIA).

In relation to the latter, it should be noted that the CIA expired in 2011. Following the early termination by professional organisations of the national collective labour agreement, procedures for the renewal of the supplementary company contract are still at a halt. The bonuses for 2012 and 2013 have thus been paid based on transitional agreements that are applicable only in relation to those two years.

However, the Bank decided to allocate the amount of the bonus on the basis of the mechanisms agreed for the previous two-year period 2010-2011 and of the subsequent agreements entered into for 2012 and 2013.

The above-mentioned provisions have as their balancing entries personnel expenses.

TERMINATION INDEMNITY	31.12.2014	31.12.2013
Discount rate (Eur IRS + 200 bps)	3.5%	4.5%
Turnover rate (professionals)	1.65%	3.38%
Average duration (years)	18 years	18 years
DBO IAS 37/Indemnity provision at the measurement date	38.2%	26.5%

For Financial Advisors who have left service, a specific measurement is carried out.

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 3.3 million euros, is still based on the payment criteria established by the previous employer and was recognised as a debt payable to the acquired sales network. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

Provisions for personnel also include provisions for a company reorganisation plan referring to the Relationship Managers, the estimated increase in informal incentives linked to the results for FY 2014 and other charges for the classification of personnel to which IAS 19 does not apply.

### 12.4.2 Provisions for legal disputes

This type of provisions for risks includes provisions for 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.

### 12.4.3 Provisions for contractual indemnities for financial advisors

These include provisions for termination indemnities of the sales network, the portfolio development indemnity and the social-security bonus.

Provisions covering the cost of Financial Advisors' indemnity is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments.

The expense associated with obligations extant at year-end relating to Financial Advisors is valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

The **portfolio development indemnity** is instead a scheme (further details are provided in Part A.2 of the Notes and Comments) that calls for Financial Advisors with at least five years of service who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reallocation of the latter.

### **Other provisions for risks and contingencies**

Lastly, other provisions for liabilities and contingencies include provisions made last year to cover the tax dispute (2.6 million euros), as well as other provisions for operating risks. In 2014, a special provision was recognized for commitments already undertaken to complete the development of the new app “appylife” (1.0 million euros).

### **Tax disputes**

With reference to the tax dispute, provisions refer 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 last July. A single assessment audit has been served thus far in relation to this audit, in the amount of 56 thousand euros, and with reference to the substitute tax on bonuses. 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 view of the authorities’ possible claims.

Taking account of the terms of prescription of the financial year to which the tax audit referred, the dispute is expected to be closed during 2015.

At 31 December 2014, Banca Generali was not involved in further tax disputes with the revenue authorities.

## Section 15 - Group net equity - Items 140, 160, 170, 180, 190, 200 and 220

### 15.1 Breakdown of capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (EURO)	BOOK VALUE (€ THOUSAND)
<b>Share capital</b>				
- Ordinary shares	1.00	115,677,077	115,677,077	115,677
<b>Treasury shares</b>				
- Ordinary shares	1.00	-10,071	-10,071	-41
<b>Total</b>		<b>115,667,006</b>	<b>115,667,006</b>	<b>115,636</b>

### 15.2 Capital - Number of Shares of the Parent Company: year changes

ITEMS/TYPE	ORDINARY	OTHER
<b>A. Existing shares at year-start</b>	<b>114,895,247</b>	-
Paid up	114,895,247	-
Partially paid	-	-
A.1 Treasury shares (-)	-10,071	-
<b>A.2 Outstanding shares: at year-start</b>	<b>114,885,176</b>	-
<b>B. Increases</b>	<b>781,830</b>	-
B.1 Newly issued shares:		
- against payment:	781,830	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrant	781,830	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
<b>D. Outstanding shares: at year-end</b>	<b>115,667,006</b>	-
D.1 Treasury shares (+)	10,071	-
<b>D.2 Existing shares at year-end</b>	<b>115,677,077</b>	-
- paid up	115,677,077	-
- partially paid	-	-

### 15.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 115,677,077 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

During the year, as a result of the exercise of options within the stock option plans reserved for Financial Advisors, 781,830 newly issued shares were issued, for a total of 781 thousand euros.

### 15.4 Income reserves: further information

	31.12.2013	PROFIT ALLOCATION DIVIDEND DISTRIBUTION	PURCHASE OF OWN SHARES	STOCK OPTION PLANS	ISSUE OF NEW SHARES	STOCK GRANT PLANS OF AG	OTHER CHANGES	31.12.2014
Legal reserve	22,778	303	-	-	-	-	-	23,081
Restricted reserve for treasury shares	41	-	-	-	-	-	-	41
Restricted reserve for shares of the Parent Company	1,058	-	-	-	-	-	-	1,058
Unrestricted reserve	1,016	-	-	-	-	-	-	1,016
Contribution to stock grant AG	536	-	-	-	-	1,578	-	2,114
Share-based payments reserve (IFRS 2)	2,821	-	-	-1,449	224	-	-	1,596
Reserve from income (loss) carried forward - Parent Company	74,264	-15,062	-	-	-	-	-	59,202
Reserve from income (loss) carried forward - consolidated	57,997	46,394	-	-	-	-	-	104,391
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	-	3,710
<b>Total</b>	<b>164,221</b>	<b>31,635</b>	<b>-</b>	<b>-1,449</b>	<b>224</b>	<b>1,578</b>	<b>-</b>	<b>196,209</b>

## Section 16 - Minority Interests- Item 210

(€ THOUSAND)	31.12.2014	31.12.2013
1. Share capital	-	1,922
2. Additional paid-in capital	-	-
3. Reserves	-	1,832
4. Advance dividend payment	-	-2,400
5. (Treasury shares)	-	-
6. Valuation reserves	-	-
7. Equity instruments	-	-
8. Net profit (loss) for the year of Minority Interests	-	4,685
<b>Total net equity</b>	<b>-</b>	<b>6,039</b>

## PART B - INFORMATION ON THE BALANCE SHEET

### Other information

#### 1. Guarantees issued and commitments

TRANSACTION	31.12.2014	31.12.2013
<b>1) Financial guarantees issued</b>	<b>62,324</b>	<b>32,900</b>
a) Banks	249	7,176
b) Customers	62,075	25,724
<b>2) Commercial guarantees issued</b>	<b>56,803</b>	<b>51,091</b>
a) Banks	-	-
b) Customers	56,803	51,091
<b>3) Irrevocable commitment to dispense funds</b>	<b>3,952</b>	<b>61,363</b>
a) Banks:	188	51,742
i) of certain use	188	51,742
ii) of uncertain use	-	-
b) Customers:	3,764	9,621
i) of certain use	-	-
ii) of uncertain use	3,764	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>2,092</b>	<b>18,539</b>
<b>6) Other commitments</b>	<b>-</b>	<b>-</b>
<i>of which: securities receivable for put option issued</i>	-	-
<b>Total</b>	<b>125,171</b>	<b>163,893</b>

#### Notes

- Financial guarantees to banks include the commitment to FITD (interbank deposit protection fund) amounting to 249 thousand euros. This commitment is net of the contribution already partially paid in July to the Interbank Deposit Protection Fund in accordance with consortium obligations, owed in relation to the bail-out of the Tercas banking group (1.0 million euros).
- Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
- Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
- Assets pledged as collateral of third-party bonds consist of the default fund contributed to cover possible losses of defaulted operators within the New MIC and transactions concerning customers' securities and derivatives.
- Commercial guarantees include 31.5 million euros for the loan to Cooperative Operaie di Trieste Istria e Friuli, relating to the guarantee in favour of lending members of the cooperative to back 30% of the loan from the said members pursuant to current laws (Resolution CICR of 19 July 2005). On 14 October 2014, this company was put under temporary receivership by the Court of Trieste. It subsequently filed request for admission to the pre-composition procedure (with blank option), which is still pending authorisation by the Court. This position was therefore classified as substandard. The guarantee formally expired on 31 December 2014 and can only be executed if and when the company is authorised to start the pre-composition procedure entailing the transfer of assets. However, the guarantee is entirely covered by a pledge on a Cooperative's portfolio under management by the Banca Generali. Therefore, there is not any effective credit risk for the Bank. A further guarantee of 315 thousand euros, also backed by a pledge on securities, will expire at the end of February 2015.

## 2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIOS	31.12.2014				31.12.2013
	REPURCHASE AGREEMENTS	ECB	CC&G	TOTAL	TOTAL
1. HFT Financial assets	-	-	-	-	-
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	179,212	467,176	39,943	686,331	886,667
4. HTM financial assets	20,681	1,138,545	155,457	1,314,683	1,973,872
5. Loans to banks	-	16,388	-	16,388	26,379
6. Loans to customers	-	-	-	-	-
7. Property and equipment	-	-	-	-	-
8. Intangible assets	-	-	-	-	-
<b>Total</b>	<b>199,893</b>	<b>1,622,109</b>	<b>195,400</b>	<b>2,017,402</b>	<b>2,886,918</b>

### Notes

- Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di compensazione e Garanzia for possible operations on a new MIC for ordinary operations.



## 5. Trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2014	31.12.2013
<b>1. Execution of orders on behalf of clients</b>	<b>23,581,452</b>	<b>33,916,178</b>
a) Purchases:	11,267,154	17,846,317
1. Settled	11,234,766	17,823,068
2. To be settled	32,388	23,249
b) Sales:	12,314,298	16,069,861
1. Settled	12,305,192	16,028,691
2. To be settled	9,106	41,170
<b>2. Asset management</b>	<b>10,125,367</b>	<b>16,596,661</b>
a) Individual	3,793,382	3,261,124
b) Collective	6,331,985	13,335,537
<b>3. Custody and administration of securities (excluding asset management)</b>	<b>32,855,813</b>	<b>31,313,544</b>
a) Third-party securities held in deposit		
- related to services provided as depository bank:	-	-
1. issued by companies included in the consolidation area	-	-
2. other securities	-	-
b) Other third-party securities held in deposit:		
- other:	14,571,569	13,364,717
1. issued by companies included in the consolidation area	15,203	14,819
2. other securities	14,556,366	13,349,898
c) Third-party securities deposited with third parties	14,502,470	13,314,411
d) Portfolio securities deposited with third parties	3,781,774	4,634,416
<b>4. Other</b>	<b>-</b>	<b>-</b>

### Notes

- The item "Asset management" refers to the overall amount, at market value, of assets under custody and administration on behalf of third parties, that include individual (GPM/GPF) and collective (Funds, Sicavs) asset management. The figure referring to individual management does not include 72 million euros of liquidity.
- The figure referring to collective management does not include 1,139 million euros of funds included in Group individual discretionary accounts GPM/GPF.
- Securities under custody and administration are recognised at nominal value.

## 6. Financial assets offset in the balance sheet or falling within the scope of master netting agreements or similar agreements

No transactions involving derivatives, repurchase agreements, security lending or other offsetting entries in the balance sheet or transactions that could fall within the scope of master netting agreements were reported.

## 7. Financial liabilities offset in the balance sheet or falling within the scope of master netting agreements or similar agreements

TECHNICAL TYPE	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	AMOUNT OF FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNT NOT OFFSET IN THE BALANCE SHEET		NET AMOUNT AT 31.12.2014 (F = C - D - E)	NET AMOUNT AT 31.12.2013
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	-	-	-	-	-	-	-
2. Repurchase agreements	200,734	-	200,734	200,734	-	-	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
<b>Total 31.12.2014</b>	<b>200,734</b>	<b>-</b>	<b>200,734</b>	<b>200,734</b>	<b>-</b>	<b>-</b>	<b>X</b>
<b>Total 31.12.2013</b>	<b>1,091,372</b>	<b>-</b>	<b>1,091,372</b>	<b>1,091,372</b>	<b>-</b>	<b>X</b>	<b>-</b>

IFRS 7 requires a detailed disclosure on offsetting of financial instruments pursuant to IAS 32 or financial instruments that can be potentially set off, under certain conditions, but have been recognized in the balance sheet without any offsetting as they fall within the scope of master netting agreements or similar agreements that do not meet all the requirements under IAS 32, paragraph 42.

In this regard, it should be noted that Banca Generali has not entered into any offsetting agreements that meet the requirements of IAS 32.42 on offsetting in the balance sheet.

With reference to financial instruments that can be potentially set off under certain conditions, it should be noted that Banca Generali usually in repurchase agreements (REPO) with banks has in place offsetting agreements that enable offsetting of cre-

dit and debts in case of default of the counterparty and compliant with international standards (Global Master Repurchase Agreement - GMRA). Such transactions are also covered by GMRA-compliant financial guarantee agreements, envisaging the bilateral exchange of collaterals in cash and/or government bonds.

These agreements, in the case of repurchase agreements, mitigate the liquidity risk by offsetting the debt to the counterparty up to the fair value of the collateral.

In the table, repurchase agreements are valued at amortised cost, whereas financial instruments used as collateral are valued at fair value up to the amount of the guaranteed liability.

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

### Section 1 - Interests - Items 10 and 20

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

	DEBT SECURITIES	LOANS	OTHER OPERATIONS	2014	2013
1. HFT Financial assets	554	-	-	554	9,846
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	27,894	-	-	27,894	29,178
4. HTM financial assets	59,875	-	-	59,875	81,338
5. Loans to banks	3,716	612	-	4,328	3,769
6. Loans to customers	813	24,246	-	25,059	20,356
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	2	2	5
<b>Total</b>	<b>92,852</b>	<b>24,858</b>	<b>2</b>	<b>117,712</b>	<b>144,492</b>

#### Notes

1. Loan to customers - Financing include 400 thousand euros (836 thousand euros at 31 December 2013) for the return on the capitalisation policy Gesav.

#### 1.3 Breakdown of interest income and similar charges: further information

	2014	2013
1.3.1 Interest income on financial assets in foreign currencies	59	69
1.3.2 Interest income on finance lease transactions	-	-
<b>Total</b>	<b>59</b>	<b>69</b>

## 1.4 Breakdown of interest expense and similar charges

	DEBTS	SECURITIES	OTHER TRANSACTIONS	2014	2013
1. Due to Central Banks	1,811	-	-	1,811	6,799
2. Due to banks	2,637	-	-	2,637	4,590
3. Due to customers	6,259	-	-	6,259	11,261
4. Securities issued	-	-	-	-	-
5. HFT Financial liabilities	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>10,707</b>	<b>-</b>	<b>-</b>	<b>10,707</b>	<b>22,650</b>

## 1.6 Breakdown of interest expense and similar charges: further information

	2014	2013
1.6.1 Interest expense on financial assets in foreign currencies	12	37
1.6.2 Interest expense on finance lease liabilities	-	-
<b>Total</b>	<b>12</b>	<b>37</b>

## Section 2 - Fees - Items 40 and 50

### 2.1 Breakdown of fee income

	2014	2013 RESTATED
a) Guarantees issued	353	216
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	476,527	396,301
1. trading of financial instruments	15,208	16,710
2. currency trading	-	-
3. asset management:	279,970	239,221
3.1 individual	39,897	34,392
3.2 collective	240,073	204,829
4. custody and administration of securities	452	716
5. depositary bank	-	-
6. placement of securities	60,472	48,896
7. order collection	6,805	7,479
8. consultancy activities:	1,619	656
8.1 investment advice	1,619	656
8.2 advice on financial structure	-	-
9. distribution of third-party services:	112,001	82,623
9.1 asset management:	708	404
9.1.1 individual	708	20
9.1.2 collective	-	384
9.2 insurance products	111,136	82,062
9.3 other products	157	157
d) Collection and payment services	3,481	3,992
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	2,845	2,945
j) Other services	1,413	1,221
<i>of which: all-inclusive fees on credit lines</i>	905	378
<b>Total</b>	<b>484,619</b>	<b>404,675</b>

## 2.2 Breakdown of fee expense

	2014	2013 RESTATED
a) Guarantees received	113	114
b) Credit derivatives	-	-
c) Management and brokerage services:	224,484	175,262
1. trading of financial instruments	6,116	6,886
2. currency trading	-	-
3. asset management:	18,518	15,968
3.1 own portfolio	18,518	15,968
3.2 third-party portfolio	-	-
4. custody and administration of securities	1,233	1,052
5. placement of financial instruments	-	-
6. external offer of financial instruments, products and services	198,617	151,356
d) Collection and payment services	2,580	2,724
e) Other services	174	187
<b>Total</b>	<b>227,351</b>	<b>178,287</b>

## Section 3 - Dividends and similar income - Item 70

### 3.1 Breakdown of dividends and similar income

	2014		2013	
	DIVIDENDS	PROCEEDS FROM UCITS UNITS	DIVIDENDS	PROCEEDS FROM UCITS UNITS
A. HFT financial assets	68	58	64	22
B. AFS financial assets	2,444	-	829	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	-	X	-	X
<b>Total</b>	<b>2,512</b>	<b>58</b>	<b>893</b>	<b>22</b>

## Section 4 - Net profit from trading - Item 80

### 4.1 Breakdown of net profit from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSS	LOSS FROM TRADING	NET RESULT 2014	NET RESULT 2013
<b>1. Financial assets</b>	<b>693</b>	<b>809</b>	<b>353</b>	<b>337</b>	<b>812</b>	<b>-6,726</b>
1.1 Debt securities	446	517	97	169	697	-7,842
1.2 Equity securities	10	147	162	131	-136	64
1.3 UCITS units	237	145	94	37	251	1,052
1.4 Loans	-	-	-	-	-	-
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>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>3,482</b>	<b>2,086</b>
<b>4. Derivatives</b>	<b>-</b>	<b>406</b>	<b>134</b>	<b>-</b>	<b>290</b>	<b>2,102</b>
4.1 Financial	-	406	134	-	290	2,102
- On debt securities and interest rates:	-	405	-	-	405	2,103
- interest rate swaps	-	-	-	-	-	8
- government bonds forwards	-	405	-	-	405	2,095
- On equity securities and stock indexes:	-	1	134	-	-133	-
- option	-	1	134	-	-133	-
- futures	-	-	-	-	-	-
- On currency and gold <sup>(1)</sup>	X	X	X	X	18	-1
- Other	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
<b>Total</b>	<b>693</b>	<b>1,215</b>	<b>487</b>	<b>337</b>	<b>4,584</b>	<b>-2,538</b>

(1) It includes currency options and currency outright.

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

### 6.1 Breakdown of gain (loss) from transfer/repurchase

	2014			2013		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
<b>Financial assets</b>						
1. Loans to banks	1,473	-	1,473	1,368	15	1,353
2. Loans to customers	1,647	-	1,647	1,816	1,459	357
3. AFS financial assets	47,056	2,390	44,666	21,577	2,674	18,903
3.1 Debt securities	46,980	2,374	44,606	21,262	2,672	18,590
3.2 Equity securities	76	16	60	110	2	108
3.3 UCITS units	-	-	-	205	-	205
3.4 Loans	-	-	-	-	-	-
4. HTM financial assets	-	-	-	-	10	-10
<b>Total assets</b>	<b>50,176</b>	<b>2,390</b>	<b>47,786</b>	<b>24,761</b>	<b>4,158</b>	<b>20,603</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>

Previous AFS equity reserves transferred back to the profit and loss account are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	8,912	-2,261	6,651
Equity securities	75	-	75
UCITS units	-	-	-
<b>Total</b>	<b>8,987</b>	<b>-2,261</b>	<b>6,726</b>



## Section 8 - Net adjustments/reversal value for impairment - Item 130

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2014	2013
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
<b>A. Loans to banks</b>	-	-	<b>2,807</b>	-	-	-	<b>2,126</b>	<b>-681</b>	<b>-1,058</b>
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	2,807	-	-	-	2,126	-681	-1,058
<b>B. Loans to customers</b>	<b>343</b>	<b>6,256</b>	<b>658</b>	<b>58</b>	<b>38</b>	-	<b>312</b>	<b>-6,849</b>	<b>-3,857</b>
Non-performing loans purchased:	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other loans:	343	6,256	658	58	38	-	312	-6,849	-3,857
- Loans	304	5,968	53	58	38	-	-	-6,229	-3,594
- Operating loans	39	288	-	-	-	-	-	-327	-261
- Debt securities	-	-	605	-	-	-	312	-293	-2
<b>C. Total</b>	<b>343</b>	<b>6,256</b>	<b>3,465</b>	<b>58</b>	<b>38</b>	-	<b>2,438</b>	<b>-7,530</b>	<b>-4,915</b>

Other specific adjustments to loans refer for 4,211 thousand euros to the 10.8 million euros pool loans, granted in 2007 to Investimenti Marittimi S.p.A., a company classified as substandard at the end of 2013. The valuation was based on the fair value at the reporting date of the guarantees received (pledged Premuda shares).

Other write-downs, amounting to 1,757 thousand euros, refer for 561 thousand euros to doubtful loans, for 624 thousand euros to a loan restructured during the year and for the remaining amount (572 thousand euros) to other non-performing positions

(substandard loans, objective substandard loans and loans expired form over 90 days).

During the year, the collective reserve on performing loans was adjusted for 53 thousand euros.

Value adjustments to operating loans primarily refer to write-downs of advances fees to former Financial Advisors.

Portfolio adjustments on debt securities classified under "Loans to customers" (293 thousand euros) and "Loans to banks" (681 thousand euros) refer to the adjustments of the collective reserves allocated to account for contingent impairment on the bond portfolio.

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2014	2013
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	3,035	-	-	-	-	-	-3,035	-1,299
C. UCITS units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
<b>F. Total</b>	-	<b>3,035</b>	-	-	-	-	-	<b>-3,035</b>	<b>-1,299</b>

Value adjustments to equity securities refer for 2,630 thousand euros to the write-down of the unlisted equity investment in Veneto Banca. The impairment loss was recognised on the basis of an independent appraisal, also considering the company's

financial statement results for 2014. The writedown of the equity investment in Simgenia S.p.A., a company of the Generali group that ceased operations at the end of H1 2014, was adjusted for 402 thousand euros.

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2014	2013
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	398	-	-	-	112	-286	141
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to costumers	-	-	-	-	-	-	-	-	-
<b>D. Total</b>	-	-	<b>398</b>	-	-	-	<b>112</b>	<b>-286</b>	<b>141</b>

Portfolio adjustments on debt securities classified under "HTM financial assets" for a net amount of 286 thousand euros refer to

the adjustments of the collective reserve for contingent losses on the bond portfolio.

## 8.4 Breakdown of net adjustments for impairment of other financial transactions

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2014	2013
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Guarantees issued	-	-	144	-	-	-	-	-144	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to grant funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
<b>D. Total</b>	-	-	<b>144</b>	-	-	-	-	<b>-144</b>	-

In July, the share of the contribution owed in relation to the bail-out of the Tercas banking group (1.018 thousand euros) – fully covered by a specific provision for risks recognised in 2013 – was

paid to the Interbank Deposit Protection Fund in accordance with consortium obligations.

## Section 11 - General and administrative expense - Item 180

### Breakdown of general and administrative expense

	2014	2013 RESTATED
a) Staff expenses	74,182	69,483
b) Other general and administrative expense	128,458	105,227
<b>Total</b>	<b>202,640</b>	<b>174,710</b>

## 11.1 Breakdown of staff expense

	2014	2013 RESTATED
<b>1) Employees</b>	<b>72,717</b>	<b>67,755</b>
a) Wages and salaries	40,723	38,442
b) Social security charges	10,379	9,623
c) Termination indemnity	604	574
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	170	220
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	3,146	3,744
- defined contribution	3,146	3,744
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	1,597	476
i) Other employee benefits	16,098	14,676
<b>2) Other staff</b>	<b>163</b>	<b>423</b>
<b>3) Directors and Auditors</b>	<b>1,289</b>	<b>1,300</b>
<b>4 Retired personnel</b>	<b>13</b>	<b>5</b>
<b>Total</b>	<b>74,182</b>	<b>69,483</b>

The payments of shares of accrued post-employment benefits to the INPS Treasury fund, amounting to 369 thousand euros, have been reclassified from item g) Amounts paid to supplementary external pension funds to item c) Termination indemnity.

## 11.2 Average number of employees by category

	2014	2013
<b>Employees</b>	<b>813</b>	<b>797</b>
a) Managers	45	46
b) Total executives	223	208
<i>of which 3<sup>rd</sup> and 4<sup>th</sup> level</i>	133	129
c) Employees at other levels	545	543
<b>Other employees</b>	<b>2</b>	<b>5</b>
<b>Total</b>	<b>815</b>	<b>802</b>

## Breakdown of headcount

	31.12.2014	31.12.2013
<b>Employees</b>	<b>817</b>	<b>809</b>
a) Managers	45	46
b) Total executives	228	217
<i>of which 3<sup>rd</sup> and 4<sup>th</sup> level</i>	135	131
c) Employees at other levels	544	546
<b>Other employees</b>	<b>-1</b>	<b>5</b>
<b>Total</b>	<b>816</b>	<b>814</b>

## 11.4 Other employee benefits

	2014	2013 RESTATED
Short-term productivity bonuses payable (Result-based bonuses, non-deferred MBO Managers' remuneration, etc.)	10,059	8,186
Long-term incentives (Long Term Incentive Plan, deferred MBO managers' remuneration)	1,648	2,916
Post-employment medical care plans	222	700
Charges for staff supplementary pensions	2,557	1,662
Amounts replacing cafeteria indemnities	603	566
Transfer incentives and other indemnities	247	-
Training expenses	514	462
Allowances and charitable gifts	102	140
Other expenses	146	44
<b>Total</b>	<b>16,098</b>	<b>14,676</b>

## 11.5 Breakdown of other general and administrative expenses

	2014	2013 RESTATED
<b>Administration</b>	<b>19,432</b>	<b>13,488</b>
Advertising	3,283	4,090
Consultancy and professional advice expenses	11,576	4,845
Corporate boards and auditing firms	547	469
Insurance	2,814	3,080
Entertainment expenses	338	272
Membership contributions	649	554
Charity	225	178
<b>Operations</b>	<b>32,660</b>	<b>31,114</b>
Rent and usage of premises and management of property	15,867	15,329
Outsourced services (administration, call centre)	5,875	4,627
Post and telephone	2,877	2,953
Print material	1,115	938
Other expenses for sales network management	2,717	2,489
Other expenses and purchases	1,584	2,235
Indirect personnel expenses	2,625	2,543
<b>Information system and equipment</b>	<b>34,726</b>	<b>31,050</b>
Expenses related to outsourced IT services	23,935	21,327
Fees for IT services and databases	5,942	6,090
Software maintenance and servicing	3,279	2,862
Fees for equipment hired and software used	123	151
Other maintenance	1,447	620
<b>Indirect taxation</b>	<b>41,640</b>	<b>29,575</b>
Stamp duty on financial instruments	38,998	28,583
Substitute tax on medium/long-term financial instruments	681	552
Other indirect taxes to be paid by the bank	1,961	440
<b>Total</b>	<b>128,458</b>	<b>105,227</b>

Administrative expense includes non-recurrent charges for the acquisition of the Credit Suisse business line for 4.0 million euros, of which 1.6 million relating to legal and advisory fees and

project PMO, 0.8 for IT and migration expenses and 1.5 for the registration fee paid.

## Section 12 - Net provisions for liabilities and contingencies - Item 190

### 12.1 Breakdown of net provisions for liabilities and contingencies

	2014			2013		
	PROVISIONS	REVERSALS	NET	PROVISIONS	REVERSALS	NET
<b>Provision for risks related to staff expenses</b>	<b>1,109</b>	<b>-1,615</b>	<b>-506</b>	<b>2,619</b>	<b>-2,447</b>	<b>172</b>
<b>Litigation</b>	<b>3,877</b>	<b>-711</b>	<b>3,166</b>	<b>2,816</b>	<b>-42</b>	<b>2,774</b>
Provision for risks related to legal disputes with subscribers	2,192	-	2,192	1,519	-36	1,483
Provision for risks related to legal disputes with advisors	352	-13	339	514	-	514
Provision for risks related to legal disputes with staff	30	-	30	4	-	4
Provision for risks related to legal disputes with other parties	1,303	-698	605	779	-6	773
<b>Provisions for termination indemnity for advisors</b>	<b>11,939</b>	<b>-419</b>	<b>11,520</b>	<b>4,778</b>	<b>-502</b>	<b>4,276</b>
Provision for termination indemnity for Financial Advisors	9,101	-377	8,724	3,097	-476	2,621
Provision for portfolio overfee indemnities	566	-22	544	600	-16	584
Provision for retirement benefit plans	2,272	-20	2,252	1,081	-10	1,071
<b>Provisions for risks related to network incentives</b>	<b>26,279</b>	<b>-737</b>	<b>25,542</b>	<b>11,845</b>	<b>-583</b>	<b>11,262</b>
Provision for risks related to network development incentives	10,836	-532	10,304	5,995	-205	5,790
Provision for deferred bonus	452	-	452	1,172	-198	974
Provisions for managers with access gate	1,766	-	1,766	1,254	-	1,254
Provision for sales incentives	2,289	-	2,289	771	-	771
Provision for travel incentives	2,601	-156	2,445	2,650	-180	2,470
Provision for other fee plans	338	-49	289	3	-	3
Provision for loyalty program	7,997	-	7,997	-	-	-
<b>Other provisions for liabilities and contingencies</b>	<b>1,001</b>	<b>-455</b>	<b>546</b>	<b>4,415</b>	<b>-</b>	<b>4,415</b>
<b>Total</b>	<b>44,205</b>	<b>-3,937</b>	<b>40,268</b>	<b>26,473</b>	<b>-3,574</b>	<b>22,899</b>

Note

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

## Section 13 - Net adjustments/reversal value of property and equipment - Item 200

### 13.1 Breakdown of net adjustments of property and equipment

	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2014	NET RESULT 2013 RESTATED
<b>A. Property and equipment</b>					
A.1 Owned:	1,423	-	-	1,423	1,695
- operating	1,423	-	-	1,423	1,695
- investment	-	-	-	-	-
A.2 Leased:	-	-	-	-	-
- operating	-	-	-	-	-
- investment	-	-	-	-	-
<b>Total</b>	<b>1,423</b>	<b>-</b>	<b>-</b>	<b>1,423</b>	<b>1,695</b>

## Section 14 - Net adjustments/reversals value of intangible assets - Item 210

### 14.1 Breakdown of net adjustments of intangible assets

	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2014	NET RESULT 2013 RESTATED
<b>A. Property and equipment</b>					
A.1 Owned:	2,997	-	-	2,997	3,351
- generated in-house	-	-	-	-	-
- other	2,997	-	-	2,997	3,351
A.2 Leased	-	-	-	-	-
<b>Total</b>	<b>2,997</b>	<b>-</b>	<b>-</b>	<b>2,997</b>	<b>3,351</b>



## Section 15 - Other operating income and expenses - Item 220

### 15.1 Breakdown of other operating expenses

	2014	2013 RESTATED
Adjustments of leasehold improvements	1,257	785
Write-downs on other assets	70	671
Indemnities and compensation for litigation and claims	331	240
Indemnities and compensation	1,293	-
Charges from accounting adjustments with customers	388	523
Charges for card compensation and guarantees	25	41
Costs associated with tax penalties and disputes	38	14
Other contingent liabilities and non-existent assets	217	366
Other operating expenses	-	16
Consolidation adjustments	-31	-
<b>Total</b>	<b>3,588</b>	<b>2,656</b>

Other charges related to the acquisition of the former Credit Suisse business unit refer to a penalty paid to the counterparty for the recruitment of Credit Suisse personnel not included in business unit.

### 15.2 Breakdown of other operating income

	2014	2013 RESTATED
Recovery of taxes from customers	39,046	28,706
Recovery of expenses from customers	480	467
Recovery of portfolio valorisation overcommission	1,015	979
Indemnities for advisors' notices	188	308
Other recoveries of repayments and costs from advisors	816	843
Contingent assets - staff expense	856	1,044
Other contingent assets and non-existent liabilities	1,091	928
Insurance compensation and indemnities	102	134
Fees for outsourcing services	888	236
Other income	372	178
Consolidation adjustments	-	-
<b>Total</b>	<b>44,854</b>	<b>33,823</b>
<b>Total other net income</b>	<b>41,266</b>	<b>31,167</b>

## Section 19 - Gains (losses) from disposal of investments - Item 270

### 19.1 Breakdown of gains (losses) from disposal of investments

	2014	2013
A. Buildings	-	-
Gains from disposal	-	-
Losses from disposal	-	-
B. Other assets	-18	-4
Gains from disposal	-	-
Losses from disposal	18	4
<b>Net result</b>	<b>-18</b>	<b>-4</b>

## Section 20 - Income tax for the year for current operations - Item 290

### 20.1 Breakdown of income tax for the year for current operations

	2014	2013 RESTATED
1. Current taxation (-)	-50,509	-50,189
2. Change in prior years current taxes	1,479	1,015
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction of current taxes arising on tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	4,260	558
5. Changes of deferred taxation (+/-)	486	351
<b>6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)</b>	<b>-44,284</b>	<b>-48,265</b>

### 20.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes for the year, including both current and deferred taxes, as set out in item 260 of the Profit and Loss Account, and the theoretical corporate income tax IRES determined by applying the 27.5% current applicable tax rate to pre-tax profit.

The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credi-

ted to the P&L account compared to the theoretical taxation. Taxes for previous years also include 401 thousand euros for the refund of IRES (corporate income tax) for the IRAP (regional production tax) 10% one-off deduction, for which the company filed a claim in 2009 pursuant to Legislative Decree No. 185/08. For this receivable, no tax income had been recognized in 2009, like on the contrary had been recognized for the claim regarding the IRAP deduction for personnel.

	2014	2013 RESTATED	2013 RESTATED	CHANGE
<b>Current taxation</b>	<b>-50,509</b>	<b>-50,189</b>	<b>-50,189</b>	<b>-320</b>
IRES and equivalent foreign direct taxes	-38,677	-41,520	-41,520	2,843
<i>of which: IRES surtax</i>	-	-6,646	-6,646	6,646
IRAP	-11,830	-8,667	-8,667	-3,163
Other	-2	-2	-2	-
<b>Prepaid and deferred taxation</b>	<b>4,746</b>	<b>909</b>	<b>909</b>	<b>3,837</b>
IRES	3,753	821	821	2,932
IRAP	993	88	88	905
<b>Taxes of prior years</b>	<b>1,479</b>	<b>1,015</b>	<b>1,015</b>	<b>464</b>
IRES	1,042	1,024	1,024	18
IRAP	437	-9	-9	446
<b>Income taxes</b>	<b>-44,284</b>	<b>-48,265</b>	<b>-48,265</b>	<b>3,981</b>
		WITHOUT SURTAX	WITH SURTAX	
Theoretical tax rate	27.50%	27.50%	36.00%	-
Current profit (loss) before taxation	202,138	189,645	189,645	12,493
<b>Theoretical taxation</b>	<b>-55,588</b>	<b>-52,152</b>	<b>-68,272</b>	<b>-3,436</b>
<b>Non-taxable income (+)</b>				
Dividends from AFS equity investments with 95% exemption	639	217	284	422
ACE	677	616	807	61
IRAP deductible from the cost of labour and other	753	1,435	1,879	-682
<b>Non-deductible charges (-)</b>				
Double taxation on 5% of Group's dividends	-1,686	-781	-1,023	-905
Non-deductible interest expense (4%)	-118	-250	-327	132
Impairment of AFS equity securities PEX	-834	-358	-468	-476
Other non-deductible costs	-1,576	-1,913	-2,504	337
IRES surtax	-	-6,646	-	6,646
IRAP	-10,400	-8,588	-8,588	-1,812
Rate change of companies under foreign law	22,493	19,168	28,907	3,325
Taxes of prior years	1,042	1,024	1,024	18
Other taxes	-2	-2	-2	-
Not related deferred tax assets and liabilities	316	-30	-30	346
Other consolidation adjustments	-	-5	48	5
<b>Actual tax expense</b>	<b>-44,284</b>	<b>-48,265</b>	<b>-48,265</b>	<b>3,981</b>
<b>Total actual tax rate</b>	<b>21.9%</b>	<b>25.5%</b>	<b>25.5%</b>	<b>-3.5%</b>
<b>Actual tax rate (IRES only)</b>	<b>16.8%</b>	<b>20.9%</b>	<b>20.9%</b>	<b>-4.2%</b>
<b>Actual tax rate (IRAP only)</b>	<b>5.1%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>0.6%</b>
<b>Actual tax rate (IRES only) without surtax</b>	<b>16.8%</b>	<b>17.4%</b>	<b>17.4%</b>	<b>-0.7%</b>

## Section 21 - Income (loss) of disposal groups, net of taxes - Item 310

### 21.1 Breakdown of income (loss) of disposal groups, net of taxes

	2014	2013 RESTATED
1. Income	-	6,397
2. Charges	-	-1,883
3. Measurement of groups of assets available for sale and associated liabilities	-	-
4. Gains (losses) on disposal	4,208	-
5. Taxes and duties	-1,157	47
<b>Net profit (Loss)</b>	<b>3,051</b>	<b>4,561</b>

Realisation gains refer to the disposal of the equity investment in BG Dragon Sicav, an UCITS launched by BG FM Luxembourg S.A. in H2 2013 in which Banca Generali had underwritten 80,810 class A shares in the start-up phase. The investment was a shareholding in a subsidiary company held for sale and was accordingly classified pursuant to IFRS 5 and subjected to the related accounting treatment. The divestment was made in accordance with the above-mentioned IFRS 5 and generated a significant gain thanks to the high appreciation of the Chinese share market over the last quarter of the year.

In the (restated) Profit and Loss account at 31 December, net income of assets held for sale, amounting to 4,561 thousand euros, refers to the following:

- a) a) for 4,685 thousand euros to former GIL business unit, demerged by the subsidiary BGFm, in relation with the unit of the company responsible for managing funds/Sicavs distributed by the Generali Group's insurance companies;
- a) b) for -124 thousand euros to the banking operations of BG Dragon, associated with the class A shares held by Banca Generali.

INCOME COMPONENTS/VALUES	BG DRAGON	GFM'S FORMER GIL BUSINESS UNIT	TOTAL
Interest income	13	2	15
Interest expense	-	-2	-2
Dividends	25	-	25
Net profit (loss) from trading operations	-1,015	-	-1,015
Result of the measurement of HFT financial liabilities (redeemable shares)	1,503	-	1,503
Fee income	-	34,491	34,491
Fee expense	-334	-26,357	-26,691
Staff expenses	-	-2,020	-2,020
General and administrative expense	-363	-960	-1,323
Value adjustments	-	-26	-26
Other income and expenses	-	134	134
Current taxation	47	-577	-530
<b>Net profit (Loss)</b>	<b>-124</b>	<b>4,685</b>	<b>4,561</b>

## Section 22

### 22.1 Breakdown of Item 330 - Minority interests (+/-) for the year

	2014	2013
Generali Fund Management S.A. (GFM)	-	4,685
<b>Profit attributable to minority interests</b>	<b>-</b>	<b>4,685</b>

## Section 24

### 24.1 Average number of ordinary shares after dilution

	2014	2013
Net profit for the year (€ thousand)	160,905	141,256
Net profit attributable to ordinary shares (€ thousand)	160,905	141,256
Average number of outstanding shares (thousand)	115,427	114,124
<b>EPS - Earnings per Share (euros)</b>	<b>1.394</b>	<b>1.238</b>
Average number of outstanding shares diluted capital (thousand)	116,039	115,648
<b>EPS - Diluted earnings per share (euros)</b>	<b>1.387</b>	<b>1.221</b>

## PART D - COMPREHENSIVE INCOME

### Analytical statement of comprehensive consolidated income

ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
<b>10. Net profit (loss) for the year</b>	<b>X</b>	<b>X</b>	<b>160,905</b>
<b>Other components of income without reversal to profit and loss</b>			
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	-618	170	-448
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves of investments valued at equity	-	-	-
<b>Other components of income with reversal to profit and loss</b>			
<b>70. Hedges of foreign investments:</b>	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
c) Other changes	-	-	-
<b>80. Exchange differences:</b>	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
c) Other changes	-	-	-
<b>90. Cash-flow hedges:</b>	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
c) Other changes	-	-	-
<b>100. AFS financial assets:</b>	<b>18,986</b>	<b>-6,015</b>	<b>12,971</b>
a) Fair value changes	25,708	-8,161	17,547
b) Transfer to Profit and Loss Account:	-6,722	2,142	-4,580
- Adjustments due to impairment	2	-	2
- Gains (losses) on disposal	-6,724	2,142	-4,582
c) Other changes	-	4	4
<b>110. Non-current assets held for sale:</b>	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account	-	-	-
c) Other changes	-	-	-
<b>120. Share of valuation reserves of investments valued at equity:</b>	-	-	-
a) Fair value changes	-	-	-
b) Transfer to Profit and Loss Account:	-	-	-
- Adjustments due to impairment	-	-	-
- Gains (losses) on disposal	-	-	-
c) Other changes	-	-	-
<b>130. Total other income</b>	<b>18,368</b>	<b>-5,845</b>	<b>12,523</b>
<b>140. Comprehensive income (Item 10 + 130)</b>	<b>-</b>	<b>-</b>	<b>173,428</b>
150. Consolidated comprehensive income attributable to Minority Interests	-	-	-
<b>160. Consolidated comprehensive income attributable to the Parent Company</b>	<b>-</b>	<b>-</b>	<b>173,428</b>

## PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

### Foreword

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework (RAF).

In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:

- the efficiency and effectiveness of work processes;
- the safety of the company's assets and protection against losses;
- the reliability and integrity of accounting and operating information;
- operational compliance with the law and supervisory regulations;
- policies, plans, regulations and internal procedures; and
- the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with national and international best practices, minimising the risks of inefficiency, overlapping of roles and sub-optimal system performance. The system is structured on three different levels:

- first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
- second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  - Risk Management Service: it is tasked with identifying, measuring/evaluating and monitoring all the types of assumed or assumable risks to which the Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies;
  - Compliance Service: it is tasked with verifying the observance of obligations relating to the provision of services

for Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;

- Anti Money Laundering Service: it is responsible, within the Banking Group, for preventing and combating transactions involving money laundering and financing of terrorism;
- third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

It should be noted that, in May 2013, in order to guarantee:

- the establishment of a single, integrated organisation responsible for the control of all company risks, in view of operating efficiency;
- adequate hierarchical positioning of the heads of risk control and legal compliance functions, reporting directly to the management body or the strategic supervision body;

the following were established:

- the Governance and Company Risk Area, which directly reports to the Chief Executive Officer;
- the Company Risk Department (within the above-mentioned Area), which is responsible for coordinating activities associated with compliance assessment, anti-money laundering and risk management functions.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, Chief Executive Officer, control body and independent auditors (who are responsible for accounting control):

- the Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code of Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory

- ry duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal control and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;
- the Risk Committee, which is vested with specific responsibility for monitoring the Group's risks, managing risk

containment measures, as well as decision-making powers for identifying and implementing risk containment measures;

- the Supervisory Body, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
- the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

## Section 1 - Credit Risk

### Qualitative information

#### 1. General aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.

In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.

The bank's exposure to credit risk mainly arises from its loans to customers (both corporate and retail), financial instruments held in portfolios measured at amortised cost and AFS portfolios, and investments in the money market (interbank deposits).

Loans are issued to high-standing retail customers (mainly individuals), generally with collaterals, and, to a lesser extent, to corporate customers to whom loans, almost totally backed by collaterals on financial instrument, were issued during 2014.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at individuals.

With regard to credit risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali

S.p.A. that assign specific responsibilities to each company unit involved.

The Group has defined an extensive system of powers and limits associated with loan authorisation. In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In order to supervise the loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.

First-tier control activities are conducted by the Lending Department and the Finance Department, the latter being responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.

The Risk Management Service is responsible for second-tier controls and monitors the performance of each loan position – and non-performing loans in particular – assessing the consistency of classifications, the fairness of provisions and the appropriateness of credit collection process.

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

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in



response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

## 2. Credit risk management policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Procedures.

In addition to issuing loans, the Lending Department is also charged with credit managing and first-tier control, with a special focus on the performance of doubtful loans.

With reference to adoption of IASs/IFRSs, Banca Generali applied what has been developed in the Basel 2 framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are negligible.

### Credit risk mitigation techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.

Collaterals can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collaterals are in the form of securities, a discount is usually applied upon disbursement of the loan and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee (indemnity) provided by BSI S.A. for the entire loan portfolio

originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008, which concerns a residual class of out-of-pocket loans (not classified as bad loans yet) for an amount of approximately 19.1 million euros.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity was maintained for those positions managed with the aim of recovery and those positions that showed a default event for which payment of the indemnity was requested from the guarantor, BSI S.A.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

### Non-performing financial assets

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.

Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

The problem loans category includes a significant set of positions originating with Banca del Gottardo Italia and guaranteed by indemnities, which, as illustrated above, entail an absence of risks for the Bank. The set of positions guaranteed by indemnities accounts for almost 69% of total non-performing financial assets. If this category is excluded, the amount of loans classified as non-performing, net of impairment losses, accounts for an absolutely marginal percentage of total loans to customers (approximately 0.72%).

Doubtful receivables of a significant amount referring to Banca del Gottardo Italia's costumers and guaranteed by indemnity issued by the seller BSI S.A. are not effectively a credit risk for the Bank, and therefore no adjustments were made.

## Quantitative information

### A. Credit quality

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

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITs.

##### A.1.1 Breakdown of financial assets by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	NON-PERFORMING, EXPIRED EXPOSURES	PERFORMING, EXPIRED EXPOSURES	OTHER ASSETS	TOTAL
1. HFT financial assets	-	-	-	-	-	25,449	25,449
2. AFS financial assets	-	-	-	-	-	2,184,209	2,184,209
3. HTM financial assets	-	-	-	-	-	1,403,123	1,403,123
4. Loans to banks	-	-	-	-	-	285,620	285,620
5. Loans to customers	14,942	18,394	1,223	5,888	21,266	1,733,246	1,794,959
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
<b>Total at 31 December 2014</b>	<b>14,942</b>	<b>18,394</b>	<b>1,223</b>	<b>5,888</b>	<b>21,266</b>	<b>5,631,647</b>	<b>5,693,360</b>
<b>Total at 31 December 2013</b>	<b>19,449</b>	<b>15,221</b>	<b>981</b>	<b>8,743</b>	<b>40,154</b>	<b>6,252,761</b>	<b>6,337,309</b>

**A.1.2 Breakdown of loans by portfolio and credit quality (gross and net amounts)**

PORTFOLIOS/QUALITY	NON-PERFORMING LOANS			PERFORMING LOANS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. HFT financial assets	-	-	-	X	X	25,449	25,449
2. AFS financial assets	-	-	-	2,184,209	-	2,184,209	2,184,209
3. HTM financial assets	-	-	-	1,403,564	441	1,403,123	1,403,123
4. Loans to banks	-	-	-	289,251	3,631	285,620	285,620
5. Loans to customers	62,453	22,006	40,447	1,756,796	2,284	1,754,512	1,794,959
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
<b>Total at 12.31.2014</b>	<b>62,453</b>	<b>22,006</b>	<b>40,447</b>	<b>5,633,820</b>	<b>6,356</b>	<b>5,652,913</b>	<b>5,693,360</b>
<b>Total at 31.12.2013</b>	<b>63,066</b>	<b>18,672</b>	<b>44,394</b>	<b>6,080,181</b>	<b>5,442</b>	<b>6,292,915</b>	<b>6,337,309</b>

**A.1.2.1 Breakdown of performing loans by portfolio**

PORTFOLIOS/MATURITY EXPIRED	FORBORNE EXPOSURES RENEGOTIATED AS ALLOWED BY THE INDIVIDUAL BANK					TOTAL FORBORNE (NET EXPOSURE)	TOTAL FORBORNE (ADJUST- MENTS)	OTHER EXPOSURES					TOTAL (NET EXPOSURE)
	EXPIRED FOR UP TO 3 MONTHS	EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS	EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR	EXPIRED FOR OVER 1 YEAR	NOT EXPIRED			EXPIRED FOR UP TO 3 MONTHS	EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS	EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR	EXPIRED FOR OVER 1 YEAR	NOT EXPIRED	
1. HFT financial assets	-	-	-	-	-	-	-	-	-	-	-	25,449	25,449
2. AFS financial assets	-	-	-	-	-	-	-	-	-	-	-	2,184,209	2,184,209
3. HTM financial assets	-	-	-	-	-	-	-	-	-	-	-	1,403,123	1,403,123
4. Loans to banks	-	-	-	-	-	-	-	-	-	-	-	285,620	285,620
5. Loans to customers	-	-	-	-	51	51	-	20,302	581	298	85	1,733,195	1,754,512
6. Financial assets at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total at 12.31.2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>51</b>	<b>-</b>	<b>20,302</b>	<b>581</b>	<b>298</b>	<b>85</b>	<b>5,631,596</b>	<b>5,652,913</b>
<b>Total at 31.12.2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,735</b>	<b>858</b>	<b>1,323</b>	<b>239</b>	<b>6,252,760</b>	<b>6,292,915</b>

Banca Generali's loan portfolio does not include exposures renegotiated under collective agreements such as the Italian Banking Association-Ministry for the Economy and Finances agreement (ABI-MEF agreement). Other past-due performing exposures include also positions past due or expired by more than 90 days, for

which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted.

In almost all cases, these are positions guaranteed by pledges of securities found to be expired on the reporting date and currently being repaid.

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

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
<b>A. Cash exposure</b>				
a) Bad loans	-	-	-	-
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Non performing, expired loans	-	-	-	-
b) Other assets	476,570	X	3,719	472,851
<b>Total A</b>	<b>476,570</b>	<b>-</b>	<b>3,719</b>	<b>472,851</b>
<b>B. Off-balance sheet exposure</b>				
a) Non-performing loans	-	-	-	-
b) Other	2,114	X	-	2,114
<b>Total B</b>	<b>2,114</b>	<b>-</b>	<b>-</b>	<b>2,114</b>

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans. Off-balance sheet exposures include all financial transactions

other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

**A.1.4 Cash exposure with banks: changes in gross non-performing loans**

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
<b>A. Gross exposure at year-start</b>	<b>1,983</b>	-	-	-
- of which: positions transferred but not written off		-	-	-
<b>B. Increases</b>	-	-	-	-
B.1 Inflows from performing loans	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
<b>C. Decreases</b>	<b>1,983</b>	-	-	-
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	1,983	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	-	-	-
C.6 Other decreases	-	-	-	-
<b>D. Gross exposure at year-end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- of which: positions transferred but not written off	-	-	-	-

**A.1.5 Cash exposure with banks: changes in total adjustments**

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
<b>A. Total adjustments at year-start</b>	<b>1,943</b>	-	-	-
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	-	-	-	-
B.1 Adjustments	-	-	-	-
B.1bis Losses from disposal	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
<b>C. Decreases</b>	<b>1,943</b>	-	-	-
C.1 Reversal of adjustments	-	-	-	-
C.2 Reversal of collections	1,943	-	-	-
C.2bis Gains from disposal	-	-	-	-
C.3 Write-offs	-	-	-	-
C.4 Transfer to other categories of non-performing loans	-	-	-	-
C.5 Other decreases	-	-	-	-
<b>D. Total adjustments at year-end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- of which: positions transferred but not written off	-	-	-	-

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

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
<b>A. Cash exposure</b>				
a) Bad loans	28,589	13,647	-	14,942
b) Substandard loans	25,682	7,288	-	18,394
c) Restructured loans	1,847	624	-	1,223
d) Expired loans	6,335	447	-	5,888
b) Other assets	5,178,876	-	2,636	5,176,240
<b>Total A</b>	<b>5,241,329</b>	<b>22,006</b>	<b>2,636</b>	<b>5,216,687</b>
<b>B. Off-balance sheet exposure</b>				
a) Non-performing loans	35,147	-	-	35,147
b) Other	89,453	-	-	89,453
<b>Total B</b>	<b>124,600</b>	<b>-</b>	<b>-</b>	<b>124,600</b>

Cash exposures to customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

### Bad loans

Net bad loans amounted to 14.9 million euros, net of 13.7 million euros of adjustments. They refer to loans to former Banca del Gottardo Italia's customers guaranteed by indemnity for 14.3 million euros (net of 11.8 million euros of prior adjustments).

Therefore, net bad loans to remaining ordinary customers amounted to 0.5 million euros, or slightly above 5%.

In the reporting year, this aggregate generated inflows for 6.7 million euros, mainly regarding the closing-out of positions guaranteed by indemnity. Transfers from other categories of non-performing loans also included 1.0 million euros for a position guaranteed by indemnity and previously classified amongst restructured loans.

### Substandard loans

At 31 December 2014, the aggregate mainly includes:

- exposures for a gross amount of 13,936 thousand euros attributable to customers of the former Banca del Gottardo Italia, guaranteed by indemnities and thus with no risk of loss to the Bank;
- pool loan granted to Investimenti Marittimi S.p.A. and amounting to 10.8 million euros (18% of total loan); the position is guaranteed by pledges of Premuda's listed shares and underwent individual impairment loss of 6.7 million euros (62.7%);
- a net amount of 266 thousand euros for other exposures backed by collateral, in particular real-estate mortgages with late payments;
- 162 thousand euros for net exposures referring to 492 positions with average balance below 500 euros.

The increase in this aggregate was mainly attributable to the transfer of expired positions guaranteed by indemnity, amounting to 8.0 million euros.

Exposure to Investimenti Marittimi is analysed in greater detail in Part H of the Notes and Comments, inasmuch as it qualifies as related party transaction.

### Restructured loans

At 31 December 2014, this aggregate was comprised of a single corporate loan for a gross amount of 1,847 thousand euros, which is already subject to a repayment plan. During the year, the terms concerning the remaining portion of the loan were further renegotiated. The position is not backed by guarantees and was written down by 624 thousand euros.

In 2013, this category included also another indemnity-backed restructured loan, which was transferred to the bad loan category following the authorisation of liquidation through a composition with creditors procedure. A contractual guarantee was consequently issued for this position.

### Non-performing, expired exposures

At year-end, the aggregate amounted to 6,335 thousand euros, showing an increase due to the following exposures:

- a guaranteed loan for which renewal of the credit line was postponed to early 2015 (1,947 thousand euros);
- an expired exposure due to a succession procedure (1,403 thousand euros), repaid in early 2015;
- four exposures with collateral (almost fully pledged), currently being managed for recovery (2,483 thousand euros).

Exposures guaranteed by indemnity – which were recognised in 2013 in the amount of 8,091 thousand euros – have been entirely reclassified as substandard loans.

The aggregate was subject to adjustments for 447 thousand euros overall.

**Non-performing loans within off-balance sheet exposures** include 31,866 thousand euros for the exposure to the company Cooperative Operaie di Trieste Istria e Friuli, classified as substandard loans. This exposure refers for 31,550 thousand euros to the guarantee in favour of lending members of the cooperative which was granted to back 30% of the loan from the said members pursuant to current laws (Resolution CICR 19 July 2005).

On 14 October 2014, this company was put under temporary receivership by the Court of Trieste. It subsequently filed request for admission to the pre-composition procedure (with blank option), which is still pending authorisation by the Court.

The guarantee formally expired on 31 December 2014 and can only be executed if and when the company is authorised to start the pre-composition procedure entailing the transfer of assets. However, the guarantee is entirely covered by a pledge on a Cooperative's portfolio under management by the Banca Generali. Therefore, there is not any effective credit risk for the Bank. A further guarantee of 315 thousand euros, also backed by a pledge on securities, will expire at the end of February 2015.

The aggregate is also comprised of exposures in the amount of 3,068 thousand euros, attributable to the indemnity-backed portfolio and for the remaining portion by two guaranteed loans already regulated in early 2015.

**A.1.7 Cash exposure with customers: changes in gross non-performing loans**

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
<b>A. Gross exposure at year-start</b>	<b>32,714</b>	<b>18,579</b>	<b>981</b>	<b>8,809</b>
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>2,789</b>	<b>9,689</b>	<b>1,999</b>	<b>6,335</b>
B.1 Inflows from non-performing loans	856	453	1,999	6,335
B.2 Transfers from other categories of non-performing loans	1,447	8,150	-	-
B.3 Other increases	486	1,086	-	-
- of which: business combinations	-	-	-	-
<b>C. Decreases</b>	<b>6,914</b>	<b>2,586</b>	<b>1,133</b>	<b>8,809</b>
C.1 Outflows to performing loans	-	7	-	469
C.2 Write-offs	41	-	-	-
C.3 Repayments	6,873	2,125	164	112
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	400	969	8,228
C.6 Other decreases	-	54	-	-
<b>D. Gross exposure at year-end</b>	<b>28,589</b>	<b>25,682</b>	<b>1,847</b>	<b>6,335</b>
- of which: positions transferred but not written off	-	-	-	-

**A.1.8 Cash exposure with customers: changes in total adjustments**

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
<b>A. Total adjustments at year-start</b>	<b>13,305</b>	<b>3,358</b>	<b>-</b>	<b>66</b>
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>928</b>	<b>4,615</b>	<b>624</b>	<b>447</b>
B.1 Adjustments	561	4,604	624	447
B.1 bis Losses from disposal	-	-	-	-
B.2 Transfers from other categories of non-performing loans	202	11	-	-
B.3 Other increases	165	-	-	-
- of which: business combinations	-	-	-	-
<b>C. Decreases</b>	<b>586</b>	<b>685</b>	<b>-</b>	<b>66</b>
C.1 Reversal of adjustments	97	35	-	-
C.2 Reversal of collections	311	448	-	55
C.2 bis Gains from disposal	-	-	-	-
C.3 Write-offs	41	-	-	-
C.4 Transfer to other categories of non-performing loans	-	202	-	11
C.5 Other decreases	137	-	-	-
<b>D. Total adjustments at year-end</b>	<b>13,647</b>	<b>7,288</b>	<b>624</b>	<b>447</b>
- of which: positions transferred but not written off	-	-	-	-

Besides the exposures included in the previous tables, other non-performing loans recognised in the Financial Statements amounted to 791 thousand euros, attributable to operating

receivables not involving loans, mostly relating to disputes and pre-dispute positions against former Financial Advisors (terminated or expired contracts).

OPERATING RECEIVABLES ARISING ON LITIGATION	GROSS	WRITE-DOWNS	NET
FAs, former SIM, arising on litigation	14	-14	-
FA litigation	2,215	-1,539	676
Advances to FAs	215	-103	112
INA agents	813	-813	-
Write-downs of receivables to FAs	3,257	-2,469	788
Write-downs of operating receivables	222	-219	3
<b>Total write-downs</b>	<b>3,479</b>	<b>-2,688</b>	<b>791</b>

**A.2 Classification based on internal and external ratings**

The Banking Group Banca Generali has not yet defined an internal rating system for evaluating its customers' credit standing.

The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.



**A.2.1 Cash and off-balance sheet exposures, broken down by external rating classes**

EXPOSURES	EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
HFT financial assets	-	-	6,297	-	-	-	15,330	21,627
AFS financial assets	-	18,699	2,116,435	36,617	7,407	5,051	-	2,184,209
HTM financial assets	5,930	15,626	1,371,767	9,800	-	-	-	1,403,123
Loans to customers	-	2,497	32,848	-	-	-	1,759,614	1,794,959
Loans to banks	-	16,988	55,979	66,193	8,944	-	137,516	285,620
<b>A. Cash exposure</b>	<b>5,930</b>	<b>53,810</b>	<b>3,583,326</b>	<b>112,610</b>	<b>16,351</b>	<b>5,051</b>	<b>1,912,460</b>	<b>5,689,538</b>
Financial derivatives	-	-	-	-	-	-	3,822	3,822
Credit derivatives	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,822</b>	<b>3,822</b>
<b>C. Guarantees issued</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,127</b>	<b>119,127</b>
<b>D. Commitment to disburse funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,764</b>	<b>3,764</b>
<b>E. Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,930</b>	<b>53,810</b>	<b>3,583,326</b>	<b>112,610</b>	<b>16,351</b>	<b>5,051</b>	<b>2,039,173</b>	<b>5,816,251</b>

**A.3 Breakdown of guaranteed loans by type of guarantee****A.3.2 Guaranteed exposure with customers**

	LOAN AMOUNT	COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2) - SURETIES				TOTAL (1) + (2)	
		BUILDINGS	SECURITIES	OTHER ASSETS	TOTAL	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	OTHER ENTITIES		
<b>1. Guaranteed cash exposure:</b>	<b>1,563,946</b>	<b>564,245</b>	<b>902,690</b>	<b>660,938</b>	<b>2,127,873</b>	<b>-</b>	<b>-</b>	<b>573</b>	<b>15,070</b>	<b>15,643</b>	<b>2,143,516</b>
1.1 Totally guaranteed	1,467,784	562,897	862,840	638,352	2,064,089	-	-	573	14,531	15,104	2,079,193
- of which: non-performing	30,915	40,831	6,856	2,338	50,025	-	-	-	4,363	4,363	54,388
1.2 Partially guaranteed	96,162	1,348	39,850	22,586	63,784	-	-	-	539	539	64,323
- of which: non-performing	5,634	-	4,394	1,707	6,101	-	-	-	6	6	6,107
<b>2. Guaranteed off-balance sheet exposures:</b>	<b>117,607</b>	<b>602</b>	<b>106,841</b>	<b>20,712</b>	<b>128,155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,617</b>	<b>1,617</b>	<b>129,772</b>
2.1 Totally guaranteed	105,479	518	100,765	19,591	120,874	-	-	-	1,542	1,542	122,416
- of which: non-performing	32,987	310	33,435	198	33,943	-	-	-	68	69	34,012
2.2 Partially guaranteed	12,128	84	6,076	1,121	7,281	-	-	-	75	75	7,356
- of which: non-performing	2,000	-	106	127	233	-	-	-	-	-	233

## B. Breakdown and Concentration of Loans

### B.1 Sector breakdown of cash and off-balance sheet credit exposure to customers

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
<b>A. Cash exposure</b>	-	-	-
<b>1. Government and Central Banks</b>	<b>3,349,793</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	3,349,793	-	-
<b>2. Other public institutions</b>	<b>2,497</b>	-	<b>3</b>
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	2,497	-	3
<b>3. Financial companies</b>	<b>190,766</b>	<b>182</b>	<b>604</b>
a. Bad loans	-	102	-
b. Substandard loans	129	80	-
c. Restructured loans	-	-	-
d. Expired loans	7	-	-
e. Other loans	190,630	-	604
<b>4. Insurance companies</b>	<b>11,821</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	11,821	-	-
<b>5. Non-financial companies</b>	<b>496,008</b>	<b>19,386</b>	<b>2,029</b>
a. Bad loans	9,621	11,866	-
b. Substandard loans	16,437	6,781	-
c. Restructured loans	1,223	624	-
d. Expired loans	2,116	115	-
e. Other loans	466,611	-	2,029
<b>6. Other entities</b>	<b>1,165,802</b>	<b>2,438</b>	-
a. Bad loans	5,321	1,679	-
b. Substandard loans	1,828	426	-
c. Restructured loans	-	-	-
d. Expired loans	3,765	333	-
e. Other loans	1,154,888	-	-
<b>Total A - Cash exposure</b>	<b>5,216,687</b>	<b>22,006</b>	<b>2,636</b>

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
<b>B. Off-balance sheet exposure</b>	-	-	-
<b>1. Government and Central Banks</b>	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
<b>2. Other public institutions</b>	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
<b>3. Financial companies</b>	<b>1,361</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	1,361	-	-
<b>4. Insurance companies</b>	<b>2,000</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	2,000	-	-
<b>5. Non-financial companies</b>	<b>94,720</b>	-	-
a. Bad loans	68	-	-
b. Substandard loans	34,866	-	-
c. Other non-performing loans	113	-	-
d. Other loans	59,673	-	-
<b>6. Other entities</b>	<b>26,519</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	100	-	-
c. Other non-performing loans	-	-	-
d. Other loans	26,419	-	-
<b>Total B - Off-balance sheet exposure</b>	<b>124,600</b>	-	-

## Summary

	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
Governments and Central Banks	3,349,793	-	-
Public institutions	2,497	-	3
Financial companies	192,127	182	604
Insurance companies	13,821	-	-
Non-financial companies	590,728	19,386	2,029
Other entities	1,192,321	2,438	-
<b>Overall total (A + B) at 31.12.2014</b>	<b>5,341,287</b>	<b>22,006</b>	<b>2,636</b>

## B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
<b>A. Cash exposure</b>										
A.1 Bad loans	14,942	13,085	-	562	-	-	-	-	-	-
A.2 Substandard loans	18,392	7,287	2	1	-	-	-	-	-	-
A.3 Restructured loans	1,223	624	-	-	-	-	-	-	-	-
A.4 Expired loans	5,888	447	-	-	-	-	-	-	-	-
A.5 Other exposure	5,062,933	2,343	102,581	293	10,323	-	403	-	-	-
<b>Total A</b>	<b>5,103,378</b>	<b>23,786</b>	<b>102,583</b>	<b>856</b>	<b>10,323</b>	<b>-</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet exposure</b>										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	34,966	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	113	-	-	-	-	-	-	-	-	-
B.4 Other exposure	88,285	-	1,168	-	-	-	-	-	-	-
<b>Total B</b>	<b>123,432</b>	<b>-</b>	<b>1,168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2014</b>	<b>5,226,810</b>	<b>23,786</b>	<b>103,751</b>	<b>856</b>	<b>10,323</b>	<b>-</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2013</b>	<b>5,825,577</b>	<b>18,535</b>	<b>88,877</b>	<b>544</b>	<b>6,093</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>

## B.3 Geographical breakdown of cash and off-balance sheet credit exposure to banks (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
<b>A. Cash exposure</b>										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	403,136	3,713	41,035	6	28,680	-	-	-	-	-
<b>Total A</b>	<b>403,136</b>	<b>3,713</b>	<b>41,035</b>	<b>6</b>	<b>28,680</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet exposure</b>										
B. Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	249	-	1,865	-	-	-	-	-	-	-
<b>Total B</b>	<b>249</b>	<b>-</b>	<b>1,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2014</b>	<b>403,385</b>	<b>3,713</b>	<b>42,900</b>	<b>6</b>	<b>28,680</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2012</b>	<b>380,122</b>	<b>3,082</b>	<b>54,859</b>	<b>1,953</b>	<b>1,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## B.4 Big risks (as per surveillance regulations)

The Regulation (EU) No. 575/2013 (CRR) and the Directive No. 2013/36/EU (CRD IV), published on the Official Journal of the European Union on 27 June 2013, enacted the new rules defined by the Basel Committee on banking supervision. On 17 December 2013, the Bank of Italy applied the above provisions by issuing Circular Letter No. 285 "New Prudential Supervisory Provisions Concerning Banks" - further amended in 2014 - and Circular Letter No. 286 "Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies". In detail, according to the new rules, exposure values of a bank to

a counterparty or to a group of connected counterparties must be defined as a "large exposure" if it is equal to or above 10% of the bank's eligible capital base.

The EU Regulation CRR No. 575/2013 defines the "eligible capital" as the sum of Tier 1 capital and Tier 2 capital that is equal to or less than one third of Tier 1 capital.

The exposure value of an asset item shall be its accounting value and not its weighted value. Therefore, the positions which fall within the meaning of "Large Exposure" are recognised at both book value and weighted value.

BIG RISKS	31.12.2014	31.12.2013
a) Carrying amount	4,009,649	5,855,611
b) Weighted amount	203,231	258,974
c) Number	8	14

## C. Securitisation

### C.1 Securitisation

The securitisation portfolio contains only Quarzo CL1 securities, with underlying residential and commercial mortgages (RMBS/CMBS).

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE						TOTAL NET EXPOSURE
	SENIOR		MEZZANINE		JUNIOR		
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	
<b>A. With own underlying assets:</b>	-	-	-	-	-	-	-
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
<b>B. With third-party underlying assets</b>	<b>13,964</b>	<b>13,964</b>	-	-	-	-	<b>13,964</b>
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	13,964	13,964	-	-	-	-	13,964

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

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS
<b>A. Cash exposure</b>	-	-	-	-	-	-
A.1 Quarzo CL1 FRN 31.12.2019 ABS Trading portfolio ISIN IT0004284706 - underlying RMBS/CMBS	13,964	-	-	-	-	-
<b>B. Guarantees issued</b>	-	-	-	-	-	-
<b>C. Lines of credit</b>	-	-	-	-	-	-

### C.1.4 Exposure arising on securitisation broken down by financial-asset portfolio and type

EXPOSURE/PORTFOLIO	TYPE OF FINANCIAL-ASSET PORTFOLIO						31.12.2014	31.12.2013
	HFT FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS			
<b>1. Cash exposure</b>	<b>13,964</b>	-	-	-	-	-	<b>13,964</b>	<b>14,850</b>
Senior	13,964	-	-	-	-	-	13,964	14,850
Mezzanine	-	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-	-
<b>2. Off-balance sheet exposure</b>	-	-	-	-	-	-	-	-
Senior	-	-	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-	-

## E. Transfer Operations

### E.1 Transferred financial assets not written off

TECHNICAL TYPE / PORTFOLIO	HFT FINANCIAL ASSETS			AFS FINANCIAL ASSETS			HTM FINANCIAL ASSETS			LOANS TO BANKS			LOANS TO CUSTOMERS			TOTAL
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
<b>A. Cash assets</b>	-	-	-	<b>179,212</b>	-	-	<b>20,681</b>	-	-	-	-	-	-	-	-	<b>199,893</b>
1. Debt securities	-	-	-	179,212	-	-	20,681	-	-	-	-	-	-	-	-	199,893
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2014</b>	-	-	-	<b>179,212</b>	-	-	<b>20,681</b>	-	-	-	-	-	-	-	-	<b>199,893</b>
<b>Total at 31.12.2013</b>	-	-	-	<b>132,696</b>	-	-	<b>1,047,243</b>	-	-	-	-	-	-	-	-	<b>1,179,939</b>

A = transferred financial assets fully recognised (book value).  
 B = transferred financial assets partially recognised (book value).  
 C = transferred financial assets partially recognised (full value).

### E.2 Financial liabilities for transferred assets not written off

LIABILITIES/ASSETS PORTFOLIO	HFT FINANCIAL ASSETS	FVO FINANCIAL ASSETS	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL
<b>1. Due to customers</b>	-	-	-	-	-	-	-
a) for fully recognised assets	-	-	-	-	-	-	-
b) for partially recognised assets	-	-	-	-	-	-	-
<b>2. Due to banks</b>	-	-	<b>179,064</b>	<b>21,670</b>	-	-	<b>200,734</b>
a) for fully recognised assets	-	-	179,064	21,670	-	-	200,734
b) for partially recognised assets	-	-	-	-	-	-	-
<b>Total at 31.12.2014</b>	-	-	<b>179,064</b>	<b>21,670</b>	-	-	<b>200,734</b>
<b>Total at 31.12.2013</b>	-	-	<b>132,604</b>	<b>1,044,522</b>	-	-	<b>1,177,126</b>

## Section 2 - Market risks

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

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

With regard to market risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.

Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international banks and, to a lesser extent, in securities of corporate issuers.

The portfolio's exposure to the equities market remains limited with respect to the bond component, and derivatives transactions are absolutely marginal in extent.

The Group's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.

The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.

The Banca Generali Group holds only small amounts of securities denominated in foreign currencies.

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

VaR measurement is used for the sole purpose of performing a management analysis of the Group, which have no internal models aimed at submitting regular reports to the Supervisory Body.

### 2.1 Interest Rate and Price Risk – Regulatory Trading Book

#### Qualitative information

##### A. General aspects

The main activities of the Banking Group that increase its exposure to interest rate risk relating to its trading book include:

- anagement of the government bond book;
- management of the financial bond portfolio;
- dealings in interest rate derivatives, all of which over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Finance Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;



- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial bonds and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The bank's investments in structured securities are negligible.

## **B. Management processes and interest rate risk measurement techniques**

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

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

	Q4 2014	Q3 2014	Q3 2014	Q1 2014
Average VaR 99% 1 day (€/000)	9,776	9,318	13,137	17,241

Throughout 2014, market risk remained at moderate levels, with a one-day 99% VaR of less than 0.5% of the total portfolio.

VaR measurement is used for the sole purpose of performing a management analysis of the Group, which have no internal models aimed at submitting regular reports to the Supervisory Body.

## Quantitative information

### 1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UPTO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
<b>1. Cash assets</b>	-	<b>14,221</b>	<b>1,117</b>	<b>6,154</b>	<b>143</b>	-	-	-	<b>21,635</b>
1.1 Debt securities									
- With early repayment option	-	-	-	-	-	-	-	-	-
- Other	-	14,221	1,117	6,154	143	-	-	-	21,635
1.2 Other assets	-	-	-	-	-	-	-	-	-
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-	-
2.1 Repurchase agreement liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	-	<b>196,800</b>	<b>23,748</b>	<b>3,446</b>	<b>376</b>	-	-	-	<b>224,370</b>
3.1 With underlying securities	-	530	-	154	376	-	-	-	1,060
- Options									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other									
- long positions	-	342	-	-	188	-	-	-	530
- short positions	-	188	-	154	188	-	-	-	530
3.2 Without underlying securities	-	196,270	23,748	3,292	-	-	-	-	223,310
- Options									
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other									
- long positions	-	98,135	11,874	1,646	-	-	-	-	111,655
- short positions	-	98,135	11,874	1,646	-	-	-	-	111,655

## 2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

TYPE OF TRANSACTION/ INDEX	LISTED			NON- LISTED
	ITALY	FRANCE	OTHER	
<b>A. Equity securities</b>				
Long positions	855	384	4	1
Short positions	-	-	-	-
<b>B. Equity security purchases/sales to be settled</b>				
Long positions	-	-	-	-
Short positions	-	-	-	-
<b>C. Other derivatives on capital securities</b>				
Long positions	-	-	150	-
Long positions	-	-	-	-
<b>D. Stock index derivatives</b>				
Long positions	-	-	-	-
Long positions	-	-	-	-

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk or exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question, or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc., and in relation to UCITS units held in the portfolio.

However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

## 3. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.

This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primary risk factors, which for Banca Generali Group are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.

The next stage involves establishing the potential effects on the Profit and Loss Account, both in terms of the point change in the fair value of the portfolio under analysis on the reporting date, and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point im-

pact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +124/-124 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

By contrast, an interest rate movement of +100/-100 basis points would have had an overall effect on the fair value of the portfolio of debt securities held for trading of -58/+58 thousand euros, gross of the tax effect. The fair value component of government bonds carried in the HFT portfolio associated with such bonds would amount to -1/+1 thousand euros due to the hypothesised shift in the rate curve.

(€ THOUSAND)	HFT
FV equity delta (+10%)	124
FV equity delta (-10%)	-124
FV bonds delta (+1%)	-58
- of which: government bonds	-1
FV bonds delta (-1%)	58
- of which: government bonds	1
Net interest income delta (+1%)	17
Net interest income delta (-1%)	-17

## 2.2 Interest rate and price risk - banking portfolio

### Qualitative information

#### A. General aspects, management processes and interest rate risk measurement techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Group's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, net equity.

With regard to managing the interest rate risk to which the banking portfolio is exposed, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority. The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.

The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.

The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and con-

trol system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Group's banking portfolio arises from:

- trading on the interbank deposits market;
- customer lending activities; and
- investment operations of the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the Group's objectives in terms of net interest income.

The price risk associated with the banking portfolio is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).

Financial instruments mainly refer to equities and UCITS units listed on regulated markets, except for SIF Tyndaris Sicav (closed-end fund linked to the real-estate market), the equity investment in the vehicle Athena Private Equity and Veneto Banca.

The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

#### B. Fair value and cash flow hedging

The Group does not currently engage in fair value or cash flow hedging.

## Quantitative information

### 1. Banking portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
<b>1. Cash assets</b>	<b>1,689,561</b>	<b>1,113,668</b>	<b>1,357,187</b>	<b>371,010</b>	<b>828,114</b>	<b>299,402</b>	<b>8,969</b>	<b>-</b>	<b>5,667,911</b>
1.1 Debt securities									
- with early repayment option	-	-	-	3,013	39,470	21,951	-	-	64,434
- other	-	925,772	1,355,528	367,297	784,095	273,654	-	-	3,706,346
1.2 Loans to banks	91,626	45,891	-	-	-	-	-	-	137,517
1.3 Loans to customers									
- current accounts	931,270	14	3	8	46	-	-	-	931,341
- other loans	666,665	141,991	1,656	692	4,503	3,797	8,969	-	828,273
- with early repayment option	582,354	87,825	362	692	4,270	3,797	8,969	-	688,269
- other	84,311	54,166	1,294	-	233	-	-	-	140,004
<b>2. Cash liabilities</b>	<b>4,199,410</b>	<b>823,324</b>	<b>-</b>	<b>209,038</b>	<b>-</b>	<b>43,000</b>	<b>-</b>	<b>-</b>	<b>5,274,772</b>
2.1 Due to customers									
- current accounts	4,090,670	-	-	-	-	-	-	-	4,090,670
- other payables	89,033	4,868	-	8,312	-	43,000	-	-	145,213
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	89,033	4,868	-	8,312	-	43,000	-	-	145,213
2.2 Due to banks									
- current accounts	5,409	-	-	-	-	-	-	-	5,409
- other payables	14,298	818,456	-	200,726	-	-	-	-	1,033,480
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 With underlying securities									
- Options	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities									
- Options	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
<b>4. Other off-balance sheet transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-

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

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of financial assets available for sale, the portfolio of financial assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +2/-2 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair

value of AFS debt securities of -37/+37 million euros, gross of the tax effect.

The fair value delta component associated with the government bonds in the banking book would amount to -54.9/+54.9 million euros as a result of the hypothesised shift in the rate curve, or 76.6% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +32.2/-32.3 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.

(€ THOUSAND)	HFT	AFS	HTM+L&R	LOANS (*)	TOTAL
FV equity delta (+10%)	124	2,031	-	-	2,155
FV equity delta (-10%)	-124	-2,031	-	-	-2,155
FV bonds delta (+1%)	-58	-36,959	-28,758	-5,925	-71,701
- of which: government bonds	-1	-30,184	-24,675	-	-54,861
FV bonds delta (-1%)	58	36,959	28,758	5,925	71,701
- of which: government bonds	1	30,184	24,675	-	54,861
Net interest income delta (+1%)	17	7,835	8,822	15,520	32,194
Net interest income delta (-1%)	-17	-7,884	-8,848	-15,600	-32,348

(\*) Loans to banks/Loans to customers included.

The same criteria were also applied to a sensitivity analysis of net interest income of all financial statement items. It resulted in a potential impact on the Profit and Loss Account of +60 thousand

euros, gross of the tax effect in case of increase of interest rates by 1%, and -92 thousand euros in case of decrease by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	32,194	-32,134	60
Net interest income delta (-1%)	-32,348	32,257	-92

## 2.3 Exchange rate risk

### Qualitative information

#### A. General Aspect, Management Processes and Exchange Rate Risk Measurement Techniques

Exchange rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

With regard to exchange rate risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department performs first-tier controls of exchange-rate risk management.

The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the exchange rate risk.

The Internal Audit Service is responsible for third-tier controls of loans and inflows in foreign currency.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the Exchange rate risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the exchange-rate risk arises from:

- trading of securities and other financial assets in foreign currency;
- interest to be collected and/or paid, reimbursements, fees or dividends in foreign currency;
- bank transfers in foreign currency to customers (Institutional and Retail customers);
- currency trading on behalf of customers.

The main objective of exchange rate operations is to contain open positions in foreign currencies, exclusively currency account currencies.

Exchange rate risk is mitigated through funding activities in the same currency as that of lending transactions.

## Quantitative information

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

ITEMS	CURRENCY					OTHER CURRENCIES	TOTAL CURRENCIES
	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	ICELAND KRONA		
<b>A. Financial assets</b>	<b>40,797</b>	<b>436</b>	<b>8,672</b>	<b>3,778</b>	<b>2,144</b>	<b>3,123</b>	<b>58,950</b>
A.1 Debt securities	1,029	-	-	-	-	151	1,180
A.2 Equity securities	4	-	-	-	-	-	4
A.3 Loans to banks	39,740	366	2,613	3,778	2,144	2,972	51,613
A.4 Loans to customers	24	70	6,059	-	-	-	6,153
A.5 Other financial assets	-	-	-	-	-	-	-
<b>B. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Financial liabilities</b>	<b>38,755</b>	<b>433</b>	<b>9,448</b>	<b>4,601</b>	<b>2,187</b>	<b>3,074</b>	<b>58,498</b>
C.1 Due to banks	-	139	6,653	-	-	116	6,908
C.2 Due to customers	38,755	294	2,795	4,601	2,187	2,958	51,590
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
<b>D. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E. Financial derivatives</b>	<b>552</b>	<b>-</b>	<b>-1</b>	<b>-16</b>	<b>-</b>	<b>-8</b>	<b>527</b>
Options	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
Other derivatives	552	-	-1	-16	-	-8	527
- long positions	50,486	138	433	413	-	4,621	56,091
- short positions	49,934	138	434	429	-	4,629	55,564
<b>Total assets</b>	<b>91,283</b>	<b>574</b>	<b>9,105</b>	<b>4,191</b>	<b>2,144</b>	<b>7,744</b>	<b>115,041</b>
<b>Total liabilities</b>	<b>88,689</b>	<b>571</b>	<b>9,882</b>	<b>5,030</b>	<b>2,187</b>	<b>7,703</b>	<b>114,062</b>
<b>Excess</b>	<b>2,594</b>	<b>3</b>	<b>-777</b>	<b>-839</b>	<b>-43</b>	<b>41</b>	<b>979</b>



## 2. Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has been also conducted on assets and liabilities denominated in currencies other than the euro, regardless of the portfolio to which they have been allocated.

On the whole, a change in market prices of +10%/-10% would result in recognition of a fair value delta of securities in foreign currencies of +0.4/-0.4 thousand euros, whereas a movement of +100/-100 bps would have an effect on the fair value of bonds and securities other than equities in foreign currency of -10/+10 thousand euros, gross of the tax effect.

(€ THOUSAND)	ASSETS
FV Equity delta (+10%)	0.4
FV Equity delta (-10%)	-0.4
FV non Equity delta (+10%)	-10
FV non Equity delta (-10%)	10
Net interest income delta (+1%)	490
Net interest income delta (-1%)	-491

By contrast, an interest rate movement of +100/-100 basis points would have an effect of +5/-3 thousand euros on the flow

of interest on assets and liabilities denominated in currencies other than the euro.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	490	-485	5
Net interest income delta (-1%)	-491	488	-3

## 2.4 Derivative financial instruments

### A. Financial derivatives

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

TYPES OF DERIVATIVES/UNDERLYING ASSETS	31.12.2014		31.12.2013	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
<b>1. Debt securities and interest rates</b>	-	-	<b>50,000</b>	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	50,000	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>2. Equity securities and equity indices</b>	-	<b>15,003</b>	-	-
a) Options	-	15,003	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>3. Currencies and gold</b>	<b>96,979</b>	-	<b>46,774</b>	-
a) Options	-	-	2,000	-
b) Swaps	-	-	-	-
c) Forwards	96,979	-	44,774	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>4. Goods</b>	-	-	-	-
<b>5. Other underlying assets</b>	-	-	-	-
<b>Total</b>	<b>96,979</b>	<b>15,003</b>	<b>96,774</b>	-
<b>Average values</b>	<b>96,877</b>	<b>7,502</b>	<b>72,014</b>	-

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

PORTFOLIO/TYPE OF DERIVATIVES	POSITIVE FV 2014		POSITIVE FV 2013	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
<b>A. Regulatory trading portfolio</b>	<b>2,685</b>	<b>1,138</b>	<b>1,051</b>	-
a) Options	-	1,138	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	2,685	-	1,051	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>C. Banking portfolio - other derivatives</b>	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>2,685</b>	<b>1,138</b>	<b>1,051</b>	-

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

PORTFOLIO/TYPE OF DERIVATIVES	NEGATIVE FV 2014		NEGATIVE FV 2013	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
<b>A. Regulatory trading portfolio</b>	<b>2,655</b>	<b>-</b>	<b>597</b>	<b>-</b>
a) Options	-	-	1	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	2,655	-	596	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>C. Banking portfolio - other derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>2,655</b>	<b>-</b>	<b>597</b>	<b>-</b>

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

CONTRACT OTHER THAN OFFSETTING ARRANGEMENTS	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON- FINANCIAL COMPANIES	OTHER ENTITIES
<b>1) Debt securities and interest rates</b>	-	-	-	-	-	-	-
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
<b>2) Equity securities and equity indices</b>	-	-	-	-	-	-	-
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
<b>3) Currencies and gold</b>	-	-	-	-	-	-	-
Notional value	-	-	48,873	-	-	-	48,106
Positive fair value	-	-	1,865	-	-	-	820
Negative fair value	-	-	826	-	-	-	1,829
Future exposure	-	-	489	-	-	-	481
<b>4) Other values</b>	-	-	-	-	-	-	-
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-

**A.9 Time-to-maturity of OTC financial derivatives: notional values**

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
<b>A. Regulatory trading portfolio</b>	<b>96,979</b>	-	-	<b>96,979</b>
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	96,979	-	-	96,979
A.4 Financial derivatives on other valuables	-	-	-	-
<b>B. Banking portfolio</b>	-	-	-	-
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other valuables	-	-	-	-
<b>Total at 31.12.2014</b>	<b>96,979</b>	-	-	<b>96,979</b>
<b>Total at 31.12.2013</b>	<b>96,774</b>	-	-	<b>96,774</b>

### Section 3 - Liquidity risk

Exposure to liquidity risk derives from funding and lending transactions in the course of the Group's normal business, as well as from the presence of 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.

With regard to liquidity risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department is responsible for first-tier controls and 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, secondly, where present, through extraordinary measures provided by the ECB. The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.

The Risk Management Service is responsible for second-tier controls. Liquidity risks are maintained within appropriate short-term and structural operating limits (over one year), which

are monitored by the Risk Management Service. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Service is responsible for third-tier controls on lending and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international financials and, to a lesser extent, in securities of corporate issuers.

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 mismatches, the calculation of the net balance of funding requirement (or surplus) over the period considered.

## 1. Breakdown of assets and liabilities by maturity

ITEM/ TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	INDEF. MATURITY	TOTAL
<b>Cash assets</b>											
A.1 Government securities	-	-	47	-	750,204	426,039	447,810	1,179,643	510,000	-	3,313,743
1.2 Other debt securities	10	-	101	6,576	10,172	1,489	58,457	316,767	52,000	-	445,572
A.3 UCITS units	37,035	-	-	-	-	-	-	-	-	-	37,035
<b>A.4 Loans</b>											
- to banks	91,626	-	-	-	-	-	-	-	-	45,891	137,517
- to customers	1,018,130	10,540	20,144	182	64,313	41,371	61,714	285,128	267,290	-	1,768,812
<b>Total</b>	<b>1,146,801</b>	<b>10,540</b>	<b>20,292</b>	<b>6,758</b>	<b>824,689</b>	<b>468,899</b>	<b>567,981</b>	<b>1,781,538</b>	<b>829,290</b>	<b>45,891</b>	<b>5,702,679</b>
<b>Cash liabilities</b>											
<b>B.1 Deposits and current accounts</b>											
- from banks	5,510	-	-	6,653	811,783	-	-	-	-	-	823,946
- from customers	4,090,125	-	1	-	1	72	486	11	-	-	4,090,696
<b>B.2 Debt securities</b>											
<b>B.3 Other liabilities</b>											
<b>Total</b>	<b>4,248,355</b>	<b>-</b>	<b>1</b>	<b>6,653</b>	<b>816,671</b>	<b>72</b>	<b>209,524</b>	<b>11</b>	<b>43,000</b>	<b>-</b>	<b>5,324,287</b>
<b>Off-balance sheet transactions</b>											
<b>C.1 Financial derivatives with capital swap</b>											
- long positions	-	15,018	9,883	9,129	64,447	11,874	1,646	190	-	-	112,187
- short positions	-	14,864	9,884	9,129	64,447	11,874	1,646	340	-	-	112,184
<b>C.2 Financial derivatives without capital swap</b>											
- long positions	1,138	-	-	-	-	-	-	-	-	-	1,138
- short positions	-	-	-	-	-	-	-	-	-	-	-
<b>C.3 Deposits and loans receivable</b>											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
<b>C.4 Irrevocable commitment to disburse funds</b>											
- long positions	-	-	-	-	-	-	-	164	3	-	167
- short positions	167	-	-	-	-	-	-	-	-	-	167
<b>C.5 Financial guarantees issued</b>											
-	-	-	-	-	-	-	260	-	-	-	260
<b>C.6 Financial guarantees received</b>											
-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,305</b>	<b>29,882</b>	<b>19,767</b>	<b>18,258</b>	<b>128,894</b>	<b>23,748</b>	<b>3,552</b>	<b>694</b>	<b>3</b>	<b>-</b>	<b>226,103</b>



## 2. Details regarding pledged assets recognised in the balance sheet

Pledged assets recognised in the balance sheet consist almost entirely of debt securities, pledged as collateral for LTROs and repurchase agreements.

ITEMS/TECHNICAL TYPES	PLEGDED		NOT PLEDGED		31.12.2014	31.12.2013
	BV	FV	BV	FV		
1. Cash and deposits	-	X	80,451	X	80,451	9,613
2. Debt securities	2,017,402	2,065,016	1,775,005	1,783,793	3,792,407	4,656,855
3. Equity securities	-	-	21,555	21,555	21,555	23,563
4. Loans	2,563	X	1,894,567	X	1,897,130	1,554,682
5. Other financial assets	-	X	40,857	X	40,857	88,459
6. Non-financial assets	-	X	307,838	X	307,838	269,482
<b>Total (T)</b>	<b>2,019,965</b>	<b>2,065,016</b>	<b>4,120,273</b>	<b>1,805,348</b>	<b>6,140,238</b>	<b>X</b>
<b>Total (T - 1)</b>	<b>2,889,483</b>	<b>2,915,316</b>	<b>3,713,171</b>	<b>1,808,640</b>	<b>X</b>	<b>-</b>

Legend:  
BV = book value.  
FV = fair value.

## Section 4 - Operating risks

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

With regard to operating risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The functions dealing with Organisation and IT guarantee the efficient functioning of application procedures and information

systems that support organisational processes. It also evaluates the physical and logical security conditions within the Group and, if necessary, implements measures to guarantee a higher general level of security.

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

The Internal Auditing function supervises the regular conduct of the Group's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

## PART F - INFORMATION ON NET EQUITY

### Section 1 - Net equity

#### A. Qualitative information

The Banca Generali Group's capital management strategy aims to ensure that the capital and ratios of Banca Generali, and the banks and financial companies it controls, are consistent with its risk profile and regulatory requirements.

Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the EU (CRR/CRD IV) and applied by the Bank of Italy.

Such rules envisage the concept of own funds, which is separate from the net equity stated in the Financial Statements. Own funds are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Compliance with minimum capital requirements is monitored by the Risk Management Service, whereas the Regulatory Reporting function is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular

basis, as well as safeguarding the related databases (historical regulatory archive).

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items.

Additional analyses and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

Compliance with capital adequacy is also guaranteed by the adoption of a pay-out policy defined in accordance with the ECB's recommendations issued on 28 January 2015, aimed at observing minimum capital requirements in the medium-/long-term and detecting the potential effects of any adverse market situation.

#### B. Quantitative information

At 31 December 2014, consolidated net equity of the Banca Generali Group amounted to 536.3 million euros, a 67.2 million euro increase compared to the previous year figure.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
1. Share capital	115,677	114,895	782	0.68%
2. Additional paid-in capital	45,575	37,302	8,273	22.18%
3. Reserves	196,209	164,221	31,988	19.48%
4. (Treasury shares)	-41	-41	-	-
5. Valuation reserves	17,983	5,460	12,523	229.36%
6. Equity instruments	-	-	-	n.a.
7. Minority interests	-	6,039	-6,039	-100.00%
8. Net profit (loss) for the year	160,905	141,256	19,649	13.91%
<b>Total net equity</b>	<b>536,308</b>	<b>469,132</b>	<b>67,176</b>	<b>14.3%</b>

The change in consolidated net equity was influenced by the distribution of the 2013 dividends amounting to approximately 109.6 million euros, authorised by the Shareholders' meeting held on 24 April 2014 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.

The de-merger of the former GIL business unit, effective for accounting purposes retroactively from 1 January 2014, also entailed the distribution in full of minority equity to the minority shareholder, Generali Investments Holding S.p.A.

	GROUP	THIRD PARTIES	OVERALL
<b>Net equity at year-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	7,606	-	7,606
Stock option plans: charges as per IFRS 2	224	-	224
AG stock granting plans	1,580	-	1,580
De-merger of GIL	-	-6,039	-6,039
Change in valuation reserves	12,523	-	12,523
Consolidated net profit	160,905	-	160,905
<b>Net equity at year-end</b>	<b>536,308</b>	<b>-</b>	<b>536,308</b>
<b>Change</b>	<b>73,215</b>	<b>-6,039</b>	<b>67,176</b>

## B.1 Consolidated net equity: breakdown by type of company

(€ THOUSAND)	BANKING GROUP	INSURANCE COMPANIES	OTHER COMPANIES	CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES	TOTAL 2014	TOTAL 2013	CHANGE
1. Share capital	115,677	-	-	-	115,677	116,817	-1,140
2. Additional paid-in capital	45,575	-	-	-	45,575	37,302	8,273
3. Reserves	196,209	-	-	-	196,209	163,653	32,556
4. Equity instruments	-	-	-	-	-	-	-
5. (Treasury shares)	-41	-	-	-	-41	-41	-
6. Valuation reserves	17,983	-	-	-	17,983	5,460	12,523
AFS financial assets	19,542	-	-	-	19,542	6,571	12,971
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	-1,559	-	-	-	-1,559	-1,111	-448
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	160,905	-	-	-	160,905	145,941	14,964
<b>Total net equity</b>	<b>536,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>536,308</b>	<b>469,132</b>	<b>67,176</b>

## B.2 Breakdown of valuation reserves from AFS financial assets

Valuation reserves from AFS financial assets measure the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value. The change in these reserves contributes to determining the overall company performance in relation to other comprehensive income (OCI), without passing through the profit and loss account.

However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

At the end of the reporting period, fair value reserves from the portfolio of AFS financial assets recorded a positive balance of 19.5 million euros, an improvement of 13 million euros compared to year-end 2013. Such reserves mainly refer to the portfolio of government bonds (14.7 million euros).

ASSETS/VALUES	BANKING GROUP		INSURANCE COMPANIES		OTHER COMPANIES		CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	18,175	-263	-	-	-	-	-	-	18,175	-263
2. Equity securities	1,814	-15	-	-	-	-	-	-	1,814	-15
3. UCITS units	217	-386	-	-	-	-	-	-	217	-386
4. Loans	-	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2014</b>	<b>20,206</b>	<b>-664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,206</b>	<b>-664</b>
<b>Total at 31.12.2013</b>	<b>8,488</b>	<b>-1,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,488</b>	<b>-1,917</b>

## B.3 Reserves from financial assets available for sale: annual changes

In detail, valuation reserves on the AFS portfolio showed a net revaluation of 13.0 million euros, down 4.2 million euros compared to 2013, as a result of the following factors:

- an increase in unrealised gains of 25.7 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 (-6.0 million euros).

(€ THOUSAND)	31.12.2014				TOTAL
	EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES		
			AFS	PREVIOUSLY RECOGNISED AS AFS	
<b>1. Amount at year-start</b>	<b>1,476</b>	<b>-66</b>	<b>5,162</b>	<b>-1</b>	<b>6,571</b>
<b>2. Increases</b>	<b>716</b>	<b>412</b>	<b>28,257</b>	<b>2</b>	<b>29,387</b>
2.1 Fair value increases	712	284	25,984	-	26,980
2.2 Transfer to profit and loss of negative reserves:					
- due to impairment	3	-	-	-	3
- due to disposal	-	-	2,261	2	2,263
2.3 Other changes	1	128	12	-	141
<b>3. Decreases</b>	<b>393</b>	<b>515</b>	<b>15,507</b>	<b>1</b>	<b>16,416</b>
3.1 Fair value decreases	296	436	540	-	1,272
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of positive reserves: due to disposal	75	-	8,912	-	8,987
3.4 Other changes	22	79	6,055	1	6,157
<b>4. Amount at year-end</b>	<b>1,799</b>	<b>-169</b>	<b>17,912</b>	<b>-</b>	<b>19,542</b>

Former AFS reserves, only consisting of a residual amount, refer to negative changes in fair value recognised when transferring securities from the AFS portfolio to the portfolios held to maturity and loans and receivables (net of the related tax effect).

According to IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

#### B.4 Valuation reserves relating to defined benefit plans: annual changes

	31.12.2014		
	RESERVE	DTAS	NET RESERVE
<b>1. Amount at year-start</b>	<b>-1,532</b>	<b>421</b>	<b>-1,111</b>
<b>2. Increases</b>	-	-	-
Decreases of actuarial losses	-	-	-
Other increases	-	-	-
<b>3. Decreases</b>	<b>-618</b>	<b>170</b>	<b>-448</b>
Increases of actuarial losses	-618	170	-448
Other decreases	-	-	-
<b>4. Amount at year-end</b>	<b>-2,150</b>	<b>591</b>	<b>-1,559</b>

## Section 2 - Own funds and surveillance coefficients

### 2.1 Own funds

The new prudential supervisory provisions applicable to banks and banking groups came into force in European Union law on 1 January 2014. They were drafted as part of the Basel Committee agreements ("Basel 3") and designed to strengthen banks' capacity to absorb shocks caused by financial and economic stresses, regardless of their origin, improve risk management and governance and reinforce banks' transparency and reporting.

The new rules defined by the Basel Committee for bank supervision were adopted in community law in EU Regulation No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), published in the Official Journal of the European Union on 27 June 2013. The Bank of Italy applied the above-mentioned provisions by issuing Circular Letter No. 285 of 17 December 2013, "Supervisory Provisions for Banks" – further amended in 2014 –, and Circular Letter No. 286, also of 17 December 2013, "Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies".

The Regulatory Technical Standards, issued by the European Banking Authority (EBA) and endorsed by the European Commission, provide the operating instructions for applying the new provisions. EBA also prepares the Implementing Technical standards (ITS) aimed at harmonizing prudential reports (COREP) and statistics (FINREP) at European level.

The new regulatory framework has retained the approach based on three pillars underlying the previous Capital Accord (Basel 2), while complementing and reinforcing that approach with the aim of improving the quantity and quality of intermediaries' capital, introducing counter-cyclical regulatory instruments and rules concerning liquidity risk management and the containment of financial leverage.

In detail, **Pillar 1** was strengthened by introducing a more harmonised definition of capital and increasing capital requirements. Basel 3 includes the definition of a harmonised concept of common equity Tier 1 capital (CET1), corresponding to ordinary shares and earnings reserves; in addition, more stringent criteria have been established for deducting from capital intangible assets, equity investments in financial and insurance companies and deferred tax assets (DTAs) in excess of pre-set individual and cumulative thresholds.

It also provided for more stringent regulatory capital requirements to more accurately capture potential risks from securitisation positions and trading book and introduced DTAs, which were previously not included.

The minimum overall requirement will remain set at 8% of risk-weighted assets, but more than half of this, or 4.5%, is to be met

by common equity. In order to respond to periods of stress, an additional capital conservation buffer is also required beyond the regulatory minimum, equal to 2.5% of common equity in relation to risk-weighted assets. Banks that do not have such capital conservation buffer will in any event be required to comply with limits on the distribution of dividends and the award of bonuses, which will become increasingly stringent as the buffer shrinks.

Basel 3 also introduces new requirements and supervisory systems for the liquidity and financial leverage risks, based on the following ratios:

- *Liquidity Coverage Ratio* - LCR, a short-term liquidity requirement;
- *Net Stable Funding Ratio* - NSFR, a longer-term structural stability requirement;
- *Leverage ratio*, which as of 2017 will limit the maximum expansion of assets based on the size of CET1.

**Pillar 2** requires banks to adopt a current and prospective capital adequacy strategy and a relevant monitoring process, and leaves to the supervisory authority the task to verify the reliability and consistency of relevant results and adopt adequate corrective measures, should the situation require it.

Finally, **Pillar 3** covers public reporting requirements on capital adequacy, risk exposure and the general characteristics of related management and control systems, in order to promote market discipline. This pillar has also been revised to introduce, amongst other things, transparency requirements regarding securitisation exposures, more information on the composition of capital for regulatory purposes and the methods used by the Parent Company to calculate capital ratios.

Further information on own funds, capital adequacy, risk exposure and the general characteristics of systems designed to identify, measure and manage these may hence be found in the document entitled Third Basel Pillar 3 or "Pillar 3", published on the Bank's website.

The introduction of the Basel 3 rules is being phased in gradually until full application is achieved between 2019 and 2023, during which the new rules will be applied at an increasing rate.

### A. Qualitative information

As in the previous regulations, own funds are calculated as the sum of positive components, included with some limitations, and negative items, based on their capital quality. They consist of the following aggregates:

- Common Equity Tier 1 (CET1),

- Additional Tier 1 (AT1)
- Tier 2 capital (T2)

## 1. Common Equity Tier 1 capital (CET1)

### A. Common equity Tier 1 capital (CET 1)

CET1 includes paid-in capital, additional paid-in capital, earnings reserves, valuation reserves (AFS valuation reserve, IAS19 actuarial losses reserve), with the exception of the cash flow Hedge reserve.

CET1 own instruments (own shares) and loss for the year are deducted from this aggregate.

Net profit for the period may be calculated, net of the provision for dividends (retained earnings), in compliance with Article 26 of the CRR and national discretionary measures provided for by the Bank of Italy.

### D. Elements to be deducted from CET1

CET1 is then subject to the following deductions:

- intangible assets, including goodwill;
- deferred tax assets (DTAs) that are based on future profitability and do not arise on temporary differences, or involving tax losses;
- deferred tax assets that rely on future profitability and arise on temporary differences (net of the corresponding deferred tax liabilities); deferred tax assets convertible to credits pursuant to Law 214/2011 calculated in risk weighted assets (RWA) with a 100% weighting are not, however, deducted;
- deferred tax assets relating to multiple reliefs on the same goodwill for the portion that has not yet been reflected in the current tax position;
- direct, indirect and synthetic non significant investments (<10%) in CET 1 instruments issued by financial institutions;
- direct, indirect and synthetic significant investments (>10%) in CET1 instruments issued by financial institutions;
- any deductions exceeding AT1 capital instruments.

Deductions relating to equity investments in financial institutions and deferred tax assets apply only to amounts exceeding given CET1 thresholds, known as **allowances**, according to a particular mechanism described below:

- non significant investments** in CET1, AT1 and T2 instruments issued by financial institutions are deducted for the portion exceeding 10% of the amount of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and derive from temporary differences, direct, indirect and synthetic investments in CET1 instruments issued by financial institutions, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial instruments;
- net deferred tax assets** that rely on future profitability and arise on temporary differences are deducted for the portion

exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;

- significant investments in CET1 instruments** issued by financial institutions are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
- amounts not deducted due to the 10% allowance relating to significant investments in CET1 instruments issued by financial institutions and net deferred tax assets that rely on future profitability and derive from temporary differences, added together, are deducted only for the amount exceeding 17.65% of CET1 obtained after applying prudential filters and all the deductions, including investments in financial institutions and deferred tax assets calculated in their entirety without taking account of the aforementioned thresholds, except for any deductions exceeding AT1 capital instruments;
- amounts not deducted due to the allowances are included in risk weighted assets and subject to a 250% weighting.

### E. Transitional Provisions – impact on CET1

The main aspects of the **transitional provisions** are set out below:

- the AFS portfolio's positive and negative valuation reserves relating to central EU administration exposures, may be excluded from CET1 up to the date the European Commission approves the new IFRS 9; this exemption was introduced by the Bank of Italy under the national discretionary measures provided for by the CRR;
- the AFS portfolio's positive valuation reserves, other than those relating to central administration exposures, are calculated in CET1 only from 2015 for 40% and then with the phase-in of 20% per annum (40% in 2015 and 100% in 2018);
- the AFS portfolio's negative valuation reserves, other than those relating to central administration exposures, are calculated in CET1 with the phase-in of 20% per annum (20% in 2014 and 100% in 2018);
- actuarial gains/losses deriving from the IAS 19 valuation of Termination Indemnity (TFR) (and defined-benefit pension funds) are reported, net of the prudential filter activated by the Bank of Italy for 2013 in order to sterilise the effects of the new IAS19 with the phase-in of 20% per annum as from 2015 (100% in 2014 and 20% in 2018);
- deferred tax assets (DTAs) that rely on future profitability and do not arise on temporary differences (tax losses) are deducted at 20% for 2014 (100% from 2018);

6. deferred tax assets (DTAs) that rely on future profitability and arise on temporary differences existing at 1 January 2014 are deducted from CET1 with the phase-in of 10% per annum as from 2015 (10% in 2015 and 100% in 2024);
7. other deferred tax assets (DTAs) that rely on future profitability and derive from temporary differences, generated after 1 January 2014 are deducted from CET1 with the phase-in of 20% per annum as from 2014 (20% in 2014 and 100% in 2018);
8. non significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the phase-in of 20% per annum as from 2014 (20% in 2014 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect investments whilst synthetic investments are subject to capital requirements and included in risk weighted assets;
9. significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the phase-in of 20% per annum as from 2014 (20% in 2014 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect and synthetic investments are subject to capital requirements and included in risk weighted assets.

It should be noted that Banca Generali has exercised the sterilisation option for own funds purposes of capital gains and losses deriving from the fair value valuation of AFS financial assets belonging to the Euro area government bond sector, as provided for by the Bank of Italy Order of 18 May 2010. This option was also

renewed in the new Basel III prudential supervisory regime, in force since 1 January 2014, as allowed by the Bank of Italy, until the new IFRS 9 becomes effective, scheduled for 2018.

The transitional provisions for IAS19 actuarial loss reserves, provided for in Article 473 paragraph 3 of the CRR and adopted amongst the national discretionary measures by Bank of Italy Circular No. 285/2013, is designed to sterilise the impact on own funds of the amendments to IAS19, which came into force on 1 January 2013, and provide for actuarial gains & losses relating to defined-benefit plans to be recognised in full in "other comprehensive income" and offset by an equity reserve (actuarial gains and losses valuation reserve).

IAS 19 previously also recognised the alternative accounting treatment known as the "corridor method," which allowed:

- the amount of the actuarial gains and losses in excess of the 10% significance threshold of the present value of the defined-benefit obligation (the "overcorridor") to be recognised in profit and loss; and
- the actuarial gains and losses below that threshold to be deferred, without recognising them in the Financial Statements.

Since for entities that previously adopted the corridor method the new equity reserve would have a negative impact on capital for regulatory purposes and considering the stance taken at the Community level in conjunction with the approval of the new prudential regulations implementing Basel 3 (the CRR/CRD IV Package) in favour of the gradual recognition over five years of the difference in net equity between the old and new approach, in 2013 the Bank of Italy had introduced a prudential filter to neutralise the effects of the revision of IAS 19. Based on the CRR provisions, the effects of such filter should now be fully reabsorbed in the 2015-2018 transition period.

(€ THOUSAND)	31.12.2014
Termination indemnity IAS 19R	-5,250
Termination indemnity IAS 19 (2012)	-4,792
Gross difference	458
Tax effect	-126
<b>Positive filtre</b>	<b>332</b>

## B. CET1 prudential filters

In addition, "prudential filters" are applied to CET1, with the purpose of safeguarding the quality of the regulatory capital and reducing its potential volatility caused by application of the new IAS/IFRS standards. These filters consist of corrections to accounting data before they are used for regulatory purposes and are regulated directly by the CRR or provided for by national discretionary measures.

With reference to the prudential filters introduced directly by the CRR the **prudent valuation** filter is applied to Banca Generali for the portfolio of financial assets and liabilities valued at fair value in the balance sheet.

This filter is determined as 0.1% of total net exposures shown in the balance sheet at fair value in order to take account of the uncertainty of the parameters used for the valuation (risk model, costs of closure, etc.).



On the other hand, with reference to national discretionary measures, only the prudential filter relating to **multiple goodwill** is applied to Banca Generali.

This filter is aimed at neutralising the benefits at the level of capital for regulatory purposes due to the DTAs recognised in connection with the tax redemption on the same goodwill within a single group or intermediary.

In further detail, the procedures of tax redemption in question were carried out in accordance with Article 10 of Legislative Decree No. 185/2010 or ordinary rules governing successive business combinations within a single group that have also entailed the transfer of portions of goodwill.

To this end, it has been specified that the share of DTAs recognised at the level of the intermediary or group is to be deducted from core Tier 1 capital, as limited to the portion associated with the DTAs recognised after the initial one.

In addition, for years ending on or before 31 December 2012, intermediaries may distribute the neutralisation over a period of five years, including one-fifth of the value of those DTAs at 31 December 2012, net of the amount that, each year, is to be reversed to the profit and loss account or transformed into a tax credit, among the negative components of Tier 1 capital.

In the Banking Group's case, the above filter only affects the share of goodwill associated with the acquisition of Banca del Gottardo Italia S.p.A., originally subject to the prepayment of taxes on goodwill by Banca BSI Italia and subsequently once more by BG SGR S.p.A. following the contribution by the former of its portfolio management business unit. Both companies were then merged into the Parent Company, Banca Generali.

The tax value of the goodwill subject to tax alignment amounted to 4,932 thousand euros, of which deferred tax assets for Italian corporate income tax (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2014 thus amounted to 670 thousand euros.

## 2. Additional Tier 1 capital (AT1)

Additional Tier 1 capital includes capital instruments regulated under Articles 51 et seqq. of CRR.

This aggregate is not present in the Banking Group's own funds.

## 3. Tier 2 capital (T2)

### M. Tier 2 capital - T2

Tier 2 capital includes Tier 2 capital instruments and subordinated liabilities, regulated by Articles 63 and subsequent Articles of the CRR and having the following characteristics:

- the original term is not less than 5 years and no incentives are envisaged for early repayment;
- call options, where applicable, may be exercised at the issuer's sole discretion and in any event no earlier than 5 years, subject to the authorisation of the supervisory authority granted in special circumstances;
- early repayment is also allowed before 5 years only in the event of significant changes to the tax or regulatory regime and always with the prior authorisation of the Supervisory Authority;
- subscription and purchase must not be financed by the Parent Company or its subsidiaries;
- they are not subject to guarantees issued by the Parent Company, its subsidiaries or other companies that have close links with them, which increase their seniority;
- interest does not change based on the Parent Company's credit rating;
- these instruments are amortised pro rata over the past 5 years for T2 calculation purposes.

The following Tier 2 subordinated liabilities are included in the year-end Tier 2 capital of the parent company Banca Generali:

ITEMS/VALUES	EFFECTIVE AS OF	EXPIRY	AMOUNT	REMAINING AMOUNT
Generali Versicherung subordinated loan	01.10.2008	01.10.2015	40,000	8,000
Generali Beteiligungs GmbH subordinated loan	30.10.2014	30.10.2024	43,000	43,000

The loan to the German insurance subsidiary Generali Versicherung AG was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.

The loan was contracted in the "Schuldschein" contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.

The agreed interest rate is equal to the 12-month Euribor plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

The subordinated loan agreed with the German company Generali Beteiligungs GmbH relates, instead, to the acquisition of the Credit Suisse (Italy) S.p.A. business unit.

The loan disbursed on 30 October 2014, for the amount of 43 million euros, has a ten-year term and is repayable on maturity in one instalment.

Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority's prior approval. The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparameterised to the

3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated in the event of a default by the bank.

#### N. Elements to be deducted from T2

T2 is subject to the following main deductions:

- direct, indirect and synthetic investments in T2 own instruments;
- direct, indirect and synthetic investments in T2 instruments of financial sector entities.

These cases do not appear in Banca Generali's Financial Statements particularly since there are no investments in T2 instruments of financial sector entities exceeding the relevant thresholds for purposes of the deduction from own funds.

#### O. Transitional provisions - impact on T2

The main aspects of the transitional provisions for 2014 are as follows:

1. **Positive AFS reserves**, other than those relating to EU country government bonds, are recognised transitionally for 2014 at the rate of 50% provided by previous legislation, with a gradual reduction of 20% per annum from 2014 (80% in 2014 and 0% in 2018)

2. **non significant investments** in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1 are deducted for 50% from T2;
3. **significant investments** in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1 are deducted for 50% from T2;
4. non significant investments in T2 capital instruments issued by financial institutions held directly are deducted 100% from T2; non significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum as from 2014 (20% in 2014 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk weighted assets;
5. significant investments in Tier 2 capital instruments issued by financial institutions held directly are 100% deducted from T2; significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum as from 2014 (20% in 2014 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk weighted assets.

## B. Quantitative information

**Consolidated own funds**, calculated in accordance with the new Basel 3 rules in effect since 1 January 2014, and net of the expected dividend pay-out, amounted to 362.6 million euros, up by 49.2 million euros compared to the end of the previous year,

when they were calculated in accordance with the previous Basel 2 rules, and by 44.7 million euros compared to the estimate of the aggregate calculated in accordance with the new regulatory provisions.

ITEMS/VALUES	31.12.2014 BASEL 3	31.12.2013 BASEL 2	CHANGE		31.12.2013 BASEL 3
			AMOUNT	%	
Common equity Tier 1 capital (CET 1)	311,670	300,674	10,996	3.66%	303,076
Additional Tier 1 capital (AT1)	-	-	-	n.a.	-
Tier 2 capital (T2)	50,921	12,753	38,168	299.29%	14,854
<b>Capital for regulatory purposes</b>	<b>362,591</b>	<b>313,427</b>	<b>49,164</b>	<b>15.69%</b>	<b>317,930</b>
<b>Consolidated net equity</b>	<b>536,308</b>	<b>469,132</b>	<b>67,176</b>	<b>14.32%</b>	<b>469,132</b>

### Composition of Own funds

The composition of own funds is shown synthetically below, illustrating the effects of the prudential filters and the changes linked to the transitional provisions.

(€ THOUSAND)	31.12.2014
<b>A. Tier 1 capital before application of prudential filters</b>	<b>422,954</b>
<i>of which CET1 instruments covered by transitional provisions</i>	-
B. CET1 prudential filters (+/-)	-2,271
<b>C. CET1 gross of elements to be deducted and effects of the transitional regime</b>	<b>420,683</b>
D. Elements to be deducted from CET1	-89,804
E. Transitional Regime - impact on CET1	-19,210
<b>F. Total Common Equity Tier 1 capital - CET1 (C - D +/- E)</b>	<b>311,670</b>
G. Additional Tier 1 capital (AT1) gross of elements to be deducted and transitional regime	-
<i>of which AT1 instruments covered by transitional provisions</i>	-
H. Elements to be deducted from AT1	-
I. Transitional regime - impact on AT1	-
<b>L. Total additional Tier 1 capital (AT1)</b>	<b>-</b>
M. Tier 2 capital (T2) gross of elements to be deducted and transitional regime	49,005
<i>of which T2 instruments covered by transitional provisions</i>	-
N. Elements to be deducted from T2	-
O. Transitional scheme - impact on T2	1,916
<b>P. Total Tier 2 capital (T2)</b>	<b>50,921</b>
<b>Q. Total own funds</b>	<b>362,591</b>

In detail, own funds are composed as follows.

OWN FUND	31.12.2014		
	FULL APPLICATION	TRANSITIONAL	PHASE IN
<b>Tier 1 capital</b>			
Share capital (including minorities)	115,677	-	115,677
Additional paid-in capital	45,575	-	45,575
Treasury shares	-41	-	-41
<b>CET1 instruments</b>	<b>161,211</b>	-	<b>161,211</b>
Reserves	196,209	-	196,209
Net profit (loss) for the year	160,905	-	160,905
Share of net profit for the year not included in CET1	-113,354	-	-113,354
<b>Earnings reserves</b>	<b>243,760</b>	-	<b>243,760</b>
AFS valuation reserves	19,542	-19,542	-
Actuarial reserves IAS19	-1,559	-	-1,559
Other (neutralisation of actuarial losses IAS 19)	-	332	332
<b>Other components of other comprehensive income (OCI)</b>	<b>17,983</b>	<b>-19,210</b>	<b>-1,227</b>
Prudent valuation	-2,271	-	-2,271
<b>Negative prudential filters</b>	<b>-2,271</b>	-	<b>-2,271</b>
Goodwill	-66,065	-	-66,065
Goodwill DTLs	831	-	831
Intangible assets	-23,900	-	-23,900
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-670	-	-670
<b>Total negative items</b>	<b>-89,804</b>	-	<b>-89,804</b>
Adjust. of DTAs/DTLs through PL arising on temporary differences	-	-	-
<b>Portion exceeding non significant investments (&lt;10%) in CET 1 instruments</b>	-	-	-
<b>Portion exceeding significant investments (&gt;10%) in CET 1 instruments</b>	-	-	-
General deduction - portion exceeding DTAs	-	-	-
General deduction - portion exceeding significant investments	-	-	-
<b>General deduction with threshold 17.65% - 15%</b>	-	-	-
Transitional provisions - DTA impact on CET1	-	-	-
Significant investments: Transitional provisions - impact on CET1	-	-	-
Significant investments: 50% of items to be deducted from CET1	-	-	-
<b>Transitional provisions</b>	-	-	-
<b>Total common equity Tier 1 capital (CET 1)</b>	<b>330,880</b>	<b>-19,210</b>	<b>311,670</b>
Significant investments: transitional provisions - impact on AT1	-	-	-
Significant investments: excess to be subtracted from AT1	-	-	-
<b>Total additional Tier 1 capital (AT1)</b>	-	-	-
<b>Total Tier 1 capital</b>	<b>330,880</b>	<b>-19,210</b>	<b>311,670</b>
T2 instruments (subordinated liabilities)	49,005	-	49,005
Significant investments: 50% excess portion deducted from Tier 1 capital	-	-	-
50% positive AFS reserves - transitional provisions - T2 impact (80%)	-	1,916	1,916
<b>Total Tier 2 capital</b>	<b>49,005</b>	<b>1,916</b>	<b>50,921</b>
<b>Total own funds</b>	<b>379,885</b>	<b>-17,294</b>	<b>362,591</b>

During the initial phase-in of the transitional provisions, the changeover to the new Basel 3 provisions had a positive effect in the region of 4.5 million euros, of which 2.1 relate to CET1. This is due mainly to the new mechanism for deducting significant investments in financial and insurance companies, now linked to exceeded individual and aggregate thresholds.

In the reporting year, the performance of the aggregate was influenced by the acquisition of the Credit Suisse's business unit, which entailed a decrease in Common Equity Tier 1 capital (CET1) due to the new intangible assets acquired (-44.7 million euros), and a symmetrical increase in Tier-2 capital due to the new subordinated loan contracted to finance the transaction (+43 million euros).

<b>Regulatory capital at 31 December 2013 (Basel 2)</b>	<b>313,427</b>
<b>Change in Tier 1 capital</b>	
Transition to Basel 3	2,402
De-merger of GIL	-3,001
Stock option and stock grant plans (LTIP)	9,410
2013 dividend payout	-482
Retained earnings 2014 (payout 70%)	47,551
Transitional provisions: change in AFS reserve	-
Change in reserves IAS 19 (net of the filter)	-448
Change in goodwill and intangibles	-44,020
<b>Negative prudential filters</b>	<b>-416</b>
<b>Deductions for sign. investments , DTAs; General deductions</b>	<b>-</b>
Transitional provisions CET1	-
<b>Total changes in TIER 1 capital</b>	<b>10,996</b>
Change in Tier 2 capital	-
Transition to Basel 3	2,101
<b>Tier 2 subordinated loans</b>	<b>35,000</b>
Transitional provisions: change in AFS positive reserves	1,067
Other effects	-
<b>Total change in TIER 2 capital</b>	<b>38,168</b>
<b>Own funds at 31 December 2014 (Basel 3)</b>	<b>362,591</b>
<b>Change</b>	<b>49,164</b>

## 2.2 Capital adequacy

### A. Qualitative information

A minimum CET1 ratio of 4.5%, a Tier 1 ratio of 5.5% (6% from 2015) and a Total Capital Ratio of 8% are envisaged for 2014. In addition to these minimum ratios, the new regulations state that

banks must also hold a capital conservation buffer (CCB) equal to 2.5% of the bank's overall risk exposure, consisting of common equity Tier 1 capital.

RATIOS	MINIMUM REQUIREMENT	CAPITAL BUFFER	TOTAL REQUISITE
CET1	4.50%	2.50%	7.00%
Tier 1 capital	5.50%	-	8.00%
Total capital ratio	8%	-	10.50%

These ratios are determined by relating the corresponding category of own funds to the bank's overall risk exposure (RWA, Risk weighted assets).

In particular, the consolidated own funds of the Banca Generali group must represent at least 8% of total weighted assets in relation to the credit risk profile, valued based on the category of

debtor counterparties, term, country risk and guarantees received (credit and counterparty risk).

Banks are also required to comply with regulatory capital requirements connected to trading activities. Related **market risks** are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.

Internal models may be used to calculate capital requirements for market risk; however, the Banca Generali Group uses standard methods under all circumstances.

Lastly, banks are required to set aside part of their own funds to cover **operating risk**, which in the case of the Banca Generali Group is calculated using the basic method set forth in Bank of Italy Circular No. 285 of 17 December 2014.

## B. Quantitative information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority amounted to 204.7 million euros at year-end, with an increase of 35.6 million euros compared to the previous year (+21%).

(€ THOUSAND)	31.12.2014 BASEL 3 FULL APPLICATION	31.12.2014 BASEL 3 TRANSITIONAL	31.12.2013 BASEL 2	CHANGE	
				AMOUNT	%
Credit and counterparty risk	144,493	144,493	115,319	29,174	25.30%
Market risk	3,558	3,558	5,950	-2,392	-40.20%
Operating risk	56,615	56,615	47,840	8,775	18.34%
<b>Total absorbed capital</b>	<b>204,666</b>	<b>204,666</b>	<b>169,109</b>	<b>35,557</b>	<b>21.03%</b>

The increase in absorbed capital compared to the previous year is primarily to be attributed to the effects of the transition to the new Basel 3 rules, which entailed the introduction of new credit requirements for DTAs and significant investments not deducted from own funds (+11.1 million euros).

Net of these factors, the increase in capital absorbed to cover the credit risk is mainly attributable to the higher exposure to

corporate (+8.2 million euros) and retail customers (+5.4 million euros).

The expansion of the Bank's operations during the year also resulted in a significant increase in the capital absorbed by operating risk, commensurate with the three-year performance of net banking income (+8.8 million euros).

CREDIT RISK REGULATORY PORTFOLIO	2014			2013		CHANGE	
	INITIAL EXPOSURE	WEIGHTED ASSETS	REQUIREMENT	WEIGHTED ASSETS	REQUIREMENT	WEIGHTED ASSETS	REQUIREMENT
Administration and central banks	3,608,575	75,178	6,014	-	-	75,178	6,014
Non-profit organisations and public entities	2,501	2,501	200	790	63	1,711	137
Supervised intermediaries	688,013	284,365	22,749	287,439	22,995	-3,074	-246
Companies	1,199,787	864,579	69,166	762,178	60,974	102,401	8,192
Detail	1,012,127	342,899	27,432	275,660	22,053	67,239	5,379
Exposures secured by real property	165,599	59,484	4,759	48,112	3,849	11,372	910
Expired loans	65,851	47,844	3,828	30,597	2,448	17,247	1,380
UCITS	6,169	6,200	496	8,061	645	-1,861	-149
Equity exposures	45,339	79,493	6,359	-	-	79,493	6,359
Other	191,396	43,051	3,444	28,649	2,292	14,402	1,152
Securitisation	-	-	-	-	-	-	-
<b>Total requirements</b>	<b>6,985,357</b>	<b>1,805,594</b>	<b>144,448</b>	<b>1,441,486</b>	<b>115,319</b>	<b>364,108</b>	<b>29,129</b>
Risk of credit valuation adjustment	-	567	45	-	-	567	45
<b>Total Credit Risk</b>	<b>6,985,357</b>	<b>1,806,161</b>	<b>144,493</b>	<b>1,441,486</b>	<b>115,319</b>	<b>364,675</b>	<b>29,174</b>

The simultaneous increase in consolidated own funds however allows to establish the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at 157.9 million euros, up by 13.6 million euros com-

pared to the value recognised at the end of the previous year. Total capital ratio reached 14.17%, higher both of the minimum requirement by 8% and the capital conservation buffer (10.5%), slightly lower than the previous year.

(€ THOUSAND)	31.12.2014 BASEL 3 FULL APPLICATION	31.12.2014 BASEL 3 TRANSITIONAL	31.12.2013 BASEL 2	CHANGE	
				AMOUNT	%
Common equity Tier 1 capital (CET 1)	330,880	311,670	300,674	10,996	3.66%
Additional Tier 1 capital (AT1)	-	-	-	-	n.a.
Tier 2 capital (T2)	49,005	50,921	12,753	38,168	299.29%
<b>Total own funds</b>	<b>379,885</b>	<b>362,591</b>	<b>313,427</b>	<b>49,164</b>	<b>15.7%</b>
Credit and counterparty risk	144,493	144,493	115,319	29,174	25.30%
Market risk	3,558	3,558	5,950	-2,392	-40.20%
Operating risk	56,615	56,615	47,840	8,775	18.34%
<b>Total absorbed capital</b>	<b>204,666</b>	<b>204,666</b>	<b>169,109</b>	<b>35,557</b>	<b>21.0%</b>
Excess over absorbed capital	175,219	157,925	144,318	13,607	9.43%
Risk-weighted assets	2,558,325	2,558,325	2,113,863	444,463	21.03%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	12.93%	12.18%	14.22%	-2.04%	-14.35%
<b>Total own funds/Risk-weighted assets (Total capital ratio)</b>	<b>14.85%</b>	<b>14.17%</b>	<b>14.83%</b>	<b>-0.65%</b>	<b>-1.7%</b>

(€ THOUSAND)	31.12.2014		31.12.2013 (*)	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
<b>A. Risk activity</b>	<b>6,985,357</b>	<b>1,806,161</b>	<b>8,002,889</b>	<b>1,441,486</b>
<b>A.1 Credit and counterparty risk</b>				
1. Standardised method	6,985,357	1,806,161	8,002,889	1,441,486
2. Internal rating method				
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. Securitisation	-	-	-	-
<b>B. Regulatory capital requirements</b>				
<b>B.1 Credit risk</b>	<b>X</b>	<b>144,448</b>	<b>X</b>	<b>115,319</b>
<b>B.2 Risk of credit valuation adjustment</b>	<b>X</b>	<b>45</b>	<b>X</b>	<b>-</b>
<b>B.3 Regulation risk</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
<b>B.4 Market risks</b>	<b>X</b>	<b>3,557</b>	<b>X</b>	<b>5,950</b>
1. Standard methodology	X	3,557	X	5,950
2. Internal models	X	-	X	-
3. Foreign exchange risk		-		-
<b>B.5 Operating risk</b>	<b>X</b>	<b>56,615</b>	<b>X</b>	<b>47,840</b>
1. Basic method	X	56,615	X	47,840
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
<b>B.6 Other variables</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
<b>B.7 Total prudential requirements</b>	<b>X</b>	<b>204,665</b>	<b>X</b>	<b>169,109</b>
<b>C. Risk-weighted assets and regulatory capital ratios</b>				
C.1 Risk-weighted assets	X	2,558,311	X	2,113,861
C.2 Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	X	12.18%	X	14.22%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	12.18%	X	14.22%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)	X	14.17%	X	14.83%

(\*) 2013 data related to the Basel 2 rules previously in force.



## PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the Banking Group's goodwill are also stated in the interest of consistency of presentation.

### Section 1 - Transactions undertaken during the year

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

In the first half of 2014, the subsidiary 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. (former GIL unit), 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, became 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 Sa (GFM) to BG Fund Management Luxembourg Sa (BGFM).

#### Accounting Treatment

De-mergers do not fall within 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.

IFRIC 17 does not apply directly 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 within the scope of IFRSs, it is deemed 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 the Italian standard setter OIC 4 on Mergers and Reverse Mergers in the Consolidated Financial Statements.

Based on these guidelines, the de-merger was therefore 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 IASs/IFRSs and reflects the economic substance of the transaction.

Following the issue of IFRIC 17, the new paragraph 5A was added to IFRS 5, applicable also to entities under common control, 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, the comparative consolidated profit and loss account as of 31 December 2013 has been restated and the profit and loss components of the business line were reclassified together in the profit and loss statement item "Income (loss) of disposal groups". The result of the former GIL business line, reclassified therein, is entirely offset in profit attributable to minority interests.

Finally, it should be noted that, in light of the retroactive accounting effect of the merger to 1 January 2014, Banca Generali's consolidated financial statements at 31 December 2014 no longer includes profit and loss items of the business unit for H1 2014, for a total of 3,127 thousand euros, net of taxes.

ASSETS (€ THOUSAND)	31.12.2013	01.01.2014	
		FORMER GIL	CONS. FORMER GIL
HFT financial assets	229,905	-	229,905
AFS financial assets	1,626,121	-	1,626,121
HTM financial assets	2,652,687	-1	2,652,686
Loans to banks	291,379	-5,659	285,720
Loans to customers	1,499,771	-4,830	1,494,941
Property, equipment and intangible assets	50,090	-53	50,037
Tax receivables	38,260	-	38,260
Other assets	140,232	-645	139,587
Financial assets held for sale	74,209	-	74,209
<b>Total Assets</b>	<b>6,602,654</b>	<b>-11,188</b>	<b>6,591,466</b>

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2013	01.01.2014	
		FORMER GIL	CONS. FORMER GIL
Due to banks	2,230,871	-	2,230,871
Due to customers	3,588,700	-3,509	3,585,191
Financial liabilities held for trading and hedging	597	-	597
Tax payables	27,768	-974	26,794
Other liabilities	142,598	-95	142,503
Financial liabilities held for sale	66,252	-	66,252
Special purpose provisions	76,736	-571	76,165
Valuation reserves	5,460	-	5,460
Reserves	164,221	-	164,221
Additional paid-in capital	37,302	-	37,302
Share capital	114,895	-	114,895
Treasury shares (-)	-41	-	-41
Minority interests	6,039	-6,039	-
Net profit for the year	141,256	-	141,256
<b>Total Net equity and Liabilities</b>	<b>6,602,654</b>	<b>-11,188</b>	<b>6,591,466</b>

## 2. Acquisition of Credit Suisse Italia's business line

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

This transaction – subject to the Bank of Italy's prior authorisation – was finalised on 1 November 2014.

The transaction entails the sale of the business line including the agency contracts of 51 Financial Advisors of Credit Suisse Italia, the agreements with their current clients and the relevant net inflows and lending assets.

Overall AUM attributable to this business line amount to over 1.9 billion euros, whereas the consideration for the sale totalled 44.7 million euros, based on AUM recognised at the date on which the transaction became effective.

The fairness of the above price was confirmed by a fairness opinion commissioned by Banca Generali from KPMG Advisory S.p.A.

This acquisition was funded partly through a Tier 2 subordinated loan of 43 million euros issued by the subsidiary Generali Beteiligungs GmbH and the remainder in cash.

### Accounting Treatment

The acquisition of the Credit Suisse Italia business line falls within the scope of IFRS 3 and was accounted for using the purchase method.

In detail, the purchase price allocation (PPA) under IFRS3 envisages that the difference between the purchase price and the IFRS accounting imbalance of the acquired business unit is allocated:

i) to the highest/lowest values of recognized assets/liabilities,

- ii) to the fair value of contingent liabilities,
- iii) to the identified "intangible" assets,
- iv) the remaining part to goodwill.

The application of the above-mentioned procedure yielded the following results:

- 1) the assets and liabilities of the business unit not classifiable as intangible assets were recognised at their previous carrying amounts, since no significant divergences from fair value at the closing date of the transaction were identified;
- 2) the business line's current assets and liabilities were transferred at equal balances, and thus the entirety of the agreed consideration (44.7 million euros) was attributed to intangible assets, broken down as follows:
  - 17.3 million euros for the value of contractual relationships with customers associated with the acquired business line (client relationships) as intangible assets with finite useful life, with an estimated useful life of 15 years; and
  - the remaining 27.4 million euros to goodwill.

The asset recognized for contractual relations on assets under management is the economic valuation of expected financial flows from this portfolio based on the profitability ratio and adequate run-off rates. A useful life of 15 years has been estimated for this asset.

The following table shows the composition of the business line at equal balances and the overall effects on the capital position of the Banking Group at the effective date of the transaction.

ASSETS (€ THOUSAND)	30.09.2014	FORMER CSI BUSINESS UNIT	CONSIDERATION FOR THE SALE	01.10.2014
HFT financial assets	29,479	-	-	29,479
AFS financial assets	1,916,852	-	-	1,916,852
HTM financial assets	1,904,529	-	-	1,904,529
Loans to banks	797,338	28,668	-1,713	824,293
Loans to customers	1,660,183	94,111	-	1,754,294
Property, equipment and intangible assets	47,518	4	44,713	92,235
Tax receivables	38,086	-	-	38,086
Other assets	151,744	3,190	-	154,934
Financial assets held for sale	87,429	-	-	87,429
<b>Total Assets</b>	<b>6,633,158</b>	<b>125,973</b>	<b>43,000</b>	<b>6,802,131</b>

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.09.2014	FORMER CSI BUSINESS UNIT	CONSIDERATION FOR THE SALE	01.10.2014
Due to banks	1,387,881	5,589	-	1,393,470
Due to customers	4,327,983	115,957	43,000	4,486,940
Financial liabilities held for trading and hedging	1,448	-	-	1,448
Tax payables	45,202	-	-	45,202
Other liabilities	189,953	4,409	-	194,362
Financial liabilities held for sale	78,757	-	-	78,757
Special purpose provisions	91,651	18	-	91,669
Valuation reserves	22,111	-	-	22,111
Reserves	195,253	-	-	195,253
Additional paid-in capital	44,977	-	-	44,977
Share capital	115,621	-	-	115,621
Treasury shares (-)	-41	-	-	-41
Net profit for the year	132,362	-	-	132,362
<b>Total Net equity and Liabilities</b>	<b>6,633,158</b>	<b>125,973</b>	<b>43,000</b>	<b>6,802,131</b>

At the end of 2014, the initial accounting of the business combination was recognised at provisional values. Any adjustments to those provisional values after the consolidation of the initial accounting will be recognised within 12 months from the acquisition date, as per IFRS 3 (paragraphs 61-65).

Ancillary acquisition costs, with specific reference to legal and advisory charges incurred to finalize the agreement, registration fees and charges for the migration of contractual relations with the customers to the Bank's IT systems amounted to about 5.4 million euros and were fully expensed in accordance with IFRS 3.

Following the acquisition of the business unit, a special Partnership program was entered into with private bankers with the aim of facilitating their integration in Banca Generali's advisory network and promoting their medium-/long-term loyalty.

In detail, the program entails an initial amount aimed at remunerating their activity in the crucial phase of customers' transition from Credit Suisse to Banca Generali and a multi-year retention plan. Both were recognized under IAS 37 in the 2014 financial statements.

### 3. Disposal and exclusion from the scope of consolidation of BG Dragon China Sicav

In September 2013, Banca Generali finalised an investment in the new investment entity BG Dragon China Sicav, a UCITS under Luxembourg law, reserved for institutional investors and authorised to invest directly in the Chinese equity market.

The Sicav incorporated in July was promoted by the subsidiary GFM S.A., which also acted as its management company. The company's investment manager is the associate Generali Asia Limited (which in turn receives advice from Guotai). BG Dragon's Board of Directors is appointed by Banca Generali and has the power to choose and dismiss, even without cause, the manager of the company's assets.

Banca Generali subscribed 80,815 class-A shares, reserved for Generali Group companies, with a value at issue of 100 euros each, for a total amount of approximately 8 million euros.

BG Dragon also issued approximately 4,483 class-B shares, reserved for UCITSs belonging to the banking Group, with a value at issue of 15,000 euros each, for a total amount of approximately 67 million euros. The above shares were mainly subscribed by BG Selection Sicav, for the benefit of the investors of several of its sub-funds.

Considering that both the class-A and class-B shares present the same voting rights in the General Shareholders' Meeting of the Sicav, Banca Generali therefore directly held 94.74% of the company's voting rights and 10.74% of its capital, and was thus, under IAS 27, in a situation of direct control of the company.

The situation of control was also subsequently confirmed on the basis of the assessment conducted according to the new criteria set out in IFRS 10, effective 1 January 2014.

However, the Bank's investment was temporary in nature, since it was aimed at permitting the start-up of the Sicav. Accordingly, the investment was regarded as a purchase of an asset solely in view of subsequent resale in the near term pursuant to IFRS 5.32.c, and had thus been accounted for as a disposal group.

The disposal was made by full redemption of the shares, with a gain of 4.2 million euros, gross of the tax effect thanks to the appreciation of the portfolio invested in equities listed on the Chinese market in the last quarter of the year.

## Section 2 - Transactions after the close of the year

After 31 December 2014, no business combination transactions were undertaken.

## Section 3 - Retrospective Adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2014, pursuant to paragraphs 61 and B7 of IFRS 3. The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

At 31 December 2014, the Banking Group's goodwill totalled 66.1 million euros, with an increase of 27.4 million euros due to the acquisition of the business unit of Credit Suisse.

The Group's goodwill is therefore broken down as follows.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
Prime Consult e INA Sim	2,991	2,991	-	-
BG Fiduciaria Sim S.p.A.	4,289	4,289	-	-
Banca del Gottardo Italia	31,352	31,352	-	-
Credit Suisse Italy	27,433	-	27,433	-
<b>Total</b>	<b>66,065</b>	<b>38,632</b>	<b>27,443</b>	

## Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified for management reporting, pursuant to IFRS 8.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The following operating segments (areas of business) have been identified by the banking group:

- the **Affluent Channel**, which refers to the total earnings generated for the Group by the network of Financial Advisors, most of whom are employed by Banca Generali, and their respective clients;
- the **Private Banking Channel**, which refers to the total earnings generated for the Group by the network of private bankers and relationship managers, most of whom

are employed by Banca BSI Italia, and their respective clients;

- the **Corporate Channel**, which refers to the total earnings generated for the Group on the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

The following CGUs have been defined in order to perform the impairment test for such goodwill in accordance with IAS 36:

- For the Private banking operating segment:
  - "Private Banking" CGU;
  - "Trust Management" CGU.
- For the Affluent operating segment:
  - "Trust Management" CGU;
  - "Prime Consult and INA SIM" CGU.
- For the Corporate operating segment:
  - "Trust Management" CGU.

To determine the recoverable amount, both basic methodologies (to arrive at value in use) and market assessments (to arrive at fair value) were considered.

Value in use was calculated by employing an analytical method as the main model, whereas fair value was calculated by employing an empirical method as the control model.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

- a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
- b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a pay-out consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the individual CGUs were based on an extract of the Banking Group's 2014-2016 forecast data. These data refer to the 2014-2016 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

### 1. "Private Banking" CGU ("PB CGU")

The *Private Banking* CGU (PB CGU) refers to the overall activity of the Banca Generali Private Banking Division. It is therefore

made up of the Private Banker network and employed Relationship Managers and the respective customers and assets under management.

In this regard, until 31 December 2013 the Relationship Manager CGU was identified in the Private Banking operating segment. The CGU only referred to Banca Generali Private Banking Division's activities associated with the operations of Banca BSI Italia and Banca del Gottardo Italia, which were merged into Banca Generali and to which the goodwill arising on the acquisition of Banca del Gottardo Italia was entirely attributable.

In light of the "confusion" following the subsequent mergers and corporate reorganisations, this CGU included all Relationship Managers employed by Banca Generali.

Moreover, as of 1 November 2014, following Banca Generali's acquisition of the business unit made up of the Italian Affluent and Upper Affluent private banking operations of Credit Suisse Italy S.p.A., also the new Private Banker network was included in the Private Banking operating segment.

A new CGU was thus defined (Private Banking CGU), which was allocated both the previous goodwill of the Relationship Management CGU (RM CGU) and the goodwill recognized following the acquisition of the above-mentioned business unit.

The CGU's scope and future cash flows are now identified on the basis of the Private Banking Division's assets under management.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is presumed to expand by 6.6% over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 1.5%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at 8.54%.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of 2.9%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
- c) a value of 1.03 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and deter-

mined on the basis of a sample of comparable companies) duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the RM CGU's carrying amount of **135.9 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **872.2 million euros** and a maximum of **995.9 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 8.3%-8.8% and 1.25%-1.75%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

## 2, Trust Management CGU (TM CGU)

The Trust Management CGU ("TM CGU") coincides substantially with the equity investment in BG Fiduciaria SIM. For the purposes of the application of IAS 36 in connection with IFRS 8, since the CGU in question is transversal to the operating segments identified for IFRS 8, cash flows were allocated between the Private Banking, Retail and Corporate segments according to AUMs, thereby avoiding overlapping between segments. Since the profitability of the assets attributed to the three segments is similar and costs are also allocated on the basis of AUMs, the fact that the TM CGU passed the impairment test means that the goodwill attributed to the Private Banking, Retail and Corporate segments also passed the test.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is assumed to decrease by **3.0%** per year over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at **1.5%**.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **10.81%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of **2.9%**, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;

market risk premium of **5.5%**, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;

- c) a value of **1.44%** assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the TM CGU's carrying amount of **18 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **26.4 million euros** and a maximum of **29.2 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 10.3%-11.3% and 1.0%-2.0%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

## 3. "Prime Consult and INA SIM" CGU

The "*Prime Consult and INA SIM*" CGU ("former SIM CGU") refers to the part of the activity of the Affluent operating segment, relating to the operations of the stock brokerage companies Prime Consult SIM S.p.A. and INA SIM S.p.A., merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is assumed to expand by **2.0%** over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at **1.5%**.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **8.54%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of **2.9%**, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of **5.5%**, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;

- c) a value of 1.03 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

Compared to the Prime Consult and INA SIM CGU's carrying amount of **20.0 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **165.4 million euros** and a maximum of **188.4 million euros**.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 8.3%-8.8% and 1.25%-1.75%, respectively.

The tests performed on the CGU did not detect any goodwill impairment.

The test performed using the control method also confirmed that the carrying amount remained applicable.



## PART H - RELATED PARTY TRANSACTIONS

### Procedural aspects

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code, and Article 4 of the Regulations adopted with Consob Resolution No. 17221 of 12 March 2010, as subsequently amended. On 12 December 2011, the Bank of Italy updated the Prudential Supervisory Provisions for Banks (Bank of Italy's Circular Letter No. 263/2006), issuing new Provisions on Risk Assets and Conflicts of Interest of Banks and Banking Groups with Connected Parties (Title V, Chapter 5).

The Procedure was last updated to bring it in line with Article 150 of TUF and the provisions introduced by the Bank of Italy on 2 July 2013 with the 15th amendment of Circular Letter No. 263 of 27 December 2006 concerning "New Prudential Supervisory Provisions for Banks" on Transactions of Greater Importance.

The new Procedure for Related Party and Connected Party Transaction 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 Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

### The related party perimeter

Based on Consob Regulations, the Provisions issued by the Supervisory Body, and the Procedure, the following parties are considered as Banca Generali's related parties:

- subsidiaries of the Banking Group;
- the parent company Assicurazioni Generali, its subsidiaries (companies subject to common control) and pension funds established for the benefit of Generali Group employees;
- Key Management Personnel of the Bank and the parent company Assicurazioni Generali, close relatives of the cited personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Group are also considered related parties.

With specific regard to **key managers**, the following persons have been designated as such:

- the Directors, the Statutory Auditors, including the Chief Executive Officer and the General Manager;
- other top managers identified in the new organisational mo-

del introduced in 2013 and in the Bank's remuneration policies, i.e., the Joint General Manager and the three Central Managers;

- representatives of the parent company Assicurazioni Generali S.p.A. identified as Key Management Personnel in the corresponding procedure regarding transactions with related parties adopted by that insurance group.

At the level of Consolidated Financial Statements, transactions with related parties belonging to the Banking Group cancel each other out. Part H of Banca Generali's Notes and Comments provides an analysis of such transactions.

The Key Management Personnel of subsidiaries (directors, statutory auditors and general managers, if any) are also included, based on criteria similar to those of the parent company Banca Generali.

### Significance thresholds of Related Party transactions

The Procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- **Highly Significant Transactions** – that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution No. 17221, reduced to 2.5% for transactions carried out with a parent company that is listed on regulated markets or with undertakings thereto related, which are in turn related to the Company; they must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
- **Moderately Significant Transactions** – falling short of the threshold defining Highly Significant Transactions; they must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
- **Low Value Transactions**, whose value, defined pursuant to the Bank of Italy's Provisions, cannot exceed the amount of **250,000 euros** for banks with Own Funds below 1 million euros, and are excluded from the scope of application of the regulation on approval and disclosure transparency.

In addition to transactions of a modest amounts, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-bis of the TUF, and related implementing transactions;
- **resolutions regarding the remuneration of Directors** entrusted with specific tasks other than those determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of Key Management Personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
- ordinary transactions that are part of the ordinary operations and any and all related financial activities, and effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Greater Importance threshold, even if carried out on an arm's-length basis or standard conditions, should be considered as non-ordinary transactions;
- **transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated Own funds, the threshold of transactions of greater importance currently stands at around **18.1 million euros**, reduced to **9.1 million euros** for transactions with the parent company Assicurazioni Generali and the latter's related entities.

Moreover, the provisions issued by the Bank of Italy impose, for the first time, prudential restrictions, based on Own funds, on risk assets in respect of 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 assets carried out with entities qualifying as non-financial related parties. Exposure in respect of the Generali Group's connected parties, on the other hand, is capped at **7.5%** of consolidated Own funds.

Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed **20%** of the sum total of their individual Own funds.

## 1. Disclosure of compensation of directors and executives

As required by IAS 24, the total compensation recorded in the Profit and Loss Account for the year is disclosed below, broken down by personnel category and type.

	31.12.2014				31.12.2013	CHANGE
	DIRECTORS	AUDITORS	KEY MANAGEMENT PERSONNEL	TOTAL		
Short-term benefits (current compensation and social security charges)	1,126	181	3,961	5,268	5,368	-100
Post-employment benefits	-	-	481	481	575	-94
Other long-term benefits	-	-	1,035	1,035	1,679	-644
Severance indemnities	-	-	-	-	-	-
Share-based payments	-	-	1,485	1,485	436	1,049
<b>Total</b>	<b>1,126</b>	<b>181</b>	<b>6,962</b>	<b>8,269</b>	<b>8,058</b>	<b>211</b>
<b>Total at 31 December 2013</b>	<b>1,300</b>	<b>155</b>	<b>6,603</b>	<b>8,058</b>	-	-

The table presents the total expenses recognised in the Profit and Loss Account presented in the Annual Financial Statements on the basis of the application of IASs/IFRSs. It therefore also includes the social security charges for which the Company is liable, the al-

location to provisions for post-employment benefits, the expenses associated with stock-option plans determined in accordance with IFRS 2 and the estimate of productivity bonuses accrued during the year on the basis of the provisions of the remuneration policy.

It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes:

- the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the Bank's new remuneration policy;
- the allocations accrued during the year on the basis of the variable cash salary payments envisaged in the Long-Term Incentive Plan (LTIP), calculated according to best possible estimate procedures and in relation to forecasts relating to the achievement of pre-determined objectives.

The allocations accrued during the year to this latter item refer to the last tranche of cash benefits envisaged in the third cycle (2012-2014) of the plan.

Effective the fourth cycle of the plan (2013-2014), the incentive characteristics were completely revised and now only envisage a share bonus in the form of shares of the Parent Company, Assicurazioni Generali, the costs of which – estimated on the basis of the international accounting standard IFRS 2 – have been included in the item "share-based payments."

In 2014, cash bonuses of a total of 1,322 thousand euros, gross of social-security contributions, fully covered by allocations in previous years, were paid out in connection with the first cycle of the plan (2011-2013).

This incentive plan is described in greater detail in Part A of these Notes and Comments.

For detailed information concerning remuneration policies, the reader is therefore referred to the specific document concerning remuneration policies instituted by Consob Resolution No. 18049 of 23 December 2011 and, as regards the disclosure required by the Bank of Italy, to the section about Pillar 3.

## 2. 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 scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group's operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali.

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.

To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

Finally, as part of its normal operations, the Bank also maintains outsourcing, IT and administration, insurance and lea-

sing relationships, as well as other minor relationships with Generali Group companies.

Transactions with related parties outside the Generali Group are mostly confined to direct and indirect inflows activities and loans to Key Management Personnel (and their relatives) of the bank and its Parent Company. These transactions are carried out at arms length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

### Highly Significant Transactions

In 2014, the only transaction qualifying as a Highly Significant Transaction entailing the mandatory publishing of a disclosure to the market was the subordinated loan from Generali Beteiligungs GmbH, a company of the Generali Group, totalling 43 million euros, for the acquisition of the Credit Suisse Italy S.p.A.'s business line. The terms negotiated for the loan are comparable to customary market terms for similar transactions. The disclosure document on the transaction is available on the corporate website of Banca Generali.

With reference to highly significant intra-group transactions – which are exempt from the obligation to publish a disclosure document – it should be noted that the investment in BG Dragon China Sicav was entirely sold. Please refer to Part G of these Notes and Comments for an analysis of this divestment.

### Other Significant Transactions

In 2014, some transactions were approved qualifying as “moderately significant” transactions, which are subject to the prior non-binding opinion of the Audit and Risk Committee, as follows.

DATE	TRANSACTION	RELEVANT PARTY
23.01.2014	New conditions for the collection and payment services following the entry into force of the new SEPA legislation.	Assicurazioni Generali Group companies
23.01.2014	Plan to spin off a part of the operations of the subsidiary Generali Fund Management S.A. (BG Fund Management Luxembourg S.A. effective 1 July 2014) to a newly incorporated Luxembourg company controlled by Generali Investments S.p.A.	Generali Investments S.p.A.
28.02.2014	Time deposit, for the company Assicurazioni Generali for an amount of 200 million euros from 28 February 2014 to 7 November 2014, at a rate of 0.45%.	Assicurazioni Generali S.p.A.
23.04.2014	Reduction of the trading fee from 3.8 bps to 2 bps of the Commission Sharing Agreement entered into on 19 December 2007, which governs the trading and order collection activity performed by Banca Generali	Generali Investment Europe SGR S.p.A.
25.06.2014	Renewal of an insurance policy, the BBB (Banker’s Blanket Bond), through the company AON S.p.A. – Insurance & Reinsurance Brokers.	Generali Italia S.p.A.
09.07.2014	Transformation of a pool loan into a one-to-one loan for Citylife, with a change of collateral, the release of the guarantee provided by Allianz S.p.A. and the concurrent confirmation of the guarantee provided by Generali Properties S.p.A. for the full amount of the loan.	Citylife S.p.A., Generali Properties S.p.A.
04.11.2014	Extension of the pool loan granted to Investimenti Marittimi S.p.A. (maturing on 31 January 2014) until 31 December 2016, with the renegotiation of the rate applied from the three-month Euribor plus 600 bps to the three-month Euribor plus 400 bps.	Investimenti Marittimi S.p.A.
04.11.2014	Contract for the provision of performance, risk management and reporting services by BG Fund Management Luxembourg S.A. to Generali Investments Luxembourg S.A.	Generali Investments Luxembourg S.A.

### Ordinary or recurring transactions

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

## 1.1 Balance Sheet Data

### Equity transactions with assicurazioni Generali Group

(€ THOUSAND)	PARENT COMPANY ASSICURAZIONI GENERALI	SUBSIDIARIES OF THE AG GROUP	31.12.2014	31.12.2013	% WEIGHT 2014	% WEIGHT 2013
HFT financial assets	271	-	271	272	0.83%	0.12%
AFS financial assets	783	549	1,332	1,737	0.06%	0.11%
Loans to banks	-	708	708	630	0.25%	0.22%
Loans to customers	27	17,601	17,628	52,922	0.98%	3.53%
Tax assets (AG tax consolidation)	1,966	-	1,966	1,633	4.82%	4.27%
Other assets	1	627	628	22	0.25%	0.02%
Financial assets held for sale	-	-	-	84	-	0.11%
<b>Total assets</b>	<b>3,048</b>	<b>19,485</b>	<b>22,533</b>	<b>57,300</b>	<b>0.37%</b>	<b>0.87%</b>
Due to banks	-	14,582	14,582	21,208	1.40%	0.95%
Due to customers	276,313	987,332	1,263,645	1,136,648	29.49%	31.67%
Tax liabilities (AG tax consolidation)	5,081	-	5,081	631	18.40%	2.27%
Other liabilities	231	10,121	10,352	1,091	6.91%	0.77%
<b>Total liabilities</b>	<b>281,625</b>	<b>1,012,035</b>	<b>1,293,660</b>	<b>1,159,578</b>	<b>21.07%</b>	<b>17.56%</b>
<b>Guarantees issued</b>	<b>-</b>	<b>3,289</b>	<b>3,289</b>	<b>3,289</b>	<b>2.77%</b>	<b>4.28%</b>

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, amounted to 22.5 million euros, compared to the 57.3 million euros recognised at the end of 2013, equal to 0.9% of the banking group's total assets. By contrast, the total debt position reached 1,293.7 million euros, accounting for 21.1% of liabilities, up by 134.3 million euros (11.6%) compared to the previous year.

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 the shares held in consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services), as well as to a 15% stake in the subsidiary **Simgenia SIM**.

With regard to the latter, in the previous year the company resolved to dispose of its operating activities, terminating its agreements with its sales network. In the second half of 2014, opera-

tions entailing placement to customers have completely ceased and the company is planned to be merged into another Generali Group company.

Out of the over 1,000 agents of its network, 69 decided to join Banca Generali, whereas others have joined different networks or decided to carry out exclusively insurance activities.

Due to the discontinuation of operations and the prospects of liquidation, in 2014 the equity investment was written down for 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. The book value of the equity investment amounted to 303 thousand euros, after write-downs of 730 thousand euros.

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 year-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.

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2014		31.12.2013	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Bank AG	Controlled by AG	Term deposits	-	-	-	-
BSI S.A.	Controlled by AG	Currency deposits	108	-	30	8
BSI S.A.	Controlled by AG	Operating receivables	600	-	600	-
			<b>708</b>	<b>-</b>	<b>630</b>	<b>8</b>

Exposures to Generali Group companies recognised as loans to customers amounted to 17.6 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2014		31.12.2013	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Italia	Subsidiary of the AG Group	GESAV policy	-	400	22,208	836
Citylife S.r.l.	Subsidiary of the AG Group	Grant to BT in current account	-	164	13,391	331
Investimenti Marittimi	Associate of the AG Group	Grant to MLT in current account	4,030	623	7,618	621
Genertellife	Subsidiary of the AG Group	Operating receivables	11,651	-	8,038	-
Assicurazioni Generali	Parent Company	Operating receivables	27	-	208	-
Other (Generali Inv. Europe, Simgenia)	Subsidiary of the AG Group	Operating receivables	1,908	-	1,541	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	12	27	2	30
			<b>17,628</b>	<b>1,214</b>	<b>53,006</b>	<b>1,818</b>

The company **Investimenti Marittimi** is included in the scope of related parties since it is an associate of the Parent Company Assicurazioni Generali holding a 30% direct investment in the same.

The above firm is a holding company that owns exclusively a controlling interest in the shipping company Premuda, which is experiencing a period of financial difficulty, in light of which it has requested a bank debt restructuring. In the fourth quarter of 2013, the company suspended payment of the interest owed on the loan and was classified as a substandard position.

The gross exposure of 10.8 million euros, including accrued interest not paid, is made up of a share (10%) of a pooled loan with Banca Carige maturing on 31 December 2014 and fully backed up by a pledge on the Premuda equity stake.

In November, an extension of the loan until 31 December 2016 was approved, and the rate was renegotiated from the three-month Euribor plus 600 bps to the three-month Euribor plus 400 bps, contingent upon certain guarantees. However, since such guarantees have not been formally provided, the loan has currently expired.

In 2014, as a result of the continuing situation of difficulty experienced by the Premuda Group and the deterioration of the col-

lateral held, further impairment losses of 4.2 million euros were recognised, which reduced net exposure to 4.0 million euros.

At year-end 2014, the exposure to **Citylife S.r.l.** (13.4 million euros at year-end 2013) was entirely written off. During the year, the transformation from the previous pooled revolving loan – in the overall amount of 30 million euros to cover the borrower's day-to-day business operations – to a one-to-one loan was approved, with the release of the guarantee provided by Allianz S.p.A. and the concurrent extension of the guarantee provided by Generali Properties S.p.A. for the entire amount. Banca Generali has also issued bank guarantees totalling 2.5 million euros, in favour of the same customer.

Operating receivables are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies and payment of the entire amount was received in the first two months of the year.

Finally, the **maturing GESAV** policy with Generali Italia was repaid.

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 presented a debt position of 5.2 million euros towards the tax consolidation programme, net of the advances paid, in relation to the estimated taxes for the year.

**Amounts due to customers** attributable to Generali Group's related parties reached 1,263.7 million euros at the end of the year and included amounts due to the parent company Assicurazioni Generali S.p.A. of 276 million euros and amounts due to Generali Italia S.p.A. of 175.2 million euros.

At year-end 2014, net inflows mainly related to current account deposits. In contrast, **term deposits** entered into in the previous year by some of the Group's companies (Participatie Maatschap-pij Graafschap Holland N.V. and Flandria) due to temporary treasury requirements and maturing in April 2014 (411 million euros) and in February were fully repaid by the parent company Assicurazioni Generali (200 million euros).

Amounts due to customers also include the subordinated loan granted by Generali Versicherung amounting to 8.1 million eu-

ros, gross of accrued interest, and the new subordinated loan with Generali Beteiligungs-GmbH taken up to acquire the Credit Suisse Italy S.p.A.'s business line, for a total amount of 43.2 million euros, gross of accrued interest.

**Amounts due to banks** of the insurance group consisted for 14.6 million euros of collateral deposits made by BSI SA as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia.

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

### Transactions with other Related Parties

Exposure in respect of Key Management Personnel of the Bank and its parent company Assicurazioni Generali 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. This aggregate remained substantially unchanged since the end of 2013.

However, this aggregate also includes an equity investment held in the Bank's AFS portfolio and attributable to a key manager of the Parent Company, Assicurazioni Generali S.p.A.

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.

	KEY MANAG. PERSONNEL	ENTITIES UNDER CONTROL OR SIGNIFICANT INFLUENCE
AFS financial assets	-	486
Loans to customers	1,908	-
Due to customers	1,254	-
Guarantees issued	45	-
Guarantees received	-	-

## 1.2 Profit and Loss Account data

### Profit and loss relationships with Generali Group companies

At 31 December 2014, the profit and loss components recognised in the Financial Statements with regard to transactions with

Generali Group's related parties amounted to 93.7 million euros, or 46.4% of operating profit before taxation.

(€ THOUSAND)	PARENT COMPANY ASSICURAZIONI GENERALI	A.G. GROUP SUBSIDIARIES	2014	2013	% WEIGHT 2014	% WEIGHT 2013
Interest income	-	1,214	1,214	1,826	1.03%	1.26%
Interest expense	-2,069	-2,468	-4,537	-3,403	42.37%	15.02%
<b>Net interest</b>	<b>-2,069</b>	<b>-1,254</b>	<b>-3,323</b>	<b>-1,577</b>	<b>-3.11%</b>	<b>-1.29%</b>
Fee income	591	116,950	117,541	86,856	24.25%	21.46%
Fee expense	-	-1,651	-1,651	-5,954	0.73%	3.34%
<b>Net fees</b>	<b>591</b>	<b>115,299</b>	<b>115,890</b>	<b>80,902</b>	<b>45.05%</b>	<b>35.74%</b>
Dividends	28	-	28	12	1.09%	1.31%
Gain (loss) on trading	-	-	-	123	-	0.68%
<b>Operating income</b>	<b>-1,450</b>	<b>114,045</b>	<b>112,595</b>	<b>79,460</b>	<b>26.86%</b>	<b>21.64%</b>
Staff expenses	-	706	706	622	-0.95%	-0.90%
General and administrative expense	-1,520	-13,728	-15,248	-15,512	11.87%	14.74%
Other operating income and expenses	-	253	253	249	0.61%	0.80%
<b>Net operating expenses</b>	<b>-1,520</b>	<b>-12,769</b>	<b>-14,289</b>	<b>-14,641</b>	<b>8.62%</b>	<b>9.85%</b>
<b>Operating result</b>	<b>-2,970</b>	<b>101,276</b>	<b>98,306</b>	<b>64,819</b>	<b>38.79%</b>	<b>29.65%</b>
Reversal value of loans	-	-4,211	-4,211	-2,539	55.9%	51.7%
Adjustments of other assets	-	-402	-402	-328	11.6%	28.3%
<b>Operating profit</b>	<b>-2,970</b>	<b>96,663</b>	<b>93,693</b>	<b>61,952</b>	<b>46.4%</b>	<b>31.8%</b>

Overall, **net interest income** accrued in dealings with companies of the insurance Group is negative and amounted to 3.3 million euros, with interest paid to such companies (4.5 million euros) accounting for 42.4% of the total item recognised in the profit and loss account and showing an increase of 1.1 million euros compared to the previous year, mainly due to the time deposit extant during the year.

GmbH amounted to 0.7 million euros, the interest accrued on collateral deposits of BSI S.A. amounted to 0.5 million euros, interest on the time deposits with foreign subsidiaries and the Parent Company amounted to 1.7 million euros and interest on the funding provided by other Generali Group companies was 1.6 million euros.

Within this item, the interest paid in relation with the subordinated loans of Generali Versicherung and Generali Beteiligungs-

**Fee income** paid back by companies of the insurance Group amounted to 117.5 million euros, equal to 24.3% of the aggregate amount and was broken down as follows:

	2014	2013	CHANGE	
			ABSOLUTE	%
Fees for asset management	5,575	2,568	3,007	117.1%
Distribution of insurance products	110,367	82,471	27,896	33.8%
Consultancy	772	553	219	n.a.
Other bank fees	827	1,264	-437	n.a.
<b>Total</b>	<b>117,541</b>	<b>86,856</b>	<b>30,685</b>	<b>35.3%</b>



The main items were fees for distribution of insurance products paid back to **Genertellife**, which grew significantly compared to the previous year thanks to the successful new multi-line policy BG Stile Libero.

Fees on the placement of units of UCITs of the insurance group related for 2.3 million euros to the income on the distribution of BG Focus funds, promoted by Generali Investments Europe SGR. Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2014 fee income amounted to 0.8 million euros advisory fees from Alleanza and Generali Italia and 1.1 million euros advisory fees from Generali Paneurope.

The other bank fees refer primarily to direct debit collection activity on behalf of Group companies.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITs administered by management companies that belong to the banking and insurance Group. Such fees, amounting to 7.2 million euros, are generally charged directly against the assets of the UCITs, which are considered entities beyond the scope of IAS 24.

The Bank also directly collects from customers subscription fees for the Sicav GIS - Generali Investments Sicav, promoted by the insurance group's asset management companies (SGR).

	2014	2013	CHANGE
Sicav underwriting fees	195	1,134	-939
Trading fees on funds and Sicavs	7,207	9,583	-2,376
<b>Total</b>	<b>7,402</b>	<b>10,717</b>	<b>-3,315</b>

**Fee expense** paid back to insurance Group companies consists of distribution fees for the Group's asset management products (0.8 million euros), and advisory and middle-office fees related to non-Italian UCITs.

**Net operating expenses** recognised by the Bank in relation to transactions with related parties of the Generali Group amounted to 14.3 million euros and refer for 8.6% to outsourced services in the insurance, leasing, administrative and IT sectors.

	2014	2013	CHANGE	
			ABSOLUTE	%
Insurance services	2,039	2,555	-516	-20.2%
Property services	6,614	6,266	348	5.6%
Administration, IT and logistics services	6,341	6,442	-101	-1.6%
Financial services	-	-	-	-
Staff services	-705	-622	-83	13.3%
<b>Total administrative expense</b>	<b>14,289</b>	<b>14,641</b>	<b>-352</b>	<b>-2.4%</b>

Administrative expense incurred in relation to Generali Italia S.p.A. amounted to 2.8 million euros, of which 1.8 million euros refer to insurance services and the remainder to rentals for former INA property leases.

The cost of property services relating to the lease of office, branch network and the bank's operating outlet premises totalled 6.6 million euros and referred to the Parent Company, as well as Generali Properties (2.7 million euros), Fondo Mascagni (1.3 million euros) and Generali Immobiliare SGR (1.3 million euros).

Expenses relating to IT, administration and logistics referred chiefly to services rendered by Generali Business Solu-

tions S.r.l. (GBS) on the basis of current outsourcing agreements.

Following the demerger of Generali Investment Luxembourg S.A., the subsidiary BGFML in 2014 incurred expenses of 0.6 million euros for the services rendered to the NewCo.

### Direction and Coordination

Pursuant to Article 2497-bis of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of the latter company's latest Financial Statements is reported hereunder.

**2013 Highlights of assicurazioni generali**

(€ MILLION)	FY 2013
<b>Net profit</b>	<b>569.3</b>
Aggregate dividend	700.6
<i>Increase</i>	125.0%
Total net premiums	5,357.5
Total gross premiums	6,300.5
Total gross premiums from direct business	3,598.2
<i>Increase on equivalent terms (a)</i>	n.s.
Total gross premiums from indirect business	2,702.3
<i>Increase on equivalent terms (a)</i>	n.s.
Acquisition and administration costs	843.3
<i>Expense ratio (b)</i>	15.7%
<b>Life Business</b>	
Total net premiums	3,261.9
Life gross premiums	3,530.0
<i>Increase on equivalent terms (a)</i>	n.s.
Life gross premiums from direct business	1,879.1
<i>Increase on equivalent terms (a)</i>	n.s.
Life gross premiums from indirect business	1,650.9
<i>Increase on equivalent terms (a)</i>	n.s.
Life acquisition and administration costs	386.8
<i>Expense ratio (b)</i>	11.9%
<b>Non life Business</b>	
Total net premiums	2,095.6
Non-life gross premiums	2,770.5
<i>Increase on equivalent terms (a)</i>	n.s.
Non-life gross premiums from direct business	1,719.1
<i>Increase on equivalent terms (a)</i>	n.s.
Non-life gross premiums from indirect business	1,051.4
<i>Increase on equivalent terms (a)</i>	n.s.
Non-life acquisition and administration costs	456.5
<i>Expense ratio (b)</i>	21.7%
<i>Non-life loss ratio (c)</i>	70.1%
<i>Non-life net combined ratio (d)</i>	91.8%
<b>Current financial result</b>	<b>1,778.2</b>
Technical provisions	10,789.0
Technical provisions life	9,247.7
Technical provisions non-life	1,541.3
Investments	37,622.8
Capital and reserves	14,095.1

- (a) At constant exchange rates.  
(b) Acquisition and administration costs on total premiums.  
(c) Claims, maturities and surrenders on earned premiums.  
(d) Sum of (b) and (c).

The highlights of the parent company Assicurazioni Generali S.p.A shown above were taken from the company's Financial Statements for the year ended 31 December 2013. These are available together with the Independent Auditor's Report as

provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm engaged by Banca Generali.

## PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

### A. Qualitative information

#### Payment agreements based on own equity instruments

At 31 December 2014, the payment agreements based on own equity instruments activated by the Banca Generali Banking Group consisted of:

- two stock-option plans, one for Financial Advisors and the other for certain of the Group's managers relating to Banca Generali's listing on the Stock Exchange, approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two stock-option plans reserved respectively for Financial Advisors and network managers and relationship managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010.

The main features of the aforementioned plans are detailed below.

#### 1. Stock Option Plans for employees and financial advisors related to the listing

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 the Board of Directors of Banca Generali approved two stock option plans, both contingent upon the commencement of trading of the Company's shares on the Stock Exchange, called for:

- the allotment to Banca Generali Group salaried managers of a maximum amount of 1,113,130 new ordinary shares to be issued;
- the allotment to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, of a maximum of 4,452,530 shares to be issued.

The plans were authorised by the General Shareholders' Meeting on 18 July 2006. During the same meeting, the shareholders also passed a resolution on a divisible share capital increase in the service of such stock option plans, for a maximum nominal amount of 5,565,660.00, through the issue of new ordinary shares of a nominal value of 1.00 euro each.

On 15 December 2006, after the ordinary shares started trading on the MTA (electronic share market) on 15 November 2006, the initial allotment in favour of Group managers and Financial Advisors were made, both with a strike price of 9.046 euros, equal to the arithmetic mean of the closing price of the company's listed shares on the MTA recorded during the period from the option allotment date to the same day in the previous calendar month.

The allotment of options was conditional upon the attainment of overall group targets and, in the case of the plan reserved for the Financial Advisors and network managers, to individual net inflows targets.

The plans' rules and procedures called for Financial Advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). For salaried managers instead the plan called for a single three-year vesting period, with the possibility of exercising the options over the following three years.

The mandatory reinvestment of 50% of capital gains in Banca Generali shares and retention of said shares for at least 12 months was also provided for.

In order to compensate optionees for the loss in value of the above-mentioned Stock Option Plans due to the well-known market conditions that occurred in 2007 and 2008, which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows, on 9 October 2009 the Board of Directors of Banca Generali resolved to approve a three-year extension of the exercise period of the above-mentioned options. That amendment was subsequently ratified by the Shareholders' Meeting on 21 April 2010. Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for Financial Advisors – 31 March 2014;
- for salaried managers – 15 December 2015.

Throughout the life of the plans, a total of 3,545,870 option rights have been allotted, of which 2,706,870 to Financial Advi-

sors and 839,000 to managers serving under employment contracts.

During 2014, a total of **388,785** options were exercised, of which **67,500** by managers serving under employment contracts.

In addition, **22,000** options were cancelled due to the termination of employment of employees to whom they had been allotted, while **20,206** options allotted to Financial Advisors at the end of the financial year as of 31 March 2014 expired.

At the end of 2014, the options allotted under the plan reserved for employees of banking group companies totalled **30,000**. They must be exercised by 15 December 2015.

### **1.1 Accounting effects of the extension of the stock-option plans**

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 Financial Statements, in which the transactions concerned were originally recognised.

Following the three-year extension of the exercise period approved in 2011, the option's fair value for the employees' plan was set at 2.5 euros, while for the Financial Advisors' plan was set in a range between 2.4 and 2.5 euros, based on the expected exercise date.

At present, since the vesting period has expired, the above plans have entered a merely executive phase, resulting in accounting effects on capital, as analysed in Section B below, solely in relation to the exercise of vested option rights by beneficiaries.

## **2. Rules for the Stock Option Plans for financial advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010**

In order to pursue the twofold objective, in the medium- and long-term, of maintaining the interest of the distribution network and network managers in line with the interest of the company, as well as retaining the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity, on 21 April 2010 the Shareholders' Meeting approved two stock option plans, which called for:

- the allotment to Banca Generali's Financial Advisors, area managers, business managers and private bankers of a maximum of 2,300,000 shares to be issued;
- the allotment to Banca Generali's Relationship Managers of a maximum amount of 200,000 ordinary shares to be issued;
- the allotment of options by 30 June 2011, after having verified that overall and individual targets for the development of net inflows by 31 December 2010 have been reached;
- the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

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

The following is a summary of the salient characteristics of the plans in question.

Recipients	<ol style="list-style-type: none"> <li>1) Financial Advisors under standard agency agreements at 1 July 2009, provided they are not on notice of termination.</li> <li>2) Financial Advisors engaged in a subsequent period, until the end of the Reference Period.</li> <li>3) The Network Managers on whom the Company conferred as of 1 July 2009 a specific additional appointment as Sales Manager for Italy, Area Manager, Private Banking Manager or District Manager, provided that the said additional appointment is not revoked and continues to remain in full force and effect through to the expiry of the Reference Period.</li> <li>4) Any and all Banca Generali's employees who was still in the service of Banca BSI Italia as Relationship Managers or Unit Coordinators of Relationship Managers, and had not been placed on notice of termination as of 30 September 2009.</li> </ol>
Performance conditions	<p>Allotment of the Options to the Plan Recipients is contingent upon the satisfaction of:</p> <ul style="list-style-type: none"> <li>• overall net inflows targets set by the Board of Directors at 2.0 billion euros for 2010;</li> <li>• individual net inflows targets set by the Plan's Management Committee.</li> </ul> <p>Individual targets call for a minimum net inflows access threshold, above which the options allotted are proportional to the net inflows level achieved.</p> <p>Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be allotted, a distribution would be conducted.</p>
Reference period and measurement parameters	<p>The following must be considered for participation in the Plan:</p> <ol style="list-style-type: none"> <li>1. the net inflows achieved in the fourth quarter of 2009 and all of 2010 arising from application of the "Tax Amnesty";</li> <li>2. the remaining net inflows achieved in 2010, calculated according to the normal rules applicable to semi-annual incentive plans.</li> </ol>
Vesting conditions	<p>The allotted Options shall be exercisable as follows:</p> <ul style="list-style-type: none"> <li>• up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2011;</li> <li>• up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2012;</li> <li>• up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2013;</li> <li>• up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2014;</li> <li>• up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2015;</li> <li>• the remaining one sixth of the Options, as of 1 July 2016.</li> </ul> <p>The Rules and Procedures state that, if the relationship between the Recipients/Grantees and the Company is terminated for any reason or the associated notice period is underway, the Recipient shall forfeit, effective immediately, the right to be allotted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of Financial Advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010).</p> <p>In such case, only the options that have already become exercisable may be exercised.</p>
Exercise period	<p>The allotted Options must be exercised by 30 June 2017 at the very latest.</p> <p>The shares may be freely disposed of and are not subject to any restrictions.</p>
Effective date of the Plan	<p>The Plan shall take effect as soon as the Plan Management Committee identifies the Recipients of the Options, provided that, by such time:</p> <ul style="list-style-type: none"> <li>• Banca Generali's General Shareholders' Meeting approves the capital increase covering the Plan;</li> <li>• the Board of Directors determines that the overall performance targets set during the session of the Board of Directors in which the Financial Statement results for 2010 are discussed have been met;</li> <li>• the Delegated Body determines that the individual Recipients have, in fact, met the individual performance targets previously established.</li> </ul> <p>The latter condition must be determined to have been satisfied by 15 May 2011 and the Options must be allotted to the entitled parties by 30 June 2011.</p>
Strike Price	<p>The Strike Price of the Options represents the arithmetic mean of the Reference Prices of the Shares as quoted on the electronic share market (MTA) during the period between the date on which the Options were allotted, and the same day of the calendar month immediately preceding the aforesaid allotment date.</p>

Following the attainment of the overall net inflows objectives, the review of the achievement of the individual objectives assigned to the various categories of recipients was conducted by the Plan Management Committee on 13 May 2011.

The option rights were effectively allotted to the entitled parties on 7 June 2011.

The exercise price of the shares, amounting to 10.7118 euros, was determined on the basis of the plans Regulations, based on the arithmetic mean of the reference price of Banca Generali stock listing in the period from the option allotment date to the same date of the previous solar month.

The fourth tranche of options, accounting for one-sixth of the total options allotted, became eligible for exercise as of 1 July 2014.

During 2014, a total of **378,208** options were exercised, of which **46,225** by relationship managers. In addition, **21,078** options were cancelled due to termination of the agreements with the Financial Advisors and **3,757** due to the resignations of employees to whom they had been allotted.

At the end of 2014, the options allotted under the plan reserved for Financial Advisors amounted to **1,087,438**, whereas the option rights allotted to Relationship Managers amounted to **88,749**.

## 2.11 Measurement of fair value and accounting effects

Valuation of the stock option plans is based on the fair value of the options allotted, calculated with reference to the final allotment date of the options.

In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate allotment, with the determination of a specific fair value.

The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.

The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.

In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.

Considering the particular situation of market volatility that occurred during the option allotment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) to 30 June 2011, the date specified in the Rules and Procedures as the final deadline for allotment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.

Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between allotment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

## B. Quantitative information

During 2014, 767,000 option rights deriving from the old 2006 stock-option plans related to the listing and the new 2010 plans were exercised.

The weighted average strike price was 9.85 euros (the strike price range was 9.0 – 10.71 euros), compared to an average price of the Banca Generali stock of 21.8 euros in 2014.

The total amount of proceeds for the bank thus reached 7,605 thousand euros, whereas the value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 1,559 thousand euros.

That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares allotted, was added to the share premium reserve (8,272 thousand euros) pursuant to the Supervisory Authority's instructions (Circular No. 262/2005, paragraph 5, Statement of Changes in Net Equity).

The expenses recognised in profit and loss in 2014 in connection with the stock-option plans reserved for Financial Advisors and salaried Relationship Managers authorised in 2010 amounted to 224 thousand euros.

At the end of 2014, the IFRS 2 equity reserve therefore amounted to 1,596 thousand euros.

The total number of options that can be exercised at the end of financial year 2014 is 422 thousand, with an average strike price of 10.59 euros and a total exercise value of about 4.7 million euros. The remaining average life of such aggregate amount is little more than two years.

The exercise period of the 2006 plans expired on 31 March 2014 for Financial Advisors and will expire on 15 December 2015 for employees.

As of 1 July 2015, the fifth tranche of the 2010 stock option plans will also become exercisable.

ITEMS/NUMBER OF OPTIONS AND EXERCISE PRICES (€ THOUSAND)	TOP MANAGERS	AVERAGE PRICES	FINANCIAL ADVISORS	AVERAGE PRICES	EMPLOYED MANAGERS	AVERAGE PRICES	TOTAL	AVERAGE PRICES	AVERAGE MATURITY
<b>A. Amount at year-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>	-	-	-694,552	9.87	-139,482	9.62	-834,034	9.83	X
C.1 Cancelled	-	-	-21,078	10.71	-25,757	9.25	-46,835	9.91	X
C.2 Exercised	-	-	-653,268	9.87	-113,725	9.70	-766,993	9.85	X
C.3 Expired	-	-	-20,206	9.00	-	-	-20,206	9.00	X
C.4 Other changes	-	-	-	-	-	-	-	-	X
<b>D. Amount at year-end</b>	-	-	1,087,438	10.71	118,749	10.28	1,206,187	10.67	2.46
<b>E. Options that can be exercised at year-end</b>	-	-	372,673	10.71	49,670	9.68	422,343	10.59	2.39
<b>Strike price</b>	-	-	205	X	19	X	224	X	X
<b>IFRS 2 reserve</b>	-	-	1,291	X	305	X	1,596	X	X

The table includes option rights exercised by the beneficiaries in the last days of 2014 to be settled in 2015.



## PART I - 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 Financial Advisors/Financial Planners network mainly 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 financing activities of the Finance Department and the provision of banking and investment services not directly attributable to the above channels (eg., captive customers).

Figures for 2014 also take into account the extraordinary transactions carried out during the year, in detail:

- the high number of recruitments concentrated at the end of the first half-year involving Financial Advisors who previously worked at Simgenia SIM, a company belonging to the Assicurazioni Generali Group that discontinued its operations at the end of June. In detail, approximately 70 professionals 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. Inflows gathered by these new Financial Advisors amounted to about 0.65 billion euros and was attributed to the Affluent Channel;
- the acquisition of the Financial Advisors of Credit Suisse Italy's business line, finalised on 1 November 2014. As a result of this deal, the Bank acquired 51 high-standing professionals managing about 1.9 billion of assets. These Financial Advisors were included in the Private Channel.

The periodical reports analysed by the Management requires the Group to assess the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments.

The financial aggregates presented for each segment therefore consist of net interest, net fees and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the Group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

It should be noted in this regard that internal revenues can be identified solely with reference to the interest margin; in fact, since net fees are generated directly by volumes of gross inflows and Assets Under Management relating to the individual segments, they are generated in full as external revenues.

The interest expense incurred by Affluent and Private segment was determined on the basis of the actual interest paid on each segment's direct inflows. Interest income for the two segments was normalised, and the interest margin generated by loans to retail customers was extended to total inflows; this value was however almost identical to that generated by Bank's total loans, not impacted by extraordinary operations (eg., ECB LTRO). Figures for 2013 have been compared on a like-for-like basis with those for 2014. This approach allows to achieve a fairer margin distribution according to inflows' segment and volume.

Beginning in 2014, performance fees previously attributed to the Corporate Channel have been directly allocated to the business areas which place the products; figures for 2013 have been therefore restated accordingly.

All the revenue components presented are measured using the same accounting principles adopted to prepare the Group's consolidated financial statements so that segment data can be reconciled more easily with consolidated data.

The following tables show the consolidated profit and loss results of each of the identified segments, stated net of intra-segment eliminations and reclassified based on IFRS 5.

Moreover, below the tables, by way of additional quantitative information analysed by the management to evaluate the Group's performance, a breakdown is given of assets under management at year-end and net inflows for the year ended 31 December 2014, along with the comparative figures, by operating segment.

## Distribution by business segment: Profit and Loss Account figures

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT (€ THOUSAND)	31.12.2014				31.12.2013			
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL
Interest income and similar revenues	11,721	7,758	98,233	117,712	8,420	6,925	129,147	144,492
Notional interest	9,222	4,181	-13,402	-	11,765	6,395	-18,160	-
Interest expense and similar charges	-959	-581	-9,167	-10,707	-4,152	-3,599	-14,898	-22,650
<b>Net interest income</b>	<b>19,983</b>	<b>11,358</b>	<b>75,664</b>	<b>107,005</b>	<b>16,032</b>	<b>9,721</b>	<b>96,089</b>	<b>121,842</b>
Fee income	289,040	172,270	23,308	484,619	229,439	150,078	25,159	404,675
<i>of which:</i>								
- subscriptions	26,767	9,362	140	36,269	19,001	10,001	118	29,120
- management	219,021	134,040	6,248	359,309	174,322	114,275	7,374	295,971
- performance	30,698	21,862	4,304	56,864	27,003	18,645	-	45,649
- other	12,554	7,006	12,616	32,176	9,113	7,157	17,666	33,935
Fee expense	-145,132	-68,776	-13,442	-227,351	-109,647	-55,824	-12,817	-178,287
<b>Net fees</b>	<b>143,908</b>	<b>103,494</b>	<b>9,866</b>	<b>257,268</b>	<b>119,792</b>	<b>94,254</b>	<b>12,342</b>	<b>226,388</b>
Net income (loss) from trading activities	-	-	52,370	52,370	-	-	18,065	18,065
Dividends	-	-	2,570	2,570	-	-	915	915
<b>Net banking income</b>	<b>163,892</b>	<b>114,852</b>	<b>140,469</b>	<b>419,213</b>	<b>135,824</b>	<b>103,975</b>	<b>127,411</b>	<b>367,210</b>
Staff expenses	-	-	-	-74,182	-	-	-	-69,483
Other general and administrative expense	-	-	-	-128,458	-	-	-	-105,227
Net adjustments/reversal of property, equipment and intangible assets	-	-	-	-4,420	-	-	-	-5,046
Other operating expenses/income	-	-	-	41,266	-	-	-	31,167
<b>Net operating expenses</b>				<b>-165,794</b>				<b>-148,589</b>
<b>Operating profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>253,419</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218,621</b>
Reversal value of loans	-	-	-	-	-	-	-	-
Adjustments of other assets	-	-	-	-10,995	-	-	-	-6,073
Net provisions	-	-	-	-40,268	-	-	-	-22,899
Gains (losses) from the disposal of equity investments	-	-	-	-18	-	-	-	-4
<b>Operating profit before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>202,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189,645</b>
Income taxes on current operations	-	-	-	-44,284	-	-	-	-48,265
Profit (loss) from AFS assets	-	-	-	3,051	-	-	-	4,561
Minority interests (+/-) for the year	-	-	-	-	-	-	-	-4,685
<b>Net profit (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,256</b>
(€ MILLION)								
Assets Under Management	21,189	15,374	1,653	38,216	17,190	11,926	1,134	30,249
Net inflows	2,977	1,047	n.a.	4,024	1,475	785	n.a.	2,260
No. of FAs/RMs	1,244	401	n.a.	1,645	1,141	334	n.a.	1,475

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

Accordingly, for comments on the Group's balance sheet figures, the reader is referred to the other sections of these Notes and Comments.

The following table allocates the balance of consolidated intangible assets, showing separately goodwill, between the three segments.

(€ THOUSAND)	31.12.2014			
	AFFLUENT CHANNEL	PRIVATE CHANNEL	CORPORATE CHANNEL	TOTAL
Goodwill	4,416	60,543	1,106	66,065
Intangible assets (client relationships)	-	19,948	-	19,948

In accordance with the requirements of IFRS 8.33, we report that the Group's business is substantially evenly distributed throughout Italy. The management does not receive any reports on performance by geographical area.

In accordance with the requirements of IFRS 8.34, we report that the Group does not have customers representing more than 10% of consolidated revenue.

Trieste, 10 March 2015

THE BOARD OF DIRECTORS



# Independent Auditors' Report

PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 27.01.2010, NO. 39



Reconta Ernst & Young S.p.A.  
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## Independent auditors' report pursuant to art. 14 and 16 of Legislative Decree dated 27.01.2010, n. 39 (Translation from the original Italian text)

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

- We have audited the consolidated financial statements of Banca Generali S.p.A. and its subsidiaries, (the "Banca Generali Group") as of and for the year ended December 31, 2014, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
- Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.  
  
For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 1, 2014.
- In our opinion, the consolidated financial statements of the Banca Generali Group at December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Generali Group for the year then ended.
- The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the Banca Generali Group as of December 31, 2014.

Milan, March 27, 2015

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

Reconta Ernst & Young S.p.A.  
Capitale Sociale € 1.000.000.000,00  
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**FINANCIAL STATEMENTS OF  
BANCA GENERALI S.P.A.**

as of 31 December 2014

BOARD OF DIRECTORS - 10 MARCH 2015

## Economic and financial highlights

<b>Economic and financial highlights</b>	2014	2013	CHANGE %
(€ MILLION)			
Net interest income	106.9	121.8	-12.2
Net fees	121.6	103.7	17.3
Net income (loss) from trading activities and dividends	54.9	19.0	189.5
<b>Net banking income</b>	<b>283.5</b>	<b>244.4</b>	<b>16.0</b>
Staff expenses	-69.0	-65.1	5.9
Other general and administrative expense	-124.9	-102.3	22.1
Amortisation and depreciation	-4.4	-5.0	-12.2
Other operating income	38.6	29.6	30.4
<b>Net operating expenses</b>	<b>-159.6</b>	<b>-142.8</b>	<b>11.7</b>
<b>Operating profit</b>	<b>123.9</b>	<b>101.7</b>	<b>21.9</b>
Provisions	-39.9	-22.9	74.0
Dividends and income from equity investments	122.6	57.3	113.9
Net adjustments of loans and other assets	-11.0	-6.1	81.0
<b>Profit before taxation</b>	<b>195.6</b>	<b>129.9</b>	<b>50.5</b>
<b>Net profit</b>	<b>167.5</b>	<b>94.9</b>	<b>76.5</b>
Cost income ratio (gross of dividends)	38.2%	45.7%	-16.3
EBITDA	250.9	163.9	53.0
ROE	61.72%	39.32%	57.0
EPS - Earnings per Share (units of euro)	1.451	0.833	74.2

<b>Net inflows</b>	31.12.2014	31.12.2013	CHANGE %
(€ MILLION) (ASSORETI DATA)			
Mutual funds	555	1,489	-62.7
Asset management	71	13	-446.2
Insurance/Pension funds	3,563	1,266	181.4
Securities/Current accounts	-165	-508	-67.5
<b>Total</b>	<b>4,024</b>	<b>2,260</b>	<b>78.1</b>

**Assets Under Management & Custody (AUM/C)**

(€ BILLION) (ASSORETI DATA)	31.12.2014	31.12.2013	CHANGE %
Mutual funds	10.0	8.4	18.2
Asset management	3.8	3.2	20.8
Insurance/Pension funds	13.7	9.7	41.5
Securities/Current accounts	9.1	7.9	15.8
<b>Total</b>	<b>36.6</b>	<b>29.1</b>	<b>25.6</b>

**Net Equity**

(€ MILLION)	31.12.2014	31.12.2013	CHANGE %
Net equity	442.4	362.6	22.0
Own funds (*)	265.8	213.4	24.5
Excess capital	74.1	94.8	-21.8
Total capital ratio (*)	11.09%	14.39%	-22.9

(\*) Own funds and solvency ratio at 31 December 2013, determined based on Basel 2 rules.

# Financial Statements

## BALANCE SHEET

<b>Assets</b>	31.12.2014	31.12.2013
10. Cash and deposits	80,448,802	9,610,249
20. HFT financial assets	32,444,301	229,509,264
40. AFS financial assets	2,235,403,151	1,626,116,347
50. HTM financial assets	1,403,122,381	2,652,686,134
60. Loans to banks	276,080,046	279,539,128
70. Loans to customers	1,756,610,475	1,461,098,185
100. Equity investments	14,024,545	14,024,545
110. Property and equipment	3,740,869	3,953,458
120. Intangible assets	85,675,484	41,716,030
- goodwill	61,775,347	34,342,606
130. Tax receivables:	40,472,803	38,030,652
a) current	2,062,944	3,366,389
b) prepaid	38,409,859	34,664,263
b1) as per Law No. 214/2011	13,012,859	11,617,587
140. Non-current assets held for sale and disposal groups	-	7,956,688
150. Other assets	169,164,407	124,389,355
<b>Total Assets</b>	<b>6,097,187,264</b>	<b>6,488,630,035</b>
<b>Net Equity and Liabilities</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
10. Due to banks	1,038,869,519	2,230,833,036
20. Due to customers	4,352,876,889	3,665,294,461
40. HFT financial liabilities	2,654,784	597,222
80. Tax payables:	18,766,850	14,183,355
a) current	8,389,519	8,734,043
b) deferred	10,377,331	5,449,312
100. Other liabilities	143,227,141	139,353,066
110. Employee termination indemnities	4,828,691	4,230,197
120. Provisions for liabilities and contingencies:	93,586,124	71,558,183
b) other provisions	93,586,124	71,558,183
130. Valuation reserves	18,054,302	5,501,700
160. Reserves	95,652,637	110,058,264
170. Additional paid-in capital	45,574,956	37,302,286
180. Share capital	115,677,077	114,895,247
190. Treasury shares (-)	-41,238	-41,238
200. Net profit (loss) for the year (+/-)	167,459,532	94,864,256
<b>Total Net equity and Liabilities</b>	<b>6,097,187,264</b>	<b>6,488,630,035</b>

## PROFIT AND LOSS ACCOUNT

	2014	2013
10. Interest income and similar revenues	117,700,452	144,479,421
20. Interest expense and similar charges	-10,769,668	-22,694,408
<b>30. Net interest income</b>	<b>106,930,784</b>	<b>121,785,013</b>
40. Fee income	329,750,661	263,823,690
50. Fee expense	-208,129,437	-160,144,122
<b>60. Net fees</b>	<b>121,621,224</b>	<b>103,679,568</b>
70. Dividends and similar income	125,165,762	58,226,721
80. Net income (loss) from trading activities	4,584,533	-2,537,839
100. Gain (loss) from sales or repurchase of:	47,786,053	20,602,837
a) receivables	3,119,934	1,709,982
b) AFS financial assets	44,666,121	18,903,281
c) HTM financial assets	-2	-10,426
<b>120. Net banking income</b>	<b>406,088,356</b>	<b>301,756,300</b>
130. Net adjustments/reversals due to impairment of:	-10,994,479	-6,073,054
a) receivables	-7,529,786	-4,915,618
b) AFS financial assets	-3,035,032	-1,298,816
c) HTM financial assets	-285,739	141,380
d) other financial operations	-143,922	-
<b>140. Net result of financial operations</b>	<b>395,093,877</b>	<b>295,683,246</b>
150. General and administrative expense:	-193,821,791	-167,428,365
a) staff expenses	-68,963,463	-65,145,703
b) other general and administrative expense	-124,858,328	-102,282,662
160. Net provisions for liabilities and contingencies	-39,920,978	-22,946,003
170. Net adjustments/reversals of property and equipment	-1,380,488	-1,645,332
180. Net adjustments/reversals of intangible assets	-2,992,176	-3,336,606
190. Other operating expenses/income	38,633,721	29,618,302
<b>200. Operating expenses</b>	<b>-199,481,712</b>	<b>-165,738,004</b>
240. Gain (loss) from disposal of investments	-18,094	-4,172
<b>250. Profit (loss) from operating activities before income taxes</b>	<b>195,594,071</b>	<b>129,941,070</b>
260. Income taxes for the year on operating activities	-31,185,310	-34,952,502
<b>270. Profit (loss) from operating activities net of taxes</b>	<b>164,408,761</b>	<b>94,988,568</b>
280. Income (loss) of disposal groups, net of taxes	3,050,771	-124,312
<b>290. Net profit (loss) for the year</b>	<b>167,459,532</b>	<b>94,864,256</b>

## STATEMENT OF COMPREHENSIVE INCOME

Items	2014	2013
<b>10. Net profit for the year</b>	<b>167,459,532</b>	<b>94,864,256</b>
Other income net of income taxes without reversal to profit or loss		
40. Defined benefit plans	-418,905	-211,098
Other income net of income taxes with reversal to profit or loss		
100. AFS financial assets	12,971,507	17,157,936
<b>130. Total other income, net of income taxes</b>	<b>12,552,602</b>	<b>16,946,838</b>
<b>140. Comprehensive income</b>	<b>180,012,134</b>	<b>111,811,094</b>

## STATEMENT OF CHANGES IN NET EQUITY

	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER					
<b>Net equity at 31.12.2013</b>	<b>114,895,247</b>	<b>-</b>	<b>37,302,286</b>	<b>103,009,805</b>	<b>7,048,459</b>	<b>5,501,700</b>	<b>-</b>	<b>-41,238</b>	<b>94,864,256</b>	<b>362,580,515</b>
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2014	114,895,247	-	37,302,286	103,009,805	7,048,459	5,501,700	-	-41,238	94,864,256	362,580,515
Allocation of net income of the previous year:	-	-	-	302,880	-	-	-	-	-94,864,256	-94,561,376
- Reserves	-	-	-	302,880	-	-	-	-	-302,880	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-94,561,376	-94,561,376
Change in reserves	-	-	-	-	1,577,523	-	-	-	-	1,577,523
Transactions on net equity	781,830	-	8,272,670	-15,061,604	-1,224,426	-	-	-	-	7,231,530
- Issue of new shares	781,830	-	8,272,670	-	-1,448,906	-	-	-	-	7,605,594
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends paid	-	-	-	-15,061,604	-	-	-	-	-	-15,061,604
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	224,480	-	-	-	-	224,480
Comprehensive income	-	-	-	-	-	12,552,602	-	-	167,459,532	180,012,134
<b>Net equity at 31.12.2014</b>	<b>115,677,077</b>	<b>-</b>	<b>45,574,956</b>	<b>88,251,081</b>	<b>7,401,556</b>	<b>18,054,302</b>	<b>-</b>	<b>-41,238</b>	<b>167,459,532</b>	<b>442,377,266</b>

	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER					
<b>Net equity at 31.12.2012</b>	<b>112,937,722</b>	<b>-</b>	<b>16,591,106</b>	<b>86,771,529</b>	<b>10,046,837</b>	<b>-11,445,138</b>	<b>-</b>	<b>-41,238</b>	<b>118,728,666</b>	<b>333,589,484</b>
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2013	112,937,722	-	16,591,106	86,771,529	10,046,837	-11,445,138	-	-41,238	118,728,666	333,589,484
Allocation of net income of the previous year:	-	-	-	16,238,276	-	-	-	-	-118,728,666	-102,490,390
- Reserves	-	-	-	16,238,276	-	-	-	-	-16,238,276	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-102,490,390	-102,490,390
Change in reserves	-	-	-	-	436,915	-	-	-	-	436,915
Transactions on net equity	1,957,525	-	20,711,180	-	-3,435,293	-	-	-	-	19,233,412
- Issue of new shares	1,957,525	-	20,711,180	-	-3,890,730	-	-	-	-	18,777,975
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends paid	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	455,437	-	-	-	-	455,437
Comprehensive income	-	-	-	-	-	16,946,838	-	-	94,864,256	111,811,094
<b>Net equity at 31.12.2013</b>	<b>114,895,247</b>	<b>-</b>	<b>37,302,286</b>	<b>103,009,805</b>	<b>7,048,459</b>	<b>5,501,700</b>	<b>-</b>	<b>-41,238</b>	<b>94,864,256</b>	<b>362,580,515</b>

## CASH FLOW STATEMENT

INDIRECT METHOD	2014	2013
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>98,954,728</b>	<b>93,474,865</b>
Net profit (loss) for the year	167,459,532	94,864,256
Gain/loss on financial assets held for trading	336,027	218,944
Gain/loss on hedging assets	-	-
Net adjustments due to impairment	10,994,479	6,073,054
Net adjustments of property, equipment and intangible assets	4,372,664	4,981,938
Net provisions for liabilities and contingencies and other costs/revenues	22,027,941	8,418,990
Taxes included in taxes not paid	-3,714,855	-1,133,585
Adjustments of discontinued operations	-	-
Other adjustments	-102,521,060	-19,948,733
<b>2. Liquidity generated by/used for financial assets (+/-)</b>	<b>-543,166,644</b>	<b>471,886,861</b>
HFT financial assets	198,177,583	-8,014,382
Financial assets measured at fair value	-	-
AFS financial assets	-591,669,916	120,676,680
Loans to banks: repayable on demand	27,570,958	14,358,342
Loans to banks: other receivables	6,107,891	532,176,620
Loans to customers	-194,251,637	-170,821,204
Other assets	10,898,476	-16,489,194
<b>3. Liquidity generated by/used for financial liabilities (+/-)</b>	<b>-675,303,956</b>	<b>-847,594,882</b>
Due to banks: repayable on demand	-849,860	-79,546,623
Due to banks: other payables	-1,192,419,241	76,196,406
Due to customers	541,369,731	-889,457,385
Securities issued	-	-
HFT financial liabilities	-627,190	-1,446,934
Financial liabilities measured at fair value	-	-
Other liabilities	-22,777,396	46,659,654
<b>Net liquidity generated by/used for operating activities</b>	<b>-1,119,515,872</b>	<b>-282,233,156</b>



INDIRECT METHOD	2014	2013
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Liquidity generated by</b>	<b>1,476,898,170</b>	<b>1,533,071,527</b>
Disposal of equity investments	-	-
Dividends received	122,596,000	57,312,000
Disposal of HTM financial assets	1,354,302,170	1,475,759,527
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
<b>2. Liquidity used for</b>	<b>-184,526,359</b>	<b>-1,167,897,290</b>
Purchase of equity investments	-	-
Purchase of HTM financial assets	-136,392,436	-1,164,637,311
Purchase of property and equipment	-1,182,293	-1,260,853
Purchase of intangible assets	-2,238,889	-1,999,126
Purchase of business units	-44,712,741	-
<b>Net liquidity generated by/used for investing activities</b>	<b>1,292,371,811</b>	<b>365,174,237</b>
<b>C. FUNDING ACTIVITIES</b>		
Issue/purchase of treasury shares	7,605,594	18,777,975
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-109,622,980	-102,490,390
<b>Net liquidity generated by/used for funding activities</b>	<b>-102,017,386</b>	<b>-83,712,415</b>
<b>NET LIQUIDITY GENERATED BY/USED IN THE YEAR</b>	<b>70,838,553</b>	<b>-771,334</b>
+ liquidity generated; (-) liquidity used		
<b>Reconciliation</b>		
<b>Cash and cash equivalents at year-start</b>	<b>9,610,249</b>	<b>10,381,583</b>
Liquidity generated/used in the year	70,838,553	-771,334
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
<b>Cash and cash equivalents at year-end</b>	<b>80,448,802</b>	<b>9,610,249</b>

Legend: + liquidity generated; (-) liquidity used.

# Notes and comments

<b>PART A - ACCOUNTING POLICIES</b>	389
<b>PART B - INFORMATION ON THE BALANCE SHEET</b>	418
<b>PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT</b>	457
<b>PART D - COMPREHENSIVE INCOME</b>	475
<b>PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES</b>	476
<b>PART F - INFORMATION ON NET EQUITY</b>	511
<b>PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS</b>	526
<b>PART H - RELATED PARTY TRANSACTIONS</b>	531
<b>PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS</b>	542

## PART A – ACCOUNTING POLICIES

### Part A.1 - General

#### Section 1 - Declaration of Compliance with International Accounting Standards

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

The consolidated annual report at 31 December 2014 was prepared based on the “Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups,” which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 “Banks’ Financial Statements: Layouts and Preparation”, by Provision dated

22 December 2005. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Notes and Comments.

The third update to Circular Letter No. 262, which is discussed in further detail below, was issued on 22 December 2014 and applied immediately, including with regard to the financial statements for the year ended 31 December 2014.

In preparing the annual financial statements, Banca Generali adopted the IASs/IFRSs in force at 31 December 2014 (including SICs and IFRICs), as endorsed by the European Commission.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2014, several amendments to the IASs/IFRSs and IFRICs were adopted and new IFRICs were issued.

#### International Accounting Standards endorsed in 2012 and 2013, and effective as of 2014

	ENDORSEMENT REGULATION	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 IFRS 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

#### International Accounting Standards endorsed in 2014 but not yet effective

	ENDORSEMENT REGULATION	PUBLICATION DATE	EFFECTIVE DATE
IFRIC 21 - Levies	634/2014	14.06.2014	01.01.2015
Annual Improvements to IFRSs 2011-2013 Cycle: IFRS 3- 13, IAS 40	1361/2014	19.12.2014	01.01.2015
Annual Improvements to IFRSs 2010-2012 Cycle: IFRS 2-3-8; IAS 16-24-38	28/2015	09.01.2015	01.01.2015
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	28/2015	09.01.2015	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 the operations of Banca Generali.

### **Circular Letter No. 262 of 22 December 2005 “Banks’ Financial Statements: Layouts and Preparation” - 3<sup>rd</sup> update of 22 December 2014**

The third update of Circular Letter No. 262 incorporates:

- a) new disclosures requirements introduced by IFRS 12 - *Disclosure of Interests in Other Entities*;
- b) adaptation of the disclosure included in Part F - Information on Net Equity, Section 2 “Own funds and regulatory capital ratios” to the new requirements introduced by Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (“Directive CRD IV”).

The main changes introduced by IFRS 12 concern disclosures on:

- “significant judgements and assumptions” made in determining whether the company controls, has joint control or has significant influence over another entity;
- the composition of the group;
- subsidiaries with significant non-controlling interests;
- significant restrictions on the ability to use the subsidiaries’ assets or settle their liabilities;
- Nature of risks associated with interests in structured entities (e.g., special purpose entities);
- consequences of changes in interests in subsidiaries that might entail loss of control;
- joint ventures or entities under significant influence that are significant for the intermediary producing the financial statements;
- nature and extent of and risks associated with interests in unconsolidated structured entities.

IFRS 12 also provides for a special disclosure on forbearance and non performing exposures, application of which will become effective after the 2015 Financial Statements, and other disclosures on the liquidity risk and fair value of derivatives.

## **Section 2 - Preparation criteria**

The Annual Financial Statements consist of the following documents:

- Balance Sheet;
- Profit and Loss Account;
- Statement of Other Comprehensive Income;
- Statement of Changes in Net Equity;
- Cash Flow Statement;
- Notes and Comments.

The accounting statements are accompanied by a Directors’ Report on the bank’s operations and financial situation.

According to the provisions of Article 3, paragraph 3-*bis*, of Legislative Decree No. 87/1992, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Annual Financial Statements were prepared in euros. All amounts in the Accounting Statements are expressed in euro units, while the figures in the Notes and Directors’ Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The Financial Statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes. There were no derogations from the application of international accounting standards (IASs/IFRSs).

The Directors’ Report on Operations and the Notes and Comments include the information required by international accounting standards, the law, the Bank of Italy and the Ita-

lian National Commission for Listed Companies and the Stock Exchange (Consob), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2013.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.

In further detail, the directors are reasonably certain that the bank will continue to operate in its current form for the foreseeable future (at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

### Contents of the Financial Statements

The Financial Statements and the Notes and Comments have been prepared in accordance with Bank of Italy's Circular Letter No. 262/2005.

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 Letter No. 262/2005.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:

- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) financing activities that alter the company's equity capital.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.

Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected 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.

## Section 3 - Events Occurred After the Balance Sheet date

The preliminary results for 2014 were analysed by the Board of Directors on 11 February 2015.

The draft Financial Statements of Banca Generali will be approved by the Board of Directors on 10 March 2015, when the Board will also authorise its disclosure pursuant to IAS 10.

No events occurred after 31 December 2014 and until the approval of the financial statements' results that would make it necessary to adjust the results presented in the Accounting Statements approved on that date.

## Section 4 - Other information

### Non-recurring Significant Events and Transactions

During the year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account (Consob Notice No. DEM/6064293 of 28 July 2006), except as regards the business combinations reported on in Part G of these Notes and Comments.

- Acquisition of Credit Suisse Italia's private banking operations;
- disposal of the held-for-sale equity investment in BG Dragon China Sicav.

### National Tax Consolidation Option

In 2004, the parent company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group,

including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

### Audit

The Financial Statements were audited by Reconta Ernst & Young.

## Part A.2 - Main Financial Statement aggregates

### Accounting policies

This section sets out the accounting policies adopted for the preparation of the Financial Statements as of 31 December 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.

The accounting policies adopted by the Bank were not subject to material modification or supplementation during the reporting year, with the exception of changes resulting from the entry into force of the new accounting standards illustrated below.

### 1. HFT financial assets

#### Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading, including those embedded in complex financial instruments.

Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

#### Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.

Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives, that are not closely related to the host contract but meet the definition of a derivative, are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

#### Measurement

Subsequent to initial recognition, financial assets held for trading are recognised at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or markets where such instruments are not traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors.

Values drawn from recent comparable transactions are also used.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

#### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

### 2. AFS financial assets

#### Classification

This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.

Specifically, it includes:

- equity investments not held for trading;
- other equity interests and quotas not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

### Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.

Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

### Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in net equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and, in the case of loans, receivables or debt securities, recognised in profit or loss or, in the case of equity securities, under net equity.

The amount of the reversal should not exceed what the amortised cost would have been, had the past adjustments not been made.

### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 3. HTM financial assets

### Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

### Recognition

Initial recognition of these assets takes place on the settlement date.

Financial assets classified as held-to-maturity are initially recognised at fair value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.



Where a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

### Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method. Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or undergo impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and recognised in the profit or loss account. The reversal may not exceed the amortised cost that would have been attributable to the asset, had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or

when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 4. Loans

### Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments, are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act (TUB) and Consolidated Finance Act (TUF).

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

### Recognition

Loans are initially recognised on the date of disbursement or, in the case of debt securities, on the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded, if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from AFS assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

## Measurement

Subsequent to initial recognition, loans are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the effective interest-rate method) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans, if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

## Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

Non-performing loans are sub-divided into the following categories:

- *Bad loans*: loans to parties in a state of insolvency or substantially equivalent situation;
- *Substandard loans*: loans to parties in situations of objective temporary difficulty, the elimination of which in an appropriate amount of time is foreseeable;

- *Restructured loans*: loans in which a syndicate of banks (or a "single lender") grant a moratorium for the payment of the debt and then renegotiate said debt at below-market rates;
- *Expired loans*: loans to parties that, at the end of the period, show payables past due or expired by more than 90 days.

Loans classified as *bad loans*, substandard loans, or restructured loans are normally subject to an analytical assessment process.

The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing. Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.

Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date,

allowing the probable loss to be estimated for each category of loan.

In further detail, a probability of default and a loss given default value are attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach, probability of default and loss given default. Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

### Derecognition

Receivables are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 5. Financial assets at fair value

At the reporting date, none of the Bank's financial assets are classified under this category.

## 6. Hedging Transactions

### Types of Hedging Transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk, with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance sheet items attributable to particular risks;
- hedges of a net investment in a foreign operation: intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

### Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;
- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flows) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

## 7. Equity investments

### Classification

This item includes equity investments in subsidiary and associate companies.

Subsidiaries are entities in which the bank directly or indirectly holds more than half of the voting rights, or when, despite having a lower percentage of voting rights, the bank has the power to appoint the majority of directors or determine financial and operating policies of the entity. In assessing voting rights, "potential" rights that can be currently exercised or converted into actual voting rights at any time are taken into account.

Companies are considered associates when the bank holds 20% or more of the voting power and, due to specific legal or economic ties, is presumed to have significant influence.

### Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

### Measurement

Equity investments are measured at cost and adjusted for impairment.

When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the investment.

If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and recognised in the profit or loss account.

### Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, substantially together with all related risks and rewards, is transferred.

## 8. Property and equipment

### Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.

They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

### Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

### Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.

They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.

If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

### Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

## 9. Intangible assets

### Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and restrict the access of others to those benefits.

The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the business combination of Banca Del Gottardo Italia.

This asset is an intangible asset, as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, based on the historic percentage of decline of assets under management, before the company was acquired.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system, which in turn include intangible assets in progress at the end of the year.

*Software costs* recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected.

Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

### Recognition

#### Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).

In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

#### Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits, and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

### Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

*Software costs* are typically amortised over a three-year period.

*Other capitalised costs associated with legacy systems* are amortised over a five-year period.

For contractual relations with customers, acquired as a result of the above-mentioned business combination of Banca Del Gottardo Italia, the useful lives are estimated at ten years.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

## Impairment

### Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The impairment test for goodwill is presented in Section 1.2 “Annual Changes in Goodwill” in Part G of these Notes and Comments.

### Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset’s carrying amount exceeds its recoverable amount.

## Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

## 10. Non-current Assets Held for Sale or Disposal Groups

The asset item “Non-current assets held for sale or disposal groups” and liability item “Liabilities associated with assets held for sale or disposal groups” include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.

The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, “Income (Loss) of disposal groups, net of taxes.”

## 11. Current and Deferred Taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences – without time limits – between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the parent company Assicurazioni Generali – as a result of the exercise of its option provided by the Italian Tax Consolidation scheme – to generate ongoing taxable income.

Deferred tax liabilities are recognised in the balance sheet, except for the main assets pending taxation, represented by equity investments.

Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under “Tax assets” and deferred tax liabilities are recorded under “Tax liabilities.”

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.

Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.

Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

### Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy’s tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (for example, goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Finance Law) introduced the new paragraph 2-ter into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise greater amounts in the accounts for income-tax purposes, following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).

The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced a new system of optional realignment of tax and balance sheet values. The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.

However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.

That statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are undertaken.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-bis and 10-ter to Article 10 of Legislative Decree No. 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.

The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extra-

ordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-ter).

The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must be made by 30 November 2011, whereas the non-accounting deduction of amortisation in ten equal instalments is to take place beginning in financial year 2013.

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

- 1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;
- 2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the Financial Statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-ter, of the TUIR;
- 3) redemption of goodwill recognised on a consolidated basis in connection with the full equity interest in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.

IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

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

1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;



2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets, and subsequent recognition through profit and loss over the years to coincide with the non-accounting deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on the specific system adopted (ten or eighteen amortisation charges), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be deemed recoverable on the basis of future taxable income.

## 12. Provisions for Liabilities and Contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.

This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

## 13. Debt and Securities Issued

### Classification

*Due to banks, Due to customers and Securities issued* include the various forms of interbank funding and direct customer deposits, as well as funding through certificates of deposit and

the issue of other debt securities, net of any amounts repurchased.

Due to banks and Due to customers also include operating debts from financial services.

### Recognition

These items are initially recognised when funding is received or debt securities are issued.

Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

### Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material.

These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

### Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.

The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

## 14. HFT financial liabilities

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

## 15. Financial liabilities at fair value

There are currently no financial liabilities measured at fair value.



## 16. Foreign Currency Transactions

### Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

### Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

## 17. Other Information

### Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

### Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Loans income, in the form of the coupons accrued on securities and the difference between the spot and forward prices of securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

### Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the

lease, the company using the property has control of the assets and can therefore receive the related future economic benefits. The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

### Share-based payments

In accordance with IFRS 2 – *Share-Based Payments*, as amended in 2010, share-based benefit plans for staff and financial advisors are recognised as costs on the Profit and Loss Account of operations based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions, on which basis the option was assigned, will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

### Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute "post-employment benefits" as defined in IAS 19 – *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must – depending on the employees' choice – be allocated to a supplementary pension fund or maintained within the company and – in the case of companies with at least 50 employees – transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:

- "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund.

For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods.

The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item “employee termination indemnities” by convention.

- “a defined-benefit plan” for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the **projected unit credit method**.

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted to the reference date. The unit amount accrued is also determined on the basis of the employee’s entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.

Considering that IAS 19R requires that the discount rate is to be determined by reference to the yields on “high-quality corporate bonds”, it was decided to use the index IBOXX EURO CORP, formed of AA series.

The plan’s service costs have been recognised amongst staff expenses under the item “provisions for post-employment benefits”.

Following the entry into force of IAS 19R on 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses** deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.

By contrast, in the previous accounting arrangement adopted by the Bank the above item was recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank’s net equity from the date of first-time application of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.

Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

## Productivity bonuses for salaried employees

Pursuant to the first update to Circular Letter No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item “Other liabilities”.

More specifically, in accordance with IAS 19 – Employee Benefits, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises amongst staff expenses in the profit and loss account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in equity:

- the share of the variable remuneration of managers of the banking group deferred up to two years, and conditional

upon the satisfaction of the access gates requirements established in the banking group's new remuneration policy;

- the long-term incentive plans authorised by the parent company Assicurazioni Generali for the benefit of the Group's top managers and adopted by Banca Generali's Board of Directors, analysed in greater detail in the paragraph "Long-term incentive plans" below.

By contrast, it was determined that the requirements set forth in IAS 19 had not been met in the following cases:

- incentives for employees that have yet to be formally defined at the date of approval of the financial statements and are of a non-customary nature;
- provisions for post-employment medical benefits of Group executives;
- allocations intended to support company restructuring and reorganisation plans and other expenses associated with the classification of staff still to be determined at the date of authorisation of publication of the financial statements.

Such expenses are therefore entirely attributed to the item Provisions for liabilities and contingencies.

### Long-term incentive plans

During its Shareholders' Meetings of 24 April 2010 and 30 April 2011, Assicurazioni Generali introduced a new type of long-term retention plans addressed to the key managers of the Insurance Group.

Such plans, with the additions required to comply with industry regulations concerning remuneration policies, were also approved and incorporated into the Company's remuneration structure of Banca Generali.

The plans launched from 2010 to 2012, in short, had the following characteristics:

- they were indefinite in duration, structured in six-year rolling cycles;
- each cycle was linked to the targets set in three-year strategic plans; in particular, the 2010 plan was linked to the targets set in the 2010-2012 strategic plan, whereas the 2011 plan was linked with the following 2011-2013 strategic plan;
- each cycle was sub-divided into two three-year components:
  - the first three years: at the end of this period, if and to the extent that certain absolute performance targets had been met, a monetary incentive was to be paid out, with an obligation or option to reinvest a share of such incentive (differing in amount depending on the segment to which the recipients belong) in shares of Assicurazioni Generali;
  - the second three years: at the end of the period, for each share purchased by investing a percentage of the incen-

tive disbursed at the end of the previous three years, the beneficiary obtained a potential right to receive from Assicurazioni Generali, at no cost, a number of shares depending on the positioning of Assicurazioni Generali in the rankings of a group of peers prepared on the basis of their respective total shareholders' returns (relative performances).

On 30 April 2013, Assicurazioni Generali's General Shareholders' Meeting approved a new LTIP scheme.

Incentive plans based on the old model previously approved by the General Shareholders' Meeting, i.e., the 2010-2012, 2011-2013 and 2012-2014 plans, remained however in place until their natural expiry.

The new scheme presents several changes with respect to the previous ones:

- the plan no longer envisages a cash bonus, but only a share bonus assigned at the end of each cycle;
- each cycle is divided into a single three-year period in line with the objectives of the Generali Group's strategic plan;
- a lock-up restriction is envisaged for the shares assigned, applicable to 25% of the shares for one year from assignment and to 25% for two years from assignment;
- the objectives on which to render the disbursement of the incentive contingent and the maximum number of shares to be assigned are defined at the beginning of the three years of reference of each cycle;
- malus and claw-back clauses have been included and a minimum access threshold set for each tranche.

For Banca Generali, the objectives to which the payment of the incentive is linked are divided into Insurance Group's objectives (Return on Equity (RoE) and the relevant Total Shareholders' Return (TSR) in comparison with a Peer Group), weighting 40% of the overall bonus and business unit objectives (ROE and EVA of the Banking Group) weighting 60%.

Under IASs/IFRSs, both the 2010 and 2012 plans were eligible for accounting treatment on a separate basis, partly as expenses for long-term employee benefits within the scope of IAS 19 – *Employee Benefits*, and partly within the scope of IFRS 2. Instead, the 2013 plan falls entirely within the scope of IFRS 2.

The IAS 19 expense portion, calculated according to best estimate procedures on the basis of the achievement of the predetermined objectives, is charged to profit and loss, among staff expenses, over a three-year vesting period.

In addition, pursuant to IFRS 2, the value of the stock-granting plan is measured on the basis of the grant-date fair value of the bonus shares potentially to be granted.

In this regard, with reference to the new plans launched as of 2013, and taking into consideration the special characteristics of the plans reserved for Banca Generali's **Key managers**, each plan should be valued individually for the components linked to the Group's objectives and the business objectives (banking group).

More specifically:

- the plan component linked to business unit objectives should be valued exclusively, as it is a pure stock grant, based on the fair value of the Generali stock at the grant date;
- the plan component linked to the Group's objectives includes TSR as an objective, since it qualifies as market condition whose value is included in the fair value of the stock grant.

The effect on the profit and loss account was thus measured and recognised for each year based on the stock vesting period, i.e.:

- for old plans (2010-2012), over a six-year period since the grant date;
- for new plans (as of 2013), the first two plans over a three-year period since the date the General Shareholders' Meeting approved the Plan and until the approval of the financial statements for the last year of validity of the Plan (36 months).

Since the arrangement calls for the shares of the parent company to be granted directly by itself to a subsidiary's employees, the charge to the profit and loss account will be recognised to an equity reserve through a balancing entry, inasmuch as it is similar to a capital contribution by the parent company.

### Termination indemnity

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to a Financial Advisor is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

- a) the total amount of the contributions to the termination indemnity fund paid to Enasarco each year by the Bank until the date of termination;
- b) the contractual lump-sum reduction determined on the basis of the length of service and date of retirement or withdrawal (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUM during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

- a) the percentage fee reduction expected as a function of the estimated period of past service at the date of termination;
- b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

### Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntarily removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.

The indemnity, which is governed by an appendix to the agency agreement, is only due on the condition that the outgoing advisor formally undertakes to conduct a hand-over to an incoming advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming advisor undertakes to pay the company an indemnity commensurate to that obtained from the outgoing advisor.

In relation to recent market practices in the area, during the reporting year a thorough contractual revision of the scheme entered into effect on 1 January 2012 was carried out.

The system introduces a rule, namely that the indemnity collected by the outgoing advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.

Therefore, on the basis of the new rules, the outgoing advisor may only collect the agreed indemnity provided that it has actually been paid to the bank by the incoming advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the bank's guarantee has been maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the bank will immediately pay out the entire indemnity to the outgoing advisor's beneficiary or heirs and then recover the amount from the incoming advisors under an instalment plan, in the reduced amount of 75% in consideration of the increased expense as-

sociated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity pay-outs, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming advisors.

### Expenses functionally related to staff

In accordance with IAS 19, under item 150 a) Staff expenses are recognised exclusively costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 150 b) Other general and administrative expense. Such expense also include:

- a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
- b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
- c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

### Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interests are recognised on a pro-rata basis according to contractual interest rate, or the effective interest rate, if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in

which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interests.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs, that cannot be matched with the related revenues, are immediately taken through profit and loss.

### Use of estimates and assumptions in the preparation of the Financial Statements

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

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

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

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

- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- determining the value adjustments and reversals of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;

- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

### Testing financial instruments for impairment

In accordance with IAS 39, the portfolio of securities, not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans), is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, the breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).

In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involves the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information is drawn from the market.

For corporate debt securities classified to AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- purchase cost, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- the current fair value.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- the book value of the asset; and
- the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For ABSs, the impairment loss is determined based on losses on the tranche of the security held.

Where this amount is not readily determinable, an estimate of the fair value of the securities at the measurement date may be used.

### Collective impairment

Debt securities included in amortised cost portfolios classified as loans to banks and customers (L&Rs) and assets held to maturity (HTM) that have not individually shown signs of impairment are tested for impairment on a collective basis pursuant to IAS 39, paragraph 64, in order to estimate the value of any latent losses on assets that have not explicitly manifested situations of default.

For corporate bonds other than those deriving from securitisation, such testing is done according to homogeneous categories on the basis of rating classes and residual lives.

In detail, the probability of a default (PD) event is determined according to historical series for default rates surveyed globally over a period of many years (*Standard & Poor's Cumulative Average Default Rates By Rating, 1981-2011*) and using a market loss given default (LGD) between 60% and 70%.

For securities with residual lives of less than six months, PD is weighted according to the actual time until the maturity of the securities.

In any event, Italian government bonds in the HTM portfolio are excluded from such testing.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.

In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years, of a sample of securitisation transactions with similar characteristics.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.

The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

## Part A.3 - Information on transfers between portfolios of financial assets

Following the endorsement of IAS 39 and IFRS 7 issued by the IASB (International Accounting Standard Board) on 13 October 2008 and included in the European Regulation (EC) No. 1004/2008 of 15 October 2008, in financial year 2008 the Parent Company Banca Generali reclassified part of the accounting portfolios of assets held for trading (HFT) and assets available for sale (AFS) to the new IAS portfolios measured at amortised cost,

assets held to maturity (HTM) and loans to banks and customers (L&Rs), while equity securities held for trading were transferred to the AFS portfolio.

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



### A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

TYPE OF FINANCIAL INSTRUMENT (€ THOUSAND)	FROM	TO	DATE OF TRANSF.	31.12.2014 BOOK VALUE	31.12.2014 BOOK VALUE	INCOME COMPONENTS WITH NO TRANSFER		INCOME COMPONENTS FOR THE YEAR	
						VALUATION	OTHER	VALUATION	OTHER
Equity securities	TRA	AFS	01.07.2008	1,816	1,816	-3	-	-3	-
Debt securities	TRA	HTM	01.07.2008	37,465	37,565	730	212	89	580
Debt securities	AFS	HTM	30.09.2008	-	-	-	1	0	2
<b>Total HTM portfolio</b>				<b>37,465</b>	<b>37,565</b>	<b>730</b>	<b>213</b>	<b>89</b>	<b>582</b>
Debt securities	TRA	Loans	01.07.2008	19,356	19,424	591	107	32	200
Debt securities	AFS	Loans	01.07.2008	-	-	-	-	-	-
<b>Total loan portfolio (banks and clients)</b>				<b>19,356</b>	<b>19,424</b>	<b>591</b>	<b>107</b>	<b>32</b>	<b>200</b>
<b>Total reclassified financial assets</b>				<b>58,637</b>	<b>58,805</b>	<b>1,318</b>	<b>320</b>	<b>118</b>	<b>782</b>

During 2014, the Company continued the process of dismantling the debt securities subject to reclassification due to redemptions and sales. At the reporting date, the portfolios concerned therefore presented a total carrying amount of 58.6 million euros, down sharply from the 86.9 million euros reported at the end of the previous year (-28.3 million euros). This amount includes the increases for the amortised costs gradually reaching maturity and the impairment losses recognised.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2014 would have entailed positive remaining differences compared to carrying value, before taxes, by 0.2 million euros (compared to -0.6 million euros at year-end 2013).

Had the Bank not opted to reclassify such securities, they would have registered greater capital gains through profit and loss and equity in 2014 of 1.2 million euros, equal to the positive difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to a negative balance of 0.5 million euros as a result of lower interest recognised according to the effective interest rate method recognised net of the higher realised gains remeasured based on the fair values of the previous year.

### A.3.4 Effective interest rate and cash flows expected from reclassified assets

TYPE OF FINANCIAL INSTRUMENT (€ THOUSAND)	FROM	TO	AVERAGE RESIDUAL LIFE	ATUAL INTEREST RATE
Debt securities	TRA	HTM	0.87	1.35%
Debt securities	TRA	Loans	1.355	0.88%

#### Fair value

With the introduction of IFRS 13, the definition of **fair value** has been modified with respect to IAS 39, in view of a more market-based approach.

According to the new standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is thus not an entity-specific measurement, but rather a market-based measurement.

In detail, measurement at fair value:

- presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
- refers to a particular asset or liability and must take account of the characteristics of the asset or liability that market participants take into account when pricing the asset or liability;



- assumes that market participants act in their economic best interest;
- assumes that the sale of the asset or the transfer of the liability takes place:
  - (a) in the principal market for the asset or liability; or
  - (b) in the most advantageous market, in the absence of a principal market.

### 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.

For the purposes of the fair value hierarchy, inputs may thus be classified as:

- **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;
- **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

### Valuation Criteria of the Fair Value of Financial Instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department, and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument’s fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices

observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities. Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not itself guarantee the presence of significant prices due to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated and yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties presenting a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

#### A.4.1 Fair Value Level 2 and Level 3: valuation techniques and inputs used

##### Financial instruments measured at fair value on a recurring and non-recurring basis

For securities not listed on active markets, the procedure calls for the analysis of:

- 1) prices of similar instruments listed on active or inactive markets; and
- 2) inputs other than quotations observable directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. a single contributor on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;

2. a consensus pricing mechanism capable of determine the fair value, for example:
  - Bloomberg Bondtrade Composite (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;
  - Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;
  - Markit European ABS, a consensus platform for measuring ABS-type instruments;
3. a reference to current market values of other essentially identical or similar instruments.

UCITs not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing and valorisation models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

### **Other financial assets and liabilities not measured at fair value on a recurring basis**

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITs, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

#### **On-demand and uncommitted financial assets and financial assets with residual lives of less than one year**

The fair value of this class of assets, which essentially consists of uncommitted current account exposures, on-demand deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

#### **Assets with fixed contractual lives included in the financial portfolio**

This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:

- the cost of credit risk (the cost of covering expected losses in relation to credit risk);
- the cost of funding (the cost of funding positions);
- the cost of capital (the cost of covering unexpected losses in relation to credit risk);
- operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PDs related to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.

Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

#### **Non-performing loans**

When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.

Such loans are classified to Level 3 of the fair value hierarchy.

#### **Other financial liabilities**

Financial liabilities classified as amounts due to customers and banks consist mainly of on-demand current account deposits, short-term time deposits and operating payables.

Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other on-demand or uncommitted financial assets.

### **A.4.2 Processes and sensitivity of measurements**

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new standard IFRS 13 requires

a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITs. For such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (for example, the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified to the trading and AFS portfolios. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

### A.4.3 Fair Value Hierarchy

The new IFRS 13, recalling the contents of IFRS 7, 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.

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.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 51, 93(i) and 96, occur in these Financial Statements.

## Quantitative information

### A.4.5 Fair Value hierarchy

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2014				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	2,381	16,098	13,965	-	32,444
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	2,191,943	30,888	3,434	9,138	2,235,403
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
<b>Total</b>	<b>2,194,324</b>	<b>46,986</b>	<b>17,399</b>	<b>9,138</b>	<b>2,267,847</b>
1. HFT financial liabilities	-	2,655	-	-	2,655
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2,655</b>	<b>-</b>	<b>-</b>	<b>2,655</b>

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2013				TOTAL
	L1	L2	L3	AT COST	
1. HFT financial assets	202,270	12,348	14,891	-	229,509
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	1,599,025	11,262	9,262	6,567	1,626,116
4. Hedging derivatives	-	-	-	-	-
5. Property and equipment	-	-	-	-	-
6. Intangible assets	-	-	-	-	-
<b>Total</b>	<b>1,801,295</b>	<b>23,610</b>	<b>24,153</b>	<b>6,567</b>	<b>1,855,625</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>

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of assets and liabilities held for trading and the portfolio of AFS financial assets, comprised 96.7% of financial assets eligible for allocation to class L1, with an unchanged ratio compared to the previous year. L1 is mainly comprised of Italian

government bonds (1,995.2 million euros), which increased by 286.0 million euros compared to the previous year (+17%). It also includes, to a limited extent, other debt securities chiefly referring to credit sector (189.0 million euros) and equities listed on Italian and European regulated markets (9.0 million euros).

The financial assets allocated to the L2 class, on the other hand, consist primarily of UCITs not listed on regulated markets (37.0 million euros), including an interest in the Sicav SIF Tyndaris, a closed-end fund that invests in subordinated financial assets linked to the real estate market. In addition, the L2 portfolio includes bonds of Italian banks and banks of

the main Eurozone countries (7.2 million euros) and derivative financial liabilities consisting solely of currency outright, valued on the basis of observable market parameters.

In the reporting year, no significant transfers of financial assets were performed between class L1 and class L2.

#### A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS		
	TRADING	AFS AT FAIR VALUE	AFS AT COST
<b>1. Amount at year-start</b>	<b>14,891</b>	<b>9,262</b>	<b>6,567</b>
<b>2. Increases</b>	<b>694</b>	<b>-</b>	<b>6,750</b>
2.1 Purchases	137	-	6,750
2.2 Gains through:			
2.2.1 Profit and loss	557	-	-
- of which: capital gains	400	-	-
2.2.2 Net equity	-	-	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
- of which business combinations			
<b>3. Decreases</b>	<b>1,620</b>	<b>5,828</b>	<b>4,179</b>
3.1 Disposals	293	-	-
3.2 Redemptions	1,325	3,040	3,777
3.3 Losses through:			
3.3.1 Profit and loss	2	2,630	402
- of which: capital losses	-	2,630	402
3.3.2 Net equity	-	158	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
<b>4. Amount at year-end</b>	<b>13,965</b>	<b>3,434</b>	<b>9,138</b>

L3 financial assets in the trading portfolio now consist only of the investment in the Quarzo 1 notes. These notes were created through the securitisation of residential mortgages (RMBSs) originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund (Fondo Immobiliare Scarlatti), promoted by the Assicurazioni Generali Group, and were partially repaid during the year.

L3 financial assets in the AFS portfolio, amounting to 3.4 million euros, consist of:

- the investment in the private-equity special purpose entity Athena Private Equity (1.1 million euros), which became impaired in previous years and is currently in the course of liquidation and repayment;

- the equity interest in Veneto Banca (2.3 million euros), an unlisted cooperative bank purchased in 2011 and impaired for 2.6 million euros; this company, which was previously recognised at the repurchase price decided annually by its Shareholders' Meeting, has been valued based on an independent expert valuation also in light of the company's 2014 financial results.
- the equity investment in Simgenia (0.3 million euros), a company in the course of liquidation and subject to impairment.

This aggregate also increased during the year due to:

Some equity investments allocated to the AFS portfolio continued, on the other hand, to be measured at purchase cost in the absence of reliable estimates of fair value:

- the minor equity investments in companies linked by long-standing service supply contracts (CSE, GBS, Caricese, SWIFT, etc.), amounting to 5.5 million euros, up compared to the previous year due to the acquisition of a new CSE share (1.8 million euros);

- the investment in the company Tosetti Value SIM (1.0 million euros), purchased on the basis of an expert valuation;
- the capital contribution (2.2 million euros) made in relation to the profit-sharing agreement signed with Medusa Film to produce a movie to be shown in cinemas in 2015.

The equity investment in the company Funivie Madonna di Campiglio (2.1 million euros), purchased during the year as part of debt recovery proceedings, was, instead, sold at the carrying value.

#### A.4.5.4 Breakdown by fair-value levels of annual changes in assets and liabilities not measured at fair value on a recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2014			
	BV	L1	L2	L3
1. HTM financial assets	1,403,122	1,438,224	14,106	-
2. Loans to banks	276,080	97,883	183,546	-
3. Loans to customers	1,756,610	34,671	1,004,308	760,646
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	-	-	-	-
<b>Total</b>	<b>3,435,812</b>	<b>1,570,778</b>	<b>1,201,960</b>	<b>760,646</b>
1. Due to banks	1,038,869	-	1,038,869	-
2. Due to customers	4,352,877	-	4,309,608	42,263
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
<b>Total</b>	<b>5,391,746</b>	<b>-</b>	<b>5,348,477</b>	<b>42,263</b>

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON- RECURRING BASIS	31.12.2013			
	BV	L1	L2	L3
1. HTM financial assets	2,652,686	2,673,680	19,458	-
2. Loans to banks	279,539	100,191	181,741	-
3. Loans to customers	1,461,098	5,596	883,468	559,902
4. Property and equipment held as investments	-	-	-	-
5. Non-current assets available for sale and disposal groups	7,957	-	7,957	-
<b>Total</b>	<b>4,401,280</b>	<b>2,779,467</b>	<b>1,092,624</b>	<b>559,902</b>
1. Due to banks	2,230,833	-	2,230,833	-
2. Due to customers	3,665,294	-	3,649,309	16,124
3. Securities issued	-	-	-	-
4. Liabilities associated to assets held for sale	-	-	-	-
<b>Total</b>	<b>5,896,127</b>	<b>-</b>	<b>5,880,142</b>	<b>16,124</b>

## Part A.5 - Disclosure about the so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in the Financial Statements in question.

## PART B - INFORMATION ON THE BALANCE SHEET

### Section 1 - Cash and deposits - Item 10

#### 1.1 Breakdown of cash and deposits

	31.12.2014	31.12.2013
a) Cash	12,449	9,610
b) Demand deposits with Central Banks	68,000	-
<b>Total</b>	<b>80,449</b>	<b>9,610</b>

### Section 2 - Financial assets held for trading - Item 20

#### 2.1 Financial assets held for trading: categories

ITEMS/VALUES	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
<b>A. Cash</b>						
<b>1. Debt securities</b>	-	7,267	13,964	199,847	2,032	14,890
1.1 Structured securities	-	6,239	-	-	-	-
1.2 Other debt securities	-	1,028	13,964	199,847	2,032	14,890
<b>2. Equity securities</b>	1,243	-	1	2,423	-	1
<b>3. UCITS units</b>	-	6,147	-	-	9,265	-
<b>4. Loans</b>	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total A</b>	<b>1,243</b>	<b>13,414</b>	<b>13,965</b>	<b>202,270</b>	<b>11,297</b>	<b>14,891</b>
<b>B. Derivatives</b>						
<b>1. Financial</b>	1,138	2,684	-	-	1,051	-
1.1 Trading	1,138	2,684	-	-	1,051	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
<b>2. Credit</b>	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>Total B</b>	<b>1,138</b>	<b>2,684</b>	<b>-</b>	<b>-</b>	<b>1,051</b>	<b>-</b>
<b>Total (A + B)</b>	<b>2,381</b>	<b>16,098</b>	<b>13,965</b>	<b>202,270</b>	<b>12,348</b>	<b>14,891</b>

Notes

1. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes – Information on fair value.



## Section 2 - Financial assets held for trading - Item 20

### 2.2 Financial assets held for trading: debtors/issuers

ITEMS/VALUES	31.12.2014	31.12.2013
<b>A. Cash</b>		
<b>1. Debt securities</b>	<b>21,231</b>	<b>216,769</b>
a) Governments and Central Banks	-	199,847
b) Other public institutions	-	-
c) Banks	7,266	2,067
d) Other issuers	13,965	14,855
<b>2. Equity securities</b>	<b>1,244</b>	<b>2,424</b>
a) Banks	1	975
b) Other issuers	1,243	1,449
- insurance companies	655	677
- financial companies	-	-
- non-financial companies	588	772
- other entities	-	-
<b>3. UCITS units</b>	<b>6,147</b>	<b>9,265</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total A</b>	<b>28,622</b>	<b>228,458</b>
<b>B. Derivatives</b>		
a) Banks	1,865	653
b) Customers	1,957	398
<b>Total B</b>	<b>3,822</b>	<b>1,051</b>
<b>Total (A + B)</b>	<b>32,444</b>	<b>229,509</b>

#### Notes

1. During the year, the non-performing position consisting of a bond issued by the Icelandic bank Landebanki was transferred.
2. Trading of UCITS units for the year refers to the acquisition and sales of third-party monetary funds for temporary treasury balance investment purposes. At 31 December 2014, UCITS units referred for 4.6 million euros to BG Selection and BG Sicav sub-funds and for 1.6 million euros to a Finint hedge fund.

## 2.3 Financial assets held for trading: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCITS UNITS	LOANS	TOTAL
<b>A. Amount at year-start</b>					
<b>B. Increases</b>	<b>873,103</b>	<b>66,166</b>	<b>2,987,081</b>	-	<b>3,926,350</b>
B.1 Purchases	872,090	66,011	2,986,699	-	3,924,800
B.2 Positive changes in fair value	446	10	237	-	693
B.3 Other changes	567	145	145	-	857
<i>of which: business combination</i>	-	-	-	-	-
<b>C. Decreases</b>	<b>1,068,641</b>	<b>67,346</b>	<b>2,990,199</b>	-	<b>4,126,186</b>
C.1 Sales	822,981	67,055	2,990,068	-	3,880,104
C.2 Repayments	244,128	-	-	-	244,128
C.3 Negative changes in fair value	97	162	94	-	353
C.4 Transfer to other portfolios	-	-	-	-	-
C.5 Other changes	1,435	129	37	-	1,601
<b>D. Amount at year-end</b>	<b>21,231</b>	<b>1,244</b>	<b>6,147</b>	-	<b>28,622</b>

## Notes

1. Item "Increases - B.3 Other changes" includes final dividend accruals, final premiums/discounts, and gains on disposal.
2. The item "C.5 Other changes" includes initial dividend accruals, initial premiums/discounts, and losses on disposal.

## Section 4 - Available-for-sale financial assets - Item 40

### 4.1 Available-for-sale financial assets: categories

ITEMS/VALUES	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
<b>1. Debt securities</b>	<b>2,184,209</b>	-	-	<b>1,593,727</b>	<b>7,320</b>	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,184,209	-	-	1,593,727	7,320	-
<b>2. Equity securities</b>	<b>7,734</b>	-	<b>12,572</b>	<b>5,298</b>	<b>9</b>	<b>15,829</b>
2.1 Valued at fair value	7,734	-	3,434	5,298	9	9,262
2.2 Valued at cost	-	-	9,138	-	-	6,567
<b>3. UCITS units</b>	-	<b>30,888</b>	-	-	<b>3,933</b>	-
<b>4. Loans</b>	-	-	-	-	-	-
<b>Total</b>	<b>2,191,943</b>	<b>30,888</b>	<b>12,572</b>	<b>1,599,025</b>	<b>11,262</b>	<b>15,829</b>

#### Notes

1. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on fair value of these Notes.
2. The item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 179,212 thousand euros. It also includes encumbered assets used as collateral for ECB refinancing operations totalling 467,176 thousand euros and certificates of deposit with Cassa di Compensazione e Garanzia amounting to 39,943 thousand euros.

## 4.2 Available-for-sale financial assets: debtors/issuers

ITEMS/VALUES	31.12.2014	31.12.2013
<b>1. Debt securities</b>	<b>2,184,209</b>	<b>1,601,047</b>
a) Governments and Central Banks	1,995,244	1,509,414
b) Other public institutions	-	-
c) Banks	148,487	76,735
d) Other issuers	40,478	14,898
<b>2. Equity securities</b>	<b>20,306</b>	<b>21,136</b>
a) Banks	3,444	5,987
b) Other issuers:	16,862	15,149
- insurance companies	783	786
- financial companies	2,913	5,248
- non-financial companies	13,159	9,108
- other entities	7	7
<b>3. UCITS units</b>	<b>30,888</b>	<b>3,933</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total</b>	<b>2,235,403</b>	<b>1,626,116</b>

### Notes

- The portfolio of equity securities includes investments for 5,585 thousand euros, that fall within the category of the so-called "minor equity investments" and are not usually traded, which largely related to service agreements concluded by the Group (CSE, GBS Caricese, SWIFT, etc.). During the year, the bank increased its equity investment in CSE (+1,480 thousand euros), reaching a 7% stake. In the absence of reliable estimates of fair value, those interests are measured at cost.  
In 2014, a minority interest of 9.9% in the share capital of Tosetti Value Sim – a company with which Banca Generali has business collaboration agreements – for 1,000 thousand euros.  
This aggregate also includes the remaining 15% investment (303 thousand euros) in Simgenia, a subsidiary of the Assicurazioni Generali Group which, during the year, definitely discontinued its operations. Therefore the investment was determined to be impaired.
- At year-end, an agreement was reached with Medusa Film to form a joint venture to produce a movie to be shown in cinemas in 2015. Based on the agreement, it has contributed 2,250 thousand euros. This financial instrument was also carried at cost.
- The UCITS portfolio includes 24,689 thousand euros related to an interest of 1.1% in Tyndaris European Commercial Real Estate sa (TECREF), an alternative fund under Luxembourg law, which through the master fund invests in financial instruments linked to the European business real estate market, particularly in mezzanine instruments. The investment has an expected contractual duration of 5 years.  
The remaining portion of the UCITS portfolio is entirely comprised of sub-funds of the Group's Sicav, BG Selection sicav.
- In 2014, following the execution of the composition with creditors procedure relating to the bad loan FFM (Funivie Folgarida Marilleva), included in the portfolio backed by a BSI Sa guarantee, the minority interest in the companies Funivie Madonna di Campiglio (2,077 thousand euros, since 2013) and Funivie Folgarida Marilleva (1,700 thousand euros), received as a compensation for the receivables claimed in the procedure, were transferred to BSI Sa, at book value. This transaction also related to a bond (3,326 thousand euros), classified under loans to customers.
- AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. As a result of the test, impairment losses for an amount of 3,035 thousand euros were recognised on equity securities, as illustrated in the table below:

COMPANY	IMPAIRMENT
Simgenia	402
Veneto Banca	2,630
Other listed equity securities already tested for impairment	3
<b>Total</b>	<b>3,035</b>

## 4.4 Available-for-sale financial assets: year changes

	DEBT SECURITIES	EQUITY SECURITIES	UCITS UNITS	LOANS	TOTAL
<b>A. Amount at year-start</b>					
<b>B. Increases</b>	<b>3,846,804</b>	<b>9,573</b>	<b>27,391</b>	-	<b>3,883,768</b>
B.1 Purchases	3,765,208	8,782	27,107	-	3,801,097
B.2 Positive changes in fair value	25,984	712	284	-	26,980
B.3 Reversal value:	-	3	-	-	3
- P&L	-	X	-	-	-
- net equity	-	3	-	-	3
B.4 Transfer from other portfolios	-	-	-	-	-
B.5 Other changes	55,612	76	-	-	55,688
<b>C. Decreases</b>	<b>3,263,642</b>	<b>10,403</b>	<b>436</b>	-	<b>3,274,481</b>
C.1 Sales	2,258,175	3,940	-	-	2,262,115
C.2 Repayments	985,198	3,040	-	-	988,238
C.3 Negative changes in fair value	540	296	436	-	1,272
C.4 Write-downs of non-performing loans:	-	3,035	-	-	3,035
- P&L	-	3,035	-	-	3,035
- net equity	-	-	-	-	-
C.5 Transfer to other portfolios	-	-	-	-	-
C.6 Other changes	19,729	92	-	-	19,821
<b>D. Amount at year-end</b>	<b>2,184,209</b>	<b>20,306</b>	<b>30,888</b>	-	<b>2,235,403</b>

### Notes

1. The item B.5 "Other changes - increases" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals at the reporting date and realised gains, net of any transfers of equity reserves.
2. The item C.6 "Other changes - decreases" includes interest adjustment arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
3. Item B.3 "Reversal value" in equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the profit and loss account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the profit and loss account.

## Section 5 - Held-to-maturity financial assets - Item 50

### 5.1 Held-to-maturity financial assets: categories

	31.12.2014				31.12.2013			
	BOOK VALUE	FV			BOOK VALUE	FV		
		L1	L2	L3		L1	L2	L3
<b>1. Debt securities</b>	<b>1,403,122</b>	<b>1,438,224</b>	<b>14,106</b>	<b>-</b>	<b>2,652,686</b>	<b>2,673,679</b>	<b>19,458</b>	<b>-</b>
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	1,403,122	1,438,224	14,106	-	2,652,686	2,673,679	19,458	-
<b>2. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,403,122</b>	<b>1,438,224</b>	<b>14,106</b>	<b>-</b>	<b>2,652,686</b>	<b>2,673,679</b>	<b>19,458</b>	<b>-</b>

#### Notes

- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on fair value of these Notes.
- The item "Debt securities" includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 20,681 thousand euros. The aggregate also includes encumbered assets used as collateral for ECB refinancing operations in the amount of 1,138,545 thousand euros and securities used for New Mic market operations totalling 155,457 thousand euros.
- HTM financial assets underwent analytical impairment testing but they were not found to be impaired. A collective reserve was established on the portfolio to cover contingent losses (regarding exclusively the non-government portfolio) for a total amount of 441 thousand euros.

### 5.2 Held-to-maturity financial assets: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>1. Debt securities</b>	<b>1,403,122</b>	<b>2,652,686</b>
a) Governments and Central Banks	1,354,153	2,578,063
b) Other public institutions	-	-
c) Banks	31,478	58,150
d) Other issuers	17,491	16,473
<b>2. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total</b>	<b>1,403,122</b>	<b>2,652,686</b>
<b>Total (fair value)</b>	<b>1,452,330</b>	<b>2,693,137</b>

## 5.4 Held-to-maturity financial assets: year changes

	DEBT SECURITIES	LOANS	TOTAL
<b>A. Amount at year-start</b>	<b>2,652,686</b>	-	<b>2,652,686</b>
<b>B. Increases</b>	<b>154,082</b>	-	<b>154,082</b>
B.1 Purchases	136,392	-	136,392
B.2 Reversal value	112	-	112
B.3 Transfer from other portfolios	-	-	-
B.4 Other changes	17,578	-	17,578
<b>C. Decreases</b>	<b>1,403,646</b>	-	<b>1,403,646</b>
C.1 Sales	-	-	-
C.2 Repayments	1,354,302	-	1,354,302
C.3 Adjustments	398	-	398
C.4 Transfer to other portfolios	-	-	-
C.5 Other changes	48,946	-	48,946
<b>D. Amount at year-end</b>	<b>1,403,122</b>	-	<b>1,403,122</b>

### Notes

1. The item "Increases - B.4 Other changes" includes dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. The item "Decreases - C.5 Other changes" includes dividend accruals and final adjustments at amortised cost established according to the effective interest rate at the end of the previous year and losses on disposal.

## Section 6 - Loans to banks - Item 60

### 6.1 Loans to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014 BV	31.12.2013 BV
<b>A. Loans to Central Banks</b>	<b>45,891</b>	<b>59,600</b>
1. Term deposits	-	-
2. Mandatory reserve	45,891	59,600
3. Repurchase agreements	-	-
4. Other	-	-
<b>B. Loans to banks</b>	<b>230,189</b>	<b>219,939</b>
1. Loans	82,086	94,774
1.1 Current accounts and demand deposits	81,913	80,825
1.2 Term deposits	83	13,886
1.3 Other:	90	63
- Repurchase agreements	-	-
- Finance lease	-	-
- Other	90	63
2. Debt securities	148,103	125,165
2.1 Structured securities	-	-
2.2 Other debt securities	148,103	125,165
<b>Total (book value)</b>	<b>276,080</b>	<b>279,539</b>

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013	
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE
		L1	L2	L3		
<b>A. Loans to Central Banks</b>	<b>45,891</b>	-	<b>45,891</b>	-	<b>59,600</b>	<b>59,600</b>
<b>B. Loans to banks</b>	<b>230,189</b>	<b>97,883</b>	<b>137,655</b>	-	<b>219,939</b>	<b>222,332</b>
1. Loans	82,086	-	82,086	-	94,774	94,774
2. Debt securities	148,103	97,883	55,569	-	125,165	127,558
<b>Total</b>	<b>276,080</b>	<b>97,883</b>	<b>183,546</b>	-	<b>279,539</b>	<b>281,932</b>

#### Notes

1. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in "Part A.4 - Information on fair value" of these Notes.
2. The item includes encumbered assets used as collateral for ECB refinancing operations totalling 16,388 thousand euros.
3. A specific impairment test was conducted on debt portfolio classified among loans to banks but no impairment was detected. Moreover, a 3,631 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.

### Breakdown of loans to banks – other operations

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
Operating loans	90	63
Other loans: margin requirements	-	-
<b>Total</b>	<b>90</b>	<b>63</b>



## Section 7 - Loans to customers - Item 70

### 7.1 Loans to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013			
	TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS		TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS	
			PURCHASED	OTHER			PURCHASED	OTHER
<b>1. Loans</b>	<b>1,721,266</b>	<b>1,680,819</b>	-	<b>40,447</b>	<b>1,400,307</b>	<b>1,359,278</b>	-	<b>41,029</b>
1.1 Current accounts	931,341	910,441	-	20,900	752,116	736,040	-	16,076
1.2 Repurchase agreements	-	-	-	-	-	-	-	-
1.3 Mortgages	693,619	678,101	-	15,518	551,450	535,254	-	16,196
1.4 Credit cards, personal loans and loans on wages	-	-	-	-	-	-	-	-
1.5 Finance lease	-	-	-	-	-	-	-	-
1.6 Factoring	-	-	-	-	-	-	-	-
1.7 Other loans	96,306	92,277	-	4,029	96,741	87,984	-	8,757
<b>2. Debt securities</b>	<b>35,345</b>	<b>35,345</b>	-	-	<b>60,791</b>	<b>57,465</b>	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-
2.2 Other debt securities	35,345	35,345	-	-	60,791	57,465	3,326	-
<b>Total (book value)</b>	<b>1,756,611</b>	<b>1,716,164</b>	-	<b>40,447</b>	<b>1,461,098</b>	<b>1,416,743</b>	<b>3,326</b>	<b>41,029</b>

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013	
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE
		L1	L2	L3		
<b>1. Loans</b>	<b>1,721,266</b>	-	<b>1,001,775</b>	<b>765,223</b>	<b>1,400,307</b>	<b>1,387,480</b>
<b>2. Debt securities</b>	<b>35,345</b>	<b>34,671</b>	<b>2,520</b>	-	<b>60,791</b>	<b>61,486</b>
<b>Total</b>	<b>1,756,611</b>	<b>34,671</b>	<b>1,004,295</b>	<b>765,223</b>	<b>1,461,098</b>	<b>1,448,966</b>

#### Notes

- Operating receivables include non-performing positions of a net amount of 791 thousand euros, largely attributable to advances to former advisors who have left service due to a dispute or pre-dispute process, or for which the term of reimbursement has otherwise lapsed.
- A specific impairment test was conducted on debt portfolio classified among loans to customers but no impairment was detected. Moreover, a 621 thousand euros collective reserve was allocated for contingent losses on the securities portfolio that was not subjected to analytical impairment.
- A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 - Information on fair value of these Notes.
- In 2014, as part of the execution of the composition with creditors procedure relating to the bad loan FFM (Funivie Folgarida Marilleva), included in the portfolio backed by a BSI Sa guarantee, an equity instrument –issued pursuant to Article 2356 of the Italian Civil Code, maturing in 2017 and amounting to 3,326 thousand euros, received as a compensation for the receivables claimed in the procedure – was transferred to BSI S.A., at book value.

## Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
Other grants and pooled funding	11,613	23,838
Interest-bearing daily margins Italian Stock Exchange	2,092	2,237
Sums advanced to Financial Advisors	30,545	27,029
Operating loans	49,803	38,003
Interest-bearing caution deposits	388	328
Amounts to be collected	1,865	5,306
<b>Total</b>	<b>96,306</b>	<b>96,741</b>

## 7.2 Loans to customers: debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2014				31.12.2013			
	TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS		TOTAL	PERFORMING LOANS	NON-PERFORMING LOANS	
			PURCHASED	OTHER			PURCHASED	OTHER
<b>1. Debt securities</b>	<b>35,345</b>	<b>35,345</b>	-	-	<b>60,791</b>	<b>57,465</b>	<b>3,326</b>	-
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	2,497	2,497	-	-	-	-	-	-
c) Other issuers:	32,848	32,848	-	-	60,791	57,465	3,326	-
- non-financial companies	5,510	5,510	-	-	18,771	15,445	3,326	-
- financial companies	27,338	27,338	-	-	19,812	19,812	-	-
- insurance companies	-	-	-	-	22,208	22,208	-	-
- other	-	-	-	-	-	-	-	-
<b>2. Loans</b>	<b>1,721,266</b>	<b>1,680,819</b>	-	<b>40,447</b>	<b>1,400,307</b>	<b>1,359,278</b>	-	<b>41,029</b>
a) Governments	-	-	-	-	-	-	-	-
b) Other public institutions	-	-	-	-	-	-	-	-
c) Other parties:	1,721,266	1,680,819	-	40,447	1,400,307	1,359,278	-	41,029
- non-financial companies	483,463	454,066	-	29,397	408,568	375,990	-	32,578
- financial companies	67,224	67,088	-	136	62,466	62,334	-	132
- insurance companies	11,762	11,762	-	-	8,394	8,394	-	-
- other	1,158,817	1,147,903	-	10,914	920,879	912,560	-	8,319
<b>Total</b>	<b>1,756,611</b>	<b>1,716,164</b>	-	<b>40,447</b>	<b>1,461,098</b>	<b>1,416,743</b>	<b>3,326</b>	<b>41,029</b>

## Section 10 - Equity investments - Item 100

### 10.1 Equity investments: disclosure on type of relations

NAME	REGISTERED OFFICE	OPERATING OFFICES	% HELD	% OF VOTING RIGHTS
<b>A. Subsidiary companies wholly controlled</b>				
1. Bg Fiduciaria Sim S.p.A.	Trieste	Milan	100%	100%
2. BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	100%	100%
3. Generfid S.p.A.	Milan	Milan	100%	100%

### Controlling equity investments - accounting disclosures

	31.12.2014	31.12.2013	CHANGE
BG Fiduciaria Sim S.p.A.	11,779	11,779	-
Generfid S.p.A.	245	245	-
BG Fund Management Luxembourg S.A.	2,000	2,000	-
<b>Total</b>	<b>14,024</b>	<b>14,024</b>	<b>-</b>

The difference between the carrying value and equity investment in BG Fiduciaria, amounting to 11,779 thousand euros, and the relevant net equity, net of profit (12,487 thousand euros), is due to the combined effect of the goodwill paid upon acquisition of

the company (4,289 thousand euros) and retained earnings (4,997 thousand euros). The goodwill included in the value of the equity investment was tested for impairment in the consolidated financial statements, pursuant to IAS 36, and no impairment was detected.

## Section 11 - Property and equipment - Item 110

### 11.1 Breakdown of property and equipment: assets valued at cost

ASSETS/VALUES	31.12.2014	31.12.2013
<b>1. Owned assets</b>	<b>3,741</b>	<b>3,953</b>
a) Land	-	-
b) Buildings	-	-
c) Furniture	2,562	2,570
d) Electronic equipment	534	554
e) Other	645	829
<b>2. Acquired under finance lease</b>	<b>-</b>	<b>-</b>
a) Land	-	-
b) Buildings	-	-
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	-	-
<b>Total</b>	<b>3,741</b>	<b>3,953</b>

## 11.5 Operating assets: year changes

	LAND	BUILDINGS	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
<b>A. Gross amount at year-start</b>	-	-	<b>18,524</b>	<b>5,244</b>	<b>7,824</b>	<b>31,592</b>
A.1 Total net impairment	-	-	15,954	4,690	6,995	27,639
<b>A.2 Net amount at year-start</b>	-	-	<b>2,570</b>	<b>554</b>	<b>829</b>	<b>3,953</b>
<b>B. Increases</b>	-	-	<b>673</b>	<b>364</b>	<b>145</b>	<b>1,182</b>
B.1 Purchases	-	-	669	364	145	1,178
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal value:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.4 Fair value positive change in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	-	-	4	-	-	4
<i>of which: business combination</i>	-	-	4	-	-	4
<b>C. Decreases</b>	-	-	<b>681</b>	<b>384</b>	<b>329</b>	<b>1,394</b>
C.1 Sales	-	-	12	1	1	14
C.2 Depreciation	-	-	669	383	328	1,380
C.3 Adjustments for impairment in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.4 Fair value negative change in:						
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:						
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
<i>of which: business combination</i>	-	-	-	-	-	-
<b>D. Net amount at year-end</b>	-	-	<b>2,562</b>	<b>534</b>	<b>645</b>	<b>3,741</b>
D.1 Total net impairment	-	-	17,067	5,070	7,318	29,455
<b>D.2 Gross amount at year-end</b>	-	-	<b>19,629</b>	<b>5,604</b>	<b>7,963</b>	<b>33,196</b>
<b>E. Valued at cost</b>	-	-	<b>2,562</b>	<b>534</b>	<b>645</b>	<b>3,741</b>

## Section 12 - Intangible assets - Item 120

### 12.1 Intangible assets: categories

ASSETS/VALUES	31.12.2014		31.12.2013	
	SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY
A.1 Goodwill		61,775		34,343
A.2 Other intangible assets	23,901	-	7,373	-
A.2.1 Assets valued at cost:	23,901	-	7,373	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	23,901	-	7,373	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>23,901</b>	<b>61,775</b>	<b>7,373</b>	<b>34,343</b>

## 12.2 Intangible assets: year changes

	GOODWILL	OTHER INTANGIBLE ASSETS				TOTAL
		INTERNALLY GENERATED		OTHER		
		SPECIFIED MATURITY	UNSPECIFIED MATURITY	SPECIFIED MATURITY	UNSPECIFIED MATURITY	
<b>A. Gross amount at year-start</b>	<b>34,343</b>	-	-	<b>21,887</b>	-	<b>56,230</b>
A.1 Total net impairment	-	-	-	14,514	-	14,514
<b>A.2 Net amount at year-start</b>	<b>34,343</b>	-	-	<b>7,373</b>	-	<b>41,716</b>
<b>B. Increases</b>	<b>27,432</b>	-	-	<b>19,520</b>	-	<b>46,952</b>
B.1 Purchases	-	-	-	2,240	-	2,240
B.2 Increase of internal intangible assets	-	-	-	-	-	-
B.3 Reversal value	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	27,432	-	-	17,280	-	44,712
<i>of which: business combination</i>	27,432	-	-	17,280	-	44,712
<b>C. Decreases</b>	-	-	-	<b>2,992</b>	-	<b>2,992</b>
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	2,992	-	2,992
- Amortisation	-	-	-	2,992	-	2,992
- Write-downs:	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
C.3 Fair value negative changes in:	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
<i>of which: business combination</i>	-	-	-	-	-	-
<b>D. Amount at year-end</b>	<b>61,775</b>	-	-	<b>23,901</b>	-	<b>85,676</b>
D.1 Total net adjustments	-	-	-	17,506	-	17,506
<b>E. Gross amount at year-end</b>	<b>61,775</b>	-	-	<b>41,407</b>	-	<b>103,182</b>
<b>F. Valued at cost</b>	<b>61,775</b>	-	-	<b>23,901</b>	-	<b>85,676</b>

The consideration for the acquisition of the former Credit Suisse's business unit amounting to 44,712 thousand euros was allocated pursuant to IFRS 3 (PPA – Purchase Price allocation) for 17,280 thousand euros to intangible assets (customers relationships) and for 27,432 thousand euros to goodwill. The asset recognized for contractual relations on assets under management is the economic valuation of expected financial flows from this portfolio based on the profitability ratio and adequate impairment

rates. The useful life of such asset is estimated on a 15-year period.

The Banca Generali's goodwill and intangible assets arising from the acquisition of Banca del Gottardo and of Credit Suisse's business unit (customer relationships) were tested for impairment in accordance with IAS 36, without detecting any impairment losses. Tests' execution procedures and results are analysed in greater detail in Part G of the Notes.

### Breakdown of goodwill

(€ THOUSAND)	31.12.2014	31.12.2013
Prime Consult Sim e INA Sim	2,991	2,991
Banca del Gottardo	31,352	31,352
Credit Suisse Italy	27,432	-
<b>Total</b>	<b>61,775</b>	<b>34,343</b>

### Breakdown of intangible assets - other assets

	31.12.2014	31.12.2013
Charges associated with the implementation of legacy CSE procedures	1,610	3,339
Other software costs	124	169
Customer relationships (former Banca del Gottardo)	2,860	3,814
Customer relationships (former Credit Suisse)	17,088	-
Advance payments on intangible assets	2,219	52
<b>Total</b>	<b>23,901</b>	<b>7,373</b>



## Section 13 - Tax assets and liabilities - Item 130 (Assets) and Item 80 (Liabilities)

### Breakdown of Item 130 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>Current taxation</b>	<b>2,063</b>	<b>3,367</b>
- Sums due for taxes to be refunded	1,965	1,698
- IRES arising on National Tax Consolidation	-	-
- IRES (excess surtax paid 8.5%)	98	-
- IRAP	-	1,669
<b>Deferred tax receivables</b>	<b>38,410</b>	<b>34,664</b>
<b>With impact on Profit and Loss Account</b>	<b>37,760</b>	<b>33,572</b>
- IRES	32,913	29,732
- IRAP	4,847	3,840
<b>With impact on Net equity</b>	<b>650</b>	<b>1,092</b>
- IRES	605	961
- IRAP	45	131
<b>Total</b>	<b>40,473</b>	<b>38,031</b>

#### Notes

1. Current tax assets and liabilities represent the net positive or negative unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
2. In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of account receivable from or payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. As a consequence of Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then calculates and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.
3. Sums due for taxes to be refunded refer mostly to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Law 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.

### Breakdown of tax liabilities - Item 80

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>Current taxation</b>	<b>8,514</b>	<b>8,734</b>
- IRES arising on National Tax Consolidation	5,210	8,734
- IRES	-	-
- IRAP	3,304	-
<b>Deferred tax liabilities</b>	<b>10,377</b>	<b>5,449</b>
<b>With impact on Profit and Loss Account</b>	<b>1,546</b>	<b>2,032</b>
- IRES	1,442	1,947
- IRAP	104	85
<b>With impact on net equity</b>	<b>8,831</b>	<b>3,417</b>
- IRES	7,481	2,864
- IRAP	1,350	553
<b>Total</b>	<b>18,891</b>	<b>14,183</b>

### 13.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2014	PURSUANT TO LAW NO. 214/2011	31.12.2013	PURSUANT TO LAW NO. 214/2011
<b>With impact on Profit and Loss account</b>	<b>37,760</b>	<b>13,012</b>	<b>33,572</b>	<b>11,617</b>
Previous fiscal losses	-	-	-	-
Provisions for liabilities and contingencies	24,403	-	19,840	-
Credit devaluation	3,094	3,076	2,055	1,861
Redeemed goodwill (pursuant to Article 15, par. 10, of Legislative Decree 185/08)	6,048	6,048	7,056	7,056
Redeemed goodwill (pursuant to Article 176, par. 2-ter, of TUIR) of former BG SGR	1,233	1,233	1,321	1,321
Consolidated goodwill of BG Fiduciaria (Article 15, par. 10-ter, of Legislative Decree 185/08)	1,379	1,379	1,379	1,379
Other goodwill of former BG SGR	1,276	1,276	1,763	-
Impairment of AFS equity and collective portfolios	-	-	-	-
Write-down of HFT securities before 2008	11	-	11	-
Collective reserve for collateral granted	149	-	-	-
Other operating expenses	167	-	147	-
<b>With impact on Net equity</b>	<b>650</b>	<b>-</b>	<b>1,092</b>	<b>-</b>
Measurement at fair value of AFS financial assets	308	-	909	-
Actuarial losses IAS 19	342	-	183	-
<b>Total</b>	<b>38,410</b>	<b>13,012</b>	<b>34,664</b>	<b>11,617</b>

#### Notes

1. DTAs which can be transformed into tax credits pursuant to Law No. 214/2011 include:
  - a) assets associated with redeemed goodwill as per Article 10 of Legislative Decree No.185/08 and Article 172 of TUIR;
  - b) assets related to goodwill that are relevant for tax purposes but not for accounting purposes as they refer to business combinations "under common control" (Circular Letter Assonime No. 33/2013, paragraph 3.3.2);
  - c) write-downs of the banking portfolio exceeding 0.30% and deductible over a 18-year period, pursuant to Article 106, par. 3 of TUIR, in the version applicable until 2012;
  - d) assets associated with 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.

### 13.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>With impact on Profit and Loss account</b>	<b>1,546</b>	<b>2,032</b>
Capital gains by instalments from the transfer of the funds business unit	563	844
Goodwill, excluding off-balance sheet items	831	702
Provisions for post-employment benefits (IAS 19)	152	175
Provision for risks on loans, after off-balance sheet items	-	311
<b>With impact on net equity</b>	<b>8,831</b>	<b>3,417</b>
Measurement at fair value of AFS financial assets	8,831	3,417
<b>Total</b>	<b>10,377</b>	<b>5,449</b>

### 13.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>33,572</b>	<b>32,951</b>
<b>2. Increases</b>	<b>15,181</b>	<b>9,883</b>
2.1 Deferred tax assets for the year:	15,123	9,883
a) relative to prior years	245	244
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	14,878	9,639
2.2 New taxes or increases in tax rates	58	-
2.3 Other increases	-	-
- of which: adjustment of prepaid taxes for the National Tax Consolidation	-	-
- of which: business combinations	-	-
<b>3. Decreases</b>	<b>10,993</b>	<b>9,262</b>
3.1 Deferred tax receivables eliminated in the year	10,993	9,109
a) transfers	10,473	9,077
b) write-downs for non-recoverability	520	32
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	153
a) conversion in tax credits pursuant to Law No. 214/2011	-	-
b) other	-	153
- of which: adjustment of prepaid taxes for the National Tax Consolidation	-	-
- of which: business combinations	-	-
<b>4. Amount at year-end</b>	<b>37,760</b>	<b>33,572</b>

### 13.3.1 Change in deferred tax assets pursuant to Law 214/2011

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>11,617</b>	<b>11,629</b>
<b>2. Increases</b>	<b>3,965</b>	<b>1,149</b>
<b>3. Decreases</b>	<b>2,570</b>	<b>1,161</b>
3.1 Transfers	2,311	1,161
3.2 Conversion in tax credits:	-	-
a) arising from losses during the year	-	-
b) arising from fiscal losses	-	-
3.3 Other decreases	259	-
<b>4. Amount at year-end</b>	<b>13,012</b>	<b>11,617</b>

Increases include 2,202 thousand euros related to DTAs for loans impairment under Article 106 paragraph 3 of TUIR, and 1,763 thousand euros for the reclassification of DTAs on the goodwill of former BGSGR arising on the acquisition of the business unit of former GAM in 2005, which were previously classified among non material DTAs for transformation purposes

(Circular Letter Assonime No. 33/2013 paragraph 3.3.2). The goodwill refers to a business combination in which the bank acquired control of the acquiree but which has been recognised as a business operation under common control under the IAS/IFRS, and is relevant for tax and not accounting purposes.

### 13.4 Change in deferred taxes (offsetting entry to the Profit and Loss Account)

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>2,032</b>	<b>2,383</b>
<b>2. Increases</b>	<b>128</b>	<b>67</b>
2.1 Deferred tax payables recognised during the year:	128	67
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	128	67
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<i>of which: business combination</i>	-	-
<b>3. Decreases</b>	<b>614</b>	<b>418</b>
3.1 Deferred tax payables eliminated during the year:	614	418
a) transfers	281	418
b) change in accounting criteria	-	-
c) other	333	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Amount at year-end</b>	<b>1,546</b>	<b>2,032</b>

### 13.5 Changes in deferred tax assets (offsetting entry to the Net equity)

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>1,092</b>	<b>6,415</b>
<b>2. Increases</b>	<b>563</b>	<b>306</b>
2.1 Deferred tax assets for the year:	563	306
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	563	306
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>1,005</b>	<b>5,629</b>
3.1 Deferred tax receivables eliminated in the year:	728	736
a) transfers	728	736
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	277	4,893
<b>4. Amount at year-end</b>	<b>650</b>	<b>1,092</b>

The item 3.3 Other decreases refers to the reduction in deferred taxes following the re-absorption of temporary differences, deductible as a result of reversals of financial assets in the AFS portfolio.

## 13.6 Changes in deferred tax liabilities (offsetting entry to the Net equity)

	31.12.2014	31.12.2013
<b>1. Amount at year-start</b>	<b>3,417</b>	<b>869</b>
<b>2. Increases</b>	<b>8,284</b>	<b>3,330</b>
2.1 Deferred tax payables recognised during the year:	8,284	3,321
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	8,284	3,321
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	9
<b>3. Decreases</b>	<b>2,870</b>	<b>782</b>
3.1 Deferred tax payables eliminated during the year:	2,870	782
a) transfers	2,870	782
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Amount at year-end</b>	<b>8,831</b>	<b>3,417</b>

## Section 14 - Non-current assets and groups of assets held for sale and related liabilities - Item 140 (Assets) and Item 90 (Liabilities)

### 14.1 Non-current assets and groups of assets held for sale: categories

At 31 December 2014, the financial statements of Banca Generali do not include any non-current and/or disposal groups as the investment in BG Dragon Sicav was fully disposed of during the year. In this regard, it should be recalled that BG Dragon Sicav is an UCITS launched by BGFm Luxembourg SA in the second half of 2013 in which Banca Generali has un-

derwritten 80,810 class A shares in the start-up phase, for a total amount of 8,081 thousand euros. The investment was a shareholding in a subsidiary company held for sale and was accordingly classified in accordance with IFRS 5 and subjected to the related accounting treatment. The divestment took place in accordance with the above-mentioned IFRS.

## Section 15 - Other assets - Item 150

### 15.1 Breakdown of other assets

	31.12.2014	31.12.2013
<b>Fiscal items</b>	<b>35,233</b>	<b>16,628</b>
Advances paid to fiscal authorities – current account withholdings	1,524	2,542
Advances paid to fiscal authorities - stamp duty	16,075	4,883
Advances of substitute tax on capital gains	16,109	7,720
Other sums due from fiscal authorities	1,258	1,245
Fiscal Authority/VAT	183	189
Sums due from fiscal authorities for taxes to be refunded	84	49
<b>Leasehold improvements</b>	<b>1,228</b>	<b>1,010</b>
<b>Operating receivables not related to financial transactions</b>	<b>695</b>	<b>84</b>
<b>Sundry advances to suppliers and employees</b>	<b>12,460</b>	<b>4,189</b>
<b>Cheques under processing</b>	<b>17,161</b>	<b>24,935</b>
C/a cheques drawn on third parties under processing	188	980
Our c/a cheques under processing c/o service	10,321	23,668
Money orders and other amounts receivable	6,652	287
<b>Other amounts to be debited under processing</b>	<b>19,300</b>	<b>19,822</b>
Amounts to be settled in the clearing house (debits)	279	5,355
Clearing accounts for securities and funds procedure	16,867	12,444
Other amounts to be debited under processing	2,154	2,023
<b>Amounts receivable for legal disputes related to non-credit transactions</b>	<b>3,645</b>	<b>3,744</b>
<b>Trade receivables from customers and banks that cannot be traced back to specific items</b>	<b>27,287</b>	<b>19,446</b>
<b>Other amounts</b>	<b>52,155</b>	<b>34,531</b>
Prepayments for the new supplementary fees for FAs	50,670	31,846
Other accrued income and deferred charges that cannot be traced back to specific items	1,482	2,268
Sundry amounts	3	417
<b>Total</b>	<b>169,164</b>	<b>124,389</b>

Receivables from fiscal authorities for withholdings on current accounts represent the positive unbalance between payments on account and the related payable to fiscal authorities.

## PART B - INFORMATION ON THE BALANCE SHEET LIABILITIES

### Section 1 - Due to banks - Item 10

#### 1.1 Due to banks: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>1. Due to Central Banks</b>	<b>811,645</b>	<b>1,114,185</b>
<b>2. Due to banks</b>	<b>227,224</b>	<b>1,116,648</b>
2.1 Current accounts and demand deposits	5,408	397
2.2 Term deposits	6,792	187
2.3 Loans:	200,734	1,091,372
2.3.1 Repurchase agreements	200,734	1,091,372
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	14,290	24,692
<b>Total</b>	<b>1,038,869</b>	<b>2,230,833</b>
Fair value - L1	-	-
Fair value - L2	1,038,869	2,230,833
Fair value - L3	-	-
<b>Total (fair value)</b>	<b>1,038,869</b>	<b>2,230,833</b>

#### Notes

1. The item "Due to Central Banks" refers to a LTRO entered into in 2012 and maturing in February 2015. In November 2014, the Group made an early repayment of a tranche of 300 million euros.
2. Other liabilities refer for 14,190 thousand euros to deposits made by BSI SA as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits) and for 100 thousand euros to collateral margins received from counterparties in reverse repurchase agreements (3,660 thousand euros in 2013).



## Section 2 - Due to customers - Item 20

### 2.1 Due to customers: categories

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>1. Current accounts and demand deposits</b>	<b>4,163,043</b>	<b>3,018,632</b>
<b>2. Term deposits</b>	-	<b>428,430</b>
<b>3. Loans</b>	<b>51,312</b>	<b>101,878</b>
3.1 Repurchase agreements	-	85,754
3.2 Other	51,312	16,124
<b>4. Liabilities for repurchase commitments of own equity instruments</b>	-	-
<b>5. Other debts</b>	<b>138,522</b>	<b>116,355</b>
<b>Total</b>	<b>4,352,877</b>	<b>3,665,295</b>
Fair value - L1	-	-
Fair value - L2	4,309,608	3,649,171
Fair value - L3	42,263	16,124
<b>Total (fair value)</b>	<b>4,351,871</b>	<b>3,665,295</b>

#### Notes

- The item 5 "Other debts" refers for 49,515 thousand euros to the stock of bank drafts issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, to other amounts available to customers and, for the remaining amount, to trade payables to the sales network.
- The item 3.2 "Other debts" refers exclusively, for 51,312 thousand euros, to the subordinated loans illustrated in the table 3.2 below.

### 2.2 Due to customers: subordinated debts

TYPE OF TRANSACTIONS/VALUES	31.12.2014	31.12.2013
<b>Due to customers: subordinated debts</b>	<b>51,312</b>	<b>16,124</b>
Generali Versicherung subordinated loan	8,058	16,124
Generali Beteiligungs GmbH subordinated loan	43,254	-

Subordinated debts to customers consists of the following:

- a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A. The said loan, under the contractual form known as *Schuldschein* (loan), provides for a repayment schedule that calls for five annual instalments, the fourth of which paid on 1 October 2011, and an interest rate equal to the 12-month Euribor plus 225 basis points. The loan is subordinated in the event of a default by the bank;
- a subordinated loan in the amount of 43 million euros from the German company Generali Beteiligungs GMBH to fund the

acquisition of the Credit Suisse (Italy) S.p.A. business unit. The loan, entered into on 30 October 2014, has a ten-year term and is repayable on maturity in one instalment. Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority's prior approval. The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year, the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated in the event of a default by the bank.

## Section 4 - Financial liabilities held for trading - Item 40

### 4.1 Financial liabilities held for trading: categories

TYPE OF TRANSACTIONS/VALUES	NOMINAL VALUE	31.12.2014 FAIR VALUE			NOMINAL VALUE	31.12.2013 FAIR VALUE		
		L1	L2	L3		L1	L2	L3
<b>A. Cash liabilities</b>								
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds:	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-
<b>Total A</b>	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>								
1. Financial	-	-	2,655	-	-	-	597	-
1.1 Trading	-	-	2,655	-	-	-	597	-
1.2 Related to the fair value option	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-
2. Credit	-	-	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-
<b>Total B</b>	-	-	2,655	-	-	-	597	-
<b>Total (A + B)</b>	-	-	2,655	-	-	-	597	-

## Section 8 - Tax payables - Item 80

### Breakdown of tax liabilities - Item 80

Section 13 (Assets) provides an analysis.

## Section 10 - Other liabilities - Item 100

### 10.1 Breakdown of other liabilities

	31.12.2014	31.12.2013
<b>Trade payables</b>	<b>32,923</b>	<b>12,430</b>
Due to suppliers	29,800	9,898
Due for payments on behalf of third parties	3,123	2,532
<b>Due to staff and social security institutions</b>	<b>14,688</b>	<b>13,181</b>
Due to staff for accrued holidays etc.	3,359	3,185
Due to staff for productivity bonuses	6,507	5,558
Contributions to be paid to social security institutions	2,121	2,181
Contributions to advisors to be paid to Enasarco	2,701	2,257
<b>Tax authorities</b>	<b>24,195</b>	<b>15,615</b>
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	4,156	3,400
Withholding taxes on investment return payable to tax authorities	3,275	8,227
Notes to be paid into collection services	16,764	3,956
VAT and other tax payables	-	32
<b>Amounts to be debited under processing</b>	<b>66,590</b>	<b>94,509</b>
Bank transfers, cheques and other sums payable	17,240	12,204
Amounts to be settled in the clearing house (credits)	34,212	71,638
Liabilities from reclassification of portfolio subject to collection (SBF)	601	1,085
Other amounts to be debited under processing	14,537	9,582
<b>Sundry items</b>	<b>4,831</b>	<b>3,618</b>
Amounts to be credited	608	273
Sundry items	1,347	1,298
Accrued expenses and deferred income	1,443	1,956
Sums made available to customers	890	91
Payables for non-performing signature loans	543	-
<b>Total</b>	<b>143,227</b>	<b>139,353</b>

Notes

- Based on the instructions included in Circular Letter No. 262/05, write-downs for non-performing signature loans are commonly recognised among other liabilities. At 31 December 2014, this item referred only to the collective reserve for performing signature loans.

## Section 11 - Provisions for termination indemnity - Item 110

### 11.1 Provisions for termination indemnity: year changes

	31.12.2014	31.12.2013
<b>A. Amount at year-start</b>	<b>4,230</b>	<b>4,286</b>
Change in the opening balance	-	-
<b>B. Increases</b>	<b>732</b>	<b>485</b>
B.1 Provisions for the year	136	193
B.2 Other increases	596	292
<i>of which: business combination</i>	18	-
<b>C. Decreases</b>	<b>133</b>	<b>541</b>
C.1 Amounts paid	133	541
C.2 Other decreases	-	-
<i>of which: business combination</i>	-	-
<b>D. Amount at year-end</b>	<b>4,829</b>	<b>4,230</b>

### 11.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19. The provision was measured based on the actuarial value

using the methods described in Part A.2 of these Notes. The following are the main actuarial assumptions and the breakdown of the provision for the year and of actuarial gains/(losses):

	31.12.2014	31.12.2013
Discount rate	1.53%	3.28%
Annual inflation rate	1.50%	2.00%
Salary increase rate	1.50%	2.00%
Average duration (years)	11	12
	31.12.2014	31.12.2013
1. Provisions	136	193
Current service cost	-	7
Interest cost	136	186
2. Actuarial gains and losses	596	292
<i>based on financial assumptions</i>	720	640
<i>based on actuarial demographic assumptions</i>	-124	-348
<b>Total provisions for the year</b>	<b>732</b>	<b>485</b>
<b>Actuarial value</b>	<b>4,829</b>	<b>4,230</b>
<b>Value calculated re. Article 2120 of the Italian Civil Code</b>	<b>4,690</b>	<b>4,699</b>

## Section 12 - Provisions for liabilities and contingencies - Item 120

### 12.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2014	31.12.2013
<b>1. Company provisions for pensions</b>	-	-
<b>2. Other provisions for liabilities and contingencies</b>	<b>93,586</b>	<b>71,558</b>
2.1 Litigation	14,385	12,923
2.2 Staff	11,584	13,098
2.3 Other	67,617	45,537
<b>Total</b>	<b>93,586</b>	<b>71,558</b>

### Breakdown of other provisions for liabilities and contingencies

	31.12.2014	31.12.2013
<b>Provision for staff expenses</b>	<b>11,584</b>	<b>13,098</b>
<b>Provisions for legal disputes</b>	<b>14,385</b>	<b>12,923</b>
Provision for risks related to litigations connected with FA's embezzlements	10,470	8,957
Provision for other legal disputes with FAs	1,525	1,391
Provision for risks related to legal disputes with staff	739	714
Provision for other legal disputes	1,651	1,861
<b>Provisions for termination indemnity for Financial Advisors</b>	<b>26,731</b>	<b>15,314</b>
Provision for termination indemnity	20,978	12,354
Provision for portfolio overfee indemnities	2,009	1,467
Provisions for pension bonuses for financial advisors	3,744	1,493
<b>Provisions for risks related to network incentives</b>	<b>37,061</b>	<b>25,757</b>
Provision for network development incentives	15,416	9,680
Provision for deferred bonus	4,434	9,571
Provisions for managers with access gate	3,574	2,696
Provision for sales incentives	2,691	1,077
Provision for fees – travel incentives	2,601	2,650
Provision for fee plans	348	83
Provision for loyalty program	7,997	-
<b>Other provisions for liabilities and contingencies</b>	<b>3,825</b>	<b>4,466</b>
<b>Total</b>	<b>93,586</b>	<b>71,558</b>

## 12.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR PENSIONS	OTHER PROVISIONS	TOTAL
<b>A. Amount at year-start</b>	-	71,558	71,558
<b>B. Increases</b>	-	48,257	48,257
B.1 Provisions for the year	-	48,119	48,119
B.2 Other increases	-	138	138
<i>of which: business combination</i>		-	-
<b>C. Decreases</b>	-	26,229	26,229
C.1 Use in the year	-	22,054	22,054
C.2 Other decreases	-	4,175	4,175
<i>of which: business combination</i>		-	-
<b>D. Amount at year-end</b>	-	93,586	93,586

## Provisions for liabilities and contingencies: details of movements

	31.12.2013	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2014
<b>Provision for staff expenses</b>	13,098	-5,119	-1,853	-	5,458	11,584
<b>Provisions for legal disputes</b>	12,923	-1,269	-711	-	3,442	14,385
Provision for risks related to litigations connected with FA's embezzlements	8,957	-679	-	-	2,192	10,470
Provision for other legal disputes with Financial Advisors	1,391	-205	-13	-	352	1,525
Provision for risks related to legal disputes with staff	714	-5	-	-	30	739
Provision for other legal disputes	1,861	-380	-698	-	868	1,651
<b>Provisions for termination indemnity for Financial Advisors</b>	15,314	-103	-419	-	11,939	26,731
Provision for termination indemnity	12,354	-100	-377	-	9,101	20,978
Provision for portfolio overfee indemnities	1,467	-2	-22	-	566	2,009
Provisions for pension bonuses for financial advisors	1,493	-1	-20	-	2,272	3,744
<b>Provisions for risks related to network incentives</b>	25,757	-14,238	-737	-	26,279	37,061
Provision for network development incentives	9,680	-4,568	-532	-	10,836	15,416
Provision for deferred bonus	9,571	-5,589	-	-	452	4,434
Provisions for managers with access gate	2,696	-888	-	-	1,766	3,574
Provision for sales incentives	1,077	-675	-	-	2,289	2,691
Provision for fees – travel incentives	2,650	-2,494	-156	-	2,601	2,601
Provision for fee plans	83	-24	-49	-	338	348
Provision for loyalty program	-	-	-	-	7,997	7,997
<b>Other provisions for liabilities and contingencies</b>	4,466	-1,325	-455	138	1,001	3,825
<b>Total</b>	71,558	-22,054	-4,175	138	48,119	93,586

## 12.4 Provisions for liabilities and contingencies - other provisions

### 12.4.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

- 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, for the cash bonuses only, provided for in the long-term retention programme of the Assicurazioni Generali Group top management (LTIP - Long term incentive plan);
- provisions for post-employment medical benefits of Group executives;
- the provision related to the performance bonus envisaged in the company supplementary contract (CIA).

In relation to the latter, it should be noted that the CIA expired in 2011. Following the early termination by professional organisations of the national collective labour agreement, procedures for the renewal of the supplementary company contract are still at a halt. The bonuses for 2012 and 2013 have thus been paid based on transitional agreements that are applicable only in relation to those two years.

However, the Bank decided to allocate the amount of the bonus on the basis of the mechanisms agreed for the previous two-year period 2010-2011 and of the subsequent agreements entered into for 2012 and 2013.

TERMINATION INDEMNITY	31.12.2014	31.12.2013
Discount rate (Eur IRS + 200 bps)	3.5%	4.5%
Turnover rate (professionals)	1.65%	3.38%
Average duration (years)	18	18
DBO IAS 37/Indemnity provision at the measurement date	38.2%	26.5%

For Financial Advisors who have left service, a specific measurement is carried out.

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 3.3 million euros, is still based on the payment criteria established by the previous employer and was recognised as a debt payable to the acquired sales network. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The above-mentioned provisions have as their balancing entries personnel expenses.

Provisions for personnel also include provisions for a company reorganisation plan referring to the Relationship Managers, the estimated increase in informal incentives linked to the results for FY 2014 and other charges for the classification of personnel to which IAS 19 does not apply.

### 12.4.2 Provisions for legal disputes

This type of provisions for risks includes provisions for 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.

### 12.4.3 Provisions for contractual indemnities for financial advisors

These include provisions for termination indemnities of the sales network, the portfolio development indemnity and the social-security bonus.

Provisions covering the cost of Financial Advisors' indemnity is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments.

The expense associated with obligations extant at year-end relating to Financial Advisors is valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

The portfolio development indemnity is instead a scheme (further details are provided in Part A.2 of the Notes and Comments) that calls for Financial Advisors with at least five years of service who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reallocation of the latter.

The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank - equal to 25% of the total

indemnity – in the event of termination for death or permanent disability.

Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

Finally, the “**pension bonus**” is a component of the sales network's indemnity plans, which entails the yearly provision of an amount based on the achievement of pre-set sales objectives and to be paid only upon final termination for retirement or permanent disability. The actuarial method is used also for this type of evaluation.

#### 12.4.4 Provisions for incentives for Financial Advisors

This aggregate include:

- the estimate of the charges accrued in relation with several recruitment plans for middle-term expansion of managed portfolios. These plans envisage different kinds of incentives (entry 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).
- the share of network managers annual incentives 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 share of annual incentives (particular transactions), contingent upon the maintenance over time of the inflow targets achieved;
- provisions for incentive plans based on the network's performance for the period, 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.

In 2014, provisions were also made, for 8.0 million euros, for retention plans agreed on with Financial Advisors of the former Credit Suisse business line, intended to facilitate their inclusion in Banca Generali's sales structure and for loyalty-building purposes. This provision entails the payment of incentives in two annual tranches at the end of 2015 and 2016, provided the FAs are still part of Banca Generali's network.

#### Other provisions for liabilities and contingencies

Lastly, other provisions for liabilities and contingencies include provisions made last year to cover the tax dispute (2.6 million euros), as well as other provisions for operating risks. In 2014, a special provision was recognized for commitments already undertaken to complete the development of the new app “*appylife*” (1.0 million euros).

#### Tax disputes

With reference to the tax dispute, provisions refer 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 last July. A single assessment audit has been served thus far in relation to this audit, in the amount of 56 thousand euros, and with reference to the substitute tax on bonuses. 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.

Taking account of the terms of prescription of the financial year to which the tax audit referred, the dispute is expected to be closed during 2015.

At 31 December 2014, Banca Generali was not involved in further tax disputes with the revenue authorities.



## Section 14 - Company net equity - Items 130, 150, 160, 170, 180, 190 and 200

### 14.1 Breakdown of capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
<b>Share capital</b>				
- ordinary shares	1.00	115,677,077	115,677,077	115,677
<b>Treasury shares</b>				
- ordinary shares	1.00	-10,071	-10,071	-41
		<b>115,667,006</b>	<b>115,667,006</b>	<b>115,636</b>

### 14.2 Capital - Number of shares: year changes

ITEMS/TYPE	ORDINARY	OTHER
<b>A. Existing shares at year-start</b>	<b>114,895,247</b>	-
- paid up	114,895,247	-
- partially paid	-	-
A.1 Treasury shares (-)	-10,071	-
<b>A.2 Outstanding shares: at year-start</b>	<b>114,885,176</b>	-
<b>B. Increases</b>	<b>781,830</b>	-
B.1 Newly issued shares		
- against payment:	781,830	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrant	781,830	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
<b>D. Outstanding shares: at year-end</b>	<b>115,667,006</b>	-
D.1 Treasury shares (+)	10,071	-
<b>D.2 Existing shares at year-end</b>	<b>115,677,077</b>	-
- paid up	115,677,077	-
- partially paid	-	-

### 14.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 115,677,077 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

During the year, as a result of the exercise of options within the stock option plans reserved for Financial Advisors, 781,830 newly issued shares were issued, for a total of 782 thousand euros.

### 14.4 Income reserves: further information

	31.12.2013	PROFIT DISTRIBUTION OF DIVIDENDS	ISSUE OF NEW SHARES	STOCK OPTION PLANS	STOCK GRANT PLANS OF AG	OTHER CHANGES	31.12.2014
Legal reserve	22,778	303	-	-	-	-	23,081
Restricted reserve for treasury shares	41	-	-	-	-	-	41
Restricted reserve for shares of the Parent Company	1,058	-	-	-	-	-	1,058
Extraordinary reserve	-	-	-	-	-	-	-
Unrestricted reserve	1,016	-	-	-	-	-	1,016
Contribution to stock grant AG	517	-	-	-	1,578	-	2,095
Merger surplus - BG SGR	3,853	-	-	-	-	-	3,853
Badwill reserve - BSI	-	-	-	-	-	-	-
Share-based payments reserve (IFRS 2)	2,821	-	224	-1,449	-	-	1,596
Reserve from income (loss) carried forward	74,264	-15,062	-	-	-	-	59,202
Reserve from first-time application	-	-	-	-	-	-	-
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	3,710
<b>Total</b>	<b>110,058</b>	<b>-14,759</b>	<b>224</b>	<b>-1,449</b>	<b>1,578</b>	<b>-</b>	<b>95,652</b>

As required by Article 2427, paragraph 7-bis, of the Italian Civil Code, the following table contains an analytical illustration of net equity items, including an indication of their origins, possible draw-downs and distribution, and draw-downs made during previous years.

	31.12.2014	POSSIBLE DRAW- DOWNS <sup>(1)</sup>	UNAVAILABLE PORTION	AVAILABLE PORTION	DISTRIBUTABLE PORTION	DRAW-DOWNS (2014-2012)	
						DIVIDENDS	LOSSES
<b>Share capital</b>	<b>115,677</b>		-	-	-		
<b>Additional paid-in capital</b>	<b>45,575</b>	A, B, C <sup>(3)</sup>	-	<b>45,575</b>	-		
<b>Reserves</b>	<b>95,652</b>		<b>1,099</b>	<b>94,553</b>	<b>69,876</b>	<b>15,062</b>	-
Legal reserve	23,081	B	-	23,081	-	-	-
Restricted reserve for treasury shares	41	B	41	-	-	-	-
Reserve for shares of the Parent Company	1,058	B	1,058	-	-	-	-
Extraordinary reserve	-	A, B, C	-	-	-	-	-
Unrestricted reserve	1,016	A, B, C	-	1,016	1,016	-	-
Merger surplus	3,853	A, B, C	-	3,853	3,853	-	-
Contribution to stock grant AG	2,095	A, B, C	-	2,095	2,095	-	-
Share-based payments reserve	1,596	A, B, C <sup>(4)</sup>	-	1,596	-	-	-
Reserve from income (loss) carried forward	59,202	A, B, C	-	59,202	59,202	15,062	-
Equity reserve from the transfer of the funds business unit	3,710	A, B, C	-	3,710	3,710	-	-
Reserve from first-time application	-	A, B, C	-	-	-	-	-
<b>Valuation reserves</b>	<b>18,054</b>		<b>18,054</b>	-	-		
Revaluation reserves	-	A, B, C	-	-	-	-	-
Positive fair value AFS fin. assets <sup>(2)</sup>	18,054		18,054	-	-	-	-
<b>Net profit (loss) for the year</b>	<b>167,459</b>	A, B, C		<b>167,459</b>	<b>167,309</b>		
<b>Net equity for accounting purposes</b>	<b>442,417</b>		<b>19,153</b>	<b>307,587</b>	<b>237,185</b>		

(1) Availability refers to possible draw-downs for:

- A Capital increase;
- B Replenishment of losses;
- C Distribution to shareholders.

(2) Restricted reserve pursuant to Article 6 of Legislative Decree 38/2005.

(3) May not be distributed until the legal reserve has reached 1/5<sup>th</sup> of share capital.

(4) The reserve can only be used for stock option plans.

## PART B - INFORMATION ON THE BALANCE SHEET

### Other information

#### 1. Guarantees issued and commitments

TRANSACTION	31.12.2014	31.12.2013
<b>1) Financial guarantees issued</b>	<b>62,324</b>	<b>32,900</b>
a) Banks	249	7,176
b) Customers	62,075	25,724
<b>2) Commercial guarantees issued</b>	<b>56,803</b>	<b>51,091</b>
a) Banks	-	-
b) Customers	56,803	51,091
<b>3) Irrevocable commitment to dispense funds</b>	<b>3,952</b>	<b>61,363</b>
a) Banks:	188	51,742
i) of certain use	188	51,742
ii) of uncertain use	-	-
b) Customers:	3,764	9,621
i) of certain use	-	-
ii) of uncertain use	3,764	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>2,092</b>	<b>18,539</b>
<b>6) Other commitments</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>125,171</b>	<b>163,893</b>

#### Notes

- Financial guarantees to banks include the commitment to FITD (interbank deposit protection fund) amounting to 249 thousand euros. This commitment is net of the contribution already partially paid in July to the Interbank Deposit Protection Fund in accordance with consortium obligations, owed in relation to the bail-out of the Tercas banking group (1,018 thousand euros).
- Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
- Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
- Assets pledged as collateral of third-party bonds consist of the default fund contributed to cover possible losses of defaulted operators within the New MIC and transactions concerning customers' securities and derivatives.
- Commercial guarantees include 31.5 million euros for the loan to Cooperative Operaie di Trieste Istria e Friuli, relating to the guarantee in favour of lending members of the cooperative to back 30% of the loan from the said members pursuant to current laws (Resolution CICR of 19 July 2005). On 14 October 2014, this company was put under temporary receivership by the Court of Trieste. It subsequently filed request for admission to the pre-composition procedure (with blank option), which is still pending authorisation by the Court. This position was therefore classified as substandard. The guarantee formally expired on 31 December 2014 and can only be executed if and when the company is authorised to start the pre-composition procedure entailing the transfer of assets. However, the guarantee is entirely covered by a pledge on a Cooperative's portfolio under management by the Banca Generali. Therefore, there is not any effective credit risk for the Bank. A further guarantee of 315 thousand euros, also backed by a pledge on securities, will expire at the end of February 2015.

## 2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	REPURCHASE AGREEMENTS	BCE	CC&G	31.12.2014 TOTAL	31.12.2013 TOTAL
1. HFT financial assets	-	-	-	-	-
2. Financial assets at fair value	-	-	-	-	-
3. AFS financial assets	179,212	467,176	39,943	686,331	886,667
4. HTM financial assets	20,681	1,138,545	155,457	1,314,683	1,973,872
5. Loans to banks	-	16,388	-	16,388	26,379
6. Loans to customers	-	-	-	-	-
7. Property and Equipment	-	-	-	-	-
8. Intangible Assets	-	-	-	-	-
<b>Total</b>	<b>199,893</b>	<b>1,622,109</b>	<b>195,400</b>	<b>2,017,402</b>	<b>2,886,918</b>

### Notes

- Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di compensazione e Garanzia for possible operations on a new MIC and for ordinary operations.

## 4. Trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2014	31.12.2013
<b>1. Execution of orders on behalf of clients</b>	<b>23,581,452</b>	<b>33,916,178</b>
a) Purchases:	11,267,154	17,846,317
1. Settled	11,234,766	17,823,068
2. To be settled	32,388	23,249
b) Sales:	12,314,298	16,069,861
1. Settled	12,305,192	16,028,691
2. To be settled	9,106	41,170
<b>2. Asset management</b>	<b>2,875,479</b>	<b>2,395,258</b>
a) Individual	2,875,479	2,395,258
b) Collective	-	-
<b>3. Custody and administration of securities (excluding asset management)</b>	<b>32,855,813</b>	<b>31,313,544</b>
a) Third-party securities held in deposit related to services provided as depository bank:	-	-
1. Issued by the bank that prepares the financial statements	-	-
2. Other securities	-	-
b) Third-party securities held in deposit: other	14,571,569	13,364,717
1. Issued by the bank that prepares the financial statements	15,203	14,819
2. Other securities	14,556,366	13,349,898
c) Third-party securities deposited with third parties	14,502,470	13,314,411
d) Portfolio securities deposited with third parties	3,781,774	4,634,416
<b>4. Other</b>	<b>-</b>	<b>-</b>

## 5. Financial assets offset in the balance sheet or falling within the scope of master netting agreements or similar agreements

No transactions involving derivatives, repurchase agreements, security lending or other offsetting entries in the balance sheet or transactions that could fall within the scope of master netting agreements were reported.

## 6. Financial liabilities offset in the balance sheet or falling within the scope of master netting agreements or similar agreements

TECHNICAL TYPE	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	AMOUNT OF FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C=A-B)	CORRELATED AMOUNT NOT OFFSET IN THE BALANCE SHEET		NET AMOUNT AT 31.12.2014 (F = C - D - E)	NET AMOUNT AT 31.12.2013
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	-	-	-	-	-	-	-
2. Repurchase agreements	200,734	-	200,734	200,734	-	-	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
<b>Total at 31.12.2014</b>	<b>200,734</b>	<b>-</b>	<b>200,734</b>	<b>200,734</b>	<b>-</b>	<b>-</b>	<b>X</b>
<b>Total at 31.12.2013</b>	<b>1,091,372</b>	<b>-</b>	<b>1,091,372</b>	<b>1,091,372</b>	<b>-</b>	<b>X</b>	<b>-</b>

IFRS 7 requires a detailed disclosure on offsetting of financial instruments pursuant to IAS 32 or financial instruments that can be potentially set off, under certain conditions, but have been recognised in the balance sheet without any offsetting as they fall within the scope of master netting agreements or similar agreements that do not meet all the requirements under IAS 32, paragraph 42.

In this regard, it should be noted that Banca Generali has not entered into any offsetting agreements that meet the requirements of IAS 32.42 on offsetting in the balance sheet.

With reference to financial instruments that can be potentially set off under certain conditions, it should be noted that Banca Generali usually in repurchase agreements (REPO) with banks

has in place offsetting agreements that enable offsetting of credits and debts in case of default of the counterparty and compliant with international standards (Global Master Repurchase Agreement - GMRA). Such transactions are also covered by GMRA-compliant financial guarantee agreements, envisaging the bilateral exchange of collaterals in cash and/or government bonds.

These agreements, in the case of repurchase agreements, mitigate the liquidity risk by offsetting the debt to the counterparty up to the fair value of the collateral.

In the table, repurchase agreements are valued at amortised cost, whereas financial instruments used as collateral are valued at fair value up to the amount of the guaranteed liability.

## PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT

### Section 1 - Interests - Items 10 and 20

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

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2014	2013
1. HFT financial assets	546	-	-	546	9,839
2. AFS financial assets	27,894	-	-	27,894	29,178
3. HTM financial assets	59,875	-	-	59,875	81,338
4. Loans to banks	3,716	608	-	4,324	3,763
5. Loans to customers	812	24,247	-	25,059	20,356
6. Financial assets measured at fair value	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	2	2	5
<b>Total</b>	<b>92,843</b>	<b>24,855</b>	<b>2</b>	<b>117,700</b>	<b>144,479</b>

#### Notes

1. Loans to customers - Loans include 400 thousand euros (836 thousand euros at 31 December 2013) for the return on the capitalisation policy Gesav.

#### 1.3 Breakdown of interest income and similar charges: further information

	2014	2013
1.3.1 Interest income on financial assets in foreign currencies	59	69
1.3.2 Interest income on finance lease transactions	-	-
<b>Total</b>	<b>59</b>	<b>69</b>

## 1.4 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	2014	2013
1. Due to Central Banks	1,811	-	-	1,811	6,799
2. Due to banks	2,635	-	-	2,635	4,586
3. Due to customers	6,324	-	-	6,324	11,310
4. Securities issued	-	-	-	-	-
5. HFT financial liabilities	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and funds	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>10,770</b>	<b>-</b>	<b>-</b>	<b>10,770</b>	<b>22,694</b>

## 1.6 Breakdown of interest expense and similar charges: further information

	2014	2013
1.6.1 Interest expense on financial assets in foreign currencies	10	22
1.6.2 Interest expense on finance lease liabilities	-	-
<b>Total</b>	<b>10</b>	<b>22</b>



## Section 2 - Fees - Items 40 and 50

### 2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	2014	2013
a) Guarantees issued	353	216
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	321,764	255,883
1. Trading of financial instruments	15,090	16,631
2. Currency trading	-	-
3. Asset management:	29,385	22,670
3.1 Individual	29,385	22,670
3.2 Collective	-	-
4. Custody and administration of securities	452	716
5. Depositary bank	-	-
6. Placement of securities	154,325	121,997
7. Order receipt and collection	6,806	7,479
8. Consultancy activities:	1,619	1,655
8.1 Investment advice	1,619	656
8.2 Advice on financial structure	-	999
9. Distribution of third-party services:	114,087	84,735
9.1 Asset management	2,772	2,499
9.1.1 Individual	2,772	2,115
9.1.2 Collective	-	384
9.2 Insurance products	111,136	82,063
9.3 Other products	179	173
d) Collection and payment services	3,481	3,992
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	2,845	2,945
j) Other services	1,308	788
<i>of which: all-inclusive fees on credit lines</i>	905	378
<b>Total</b>	<b>329,751</b>	<b>263,824</b>

## 2.2 Fee income: distribution channels of products and services offered

CHANNELS/VALUES	2014	2013
<b>a) Group branches</b>	<b>918</b>	<b>1,526</b>
1. Asset management	-	-
2. Placement of securities	918	1,526
3. Third-party products and services	-	-
<b>b) External offer</b>	<b>296,879</b>	<b>227,876</b>
1. Asset management	29,385	22,670
2. Placement of securities	153,407	120,471
3. Third-party products and services	114,087	84,735
<b>c) Other distribution channel</b>	<b>-</b>	<b>-</b>
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
<b>Total</b>	<b>297,797</b>	<b>229,402</b>

## 2.3 Breakdown of fee expense

SERVICES/VALUES	2014	2013
a) Guarantees received	113	114
b) Credit derivatives	-	-
c) Management and brokerage services:	205,277	157,132
1. Trading of financial instruments	5,950	6,738
2. Currency trading	-	-
3. Asset management:	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	1,233	1,052
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	198,094	149,342
d) Collection and payment services	2,580	2,724
e) Other services	160	174
<b>Total</b>	<b>208,130</b>	<b>160,144</b>

## Section 3 - Dividends and similar income - Item 70

### 3.1 Breakdown of dividends and similar income

ITEMS/INCOME	2014		2013	
	DIVIDENDS	PROCEEDS FROM UCITS UNITS	DIVIDENDS	PROCEEDS FROM UCITS UNITS
A. HFT financial assets	68	58	64	22
B. AFS financial assets	2,444	-	829	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	122,596	-	57,312	-
<b>Total</b>	<b>125,108</b>	<b>58</b>	<b>58,205</b>	<b>22</b>

## Section 4 - Net profit from trading - Item 80

### 4.1 Breakdown of net profit from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSS	LOSS FROM TRADING	NET RESULT 2014	NET RESULT 2013
<b>1. HFT financial assets</b>	<b>693</b>	<b>809</b>	<b>353</b>	<b>337</b>	<b>812</b>	<b>-6,727</b>
1.1 Debt securities	446	517	97	169	697	-7,842
1.2 Equity securities	10	147	162	131	-136	63
1.3 UCITS units	237	145	94	37	251	1,052
1.4 Loans	-	-	-	-	-	-
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>-</b>	<b>-</b>	<b>-</b>	<b>3,482</b>	<b>2,086</b>
<b>4. Derivatives</b>	<b>-</b>	<b>406</b>	<b>134</b>	<b>-</b>	<b>290</b>	<b>2,102</b>
4.1 Financial:	-	406	134	-	290	2,102
- On debt securities and interest rates:	-	405	-	-	405	2,103
- interest rate swaps	-	-	-	-	-	8
- government bonds forwards	-	405	-	-	405	2,095
- On equity securities and stock indexes:	-	1	134	-	-133	-
- options	-	1	134	-	-133	-
- futures	-	-	-	-	-	-
- On currency and gold <sup>(1)</sup>	-	-	-	-	18	-1
- Other	-	-	-	-	-	-
4.2 Credit	-	-	-	-	-	-
<b>Total</b>	<b>693</b>	<b>1,215</b>	<b>487</b>	<b>337</b>	<b>4,584</b>	<b>-2,538</b>

(1) It includes currency options and currency outright.

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

### 6.1 Breakdown of gain (loss) from transfer/repurchase

ITEMS/INCOME COMPONENTS	2014			2013		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
<b>Financial assets</b>						
1. Loans to banks	1,473	-	1,473	1,368	15	1,353
2. Loans to customers	1,647	-	1,647	1,816	1,459	357
3. AFS financial assets	47,056	2,390	44,666	21,577	2,674	18,903
3.1 Debt securities	46,980	2,374	44,606	21,262	2,672	18,590
3.2 Equity securities	76	16	60	110	2	108
3.3 UCITS units	-	-	-	205	-	205
3.4 Loans	-	-	-	-	-	-
4. HTM financial assets	-	-	-	-	10	-10
<b>Total assets</b>	<b>50,176</b>	<b>2,390</b>	<b>47,786</b>	<b>24,761</b>	<b>4,158</b>	<b>20,603</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>

Previous AFS equity reserves transferred back to the profit and loss account are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	8,912	-2,261	6,651
Equity securities	75	-	75
UCITS units	-	-	-
<b>Total</b>	<b>8,987</b>	<b>-2,261</b>	<b>6,726</b>

## Section 8 - Net adjustments/reversal value for impairment - Item 130

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS				2014	2013
	SPECIFIC		PORTFOLIO	SPECIFIC		DI PORTAFOGLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
<b>A. Loans to banks</b>	-	-	<b>2,807</b>	-	-	-	<b>2,126</b>	<b>-681</b>	<b>-1,058</b>
Loans	-	-	-	-	-	-	-	-	-
Debt securities	-	-	2,807	-	-	-	2,126	-681	-1,058
<b>B. Loans to customers</b>	<b>343</b>	<b>6,256</b>	<b>658</b>	<b>58</b>	<b>38</b>	-	<b>312</b>	<b>-6,849</b>	<b>-3,857</b>
Non-performing loans purchased	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Operating loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other loans	343	6,256	658	58	38	-	312	-6,849	-3,857
- Loans	304	5,968	53	58	38	-	-	-6,229	-3,594
- Operating loans	39	288	-	-	-	-	-	-327	-261
- Debt securities	-	-	605	-	-	-	312	-293	-2
<b>C. Total</b>	<b>343</b>	<b>6,256</b>	<b>3,465</b>	<b>58</b>	<b>38</b>	-	<b>2,438</b>	<b>-7,530</b>	<b>-4,915</b>

Other specific adjustments to loans refer for 4,211 thousand euros to the 10.8 million euros pool loan, granted in 2007 to Investimenti Marittimi S.p.A., a company classified as substandard at the end of 2013. The valuation was based on the fair value at the reporting date of the guarantees received (pledged Premuda shares).

Other write-downs, amounting to 1,757 thousand euros, refer for 561 thousand euros to doubtful loans, for 624 thousand euros to a loan restructured during the year and for the remaining amount (572 thousand euros) to other non-performing positions (substandard loans, objective substandard loans and loans expi-

red from over 90 days).

During the year, the collective reserve on performing loans was adjusted for 53 thousand euros.

Value adjustments to operating loans primarily refer to write-downs of advances fees to former Financial Advisors.

Portfolio adjustments on debt securities classified under "Loans to customers" (293 thousand euros) and "Loans to banks" (681 thousand euros) refer to the adjustments of the collective reserves allocated to account for contingent losses on the bond portfolio.

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSAL VALUE				2014	2013
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	-	-	-	-	-	-	-
B. Equity securities	-	3,035	-	-	-	-	-	-3,035	-1,299
C. UCITS units	-	-	-	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-	-	-	-
<b>F. Total</b>	<b>-</b>	<b>3,035</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3,035</b>	<b>-1,299</b>

Value adjustments to equity securities refer for 2,630 thousand euros to the write-down of the unlisted equity investment in Veneto Banca. The impairment loss was recognised on the basis of an independent appraisal, also considering the company's

financial statement results for 2014. The write-down of the equity investment in Simgenia Spa, a company of the Generali group that definitely discontinued operations at the end of H1 2014, was adjusted for 402 thousand euros.

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSAL VALUE				2014	2013
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Debt securities	-	-	398	-	-	-	112	-286	141
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
<b>D. Total</b>	<b>-</b>	<b>-</b>	<b>398</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112</b>	<b>-286</b>	<b>141</b>

Portfolio adjustments on debt securities classified among held-to-maturity financial assets amounted to 286 thousand euros

and refer to the adjustments of the collective reserves allocated to account for contingent losses on the corporate bond portfolio.

## 8.4 Breakdown of net adjustments for impairment of other financial transactions

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSAL VALUE				2014	2013
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER		FROM INTEREST	OTHER REVERSALS	FROM INTEREST	OTHER REVERSALS		
A. Guarantees issued	-	-	144	-	-	-	-	-144	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to grant funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
<b>D. Total</b>	<b>-</b>	<b>-</b>	<b>144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-144</b>	<b>-</b>

In July, the share of the contribution owed in relation to the bail-out of the Tercas banking group (1.018 thousand euros) – fully covered by a specific provision for risks recognised in 2013 – was

paid to the Interbank Deposit Protection Fund in accordance with consortium obligations.

## Section 9 - General and administrative expense - Item 150

### Breakdown of general and administrative expense

	2014	2013
150 a) Staff expenses	68,964	65,146
150 b) Other general and administrative expense	124,858	102,283
<b>Total</b>	<b>193,822</b>	<b>167,429</b>

### 9.1 Breakdown of staff expense

TYPE OF EXPENSES/VALUES	2014	2013
<b>1) Employees</b>	<b>67,944</b>	<b>63,929</b>
a) Wages and salaries	37,924	36,208
b) Social security charges	9,951	9,250
c) Termination indemnity	604	570
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	136	193
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	2,958	3,589
- defined contribution	2,958	3,589
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	1,596	476
i) Other employee benefits	14,775	13,643
<b>2) Other staff</b>	<b>700</b>	<b>1,091</b>
<b>3) Directors and Auditors</b>	<b>1,177</b>	<b>1,115</b>
<b>4) Retired personnel</b>	<b>13</b>	<b>5</b>
<b>5) Recovery of expenses for seconded staff from other companies</b>	<b>-917</b>	<b>-1,109</b>
<b>6) Repayments of expenses for seconded staff from other companies</b>	<b>47</b>	<b>115</b>
<b>Total</b>	<b>68,964</b>	<b>65,146</b>

The payments of shares of accrued post-employment benefits to the INPS Treasury fund, amounting to 369 thousand euros, have

been reclassified from item g) Amounts paid to supplementary external pension funds to item c) Termination indemnity.



## 9.2 Average number of employees by category

	2014	2013
<b>Employees</b>	<b>771</b>	<b>753</b>
a) Managers	44	44
b) Total executives	206	193
<i>of which: 3<sup>rd</sup> and 4<sup>th</sup> level</i>	119	115
<i>of which: 1<sup>st</sup> and 2<sup>nd</sup> level</i>	88	78
c) Employees at other levels	521	516
<b>Other employees</b>	<b>-7</b>	<b>-9</b>
<b>Total</b>	<b>764</b>	<b>744</b>

## Breakdown of headcount

	31.12.2014	31.12.2013
<b>Employees</b>	<b>777</b>	<b>764</b>
a) Managers	43	44
b) Total executives	212	200
<i>of which: 3<sup>rd</sup> and 4<sup>th</sup> level</i>	121	116
<i>of which: 1<sup>st</sup> and 2<sup>nd</sup> level</i>	91	84
c) Employees at other levels	522	520
<b>Other employees</b>	<b>-6</b>	<b>-7</b>
Contract and temporary workers	6	4
Seconded staff from other companies	0	1
Seconded staff to other companies	-12	-12
<b>Total</b>	<b>771</b>	<b>757</b>

## 9.4 Other employee benefits

	2014	2013
Short-term productivity bonuses payable (Result-based bonuses, non-deferred MBO Managers' remuneration, etc.)	9,073	7,994
Long term incentives: LTIP, deferred MBO Managers' remuneration	1,623	2,216
Long term incentives: post-employment medical care plans	222	700
Charges for staff supplementary pensions	2,420	1,601
Amounts replacing cafeteria indemnities	563	528
Training expenses	499	458
Allowances and charitable gifts	102	146
Transfer incentives and other indemnities	247	-
Other expenses	26	-
<b>Total</b>	<b>14,775</b>	<b>13,643</b>

## 9.5 Breakdown of other general and administrative expenses

	2014	2013
<b>Administration</b>	<b>18,712</b>	<b>12,952</b>
- Advertising	3,264	4,074
- Consultancy and professional advice expenses	11,206	4,565
- Corporate boards and auditing firms	360	354
- Insurance	2,811	3,077
- Entertainment expenses	311	234
- Membership contributions	543	474
- Charity	217	174
<b>Operations</b>	<b>32,444</b>	<b>30,882</b>
- Rent and usage of premises and management of property	15,520	15,049
- Outsourced administrative services	6,150	4,809
- Post and telephone	2,838	2,917
- Print material	1,107	931
- Other expenses for sales network management	2,717	2,476
- Other expenses and purchases	1,569	2,237
- Other indirect staff expenses	2,543	2,463
<b>Information system and equipment</b>	<b>33,401</b>	<b>29,968</b>
- Expenses related to outsourced IT services	23,456	20,955
- Fees for IT services and databases	5,342	5,593
- Software maintenance and servicing	3,049	1,999
- Fees for equipment hired and software used	123	662
- Other maintenance	1,431	759
<b>Indirect taxation</b>	<b>40,301</b>	<b>28,481</b>
- Stamp duty on financial instruments	37,666	27,494
- Substitute tax on medium/long-term financial instruments	681	552
- Other indirect taxes to be paid by the bank	1,954	435
<b>Total</b>	<b>124,858</b>	<b>102,283</b>

Administrative expense include non-recurrent charges for the acquisition of the Credit Suisse business line for 4.0 million euros, of which 1.6 million relating to legal and advisory fees and

project PMO, 0.8 for IT and migration expenses and 1.5 for the registration fee paid.

## Section 10 - Net provisions for liabilities and contingencies - Item 160

### 10.1 Breakdown of net provisions for liabilities and contingencies

	2014			2013		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
<b>Provisions for risks related to staff expenses <sup>(1)</sup></b>	<b>1,109</b>	<b>-1,527</b>	<b>-418</b>	<b>2,579</b>	<b>-2,361</b>	<b>218</b>
Provision for staff expenses: other	1,109	-1,527	-418	2,579	-2,361	218
<b>Provision for legal disputes</b>	<b>3,442</b>	<b>-711</b>	<b>2,731</b>	<b>2,817</b>	<b>-42</b>	<b>2,775</b>
Provision for risks related to legal disputes with subscribers	2,192	-	2,192	1,520	-36	1,484
Provision for risks related to legal disputes with FAs	352	-13	339	513	-	513
Provision for risks related to legal disputes with staff	30	-	30	5	-	5
Provision for risks related to legal disputes with other parties	868	-698	170	779	-6	773
<b>Provisions for termination indemnity for financial advisors</b>	<b>11,939</b>	<b>-419</b>	<b>11,520</b>	<b>4,777</b>	<b>-502</b>	<b>4,275</b>
Provision for termination indemnity for Financial Advisors	9,101	-377	8,724	3,097	-476	2,621
Provision for portfolio overfee indemnities	566	-22	544	600	-16	584
Provisions for pension bonuses for financial advisors	2,272	-20	2,252	1,080	-10	1,070
<b>Provisions for risks related to network incentives</b>	<b>26,279</b>	<b>-737</b>	<b>25,542</b>	<b>11,846</b>	<b>-583</b>	<b>11,263</b>
Provision for network development incentives	10,836	-532	10,304	5,995	-205	5,790
Provision for deferred bonus	452	-	452	1,173	-198	975
Provision for sales incentives	2,289	-	2,289	771	-	771
Provisions for managers with access gate	1,766	-	1,766	1,254	-	1,254
Provision for fees – travel incentives	2,601	-156	2,445	2,650	-180	2,470
Provision for fee plans	338	-49	289	3	-	3
Provision for loyalty program	7,997	-	7,997	-	-	-
<b>Other provisions for liabilities and contingencies</b>	<b>1,001</b>	<b>-455</b>	<b>546</b>	<b>4,415</b>	<b>-</b>	<b>4,415</b>
<b>Total</b>	<b>43,770</b>	<b>-3,849</b>	<b>39,921</b>	<b>26,434</b>	<b>-3,488</b>	<b>22,946</b>

#### Notes

1. Allocations to provisions for staff expenses do not include the items that are classified as "Staff expenses - other benefits" in accordance with IAS 19.

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

### 11.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2014	NET RESULT 2013
<b>A. Property and equipment</b>					
A.1 Owned	1,380	-	-	1,380	1,645
- Operating	1,380	-	-	1,380	1,645
- Investment	-	-	-	-	-
A.2 Leased	-	-	-	-	-
- Operating	-	-	-	-	-
- Investment	-	-	-	-	-
<b>Total</b>	<b>1,380</b>	<b>-</b>	<b>-</b>	<b>1,380</b>	<b>1,645</b>

## Section 12 - Net adjustments/reversals value of intangible assets - Item 180

### 12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2014	NET RESULT 2013
<b>A. Intangible assets</b>					
A.1 Owned	2,992	-	-	2,992	3,337
- Generated in-house	-	-	-	-	-
- Other	2,992	-	-	2,992	3,337
A.2 Leased	-	-	-	-	-
<b>Total</b>	<b>2,992</b>	<b>-</b>	<b>-</b>	<b>2,992</b>	<b>3,337</b>

### Breakdown of value adjustments of intangible assets - amortisation

	2014	2013
Charges associated with the implementation of legacy CSE procedures	1,729	2,277
Customers relationships	1,145	953
Other intangible assets	118	107
<b>Total</b>	<b>2,992</b>	<b>3,337</b>

## Section 13 - Other operating income and expenses - Item 190

### 13.1 Breakdown of other operating expenses

	2014	2013
Adjustments of leasehold improvements	1,257	785
Write-downs on other assets	69	671
Indemnities and compensation for litigation and claims	329	239
Charges from accounting adjustments with customers	387	523
Charges for card compensation and guarantees	25	40
Costs associated with penalties	38	14
Other contingent liabilities and non-existent assets	149	311
Other charges related to the acquisition of the former CSI business unit	1,293	-
Other operating expenses	-	16
<b>Total</b>	<b>3,547</b>	<b>2,599</b>

Other charges related to the acquisition of the former Credit Suisse business unit refer to a penalty paid to the counterparty for the recruitment of Credit Suisse personnel not included in business unit.

### 13.2 Breakdown of other operating income

	2014	2013
Recovery of taxes from customers	37,714	27,618
Recovery of expenses from customers	480	467
Fees for outsourcing services	422	424
Charge-back of portfolio development indemnity to incoming advisors	1,015	979
Indemnities for advisors' termination without notice	188	309
Other recoveries of repayments and costs from financial advisors	815	843
Contingent assets - staff expense	638	783
Other contingent assets and non-existent liabilities	435	482
Insurance compensation and indemnities	102	134
Other income	372	178
<b>Total</b>	<b>42,181</b>	<b>32,217</b>
<b>Total other net income</b>	<b>38,634</b>	<b>29,618</b>

## Section 17 - Gains (losses) from disposal of investments - Item 240

### 17.1 Breakdown of gains (losses) from disposal of investments

INCOME COMPONENTS/VALUES	2014	2013
A. Buildings	-	-
- Gains from disposal	-	-
- Losses from disposal	-	-
B. Other assets	-18	-4
- Gains from disposal	-	-
- Losses from disposal	18	4
<b>Net result</b>	<b>-18</b>	<b>-4</b>

## Section 18 - Income tax for the year for current operations - Item 260

### 18.1 Breakdown of income tax for the year for current operations

INCOME COMPONENTS/VALUES	2014	2013
1. Current taxation (-)	-37,291	-36,922
2. Change in prior years current taxes (+/-)	1,433	996
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction of current taxes arising on tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	4,187	622
5. Changes of deferred taxation (+/-)	486	351
<b>6. Taxes for the year (-)</b>	<b>-31,185</b>	<b>-34,953</b>

## 18.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes for the year, including both current and deferred taxes, as set out in item 260 of the Profit & Loss Account and the theoretical IRES tax determined by applying the current applicable tax rate of 27.5% to the pre-tax profit.

The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the P&L account compared to the theoretical taxation.

Taxes for previous years also include 401 thousand euros for the refund of IRES (corporate income tax) for the IRAP (regional production tax) 10% one-off deduction, for which the company filed a claim in 2009 pursuant to Legislative Decree No. 185/08. For this receivable, no tax income had been recognized in 2009, like on the contrary had been recognized for the claim regarding the IRAP deduction for personnel.

	2014	2013
<b>Current taxation</b>	<b>-37,291</b>	<b>-36,922</b>
IRES	-25,654	-21,955
<i>IRES - 8.5% one-off surtax</i>	-	-6,482
IRAP	-11,635	-8,485
Other	-2	-
<b>Prepaid and deferred taxation</b>	<b>4,673</b>	<b>973</b>
IRES	3,681	885
IRAP	992	88
<b>Taxes of prior years</b>	<b>1,433</b>	<b>996</b>
IRES	996	916
IRAP	437	80
<b>Income taxes</b>	<b>-31,185</b>	<b>-34,953</b>
<b>Theoretical tax rate</b>	<b>27.5%</b>	<b>36.0%</b>
<b>Profit (loss) before taxation</b>	<b>195,594</b>	<b>129,941</b>
<b>Theoretical taxation</b>	<b>-53,788</b>	<b>-46,779</b>
<b>Non-taxable income (+)</b>		
Dividends	32,667	20,309
ACE	613	762
Deductible IRAP and other	737	1,436
<b>Non-deductible charges (-)</b>		
Non-deductible interest expenses (4%)	-118	-327
Impairment of equity securities PEX	-834	-467
Other non-deductible costs	-1,558	-2,471
IRAP	-10,206	-8,317
Taxes of prior years	996	916
Other (foreign) taxes	2	-2
Change in deferred taxes without offsetting entry	304	-13
<b>Actual tax expense</b>	<b>-31,185</b>	<b>-34,953</b>
<b>Total actual tax rate</b>	<b>15.9%</b>	<b>26.9%</b>
<b>Actual tax rate (IRES only)</b>	<b>10.7%</b>	<b>20.5%</b>
<b>Actual tax rate (IRAP only)</b>	<b>5.2%</b>	<b>6.4%</b>

## Section 19 - Income (loss) of disposal groups, net of taxes - Item 280

### 19.1 Income (loss) of groups of available-for-sale assets, net of taxes

INCOME COMPONENTS/VALUES	2014	2013
1. Income	-	-
2. Charges	-	-
3. Measurement of groups of assets available for sale and associated liabilities	-	-171
4. Gains (losses) on disposal	4,208	-
5. Taxes and duties	-1,157	47
<b>Net profit (Loss)</b>	<b>3,051</b>	<b>-124</b>

Realisation gains refer to the disposal of the equity investment in BG Dragon Sicav, an UCITS launched by BG FM Luxembourg SA in H2 2013 in which Banca Generali had underwritten 80,810 class A shares in the start-up phase. The investment was a shareholding in a subsidiary company held for sale and was accor-

dingly classified pursuant to IFRS 5 and subjected to the related accounting treatment. The divestment was made in accordance with the above-mentioned IFRS 5 and generated a significant gain thanks to the high appreciation of the Chinese share market over the last quarter of the year.

## Section 21 - Earnings per share

### 21.1 Average number of ordinary shares after dilution

	2014	2013
Net profit for the period (€ thousand)	167,459	94,864
Net profit attributable to ordinary shares (€ thousand)	167,459	94,864
Average number of outstanding shares (thousand)	115,427	114,124
<b>EPS - Earnings per share (€)</b>	<b>1.451</b>	<b>0.831</b>
Average number of outstanding shares after dilution (thousand)	116,039	115,648
<b>EPS - Diluted earnings per share (€)</b>	<b>1.443</b>	<b>0.820</b>



## PART D - COMPREHENSIVE INCOME

### Analytical statement of comprehensive income

ITEMS	GROSS AMOUNT	INCOME TAXES	NET AMOUNT
<b>10. Net profit (loss) for the year</b>	<b>X</b>	<b>X</b>	<b>167,459</b>
<b>Other components of income without reversal to Profit and Loss</b>			
20. Property and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined benefit plans	-577	159	-418
50. Non-current assets held for sale	-	-	-
60. Share of valuation reserves of investments valued at equity	-	-	-
<b>Other components of income with reversal to Profit and Loss</b>			
<b>70. Hedges of foreign investments</b>	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
<b>80. Exchange differences</b>	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
<b>90. Cash-flow hedges</b>	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
<b>100. AFS financial assets</b>	<b>18,986</b>	<b>-6,015</b>	<b>12,971</b>
a) fair value changes	25,708	-8,161	17,547
b) transfer to Profit and Loss Account:	-6,722	2,142	-4,580
- adjustments due to impairment	2	-	2
- gains (losses) on disposal	-6,724	2,142	-4,582
c) other changes	-	4	4
<b>110. Non-current assets held for sale</b>	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account	-	-	-
c) other changes	-	-	-
<b>120. Share of valuation reserves of investments valued at equity</b>	-	-	-
a) fair value changes	-	-	-
b) transfer to Profit and Loss Account:	-	-	-
- adjustments due to impairment	-	-	-
- gains (losses) on disposal	-	-	-
c) other changes	-	-	-
<b>130. Total other income</b>	<b>18,409</b>	<b>-5,856</b>	<b>12,553</b>
<b>140. Comprehensive income (Item 10 + 130)</b>			<b>180,012</b>

## PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

### Foreword

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework (RAF).

In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:

- the efficiency and effectiveness of work processes;
- the safety of the company's assets and protection against losses;
- the reliability and integrity of accounting and operating information;
- operational compliance with the law and supervisory regulations;
- policies, plans, regulations and internal procedures; and
- the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with national and international best practices, minimising the risks of inefficiency, overlapping of roles and sub-optimal system performance. The system is structured on three different levels:

- first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
- second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  - Risk Management Service: it is tasked with identifying, measuring/evaluating and monitoring all the types of assumed or assumable risks to which the Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies;
  - Compliance Service: it is tasked with verifying the obser-

vance of obligations relating to the provision of services for Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;

- Anti Money Laundering Service: it is responsible, within the Banking Group, for preventing and combating transactions involving money laundering and financing of terrorism;
- third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

It should be noted that, in May 2013, in order to guarantee:

- the establishment of a single, integrated organisation responsible for the control of all company risks, in view of operating efficiency;
  - adequate hierarchical positioning of the heads of risk control and legal compliance functions, reporting directly to the management body or the strategic supervision body,
- the following were established:
- the Governance and Company Risk Area, which directly reports to the Chief Executive Officer;
  - the Company Risk Department (within the above-mentioned Area), which is responsible for coordinating activities associated with compliance assessment, anti-money laundering and risk management functions.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, Chief Executive Officer, control body and independent auditors (who are responsible for accounting control):

- the Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code of Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory

- Auditors, in particular on matters of internal control and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;
- the Risk Committee, which is vested with specific responsibility for monitoring the Group's risks, managing risk containment measures, as well as decision-making po-

- wners for identifying and implementing risk containment measures;
- the Supervisory Body, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
- the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

## Section 1 - Credit risk

### Qualitative information

#### 1. General aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.

In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.

The bank's exposure to credit risk mainly arises from its loans to customers (both corporate and retail), financial instruments held in portfolios measured at amortised cost and AFS portfolios, and investments in the money market (interbank deposits).

Loans are issued to high-standing retail customers (mainly individuals), generally with collaterals, and, to a lesser extent, to corporate customers to whom loans, almost totally backed by collaterals on financial instrument, were issued during 2014.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at individuals.

With regard to credit risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The Group has defined an extensive system of powers and limits associated with loan authorisation. In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In order to supervise the loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.

First-tier control activities are conducted by the Lending Department and the Finance Department, the latter being responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.

The Risk Management Service is responsible for second-tier controls and monitors the performance of each loan position – and non-performing loans in particular – assessing the consistency of classifications, the fairness of provisions and the appropriateness of credit collection process.

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

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

## 2. Credit Risk Management Policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Procedures.

In addition to issuing loans, the Lending Department is also charged with credit managing and first-tier control, with a special focus on the performance of doubtful loans.

With reference to adoption of IASs/IFRSs, Banca Generali applied what has been developed in the Basel 2 framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are negligible.

### Credit Risk Mitigation Techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.

Collaterals can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collaterals are in the form of securities, a discount is usually applied upon disbursement of the loan and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee (indemnity) provided by BSI SA for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008, which concerns a residual class of out-of-pocket loans (not classified as bad loans yet) for an amount of approximately 19.1 million euros.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity was maintained for those positions managed with the aim of recovery and those positions that showed a default event for which payment of the indemnity was requested from the guarantor, BSI S.A.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

### Non-performing financial assets

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.

Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

The problem loans category includes a significant set of positions originating with Banca del Gottardo Italia and guaranteed by indemnities, which, as illustrated above, entail an absence of risks for the Bank. The set of positions guaranteed by indemnities accounts for almost 69% of total non-performing financial assets. If this category is excluded, the amount of loans classified as non-performing, net of impairment losses, accounts for an absolutely marginal percentage of total loans to customers (approximately 0.72%).

Doubtful receivables of a significant amount referring to Banca del Gottardo Italia's costumers and guaranteed by indemnity issued by the seller BSI S.A. are not effectively a credit risk for the Bank, and therefore no adjustments were made.

## Quantitative information

### A. Credit quality

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

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITs.

##### A.1.1 Breakdown of credit exposures by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	NON PERFORMING, EXPIRED LOANS	PERFORMING, EXPIRED LOANS	OTHER ASSETS	TOTAL
1. HFT financial assets	-	-	-	-	-	25,053	25,053
2. AFS financial assets	-	-	-	-	-	2,184,209	2,184,209
3. HTM financial assets	-	-	-	-	-	1,403,122	1,403,122
4. Loans to banks	-	-	-	-	-	276,080	276,080
5. Loans to customers	14,942	18,394	1,223	5,888	21,266	1,694,898	1,756,611
6. Financial assets measured at fair value	-	-	-	-	-	-	-
7. HFS financial assets	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
<b>Total at 31.12.2014</b>	<b>14,942</b>	<b>18,394</b>	<b>1,223</b>	<b>5,888</b>	<b>21,266</b>	<b>5,583,362</b>	<b>5,645,075</b>
<b>Total at 31.12.2013</b>	<b>19,449</b>	<b>15,221</b>	<b>981</b>	<b>8,743</b>	<b>40,154</b>	<b>6,135,599</b>	<b>6,220,147</b>

**A.1.2 Breakdown of loans by portfolio and credit quality (gross and net amounts)**

PORTFOLIOS/QUALITY	NON-PERFORMING LOANS			PERFORMING LOANS			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. HFT financial assets	-	-	-	X	X	25,053	25,053
2. AFS financial assets	-	-	-	2,184,209	-	2,184,209	2,184,209
3. HTM financial assets	-	-	-	1,403,563	441	1,403,122	1,403,122
4. Loans to banks	-	-	-	279,711	3,631	276,080	276,080
5. Loans to customers	62,453	22,006	40,447	1,718,448	2,284	1,716,164	1,756,611
6. Financial assets measured at fair value	-	-	-	X	X	-	-
7. HFS financial assets	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
<b>Total at 31.12.2014</b>	<b>62,453</b>	<b>22,006</b>	<b>40,447</b>	<b>5,585,931</b>	<b>6,356</b>	<b>5,604,628</b>	<b>5,645,075</b>
<b>Total at 31.12.2013</b>	<b>63,066</b>	<b>18,672</b>	<b>44,394</b>	<b>5,963,415</b>	<b>5,442</b>	<b>6,175,753</b>	<b>6,220,147</b>

**A.1.2.1 Breakdown of credit exposures renegotiated under collective agreements and other performing exposures by portfolio**

PORTFOLIOS/MATURITY EXPIRED	FORBORNE EXPOSURES RENEGOTIATED AS ALLOWED BY THE INDIVIDUAL BANK					TOTAL FORBORNE (NET EXPOSURE)	TOTAL FORBORNE (ADJUST- MENTS)	OTHER EXPOSURES					TOTAL (NET EXPOSURE)
	EXPIRED FOR UP TO 3 MONTHS	EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS	EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR	EXPIRED FOR OVER 1 YEAR	NOT EXPIRED			EXPIRED FOR UP TO 3 MONTHS	EXPIRED FOR OVER 3 MONTHS, UP TO 6 MONTHS	EXPIRED FOR OVER 6 MONTHS, UP TO 1 YEAR	EXPIRED FOR OVER 1 YEAR	NOT EXPIRED	
1. HFT financial assets	-	-	-	-	-	-	-	-	-	-	-	-	25,053
2. AFS financial assets	-	-	-	-	-	-	-	-	-	-	-	-	2,184,209
3. HTM financial assets	-	-	-	-	-	-	-	-	-	-	-	-	1,403,122
4. Loans to banks	-	-	-	-	-	-	-	-	-	-	-	-	276,080
5. Loans to customers	-	-	-	-	51	51	-	20,302	581	298	85	1,694,847	1,716,164
6. Financial assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-
7. HFS financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>51</b>	<b>-</b>	<b>20,302</b>	<b>581</b>	<b>298</b>	<b>85</b>	<b>5,583,311</b>	<b>5,604,628</b>
<b>Total at 31.12.2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,735</b>	<b>858</b>	<b>1,323</b>	<b>239</b>	<b>6,135,598</b>	<b>6,175,753</b>

Banca Generali's loan portfolio does not include exposures renegotiated under collective agreements such as the Italian Banking Association-Ministry for the Economy and Finances agreement (ABI-MEF agreement). Other past-due performing exposures include also positions past due or expired by more than 90 days, for

which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted.

In almost all cases, these are positions guaranteed by pledges of securities found to be expired on the reporting date and currently being repaid.

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

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
<b>A. Cash exposure</b>				
a) Bad loans	-	-	-	-
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Non performing, expired loans	-	-	-	-
b) Other assets	467,030	X	3,719	463,311
<b>Total A</b>	<b>467,030</b>	<b>-</b>	<b>3,719</b>	<b>463,311</b>
<b>B. Off-balance sheet exposure</b>				
a) Non-performing loans	-	-	-	-
b) Other	2,114	X	-	2,114
<b>Total B</b>	<b>2,114</b>	<b>-</b>	<b>-</b>	<b>2,114</b>
<b>Total (A + B)</b>	<b>469,144</b>	<b>-</b>	<b>3,719</b>	<b>465,425</b>

Cash exposures to banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans.

Off-balance sheet exposures include all financial transactions

other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

### A.1.4 Cash exposure with banks: changes in gross non-performing loans

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
<b>A. Gross exposure at year-start</b>	<b>1,983</b>	-	-	-
- of which: position transferred but non written off		-	-	-
<b>B. Increases</b>	-	-	-	-
B.1 Inflows from performing loans	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
<b>C. Decreases</b>	<b>1,983</b>	-	-	-
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	1,983	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	-	-	-
C.6 Other decreases	-	-	-	-
<b>D. Gross exposure at year-end</b>	-	-	-	-
- of which: positions transferred but non written off		-	-	-

**A.1.5 Cash exposure with banks: changes in total adjustments**

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
<b>A. Total adjustments at year-start</b>	<b>1,943</b>	-	-	-
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	-	-	-	-
B.1 Adjustments	-	-	-	-
B.1 bis Losses from disposal	-	-	-	-
B.2 Transfer from other categories of non-performing loans	-	-	-	-
B.3 Other increases	-	-	-	-
<b>C. Decreases</b>	<b>1,943</b>	-	-	-
C.1 Reversal of adjustments	-	-	-	-
C.2 Reversal of collections	1,943	-	-	-
C.2bis Gains from disposal	-	-	-	-
C.3 Write-offs	-	-	-	-
C.4 Transfer to other categories of non-performing loans	-	-	-	-
C.5 Other decreases	-	-	-	-
<b>D. Total adjustments at year-end</b>	-	-	-	-
- of which: positions transferred but not written off	-	-	-	-

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

TYPES OF EXPOSURE/VALUES	GROSS EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS	NET EXPOSURE
<b>A. Cash exposure</b>				
a) Bad loans	28,589	13,647	-	14,942
b) Substandard loans	25,682	7,288	-	18,394
c) Restructured loans	1,847	624	-	1,223
d) Non performing, expired loans	6,335	447	-	5,888
b) Other assets	5,140,131	-	2,636	5,137,495
<b>Total A</b>	<b>5,202,584</b>	<b>22,006</b>	<b>2,636</b>	<b>5,177,942</b>
<b>B. Off-balance sheet exposure</b>				
a) Non-performing loans	35,147	-	-	35,147
b) Other	89,453	-	-	89,453
<b>Total B</b>	<b>124,600</b>	-	-	<b>124,600</b>

Cash exposures to customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: held for trading, AFS, HTM or loans. Off-balance sheet exposures include all financial transactions

other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.



## Bad loans

Net bad loans amounted to 14.9 million euros, net of 13.7 million euros of adjustments. They refer to loans to former Banca del Gottardo Italia's customers guaranteed by indemnity for 14.3 million euros (net of 11.8 million euros of prior adjustments).

Therefore, net bad loans to remaining ordinary customers amounted to 0.5 million euros, or slightly above 5%.

In the reporting year, this aggregate generated inflows for 6.7 million euros, mainly regarding the closing-out of positions guaranteed by indemnity. Transfers from other categories of non-performing loans also included 1.0 million euros for a position guaranteed by indemnity and previously classified amongst restructured loans.

## Substandard loans

At 31 December 2014, the aggregate mainly includes:

- exposures for a gross amount of 13,936 thousand euros attributable to customers of the former Banca del Gottardo Italia, guaranteed by indemnities and thus with no risk of loss to the Bank;
- pool loan granted to Investimenti Marittimi S.p.A. and amounting to 10.8 million euros (18% of total loan); the position is guaranteed by pledges of Premuda's listed shares and underwent individual impairment loss of 6.7 million euros (62.7%);
- a net amount of 266 thousand euros for other exposures backed by collateral, in particular real-estate mortgages with late payments;
- 162 thousand euros for net exposures referring to 492 positions with average balance below 500 euros.

The increase in this aggregate was mainly attributable to the transfer of expired positions guaranteed by indemnity, amounting to 8.0 million euros.

Exposure to Investimenti Marittimi is analysed in greater detail in Part H of the Notes and Comments, inasmuch as it qualifies as related party transaction.

## Restructured loans

At 31 December 2014, this aggregate was comprised of a single corporate loan for a gross amount of 1,847 thousand euros, which is already subject to a repayment plan. During the year, the terms concerning the remaining portion of the loan were further renegotiated. The position is not backed by guarantees and was written down by 624 thousand euros.

In 2013, this category included also another indemnity-backed restructured loan, which was transferred to the bad loan category following the authorisation of liquidation through a composition with creditors procedure. A contractual guarantee was consequently issued for this position.

## Non-performing, expired exposures

At year-end, the aggregate amounted to 6,335 thousand euros, showing an increase due to the following exposures:

- a guaranteed loan for which renewal of the credit line was postponed to early 2015 (1,947 thousand euros);
- an expired exposure due to a succession procedure (1,403 thousand euros), repaid in early 2015;
- four exposures with collateral (almost fully pledged), currently being managed for recovery (2,483 thousand euros).

Exposures guaranteed by indemnity – which were recognised in 2013 in the amount of 8,091 thousand euros – have been entirely reclassified as substandard loans.

The aggregate was subject to adjustments for 447 thousand euros overall.

**Non-performing loans within off-balance sheet exposures** include 31,866 thousand euros for the exposure to the company Cooperative Operaie di Trieste Istria e Friuli, classified as substandard loans. This exposure refers for 31,550 thousand euros to the guarantee in favour of lending members of the cooperative which was granted to back 30% of the loan from the said members pursuant to current laws (Resolution CICR 19 July 2005).

On 14 October 2014, this company was put under temporary receivership by the Court of Trieste. It subsequently filed request for admission to the pre-composition procedure (with blank option), which is still pending authorisation by the Court.

The guarantee formally expired on 31 December 2014 and can only be executed if and when the company is authorised to start the pre-composition procedure entailing the transfer of assets. However, the guarantee is entirely covered by a pledge on a Cooperative's portfolio under management by the Banca Generali. Therefore, there is not any effective credit risk for the Bank. A further guarantee of 315 thousand euros, also backed by a pledge on securities, will expire at the end of February 2015.

The aggregate is also comprised of exposures in the amount of 3,068 thousand euros, attributable to the indemnity-backed portfolio and for the remaining portion by two guaranteed loans already regulated in early 2015.

**A.1.7 Cash exposure with customers: changes in gross non-performing loans**

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
<b>A. Gross exposure at year-start</b>	<b>32,714</b>	<b>18,579</b>	<b>981</b>	<b>8,809</b>
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>2,789</b>	<b>9,689</b>	<b>1,999</b>	<b>6,335</b>
B.1 Inflows from performing loans	856	453	1,999	6,335
B.2 Transfers from other categories of non-performing loans	1,447	8,150	-	-
B.3 Other increases	486	1,086	-	-
- of which: business combinations	-	-	-	-
<b>C. Decreases</b>	<b>6,914</b>	<b>2,586</b>	<b>1,133</b>	<b>8,809</b>
C.1 Outflows to performing loans	-	7	-	469
C.2 Write-offs	41	-	-	-
C.3 Repayments	6,873	2,125	164	112
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	400	969	8,228
C.6 Other decreases	-	54	-	-
<b>D. Gross exposure at year-end</b>	<b>28,589</b>	<b>25,682</b>	<b>1,847</b>	<b>6,335</b>
- of which: positions transferred but not written off	-	-	-	-

### A.1.8 Cash exposure with customers: changes in total adjustments

CAUSES/CATEGORIES	BAD LOANS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	EXPIRED LOANS
<b>A. Total adjustments at year-start</b>	<b>13,305</b>	<b>3,358</b>	<b>-</b>	<b>66</b>
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>928</b>	<b>4,615</b>	<b>624</b>	<b>447</b>
B.1 Adjustments	561	4,604	624	447
B.1bis Losses from disposal	-	-	-	-
B.2 Transfers from other categories of non-performing loans	202	11	-	-
B.3 Other increases	165	-	-	-
- of which: business combinations	-	-	-	-
<b>C. Decreases</b>	<b>586</b>	<b>685</b>	<b>-</b>	<b>66</b>
C.1 Reversal of adjustments	97	35	-	-
C.2 Reversal of collections	311	448	-	55
C.2bis Gains from disposal	-	-	-	-
C.3 Write-offs	41	-	-	-
C.4 Transfer to other categories of non-performing loans	-	202	-	11
C.5 Other decreases	137	-	-	-
<b>D. Total adjustments at year-end</b>	<b>13,647</b>	<b>7,288</b>	<b>624</b>	<b>447</b>
- of which: positions transferred but not written off	-	-	-	-

Besides the exposures included in the previous tables, other non-performing loans recognised in the Financial Statements amounted to 791 thousand euros, attributable to operating

receivables not involving loans, mostly relating to disputes and pre-dispute positions against former Financial Advisors (terminated or expired contracts).

OPERATING RECEIVABLES ARISING ON LITIGATION	GROSS	WRITE-DOWNS	NET
FAs, former SIM, arising on litigation	14	-14	-
FA litigation	2,215	-1,539	676
Advances to FAs	215	-103	112
INA agents	813	-813	-
<b>Write-downs of receivables to FAs</b>	<b>3,257</b>	<b>-2,469</b>	<b>788</b>
<b>Write-downs of operating receivables</b>	<b>222</b>	<b>-219</b>	<b>3</b>
<b>Total write-downs</b>	<b>3,479</b>	<b>-2,688</b>	<b>791</b>

### A.2 Classification based on internal and external ratings

Banca Generali has not yet defined an internal rating system for evaluating its customers' credit standing. The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

**A.2.1 Cash and off-balance sheet exposures, broken down by external rating classes**

EXPOSURES	EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
HFT financial assets	-	-	5,901	-	-	-	15,330	21,231
AFS financial assets	-	18,699	2,116,435	36,617	7,407	5,051	-	2,184,209
HTM financial assets	5,930	15,626	1,371,766	9,800	-	-	-	1,403,122
Loans to customers	-	2,497	32,848	-	-	-	1,721,266	1,756,611
Loans to banks	-	16,988	55,979	66,193	8,944	-	127,976	276,080
<b>A. Cash exposure</b>	<b>5,930</b>	<b>53,810</b>	<b>3,582,929</b>	<b>112,610</b>	<b>16,351</b>	<b>5,051</b>	<b>1,864,572</b>	<b>5,641,253</b>
Financial derivatives	-	-	-	-	-	-	3,822	3,822
Credit derivatives	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,822</b>	<b>3,822</b>
<b>C. Guarantees issued</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,127</b>	<b>119,127</b>
<b>D. Commitment to disburse funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,764</b>	<b>3,764</b>
<b>E. Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,930</b>	<b>53,810</b>	<b>3,582,929</b>	<b>112,610</b>	<b>16,351</b>	<b>5,051</b>	<b>1,991,285</b>	<b>5,767,966</b>

**A.3 Breakdown of guaranteed loans by type of guarantee****A.3.1 Guaranteed exposure with customers**

	LOAN AMOUNT	COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2) SIGNATURE LOANS				TOTAL (1) + (2)	
		BUILDINGS	SECURITIES	OTHER ASSETS	TOTAL	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	OTHER ENTITIES		
<b>1. Guaranteed cash exposure:</b>	<b>1,563,946</b>	<b>564,245</b>	<b>902,690</b>	<b>660,938</b>	<b>2,127,873</b>	<b>-</b>	<b>-</b>	<b>573</b>	<b>15,070</b>	<b>15,643</b>	<b>2,143,516</b>
1.1 Totally guaranteed	1,467,784	562,897	862,840	638,352	2,064,089	-	-	573	14,531	15,104	2,079,193
- of which: non-performing	30,915	40,831	6,856	2,338	50,025	-	-	-	4,363	4,363	54,388
1.2 Partially guaranteed	96,162	1,348	39,850	22,586	63,784	-	-	-	539	539	64,323
- of which: non-performing	5,634	-	4,394	1,707	6,101	-	-	-	6	6	6,107
<b>2. Guaranteed off-balance sheet exposures</b>	<b>117,607</b>	<b>602</b>	<b>106,841</b>	<b>20,712</b>	<b>128,155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,617</b>	<b>1,617</b>	<b>129,772</b>
2.1 Totally guaranteed	105,479	518	100,765	19,591	120,874	-	-	-	1,542	1,542	122,416
- of which: non-performing	32,987	310	33,435	198	33,943	-	-	-	68	69	34,012
2.2 Partially guaranteed	12,128	84	6,076	1,121	7,281	-	-	-	75	75	7,356
- of which: non-performing	2,000	-	106	127	233	-	-	-	-	-	233

## B. Breakdown and concentration of loans

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

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
<b>A. Cash exposure</b>		-	-
<b>1. Government and Central banks</b>	<b>3,349,397</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	3,349,397	-	-
<b>2. Other public institutions</b>	<b>2,497</b>	-	<b>3</b>
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	2,497	-	3
<b>3. Financial companies</b>	<b>159,462</b>	<b>182</b>	<b>604</b>
a. Bad loans	-	102	-
b. Substandard loans	129	80	-
c. Restructured loans	-	-	-
d. Expired loans	7	-	-
e. Other loans	159,326	-	604
<b>4. Insurance companies</b>	<b>11,762</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	11,762	-	-
<b>5. Non-financial companies</b>	<b>496,007</b>	<b>19,386</b>	<b>2,029</b>
a. Bad loans	9,621	11,866	-
b. Substandard loans	16,437	6,781	-
c. Restructured loans	1,223	624	-
d. Expired loans	2,116	115	-
e. Other loans	466,610	-	2,029
<b>6. Other entities</b>	<b>1,158,817</b>	<b>2,438</b>	-
a. Bad loans	5,321	1,679	-
b. Substandard loans	1,828	426	-
c. Restructured loans	-	-	-
d. Expired loans	3,765	333	-
e. Other loans	1,147,903	-	-
<b>Total A - Cash exposure</b>	<b>5,177,942</b>	<b>22,006</b>	<b>2,636</b>

EXPOSURE/COUNTERPARTY	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
<b>B. Off-balance sheet exposure</b>		-	-
<b>1. Government and Central banks</b>	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
<b>2. Other public institutions</b>	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
<b>3. Financial companies</b>	<b>1,361</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	1,361	-	-
<b>4. Insurance companies</b>	<b>2,000</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	2,000	-	-
<b>5. Non-financial companies</b>	<b>94,720</b>	-	-
a. Bad loans	68	-	-
b. Substandard loans	34,866	-	-
c. Other non-performing loans	113	-	-
d. Other loans	59,673	-	-
<b>6. Other entities</b>	<b>26,519</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	100	-	-
c. Other non-performing loans	-	-	-
d. Other loans	26,419	-	-
<b>Total B - Off-balance sheet exposure</b>	<b>124,600</b>	-	-

### Summary

	NET EXPOSURE	SPECIFIC VALUE ADJUSTMENTS	PORTFOLIO VALUE ADJUSTMENTS
Governments and Central Banks	3,349,397	-	-
Public institutions	2,497	-	3
Financial companies	160,823	182	604
Insurance companies	13,762	-	-
Non-financial companies	590,727	19,386	2,029
Other entities	1,185,336	2,438	-
<b>Overall total (A + B) at 31.12.2014</b>	<b>5,302,542</b>	<b>22,006</b>	<b>2,636</b>

## B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
<b>A. Cash exposure</b>										
A.1 Bad loans	14,942	13,085	-	562	-	-	-	-	-	-
A.2 Substandard loans	18,392	7,287	2	1	-	-	-	-	-	-
A.3 Restructured loans	1,223	624	-	-	-	-	-	-	-	-
A.4 Expired loans	5,888	447	-	-	-	-	-	-	-	-
A.5 Other exposure	5,055,861	2,343	70,908	293	10,323	-	403	-	-	-
<b>Total A</b>	<b>5,096,306</b>	<b>23,786</b>	<b>70,910</b>	<b>856</b>	<b>10,323</b>	<b>-</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet exposure</b>										
B.1 Bad loans	68	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	34,966	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	113	-	-	-	-	-	-	-	-	-
B.4 Other exposure	88,285	-	1,168	-	-	-	-	-	-	-
<b>Total B</b>	<b>123,432</b>	<b>-</b>	<b>1,168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2014</b>	<b>5,219,738</b>	<b>23,786</b>	<b>72,078</b>	<b>856</b>	<b>10,323</b>	<b>-</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2013</b>	<b>5,820,462</b>	<b>18,535</b>	<b>54,922</b>	<b>544</b>	<b>6,093</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>

## B.3 Geographical breakdown of cash and off-balance sheet credit exposure to banks (book value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
<b>A. Cash exposure</b>										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	402,883	3,713	31,748	6	28,680	-	-	-	-	-
<b>Total A</b>	<b>402,883</b>	<b>3,713</b>	<b>31,748</b>	<b>6</b>	<b>28,680</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Off-balance sheet exposure</b>										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	249	-	1,865	-	-	-	-	-	-	-
<b>Total B</b>	<b>249</b>	<b>-</b>	<b>1,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2014</b>	<b>403,132</b>	<b>3,713</b>	<b>33,613</b>	<b>6</b>	<b>28,680</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total at 31.12.2013</b>	<b>379,556</b>	<b>3,082</b>	<b>43,585</b>	<b>1,953</b>	<b>1,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## B.4 Big risks

The Regulation (EU) No. 575/2013 (CRR) and the Directive No. 2013/36/EU (CRD IV), published on the *Official Journal of the European Union* on 27 June 2013, enacted the new rules defined by the Basel Committee on banking supervision. On 17 December 2013, the Bank of Italy applied the above provisions by issuing Circular Letter No. 285 “New Prudential Supervisory Provisions Concerning Banks” – further amended in 2014 – and Circular Letter No. 286 “Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies”. In detail, according to the new rules,

exposure values of a bank to a counterparty or to a group of connected counterparties must be defined as a “large exposure” if it is equal to or above 10% of the bank’s eligible capital base.

The EU Regulation CRR No. 575/2013 defines the “eligible capital” as the sum of Tier 1 capital and Tier 2 capital that is equal to or less than one third of Tier 1 capital.

The exposure value of an asset item shall be its accounting value and not its weighted value. Therefore, the positions which fall within the meaning of “Large Exposure” are recognised at both book value and weighted value.

BIG RISKS	31.12.2014	31.12.2013
a) Carrying amount	4,197,646	5,962,655
b) Weighted amount	343,899	336,018
c) Number	14	18

## C. Securitisation

### C.1 Securitisation

The securitisation portfolio contains only Quarzo CL1 securities, with underlying residential and commercial mortgages (RMBS/CMBS).

#### C.1.1 Breakdown of exposure resulting from securitisation by quality of underlying assets

TYPE OF UNDERLYING ASSETS/EXPOSURE	CASH EXPOSURE						TOTAL NET EXPOSURE
	SENIOR		MEZZANINE		JUNIOR		
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	
<b>A. With own underlying assets</b>	-	-	-	-	-	-	-
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
<b>B. With third-party underlying assets</b>	<b>13,964</b>	<b>13,964</b>	-	-	-	-	<b>13,964</b>
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	13,964	13,964	-	-	-	-	13,964



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

TYPE OF UNDERLYING ASSETS/ EXPOSURE	CASH EXPOSURE					
	SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUSTMENTS AND REVERSALS	BOOK VALUE	ADJUSTMENTS AND REVERSALS	BOOK VALUE	ADJUSTMENTS AND REVERSALS
<b>A. Cash exposure</b>						
A.1 QUARZO CL1 FRN 31.12.2019 ABS Trading portfolio ISIN IT0004284706 - underlying: RMBS/CMBS	13,964	-	-	-	-	-
<b>B. Guarantees issued</b>	-	-	-	-	-	-
<b>C. Lines of credit</b>	-	-	-	-	-	-

### C.1.4 Breakdown of exposure arising on securitisations by portfolio and type

EXPOSURE/PORTFOLIO	TYPE OF FINANCIAL-ASSET PORTFOLIO						31.12.2014	31.12.2013
	HFT FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS			
<b>1. Cash exposure</b>	<b>13,964</b>	-	-	-	-	-	<b>13,964</b>	<b>14,850</b>
Senior	13,964	-	-	-	-	-	13,964	14,850
Mezzanine	-	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-	-
<b>2. Off-balance sheet exposure</b>	-	-	-	-	-	-	-	-
Senior	-	-	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-	-	-
Junior	-	-	-	-	-	-	-	-

## E. Transfer operations

### E.1 Transferred financial assets not written off

TECHNICAL TYPE/ PORTFOLIO	HFT FINANCIAL ASSETS			AFS FINANCIAL ASSETS			HTM FINANCIAL ASSETS			LOANS TO BANKS			LOANS TO CUSTOMERS			TOTAL
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
<b>A. Cash assets</b>	-	-	-	179,212	-	-	20,681	-	-	-	-	-	-	-	-	199,893
1. Debt securities	-	-	-	179,212	-	-	20,681	-	-	-	-	-	-	-	-	199,893
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2014</b>	-	-	-	<b>179,212</b>	-	-	<b>20,681</b>	-	-	-	-	-	-	-	-	<b>199,893</b>
<b>Total at 31.12.2013</b>	-	-	-	<b>132,696</b>	-	-	<b>1,047,243</b>	-	-	-	-	-	-	-	-	<b>1,179,939</b>

A = Transferred financial assets fully recognised (book value).  
 B = Transferred financial assets partially recognised (book value).  
 C = Transferred financial assets partially recognised (full value).

### E.2 Financial liabilities for transferred assets not written off

LIABILITIES/ASSETS PORTFOLIO	HFT FINANCIAL ASSETS	FVO FINANCIAL ASSETS	AFS FINANCIAL ASSETS	HTM FINANCIAL ASSETS	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL
<b>1. Due to customers</b>	-	-	-	-	-	-	-
a) for fully recognised assets	-	-	-	-	-	-	-
b) for partially recognised assets	-	-	-	-	-	-	-
<b>2. Due to banks</b>	-	-	179,064	21,670	-	-	200,734
a) for fully recognised assets	-	-	179,064	21,670	-	-	200,734
b) for partially recognised assets	-	-	-	-	-	-	-
<b>Total at 31.12.2014</b>	-	-	<b>179,064</b>	<b>21,670</b>	-	-	<b>200,734</b>
<b>Total at 31.12.2013</b>	-	-	<b>132,604</b>	<b>1,044,522</b>	-	-	<b>1,177,126</b>

## Section 2 - Market risks

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

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

With regard to market risk management, the Bank has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority. The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.

Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international banks and, to a lesser extent, in securities of corporate issuers.

The portfolio's exposure to the equities market remains limited with respect to the bond component, and derivatives transactions are absolutely marginal in extent.

The Bank's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.

The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.

Banca Generali holds only small amounts of securities denominated in foreign currencies.

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio. VaR describes the maximum potential loss in value of a portfolio in the next day in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

VaR measurement is used for the sole purpose of performing a management analysis of the Bank, which have no internal models aimed at submitting regular reports to the Supervisory Body.

## 2.1 Interest rate and price risk – regulatory trading book

### Qualitative information

#### A. General aspects

The main activities of the Bank that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the financial bond portfolio;
- dealings in interest rate derivatives, all of which over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Finance Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);

- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate financial bonds and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The bank's investments in structured securities are negligible.

#### B. Management processes and interest rate risk measurement techniques

Market risks are measured based on a daily analysis of VaR (Value at Risk) in the next day for 99% of the cases, prudentially monitored on the whole owned portfolio.

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

	Q4 2014	Q3 2014	Q3 2014	Q1 2014
Average VaR 99% 1 day (€/000)	9,776	9,318	13,137	17,241

Throughout 2014, market risk remained at moderate levels, with a one-day 99% VaR of less than 0.5% of the total portfolio.

VaR measurement is used for the sole purpose of performing a management analysis of the Bank, which have no internal models aimed at submitting regular reports to the Supervisory Body.

## Quantitative information

### 1. Regulatory trading portfolio: breakdown by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
<b>1. Cash assets</b>	-	14,024	1,117	5,955	143	-	-	-	21,239
1.1 Debt securities									
- With early repayment option	-	-	-	-	-	-	-	-	-
- Other	-	14,024	1,117	5,955	143	-	-	-	21,239
1.2 Other assets	-	-	-	-	-	-	-	-	-
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-	-
2.1 Repurchase agreement liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	-	196,800	23,748	3,446	376	-	-	-	224,370
3.1 With underlying securities	-	530	-	154	376	-	-	-	1,060
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other									
+ long positions	-	342	-	-	188	-	-	-	530
+ short positions	-	188	-	154	188	-	-	-	530
3.2 Without underlying securities	-	196,270	23,748	3,292	-	-	-	-	223,310
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other									
+ long positions	-	98,135	11,874	1,646	-	-	-	-	111,655
+ short positions	-	98,135	11,874	1,646	-	-	-	-	111,655

## 2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

TYPE OF TRANSACTION/ INDEX	LISTED			NON-LISTED
	ITALY	FRANCE	OTHER	
<b>A. Equity securities</b>				
Long positions	855	384	4	1
Short positions	-	-	-	-
<b>B. Equity security purchases/sales to be settled</b>				
Long positions	-	-	-	-
Short positions	-	-	-	-
<b>C. Other derivatives on capital securities</b>				
Long positions	-	-	150	-
Short positions	-	-	-	-
<b>D. Stock index derivatives</b>				
Long positions	-	-	-	-
Short positions	-	-	-	-

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk or exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question, or are due to factors that influence all similar financial instruments traded on the market.

Price risk arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc., and in relation to UCITS units held in the portfolio.

However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

### 3. Regulatory trading portfolio: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.

This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primary risk fac-

tors, which for Banca Generali Group are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.

The next stage involves establishing the potential effects on the Profit and Loss Account, both in terms of the point change in the fair value of the portfolio under analysis on the reporting date, and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +124/-124 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

A change in interest rates of +100/-100 basis points would have an overall effect on the fair value of the portfolio of debt securities held for trading of -57/+57 thousand euros, gross of the tax effect.

(€ THOUSAND)	HFT
FV equity delta (+10%)	124
FV equity delta (-10%)	-124
FV bonds delta (+1%)	-57
- of which: government bonds	-
FV bonds delta (-1%)	57
- of which: government bonds	-
Net interest income delta (+1%)	15
Net interest income delta (-1%)	-15

## 2.2 Interest rate and price risk - banking portfolio

### Qualitative information

#### A. General aspects, management processes and interest rate and price risk measurement techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, net equity.

With regard to the management of the interest rate risk of the banking book is exposed, the Bank has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.

The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.

The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Bank's banking portfolio arises from:

- trading on the interbank deposits market;
- customer lending activities; and
- investment operations of the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the Group's objectives in terms of net interest income.

The price risk associated with the banking portfolio is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).

Financial instruments mainly refer to equities and UCITS units listed on regulated markets, except for SIF Tyndaris Sicav (closed-end fund linked to the real-estate market), the equity investment in the vehicle Athena Private Equity and Veneto Banca.

The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

## B. Fair value and cash flow hedging

The bank does not currently engage in fair value or cash flow hedging.

### Quantitative information

#### 1. Banking portfolio: broken down by time-to-maturity (according to repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
<b>1. Cash assets</b>	<b>1,680,021</b>	<b>1,075,320</b>	<b>1,357,187</b>	<b>371,009</b>	<b>828,114</b>	<b>299,402</b>	<b>8,969</b>	<b>-</b>	<b>5,620,022</b>
1.1 Debt securities									
- with early repayment option	-	-	-	3,013	39,470	21,951	-	-	64,434
- other	-	925,772	1,355,528	367,296	784,095	273,654	-	-	3,706,345
1.2 Loans to banks	82,086	45,891	-	-	-	-	-	-	127,977
1.3 Loans to customers									
- current accounts	931,270	14	3	8	46	-	-	-	931,341
- other loans	666,665	103,643	1,656	692	4,503	3,797	8,969	-	789,925
- with early repayment option	582,354	87,825	362	692	4,270	3,797	8,969	-	688,269
- other	84,311	15,818	1,294	-	233	-	-	-	101,656
<b>2. Cash liabilities</b>	<b>4,271,756</b>	<b>818,437</b>	<b>-</b>	<b>209,038</b>	<b>-</b>	<b>43,000</b>	<b>-</b>	<b>-</b>	<b>5,342,231</b>
2.1 Due to customers									
- current accounts	4,163,017	-	-	-	-	-	-	-	4,163,017
- other payables	89,033	-	-	8,312	-	43,000	-	-	140,345
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	89,033	-	-	8,312	-	43,000	-	-	140,345
2.2 Due to banks									
- current accounts	5,408	-	-	-	-	-	-	-	5,408
- other payables	14,298	818,437	-	200,726	-	-	-	-	1,033,461
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 With underlying securities									
- Options	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities									
- Options	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
<b>4. Other off-balance sheet transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-



## 2. Regulatory trading portfolio: breakdown of exposure in capital securities and stock indices for the main countries on the market of listing

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +2/-2 million euros, whereas a

shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of -37/+37 million euros, gross of the tax effect.

The fair value delta component associated with the government bonds in the banking book would amount to -54.9/+54.9 million euros as a result of the hypothesised shift in the rate curve, or 76.6% of the fair value delta of the entire banking book.

A change of +100/-100 basis points in interest rates would have an effect of +32.2/-32.3 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.

(€ THOUSAND)	HFT	AFS	HTM+L&R	LOANS (*)	TOTAL
FV equity delta (+10%)	124	2,031	-	-	2,155
FV equity delta (-10%)	-124	-2,031	-	-	-2,155
FV bonds delta (+1%)	-57	-36,959	-28,758	-5,925	-71,700
- of which: government bonds	-	-30,184	-24,675	-	-54,859
FV bonds delta (-1%)	57	36,959	28,758	5,925	71,700
- of which: government bonds	-	30,184	24,675	-	54,859
Net interest income delta (+1%)	15	7,835	8,822	15,520	32,192
Net interest income delta (-1%)	-15	-7,884	-8,848	-15,600	-32,346

(\*) Loans to banks/Loans to customers included.

The same criteria were also applied to a sensitivity analysis of net interest income of all financial statement items. It resulted in a potential impact on the Profit and Loss Account of +57 thousand

euros, gross of the tax effect in case of increase of interest rates by 1%, and -89 thousand euros in case of decrease by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	32,192	-32,134	57
Net interest income delta (-1%)	-32,346	32,257	-89

## 2.3 Exchange rate risk

### Qualitative information

#### A. General Aspect, Management Processes and Exchange Rate Risk Measurement Techniques

Exchange rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

With regard to exchange risk management, the Group has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department performs first-tier controls of exchange-rate risk management.

The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent

measurement, control and monitoring of the exchange rate risk.

The Internal Audit Service is responsible for third-tier controls of loans and inflows in foreign currency.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the Exchange rate risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the exchange-rate risk arises from:

- trading of securities and other financial assets in foreign currency;
- interest to be collected and/or paid, reimbursements, fees or dividends in foreign currency;
- bank transfers in foreign currency to customers (Institutional and Retail customers);
- currency trading on behalf of customers.

The main objective of exchange rate operations is to contain open positions in foreign currencies, exclusively currency account currencies.

Exchange rate risk is mitigated through funding activities in the same currency as that of lending transactions.

## Quantitative information

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

ITEMS	CURRENCY					OTHER CURRENCIES	TOTAL CURRENCIES
	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	ICELAND KRONA		
<b>A. Financial assets</b>	<b>40,797</b>	<b>436</b>	<b>8,672</b>	<b>3,778</b>	<b>2,144</b>	<b>3,123</b>	<b>58,950</b>
A.1 Debt securities	1,029	-	-	-	-	151	1,180
A.2 Equity securities	4	-	-	-	-	-	4
A.3 Loans to banks	39,740	366	2,613	3,778	2,144	2,972	51,613
A.4 Loans to customers	24	70	6,059	-	-	-	6,153
A.5 Other financial assets	-	-	-	-	-	-	-
<b>B. Other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Financial liabilities</b>	<b>38,755</b>	<b>433</b>	<b>9,448</b>	<b>4,601</b>	<b>2,187</b>	<b>3,074</b>	<b>58,498</b>
C.1 Due to banks	-	139	6,653	-	-	116	6,908
C.2 Due to customers	38,755	294	2,795	4,601	2,187	2,958	51,590
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
<b>D. Other liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E. Financial derivatives</b>	<b>552</b>	<b>-</b>	<b>-1</b>	<b>-16</b>	<b>-</b>	<b>-8</b>	<b>527</b>
Options	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
Other	552	-	-1	-16	-	-8	527
- long positions	50,486	138	433	413	-	4,621	56,091
- short positions	49,934	138	434	429	-	4,629	55,564
<b>Total assets</b>	<b>91,283</b>	<b>574</b>	<b>9,105</b>	<b>4,191</b>	<b>2,144</b>	<b>7,744</b>	<b>115,041</b>
<b>Total liabilities</b>	<b>88,689</b>	<b>571</b>	<b>9,882</b>	<b>5,030</b>	<b>2,187</b>	<b>7,703</b>	<b>114,062</b>
<b>Excess</b>	<b>2,594</b>	<b>3</b>	<b>-777</b>	<b>-839</b>	<b>-43</b>	<b>41</b>	<b>979</b>

## 2. Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has been also conducted on assets and liabilities denominated in currencies other than the euro, regardless of the portfolio to which they have been allocated.

On the whole, a change in market prices of +10%/-10% would result in recognition of a fair value delta of securities in foreign currencies of +0.4/-0.4 thousand euros, whereas a movement of +100/-100 bps would have an effect on the fair value of bonds and securities other than equities in foreign currency of -10/+10 thousand euros, gross of the tax effect.

(€ THOUSAND)	ASSETS
FV equity delta (+10%)	0.4
FV equity delta (-10%)	-0.4
FV bonds delta (+10%)	-10
FV bonds delta (-10%)	10
Interest margin delta (+1%)	490
Interest margin delta (-1%)	-491

By contrast, an interest rate movement of +100/-100 basis points would have an effect of +5/-3 thousand euros on the flow

of interest on assets and liabilities denominated in currencies other than the euro.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	490	-485	5
Net interest income delta (-1%)	-491	488	-3

## 2.4 Derivative financial instruments

### A. Financial derivatives

#### A.1 Regulatory and trading portfolio: notional amounts at year-end and average amounts

TYPES OF DERIVATIVES/UNDERLYING ASSETS	31.12.2014		31.12.2013	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
<b>1. Debt securities and interest rates</b>	-	-	<b>50,000</b>	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	50,000	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>2. Equity securities and equity indices</b>	-	<b>15,003</b>	-	-
a) Options	-	15,003	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>3. Currencies and gold</b>	<b>96,979</b>	-	<b>46,774</b>	-
a) Options	-	-	2,000	-
b) Swaps	-	-	-	-
c) Forwards	96,979	-	44,774	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
<b>4. Goods</b>	-	-	-	-
<b>5. Other underlying assets</b>	-	-	-	-
<b>Total</b>	<b>96,979</b>	<b>15,003</b>	<b>96,774</b>	-
<b>Average values</b>	<b>96,877</b>	<b>7,502</b>	<b>72,014</b>	-

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

PORTFOLIO/TYPE OF DERIVATIVES	POSITIVE FV 2014		POSITIVE FV 2013	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
<b>A. Regulatory trading portfolio</b>	<b>2,685</b>	<b>1,138</b>	<b>1,051</b>	-
a) Options	-	1,138	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	2,685	-	1,051	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>C. Banking portfolio - other derivatives</b>	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>2,685</b>	<b>1,138</b>	<b>1,051</b>	-

**A.4 Financial derivatives: negative gross fair value - breakdown by products**

PORTFOLIO/TYPE OF DERIVATIVES	NEGATIVE FV 2014		NEGATIVE FV 2013	
	OTC	CENTRAL COUNTERPARTIES	OTC	CENTRAL COUNTERPARTIES
<b>A. Regulatory trading portfolio</b>	<b>2,655</b>	<b>-</b>	<b>597</b>	<b>-</b>
a) Options	-	-	1	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	2,655	-	596	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>C. Banking portfolio - other derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>2,655</b>	<b>-</b>	<b>597</b>	<b>-</b>

### A.5 OTC financial derivatives - regulatory trading book: notional values, positive and negative gross fair value by counterparties - contracts other than compensation agreements

CONTRACTS OTHER THAN OFFSETTING ARRANGEMENTS	GOVERNMENT AND CENTRAL BANKS	OTHER PUBLIC INSTITUTIONS	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON- FINANCIAL COMPANIES	OTHER ENTITIES
<b>1) Debt securities and interest rates</b>	-	-	-	-	-	-	-
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
<b>2) Equity securities and equity indices</b>	-	-	-	-	-	-	-
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-
<b>3) Currencies and gold</b>	-	-	48,873	-	-	-	48,106
Notional value	-	-	48,873	-	-	-	48,106
Positive fair value	-	-	1,865	-	-	-	820
Negative fair value	-	-	826	-	-	-	1,829
Future exposure	-	-	489	-	-	-	481
<b>4) Other values</b>	-	-	-	-	-	-	-
Notional value	-	-	-	-	-	-	-
Positive fair value	-	-	-	-	-	-	-
Negative fair value	-	-	-	-	-	-	-
Future exposure	-	-	-	-	-	-	-

### A.9 Time-to-maturity of OTC financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
<b>A. Regulatory trading portfolio</b>	<b>96,979</b>	-	-	<b>96,979</b>
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	96,979	-	-	96,979
A.4 Financial derivatives on other valuables	-	-	-	-
<b>B. Banking portfolio</b>	-	-	-	-
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other valuables	-	-	-	-
<b>Total at 31.12.2014</b>	<b>96,979</b>	-	-	<b>96,979</b>
<b>Total at 31.12.2013</b>	<b>96,774</b>	-	-	<b>96,774</b>



## Section 3 - Liquidity risk

Exposure to liquidity risk derives from funding and lending transactions in the course of the Bank's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to 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.

With regard to liquidity risk management, the Bank has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department is responsible for first-tier controls and 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, secondly, where present, through extraordinary measures provided by the ECB. The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.

The Risk Management Service is responsible for second-tier controls. Liquidity risks are maintained within appropriate

short-term and structural operating limits (over one year), which are monitored by the Risk Management Service. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Service is responsible for third-tier controls on lending and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

The own securities portfolio is mainly invested in Italian government securities, securities issued by Eurozone governments, and domestic and international financials and, to a lesser extent, in securities of corporate issuers.

The Bank 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 mismatches, the calculation of the net balance of funding requirement (or surplus) over the period considered.

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

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS	INDEF. MATURITY	TOTAL
<b>Cash assets</b>											
A.1 Government securities	-	-	47	-	750,004	426,039	447,610	1,179,643	510,000	-	3,313,343
A.2 Other debt securities	10	-	101	6,576	10,172	1,489	58,457	316,767	52,000	-	445,572
A.3 UCITS units	37,035	-	-	-	-	-	-	-	-	-	37,035
A.4 Loans											
- to banks	82,086	-	-	-	-	-	-	-	-	45,891	127,977
- to customers	1,018,130	10,540	20,144	182	25,965	41,371	61,714	285,128	267,290	-	1,730,464
<b>Total</b>	<b>1,137,261</b>	<b>10,540</b>	<b>20,292</b>	<b>6,758</b>	<b>786,141</b>	<b>468,899</b>	<b>567,781</b>	<b>1,781,538</b>	<b>829,290</b>	<b>45,891</b>	<b>5,654,391</b>
<b>Cash liabilities</b>											
B.1 Deposits and current accounts											
- from banks	5,509	-	-	6,653	811,783	-	-	-	-	-	823,945
- from customers	4,162,472	-	1	-	1	72	486	11	-	-	4,163,043
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	152,720	-	-	-	-	-	209,038	-	43,000	-	404,758
<b>Total</b>	<b>4,320,701</b>	<b>-</b>	<b>1</b>	<b>6,653</b>	<b>811,784</b>	<b>72</b>	<b>209,524</b>	<b>11</b>	<b>43,000</b>	<b>-</b>	<b>5,391,746</b>
<b>Off-balance sheet transactions</b>											
C.1 Financial derivatives with capital swap											
- long positions	-	15,018	9,883	9,129	64,447	11,874	1,646	190	-	-	112,187
- short positions	-	14,864	9,884	9,129	64,447	11,874	1,646	340	-	-	112,184
C.2 Financial derivatives without capital swap											
- long positions	1,138	-	-	-	-	-	-	-	-	-	1,138
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitment to disburse funds											
- long positions	-	-	-	-	-	-	-	164	3	-	167
- short positions	167	-	-	-	-	-	-	-	-	-	167
C.5 Financial guarantees issued	-	-	-	-	-	-	260	-	-	-	260
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,305</b>	<b>29,882</b>	<b>19,767</b>	<b>18,258</b>	<b>128,894</b>	<b>23,748</b>	<b>3,552</b>	<b>694</b>	<b>3</b>	<b>-</b>	<b>226,103</b>

## 2. Details regarding pledged assets recognised in the balance sheet

Pledged assets recognised in the balance sheet consist almost entirely of debt securities, pledged as collateral for LTROs and repurchase agreements.

ITEMS/TECHNICAL TYPES	PLEGGED		NOT PLEGGED		31.12.2014	31.12.2013
	BV	FV	BV	FV		
1. Cash and deposits	-	X	80,449	X	80,449	9,610
2. Debt securities	2,017,402	2,065,016	1,774,608	1,783,396	3,792,010	4,656,458
3. Equity securities	-	-	21,551	21,551	21,551	23,559
4. Loans	2,563	X	1,846,679	X	1,849,242	1,554,682
5. Other financial assets	-	X	54,882	X	54,882	14,250
6. Non-financial assets	-	X	299,053	X	299,053	230,071
<b>Total (T)</b>	<b>2,019,965</b>	<b>2,065,016</b>	<b>4,077,222</b>	<b>1,804,947</b>	<b>6,097,187</b>	<b>X</b>
<b>Total (T-1)</b>	<b>2,889,483</b>	<b>2,915,316</b>	<b>3,599,147</b>	<b>1,808,231</b>	<b>X</b>	<b>-</b>

Legend:  
 BV = book value.  
 FV = fair value.

## Section 4 - Operating risks

### A. General aspects

The exposure to operating risks is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the 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, and the marketing structure adopted (chiefly Financial Advisors), as well as the direct involvement of all employees in operations, structurally expose the Group to operating risk. This is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, inter alia, losses due to fraud, human errors, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risks.

With regard to operating risk management, the Bank has formally defined a single risk management policy, which specifies the general principles, the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The functions dealing with Organisation and IT guarantee the efficient functioning of application procedures and information

systems that support organisational processes. It also evaluates the physical and logical security conditions within the Bank and, if necessary, implements measures to guarantee a higher general level of security.

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

The Internal Auditing function supervises the regular conduct of the Bank's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

## PART F - INFORMATION ON NET EQUITY

### Section 1 - Net equity

#### A. Qualitative Information

The bank's capital management strategy aims to ensure that the capital and ratios are consistent with its risk profile and regulatory requirements.

Banca Generali is subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by European Union and applied by the Bank of Italy. Such rules envisage the specific concept of Own Funds, which is separate from the net equity stated in the Financial Statements. Own funds are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Ongoing compliance with minimum capital requirements is monitored by the Risk Management Service, whereas the Regulatory Reporting function is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis, as well as safeguarding the related databases (historical regulatory archive).

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items.

Additional analyses and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

Compliance with capital adequacy is also guaranteed by the adoption of a pay-out policy defined in accordance with the ECB's recommendations issued on 28 January 2015, aimed at observing minimum capital requirements in the medium-/long-term and detecting the potential effects of any adverse market situation.

#### B. Quantitative Information

Net equity of Banca Generali at 31 December 2014 amounted to 442.4 million euros, a 79.8 million euro increase compared to the previous year figure, due to the following changes:

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
1. Share capital	115,677	114,895	782	0.7%
2. Additional paid-in capital	45,575	37,302	8,273	22.2%
3. Reserves	95,653	110,058	-14,405	-13.1%
4. (Treasury shares)	-41	-41	-	0.0%
5. Valuation reserves	18,054	5,502	12,552	228.1%
6. Equity instruments	-	-	-	n.a.
7. Net profit (loss) for the year	167,459	94,864	72,595	76.5%
<b>Total net equity</b>	<b>442,377</b>	<b>362,580</b>	<b>79,797</b>	<b>22.0%</b>

<b>Net equity at year-start</b>	<b>362,580</b>
Dividend paid	-109,622
Previous stock option plans: issue of new shares	7,606
New stock option plans	224
AG stock granting plans (LTIP)	1,578
Change in valuation reserves (AFS and financial flows)	12,552
Net profit for the year	167,459
<b>Net equity at year-end</b>	<b>442,377</b>
<b>Change</b>	<b>79,797</b>

In 2014, the change in net equity was influenced by the distribution of the 2013 dividends amounting to approximately 109.6 million euros, authorised by the Shareholders' meeting held on 24 April 2014 to approve the Financial Statements, and the ef-

fects 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.

## B.1 Breakdown of Net Equity

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
1. Share capital	115,677	114,895	782	0.7%
2. Additional paid-in capital	45,575	37,302	8,273	22.2%
3. Reserves	95,653	110,058	-14,405	-13.1%
- retained earnings	88,252	103,010	-14,758	-14.3%
a) legal reserve	23,081	22,778	303	1.3%
b) statutory reserve	-	-	-	n.a.
c) treasury shares	41	41	-	0.0%
d) other	65,130	80,191	-15,061	-18.8%
- Other	7,401	7,048	353	5.0%
4. Equity instruments	-	-	-	n.a.
5. (Treasury shares)	-41	-41	-	0.0%
6. Valuation reserves	18,054	5,502	12,552	228.1%
- AFS financial assets	19,542	6,571	12,971	197.4%
- Property and equipment	-	-	-	n.a.
- Intangible assets	-	-	-	n.a.
- Hedges of foreign investments	-	-	-	n.a.
- Cash-flow hedges	-	-	-	n.a.
- Exchange differences	-	-	-	n.a.
- Non-current assets held for sale	-	-	-	n.a.
- Actuarial gains (losses) from defined benefit plans	-1,488	-1,069	-419	39.2%
- Share of valuation reserves of investee companies valued at equity	-	-	-	n.a.
- Special revaluation laws	-	-	-	n.a.
7. Net profit (loss) for the year	167,459	94,864	72,595	76.5%
<b>Total Net Equity</b>	<b>442,377</b>	<b>362,580</b>	<b>79,797</b>	<b>22.0%</b>

## B.2 Reserves from financial assets available for sale: assets

Valuation reserves from AFS financial assets measure the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value.

The change in these reserves contributes to determining the overall company performance in relation to other comprehensive income (OCI), without passing through the profit and loss account. However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

ASSETS/VALUES	31.12.2014			31.12.2013		
	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL	POSITIVE RESERVE	NEGATIVE RESERVE	TOTAL
1. Debt securities	18,175	-263	17,912	6,963	-1,802	5,161
2. Equity securities	1,814	-15	1,799	1,476	-	1,476
3. UCITS units	217	-386	-169	49	-115	-66
3. Loans	-	-	-	-	-	-
<b>Total</b>	<b>20,206</b>	<b>-664</b>	<b>19,542</b>	<b>8,488</b>	<b>-1,917</b>	<b>6,571</b>

At the end of the reporting period, fair value reserves from the portfolio of AFS financial assets recorded a positive balance of 19.5 million euros, an improvement of 13 million euros compa-

red to year-end 2013. Such reserves mainly refer to the portfolio of government bonds (14.7 million euros).

### B.3 Reserves from financial assets available for sale: annual changes

In detail, valuation reserves on the AFS portfolio showed a net revaluation of 13.0 million euros, down 4.2 million euros compared to 2013, as a result of the following factors:

- an increase in unrealised gains of 25.7 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 (-6.0 million euros).

	31.12.2014				TOTAL
	EQUITY SECURITIES	UCITS UNITS	DEBT SECURITIES		
			AFS	PREVIOUSLY RECOGNISED AS AFS	
<b>1. Amount at year-start</b>	<b>1,476</b>	<b>-66</b>	<b>5,162</b>	<b>-1</b>	<b>6,571</b>
<b>2. Increases</b>	<b>716</b>	<b>412</b>	<b>28,257</b>	<b>2</b>	<b>29,387</b>
2.1 Fair value increases	712	284	25,984	-	26,980
2.2 Transfer to profit and loss of negative reserves:	-	-	-	-	-
- due to impairment	3	-	-	-	3
- due to disposal	-	-	2,261	2	2,263
2.3 Other changes	1	128	12	-	141
<b>3. Decreases</b>	<b>393</b>	<b>515</b>	<b>15,507</b>	<b>1</b>	<b>16,416</b>
3.1 Fair value decreases	296	436	540	-	1,272
3.2 Adjustments due to impairment	-	-	-	-	-
3.3 Transfer to profit and loss of positive reserves: due to disposal	75	-	8,912	-	8,987
3.4 Other changes	22	79	6,055	1	6,157
<b>4. Amount at year-end</b>	<b>1,799</b>	<b>-169</b>	<b>17,912</b>	<b>-</b>	<b>19,542</b>

Former AFS reserves, only consisting of a residual amount, refer to negative changes in fair value recognised when transferring securities from the AFS portfolio to the portfolios held to maturity and loans and receivables (net of the related tax effect).

According to IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

### B.4 Valuation reserves relating to defined benefit plans: annual changes

	31.12.2014			31.12.2013		
	RESERVE	DTAS	NET RESERVE	RESERVE	DTAS	NET RESERVE
<b>1. Amount at year-start</b>	<b>-1,475</b>	<b>406</b>	<b>-1,069</b>	<b>-1,183</b>	<b>326</b>	<b>-857</b>
<b>2. Increases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Decreases of actuarial losses	-	-	-	-	-	-
Other increases	-	-	-	-	-	-
<b>3. Decreases</b>	<b>-577</b>	<b>158</b>	<b>-419</b>	<b>-292</b>	<b>80</b>	<b>-212</b>
Increases of actuarial losses	-577	158	-419	-292	80	-212
Other decreases	-	-	-	-	-	-
<b>4. Amount at year-end</b>	<b>-2,052</b>	<b>564</b>	<b>-1,488</b>	<b>-1,475</b>	<b>406</b>	<b>-1,069</b>



## Section 2 - Own funds and surveillance coefficients

### 2.1 Own funds

#### A. Qualitative information

The new prudential supervisory provisions applicable to banks and banking groups came into force in European Union law on 1 January 2014. They were drafted as part of the Basel Committee agreements ("Basel 3") and designed to strengthen banks' capacity to absorb shocks caused by financial and economic stresses, regardless of their origin, improve risk management and governance and reinforce banks' transparency and reporting.

The new rules defined by the Basel Committee for bank supervision were adopted in community law in EU Regulation No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), published in the Official Journal of the European Union on 27 June 2013.

The Bank of Italy applied the above-mentioned provisions by issuing Circular Letter No. 285 of 17 December 2013, "*Supervisory Provisions for Banks*", further amended in 2014, and Circular Letter No. 286, also of 17 December 2013, "*Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies*".

The Regulatory Technical Standards, issued by the European Banking Authority (EBA) and endorsed by the European Commission, provide the operating instructions for applying the new provisions. EBA also prepares the Implementing Technical standards (ITS) aimed at harmonizing prudential reports (CO-REP) and statistics (FINREP) at European level.

The new regulatory framework has retained the approach based on three pillars underlying the previous Capital Accord (Basel 2), while complementing and reinforcing that approach with the aim of improving the quantity and quality of intermediaries' capital, introducing counter-cyclical regulatory instruments and rules concerning liquidity risk management and the containment of financial leverage.

In detail, **Pillar 1** was strengthened by introducing a more harmonised definition of capital and increasing capital requirements. Basel 3 includes the definition of a harmonised concept of common equity Tier 1 capital (CET1), corresponding to ordinary shares and earnings reserves; in addition, more stringent criteria have been established for deducting from capital intangible assets, equity investments in financial and insurance companies and deferred tax assets (DTAs) in excess of pre-set individual and cumulative thresholds.

It also provided for more stringent regulatory capital requirements to more accurately capture potential risks from securitisation positions and trading book and introduced DTAs, which were previously not included.

The minimum overall requirement will remain set at 8% of risk-weighted assets, but more than half of this, or 4.5%, is to be met by common equity. In order to respond to periods of stress, an additional capital conservation buffer is also required beyond the regulatory minimum, equal to 2.5% of common equity in relation to risk-weighted assets. Banks that do not have such capital conservation buffer will in any event be required to comply with limits on the distribution of dividends and the award of bonuses, which will become increasingly stringent as the buffer shrinks.

Basel 3 also introduces new requirements and supervisory systems for the liquidity and financial leverage risks, based on the following ratios:

- *Liquidity Coverage Ratio* – LCR, a short-term liquidity requirement;
- *Net Stable Funding Ratio* – NSFR, a longer-term structural stability requirement;
- *Leverage ratio*, which as of 2017 will limit the maximum expansion of assets based on the size of CET1.

**Pillar 2** requires banks to adopt a current and prospective capital adequacy strategy and a relevant monitoring process, and leaves to the supervisory authority the task to verify the reliability and consistency of relevant results and adopt adequate corrective measures, should the situation require it.

Finally, **Pillar 3** covers public reporting requirements on capital adequacy, risk exposure and the general characteristics of related management and control systems, in order to promote market discipline. This pillar has also been revised to introduce, amongst other things, transparency requirements regarding securitisation exposures, more information on the composition of capital for regulatory purposes and the methods used by the Parent Company to calculate capital ratios.

Further information on own funds, capital adequacy, risk exposure and the general characteristics of systems designed to identify, measure and manage these may hence be found in the document entitled Third Basel Pillar 3 or "Pillar 3", published on the Bank's website.

The introduction of the Basel 3 rules is being phased in gradually until full application is achieved between 2018 and 2023, during which the new rules will be applied at an increasing rate.

## A. Qualitative information

As in the previous regulations, own funds are calculated as the sum of positive components, included with some limitations, and negative items, based on their capital quality. They consist of the following aggregates:

- Common Equity Tier 1 (CET1);
- Additional Tier 1 (AT1);
- Tier 2 (T2).

### 1. Common Equity Tier 1 capital (CET1)

#### A. Common equity Tier 1 capital (CET 1)

CET1 includes paid-in capital, additional paid-in capital, earnings reserves, valuation reserves (AFS valuation reserve, IAS19 actuarial losses reserve), with the exception of the cash flow Hedge reserve.

CET1 own instruments (own shares) and loss for the year are deducted from this aggregate.

Net profit for the period may be calculated, net of the provision for dividends (retained earnings), in compliance with Article 26 of the CRR and national discretionary measures provided for by the Bank of Italy.

#### D. Elements to be deducted from CET1

CET1 is then subject to the following deductions:

- a) intangible assets, including goodwill;
- b) deferred tax assets (DTAs) that are based on future profitability and do not arise on temporary differences, or involving tax losses;
- c) deferred tax assets that rely on future profitability and arise on temporary differences (net of the corresponding deferred tax liabilities); deferred tax assets convertible to credits pursuant to Law 214/2011 calculated in risk weighted assets (RWA) with a 100% weighting are not, however, deducted;
- d) deferred tax assets relating to multiple reliefs on the same goodwill for the portion that has not yet been reflected in the current tax position;
- e) direct, indirect and synthetic non significant investments (<10%) in CET 1 instruments issued by financial institutions;
- f) direct, indirect and synthetic significant investments (>10%) in CET1 instruments issued by financial institutions;
- g) any deductions exceeding AT1 capital instruments.

Deductions relating to equity investments in financial institutions and deferred tax assets apply only to amounts exceeding given CET1 thresholds, known as **allowances**, according to a particular mechanism described below:

1. **non significant investments** in CET1, AT1 and T2 instruments issued by financial institutions are deducted for the portion exceeding 10% of the amount of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and derive from temporary differences, direct, indirect and synthetic investments in CET1 instruments is-

sued by financial institutions, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial instruments;

2. **net deferred tax assets** that rely on future profitability and arise on temporary differences are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
3. **significant investments in CET1 instruments** issued by financial institutions are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
4. amounts not deducted due to the 10% allowance relating to significant investments in CET1 instruments issued by financial institutions and net deferred tax assets that rely on future profitability and derive from temporary differences, added together, are deducted **only for the amount exceeding 17.65%** of CET1 obtained after applying prudential filters and all the deductions, including investments in financial institutions and deferred tax assets calculated in their entirety without taking account of the aforementioned thresholds, except for any deductions exceeding AT1 capital instruments;
5. amounts not deducted due to the allowances are included in risk weighted assets and subject to a 250% weighting.

#### E. Transitional provisions i impact on CET1

The main aspects of the transitional provisions are set out below:

1. the AFS portfolio's positive and negative valuation reserves relating to central EU administration exposures, may be excluded from CET1 up to the date the European Commission approves the new IFRS 9; this exemption was introduced by the Bank of Italy under the national discretionary measures provided for by the CRR;
2. the AFS portfolio's positive valuation reserves, other than those relating to central administration exposures, are calculated in CET1 only from 2015 for 40% and then with the phase-in of 20% per annum (40% in 2015 and 100% in 2018);
3. the AFS portfolio's negative valuation reserves, other than those relating to central administration exposures, are calculated in CET1 with the phase-in of 20% per annum (20% in 2014 and 100% in 2018);
4. actuarial gains/losses deriving from the IAS 19 valuation of Termination Indemnity (TFR) (and defined-benefit pension funds) are reported, net of the prudential filter activated by the Bank of Italy for 2013 in order to sterilise the effects of the new IAS19 with the phase-in of 20% per annum as from 2015 (100% in 2014 and 20% in 2018);

5. DTAs that rely on future profitability and do not arise on temporary differences (tax losses) are deducted at 20% for 2014 (100% from 2018);
6. DTAs that rely on future profitability and arise on temporary differences existing at 1 January 2014 are deducted from CET1 with the phase-in of 10% per annum as from 2015 (10% in 2015 and 100% in 2024);
7. other DTAs that rely on future profitability and derive from temporary differences, generated after 1 January 2014 are deducted from CET1 with the phase-in of 20% per annum as from 2014 (20% in 2014 and 100% in 2018);
8. non significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the phase-in of 20% per annum as from 2014 (20% in 2014 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect investments whilst synthetic investments are subject to capital requirements and included in risk weighted assets;
9. significant investments in CET1 capital instruments issued by financial institutions held directly, indirectly or synthetically exceeding the aforementioned allowances, are deducted from CET1 with the phase-in of 20% per annum as from 2014 (20% in 2014 and 100% in 2018); direct investments in financial institutions not deducted transitionally from CET1 are deducted for 50% from AT1 and for 50% from T2; indirect and synthetic investments are subject to capital requirements and included in risk weighted assets.

It should be noted that Banca Generali has exercised the sterilisation option for own funds purposes of capital gains and losses deriving from the fair value valuation of AFS financial assets belonging to the Euro area government bond sector, as provided for by the Bank of Italy Order of 18 May 2010.

This option was also renewed in the new Basel III prudential supervisory regime, in force since 1 January 2014, as allowed by the Bank of Italy, until the new IFRS 9 becomes effective, scheduled for 2018.

The transitional provisions for IAS19 actuarial loss reserves, provided for in Article 473 paragraph 3 of the CRR and adopted amongst the national discretionary measures by Bank of Italy Circular No. 285/2013, is designed to sterilise the impact on own funds of the amendments to IAS19, which came into force on 1 January 2013, and provide for actuarial gains & losses relating to defined-benefit plans to be recognised in full in "other comprehensive income" and offset by a equity reserve (actuarial gains and losses valuation reserve).

IAS 19 previously also recognised the alternative accounting treatment known as the "corridor method," which allowed:

- the amount of the actuarial gains and losses in excess of the 10% significance threshold of the present value of the defined-benefit obligation (the "overcorridor") to be recognised in profit and loss; and
- the actuarial gains and losses below that threshold to be deferred, without recognising them in the Financial Statements.

Since for entities that previously adopted the corridor method the new equity reserve would have a negative impact on capital for regulatory purposes and considering the stance taken at the Community level in conjunction with the approval of the new prudential regulations implementing Basel 3 (the CRR/CRD IV Package) in favour of the gradual recognition over five years of the difference in net equity between the old and new approach, in 2013 the Bank of Italy had introduced a prudential filter to neutralise the effects of the revision of IAS 19. Based on the CRR provisions, the effects of such filter should now be fully reabsorbed in the 2015-2018 transition period.

	31.12.2014
Termination indemnity IAS 19R	-4,829
Termination indemnity IAS 19 (2012)	-4,404
Gross difference	-425
Tax effect	117
<b>Positive filter</b>	<b>-308</b>

## B. CET1 prudential filters

In addition, "prudential filters" are applied to CET1, with the purpose of safeguarding the quality of the regulatory capital and reducing its potential volatility caused by application of the new IAS/IFRS standards. These filters consist of corrections to accounting data before they are used for regulatory purposes and are regulated directly by the CRR or provided for by national discretionary measures.

With reference to the prudential filters introduced directly by the CRR the *prudent valuation* filter is applied to Banca Generali for the portfolio of financial assets and liabilities valued at fair value in the balance sheet.

This filter is determined as 0.1% of total net exposures shown in the balance sheet at fair value in order to take account of the uncertainty of the parameters used for the valuation (risk model, costs of closure, etc.).

On the other hand, with reference to national discretionary measures, only the prudential filter relating to *multiple goodwill* is applied to Banca Generali.

This filter is aimed at neutralising the benefits at the level of capital for regulatory purposes due to the DTAs recognised in connection with the tax redemption on the same goodwill within a single group or intermediary.

In further detail, the procedures of tax redemption in question were carried out in accordance with Article 10 of Legislative Decree No. 185/2010 or ordinary rules governing successive business combinations within a single group that have also entailed the transfer of portions of goodwill.

To this end, it has been specified that the share of DTAs recognised at the level of the intermediary or group is to be deducted from core Tier 1 capital, as limited to the portion associated with the DTAs recognised after the initial one.

In addition, for years ending on or before 31 December 2012, intermediaries may distribute the neutralisation over a period of five years, including one-fifth of the value of those DTAs at 31 December 2012, net of the amount that, each year, is to be reversed to the profit and loss account or transformed into a tax credit, among the negative components of Tier 1 capital.

In the Banking Group's case, the above filter only affects the share of goodwill associated with the acquisition of Banca del Gottardo Italia S.p.A., originally subject to the prepayment of taxes

on goodwill by Banca BSI Italia and subsequently once more by BG SGR S.p.A. following the contribution by the former of its portfolio management business unit. Both companies were then merged into the Parent Company, Banca Generali.

The tax value of the goodwill subject to tax alignment amounted to 4,932 thousand euros, of which deferred tax assets for Italian corporate income tax (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2014 thus amounted to 670 thousand euros.

## 2. Additional Tier 1 capital (AT1)

Additional Tier 1 capital includes capital instruments regulated under Articles 51 et seqq. of CRR.

This aggregate is not present in the Banking Group's own funds.

## 3. Tier 2 capital (T2)

### M. Tier 2 capital - T2

Tier 2 capital includes Tier 2 capital instruments and subordinated liabilities, regulated by Articles 63 and subsequent Articles of the CRR and having the following characteristics:

- the original term is not less than 5 years and no incentives are envisaged for early repayment;
- call options, where applicable, may be exercised at the issuer's sole discretion and in any event no earlier than 5 years, subject to the authorisation of the supervisory authority granted in special circumstances;
- early repayment is also allowed before 5 years only in the event of significant changes to the tax or regulatory regime and always with the prior authorisation of the Supervisory Authority;
- subscription and purchase must not be financed by the Parent Company or its subsidiaries;
- they are not subject to guarantees issued by the Parent Company, its subsidiaries or other companies that have close links with them, which increase their seniority;
- interest does not change based on the Parent Company's credit rating;
- these instruments are amortised pro rata over the past 5 years for T2 calculation purposes.

The following Tier-2 subordinated liabilities are included in the year-end Tier-2 capital of the parent company Banca Generali:

	EFFECTIVE AS OF	EXPIRY	AMOUNT	REMAINING AMOUNT
Generali Versicherung subordinated loan	01.10.2008	01.10.2015	40,000	8,000
Generali Beteiligungs GmbH subordinated loan	30.10.2014	30.10.2024	43,000	43,000

The loan to the German insurance subsidiary Generali Versicherung AG was obtained on 1 October 2008 by the merged Banca BSI Italia for the acquisition of Banca del Gottardo Italia.

The loan was contracted in the "Schuldschein" contractual form, has a 7-year maturity and calls for repayment in five annual instalments beginning on 1 October 2011, and is subordinated if the bank defaults.

The agreed interest rate is equal to the 12-month Euribor plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

The subordinated loan agreed with the German company Generali Beteiligungs GmbH relates, instead, to the acquisition of the Credit Suisse (Italy) S.p.A. business unit.

The loan disbursed on 30 October 2014, for the amount of 43 million euros, has a ten-year term and is repayable on maturity in one instalment.

Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority's prior approval.

The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated in the event of a default by the bank.

#### N. Elements to be deducted from T2

T2 is subject to the following main deductions:

- direct, indirect and synthetic investments in T2 own instruments;
- direct, indirect and synthetic investments in T2 instruments of financial sector entities.

These cases do not appear in Banca Generali's Financial Statements particularly since there are no investments in T2 instruments of financial sector entities exceeding the relevant thresholds for purposes of the deduction from own funds.

#### O. Transitional provisions - impact on T2

The main aspects of the transitional provisions for 2014 are as follows:

1. **positive AFS reserves**, other than those relating to EU country government bonds, are recognised transitionally for 2014 at the rate of 50% provided by previous legislation, with a gradual reduction of 20% per annum from 2014 (80% in 2014 and 0% in 2018);
2. **non significant investments** in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1 are deducted for 50% from T2;
3. **significant investments** in CET1 capital instruments issued by financial institutions exceeding the 10% allowance and the general allowance, transitionally not deducted from CET1 are deducted for 50% from T2;
4. non significant investments in T2 capital instruments issued by financial institutions held directly are deducted 100% from T2; non significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum as from 2014 (20% in 2014 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk weighted assets;
5. significant investments in Tier 2 capital instruments issued by financial institutions held directly are 100% deducted from T2; significant investments in Tier 2 capital instruments issued by financial institutions held indirectly or synthetically are phased in as a deduction of 20% per annum as from 2014 (20% in 2014 and 100% in 2018). Indirect and synthetic investments not deducted transitionally are subject to capital requirements and included in risk weighted assets.

#### B. Quantitative Information

**Own funds**, calculated in accordance with the new Basel 3 rules in effect since 1 January 2014, and net of the expected dividend pay-out, amounted to 265.8 million euros, up by 52.3 million euros compared to the end of the previous year, when they were calculated in accordance with the previous Basel 2 rules.

ITEMS/VALUES	31.12.2014	31.12.2013	CHANGE
Common equity Tier 1 capital (CET 1)	217,463	200,680	16,783
Additional Tier 1 capital (AT1)	-	-	-
Tier 2 capital (T2)	48,300	12,754	35,546
<b>Capital for regulatory purposes</b>	<b>265,763</b>	<b>213,434</b>	<b>52,329</b>
<b>Net equity</b>	<b>442,377</b>	<b>362,580</b>	<b>79,797</b>

Basel 2 compliant figures at 31 December 2013.

### Composition of own funds

The composition of own funds is shown synthetically below, illustrating the effects of the prudential filters and the changes linked to the transitional provisions.

	31.12.2014
<b>A. Tier 1 capital before application of prudential filters</b>	<b>329,023</b>
- of which: CET1 instruments covered by transitional provisions	-
B. CET1 prudential filters (+/-)	-2,271
C. CET1 gross of elements to be deducted and effects of the transitional regime	326,752
D. Elements to be deducted from CET1	-100,241
E. Transitional Regime - impact on CET1	-9,049
<b>F. Total Common Equity Tier 1 capital - CET1 (C - D +/- E)</b>	<b>217,463</b>
G. Additional Tier 1 capital (AT1) gross of elements to be deducted and transitional regime	-
- of which: AT1 instruments covered by transitional provisions	-
H. Elements to be deducted from AT1	-
<b>I. Transitional regime - impact on AT1</b>	<b>-</b>
<b>Total additional Tier 1 capital (AT1)</b>	<b>-</b>
M. Tier 2 capital (T2) gross of elements to be deducted and transitional regime	49,005
- of which: T2 instruments covered by transitional provisions	-
N. Elements to be deducted from T2	-
<b>O. Transitional scheme - impact on T2</b>	<b>-705</b>
<b>P. Total Tier 2 capital (T2)</b>	<b>48,300</b>
<b>Q. TOTAL OWN FUNDS</b>	<b>265,763</b>

In detail, own funds are composed as follows.

OWN FUNDS	31.12.2014		
	FULL APPLICATION	TRANSITIONAL	PHASE IN
<b>TIER 1 CAPITAL</b>			
Share capital (including minorities)	115,677	-	115,677
Additional paid-in capital	45,575	-	45,575
Treasury shares	-41	-	-41
<b>CET1 instruments</b>	<b>161,211</b>	<b>-</b>	<b>161,211</b>
Reserves	95,653	-	95,653
Net profit (loss) for the year	167,459	-	167,459
Share of net profit for the year not included in CET1	-113,354	-	-113,354
<b>Earnings reserves</b>	<b>149,758</b>	<b>-</b>	<b>149,758</b>
AFS valuation reserves	19,542	-19,542	-
Actuarial reserves IAS 19	-1,488	-	-1,488
Other (neutralisation of actuarial losses IAS 19)	-	308	308
<b>Other components of other comprehensive income (OCI)</b>	<b>18,054</b>	<b>-19,234</b>	<b>-1,180</b>
Prudent valuation	-2,271	-	-2,271
<b>Negative prudential filters</b>	<b>-2,271</b>	<b>-</b>	<b>-2,271</b>
Goodwill	-61,775	-	-61,775
Goodwill DTLs	831	-	831
Intangible assets	-23,900	-	-23,900
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-670	-	-670
<b>Total negative items</b>	<b>-85,514</b>	<b>-</b>	<b>-85,514</b>
<b>Adjust. of DTAs/DTLs through PL arising on temporary differences</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Portion exceeding non significant investments (&lt;10%) in CET 1 instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Portion exceeding significant investments (&gt;10%) in CET 1 instruments</b>	<b>-553</b>	<b>-</b>	<b>-553</b>
General deduction - portion exceeding DTAs	-7,073	1,100	-5,973
General deduction - portion exceeding significant investments	-7,101	1,104	-5,997
<b>General deduction with threshold 17.65% - 15%</b>	<b>-14,174</b>	<b>2,204</b>	<b>-11,970</b>
Transitional provisions - DTA impact on CET1	-	5,361	5,361
Significant investments: Transitional provisions - impact on CET1	-	5,240	5,240
Significant investments: 50% of items to be deducted from CET1	-	-2,620	-2,620
<b>Transitional provisions</b>	<b>-</b>	<b>7,981</b>	<b>7,981</b>
<b>Total common equity Tier 1 capital (CET 1)</b>	<b>226,512</b>	<b>-9,049</b>	<b>217,463</b>
Significant investments: transitional provisions - impact on AT1	-	2,620	2,620
Significant investments: excess to be subtracted from AT1	-	-2,620	-2,620
<b>Total additional Tier 1 capital (AT1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TIER 1 CAPITAL</b>	<b>226,512</b>	<b>-9,049</b>	<b>217,463</b>
T2 instruments (subordinated liabilities)	49,005	-	49,005
Significant investments: 50% excess portion deducted from Tier 1 capital	-	-2,620	-2,620
50% positive AFS reserves - transitional provisions - T2 impact (80%)	-	1,915	1,915
<b>Total Tier 2 capital</b>	<b>49,005</b>	<b>-705</b>	<b>48,300</b>
<b>Total own funds</b>	<b>275,517</b>	<b>-9,754</b>	<b>265,763</b>

During the initial phase-in of the transitional provisions, the changeover to the new Basel 3 provisions had a positive effect in the region of 5.3 million euros, of which 3.1 relate to CET1. This is due mainly to the new mechanism for deducting significant investments in financial and insurance companies, now linked to exceeded individual and aggregate thresholds.

In the reporting year, the performance of the aggregate was influenced by the acquisition of the Credit Suisse's business unit, which entailed a decrease in Common Equity Tier 1 capital (CET1) due to the new intangible assets acquired (-44.7 million euros), and a symmetrical increase in Tier-2 capital due to the new subordinated loan contracted to finance the transaction (+43 million euros).

<b>Regulatory capital at 31 December 2013 (Basel 2)</b>	<b>213,434</b>
<b>Change in Tier 1 capital Transition to Basel 3</b>	<b>3,195</b>
Stock option and stock grant plans (LTIP)	9,408
2013 dividend payout	-481
Retained earnings 2014 (payout 70%)	54,105
Transitional provisions: change in AFS reserve	-
Change in reserves IAS 19	-422
Change in goodwill and intangibles	-44,067
Negative prudential filters	-414
Deductions for sign. investments, DTAs (10%); General deductions	-14,727
Transitional provisions CET1	10,186
<b>Total changes in TIER1 capital</b>	<b>16,783</b>
<b>Change in Tier 2 capital Transition to Basel 3</b>	<b>2,100</b>
Tier 2 subordinated loans	35,000
Transitional provisions: change in AFS positive reserves AFS	1,067
Transitional provisions: significant investments	-2,621
<b>Total change in Tier 2 capital</b>	<b>35,546</b>
<b>Own funds at 31 December 2014 (Basel 3)</b>	<b>265,763</b>
<b>Change</b>	<b>52,329</b>

## 2.2 Capital adequacy

### A. Qualitative information

A minimum CET1 ratio of 4.5%, a Tier 1 ratio of 5.5% (6% from 2015) and a Total Capital Ratio of 8% are envisaged for 2014. In addition to these minimum ratios, the new regulations state that

banks must also hold a capital conservation buffer (CCB) equal to 2.5% of the bank's overall risk exposure, consisting of common equity Tier 1 capital.

RATIOS	MINIMUM REQUIREMENT	CAPITAL BUFFER	TOTAL REQUISITE
CET1	4.50%	2.50%	7.00%
Tier 1 capital	5.50%		8.00%
Total capital ratio	8%		10.50%



These ratios are determined by relating the corresponding category of own funds to the Group's overall risk exposure (RWA, Risk weighted assets).

In particular, own funds of Banca Generali must represent at least 8% of total weighted assets in relation to the credit risk profile, valued based on the category of debtor counterparties, term, country risk and guarantees received (credit and counterparty risk).

Banks are also required to comply with regulatory capital requirements connected to trading activities. Related market risks are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.

Internal models may be used to calculate capital requirements for market risk; however, Banca Generali uses standard methods under all circumstances.

Lastly, banks are required to set aside part of their own funds to cover **operating risk**, which in the case of Banca Generali is calculated using the basic method set forth in Bank of Italy Circular No. 285 of 17 December 2014.

## B. Quantitative Information

Total capital adequacy requirements for credit, market and operating risks set by the supervisory authority amounted to 189.7 million euros at year-end, with an increase of 73.0 million euros compared to the previous year (+61.2%).

(€ THOUSAND)	31.12.2014 BASEL 3 FULL APPLICATION	31.12.2014 BASEL 3 TRANSITIONAL	31.12.2013 BASEL 2	CHANGE	
				AMOUNT	%
Credit and counterparty risk	135,528	137,548	111,391	26,157	23.48%
Market risk	3,555	3,555	5,946	-2,391	-40.21%
Perating risk	50,577	50,577	40,902	9,675	23.65%
Flat-rate deduction ex Basel 2	-	-	-39,560	39,560	n.a.
<b>Total absorbed capital</b>	<b>189,660</b>	<b>191,680</b>	<b>118,679</b>	<b>73,001</b>	<b>61.51%</b>

The increase in absorbed capital compared to the previous year is primarily to be attributed to the effects of the transition to the new Basel 3 rules, which entailed the elimination of the flat-rate reduction of 25% required by the previous regulation for banks belonging to banking groups (+39.6 million euros), and the intro-

duction of new credit requirements for DTAs and significant investments (+9.9 million di euro). The expansion of the Bank's operations during the year also resulted in a significant increase in the capital absorbed by operating risk, commensurate with the three-year performance of net banking income (+9.7 million euros).

CREDIT RISK REGULATORY PORTFOLIO	2014			2013		CHANGE	
	INITIAL EXPOSURE	WEIGHTED ASSETS	REQUIREMENT	WEIGHTED ASSETS	REQUIREMENT	WEIGHTED ASSETS	REQUIREMENT
Administration and central banks	3,608,386	60,068	4,805	-	-	60,068	4,805
Non-profit organisations and public entities	2,501	2,500	200	790	63	1,710	137
Supervised intermediaries	678,473	282,457	22,597	287,439	22,995	-4,982	-399
Companies	1,136,490	801,283	64,103	762,178	60,974	39,105	3,128
Detail	1,012,127	342,899	27,432	275,660	22,053	67,239	5,379
Exposures secured by real property	165,599	59,484	4,759	48,112	3,849	11,372	910
Expired loans	65,851	47,844	3,828	30,597	2,448	17,247	1,380
UCITs	6,169	6,199	496	8,061	645	-1,862	-149
Equity exposures	50,651	77,218	6,177			77,218	6,177
Other	187,175	38,831	3,106	28,649	2,292	10,182	815
Securitisation	-	-	-	-	-	-	-
<b>Total requirements</b>	<b>6,913,422</b>	<b>1,718,783</b>	<b>137,503</b>	<b>1,441,486</b>	<b>115,319</b>	<b>277,297</b>	<b>22,184</b>
Risk of credit valuation adjustment	-	567	45	-	-	567	45
<b>Total credit risk</b>	<b>6,913,422</b>	<b>1,719,350</b>	<b>137,548</b>	<b>1,441,486</b>	<b>115,319</b>	<b>277,864</b>	<b>22,229</b>

The increase in own funds however allows to establish the excess capital compared to the minimum capital requirements for risks set by the supervisory authority at 74.1 million euros, down by 20.7 million euros compared to the value recognised at the end of the previous year.

Total capital ratio reached 11.09%, higher both of the minimum requirement by 8% and the capital conservation buffer (10.5%), with a decrease of 3.3 pps compared to the previous year.

(€ THOUSAND)	31.12.2014 BASEL 3 FULL APPLICATION	31.12.2014 BASEL 3 TRANSITIONAL	31.12.2013 BASEL 2	CHANGE		31.12.2013 BASEL 3 PRO FORMA
				AMOUNT	%	
Common equity Tier 1 capital (CET 1)	226,512	217,463	200,680	16,783	8.36%	203,875
Additional Tier 1 capital (AT1)	-	-	-	-	0.00%	-
Tier 2 capital (T2)	49,005	48,300	12,754	35,546	278.70%	14,854
<b>Own funds</b>	<b>275,517</b>	<b>265,763</b>	<b>213,434</b>	<b>52,329</b>	<b>24.52%</b>	<b>218,729</b>
B.1 Credit risk	135,528	137,548	111,391	26,157	23.48%	118,698
B.2 Market risk	3,555	3,555	5,946	-2,391	-40.21%	3,555
B.3 Operating risk	50,577	50,577	40,902	9,675	23.65%	40,902
<i>Flat-rate deduction ex Basel 2</i>	-	-	-39,560	39,560	-100.00%	-
<b>Absorbed capital</b>	<b>189,660</b>	<b>191,680</b>	<b>118,679</b>	<b>73,001</b>	<b>61.51%</b>	<b>163,155</b>
Excess over absorbed capital	85,857	74,083	94,755	-20,672	-21.82%	55,574
Risk-weighted assets	2,370,750	2,396,000	1,483,488	912,513	61.51%	2,039,433
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	9.55%	9.08%	13.53%	-4.45%	-32.91%	10.00%
<b>Total own funds/Risk-weighted assets (Total capital ratio)</b>	<b>11.62%</b>	<b>11.09%</b>	<b>14.39%</b>	<b>-3.30%</b>	<b>3.4%</b>	<b>10.72%</b>

	31.12.2014		31.12.2013	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
<b>A. Risk activity</b>	<b>6,913,422</b>	<b>1,719,350</b>	<b>7,933,073</b>	<b>1,392,389</b>
A.1 Credit and counterparty risk				
1. Standardised method	6,913,422	1,719,350	7,933,073	1,392,389
2. Internal rating method				
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
<b>B. Regulatory capital requirements</b>				
<b>B.1 Credit risk</b>	<b>X</b>	<b>137,503</b>	<b>X</b>	<b>111,391</b>
<b>B.2 Risk of credit valuation adjustment</b>	<b>X</b>	<b>45</b>	<b>X</b>	<b>-</b>
<b>B.3 Regulation risk</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
<b>B.4 Market risks</b>	<b>X</b>	<b>3,554</b>	<b>X</b>	<b>5,946</b>
1. Standard methodology	X	3,554	X	5,946
2. Internal models	X	-	X	-
3. Foreign exchange risk		-		-
<b>B.5 Operating risk</b>	<b>X</b>	<b>50,577</b>	<b>X</b>	<b>40,902</b>
1. Basic method	X	50,577	X	40,902
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
<b>B.6 Other variables</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-39,560</b>
<b>B.7 Total prudential requirements</b>	<b>X</b>	<b>191,679</b>	<b>X</b>	<b>118,679</b>
<b>C. Risk-weighted assets and regulatory capital ratios</b>				
C.1 Risk-weighted assets	X	2,395,988	X	1,483,489
C.2 Tier 1 capital/Risk-weighted assets (CET 1 capital ratio)	X	9.08%	X	13.53%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	9.08%	X	13.53%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)	X	11.09%	X	14.39%

2013 data related to the Basel 2 rules previously in force.

## PART G - BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the goodwill recognised in the financial statements of the Bank are also stated in the interest of consistency of presentation.

### Section 1 - Transactions undertaken during the year

#### 1. Acquisition of Credit Suisse Italia's business line

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

This transaction – subject to the Bank of Italy's prior authorisation – was finalised on 1 November 2014.

The transaction entails the sale of the business line including the agency contracts of 51 Financial Advisors of Credit Suisse Italia, the agreements with their current clients and the relevant net inflows and lending assets.

Overall AUM attributable to this business line amount to over 1.9 billion euros, whereas the consideration for the sale totalled 44.7 million euros, based on AUM recognised at the date on which the transaction became effective.

The fairness of the above price was confirmed by a fairness opinion commissioned by Banca Generali from KPMG Advisory S.p.A.

This acquisition was funded partly through a Tier-2 subordinated loan of 43 million euros issued by the subsidiary Generali Beteiligungs GmbH and the remainder in cash.

#### Accounting treatment

The acquisition of the Credit Suisse Italia business line falls within the scope of IFRS 3 and was accounted for using the purchase method.

In detail, the purchase price allocation (PPA) under IFRS3 envisages that the difference between the purchase price and

the IFRS accounting imbalance of the acquired business unit is allocated:

- i) to the highest/lowest values of recognized assets/liabilities,
- ii) to the fair value of contingent liabilities,
- iii) to the identified "intangible" assets,
- iv) the remaining part to goodwill.

The application of the above-mentioned procedure yielded the following results:

- 1) the assets and liabilities of the business unit not classifiable as intangible assets were recognised at their previous carrying amounts, since no significant divergences from fair value at the closing date of the transaction were identified;
- 2) the business line's current assets and liabilities were transferred at equal balances, and thus the entirety of the agreed consideration (44.7 million euros) was attributed to intangible assets, broken down as follows:
  - 17.3 million euros for the value of contractual relationships with customers associated with the acquired business line (client relationships) as intangible assets with finite useful life, with an estimated useful life of 15 years; and
  - the remaining 27.4 million euros to goodwill.

The asset recognized for contractual relations on assets under management is the economic valuation of expected financial flows from this portfolio based on the profitability ratio and adequate run-off rates. A useful life of 15 years has been estimated for this asset.

The following table shows the composition of the business line at equal balances and the overall effects on the capital position of the Bank at the effective date of the transaction.

ASSETS (€ THOUSAND)	30.09.2014	FORMER CSI BUSINESS UNIT	CONSIDERATION FOR THE SALE	01.10.2014
HFT financial assets	29,084	-	-	29,084
AFS financial assets	1,916,848	-	-	1,916,848
HTM financial assets	1,904,528	-	-	1,904,528
Loans to banks	771,788	28,668	-1,713	798,743
Loans to customers	1,626,407	94,111	-	1,720,518
Investments	14,025	-	-	14,025
Property, equipment and intangible assets	43,127	4	44,713	87,844
Tax receivables	37,757	-	-	37,757
Other assets	147,007	3,190	-	150,197
Financial assets held for sale	8,081	-	-	8,081
<b>Total Assets</b>	<b>6,498,652</b>	<b>125,973</b>	<b>43,000</b>	<b>6,667,625</b>

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.09.2014	FORMER CSI BUSINESS UNIT	CONSIDERATION FOR THE SALE	01.10.2014
Due to banks	1,387,862	5,589	-	1,393,451
Due to customers	4,376,473	115,957	43,000	4,535,430
Financial liabilities held for trading and hedging	1,448	-	-	1,448
Tax payables	35,279	-	-	35,279
Other liabilities	187,713	4,409	-	192,122
Special purpose provisions	90,378	18	-	90,396
Valuation reserves	22,180	-	-	22,180
Reserves	94,698	-	-	94,698
Additional paid-in capital	44,977	-	-	44,977
Share capital	115,621	-	-	115,621
Treasury shares (-)	-41	-	-	-41
Net profit for the year	142,064	-	-	142,064
<b>Total Net equity and Liabilities</b>	<b>6,498,652</b>	<b>125,973</b>	<b>43,000</b>	<b>6,667,625</b>

At the end of 2014, the initial accounting of the business combination was recognised at provisional values. Any adjustments to those provisional values after the consolidation of the initial accounting will be recognised within 12 months from the acquisition date, as per IFRS 3 (paragraphs 61-65).

Ancillary acquisition costs, with specific reference to legal and advisory charges incurred to finalize the agreement, registration fees and charges for the migration of contractual relations with the customers to the Bank's IT systems amounted to about

5.4 million euros and were fully expensed in accordance with IFRS 3.

Following the acquisition of the business unit, a special Partnership program was entered into with private bankers with the aim of facilitating their integration in Banca Generali's advisory network and promoting their medium-/long-term loyalty.

In detail, the program entails an initial amount aimed at remunerating their activity in the crucial phase of customers' transition from Credit Suisse to Banca Generali and a multi-year retention plan. Both were recognized under IAS 37 in the 2014 financial statements.

## 2. Disposal and exclusion from the scope of consolidation of BG Dragon China Sicav

In September 2013, Banca Generali finalised an investment in the new investment entity BG Dragon China Sicav, a UCITS under Luxembourg law, reserved for institutional investors and authorised to invest directly in the Chinese equity market.

The Sicav incorporated in July was promoted by the subsidiary GFM SA, which also acted as its management company. The company's investment manager is the associate Generali Asia Limited (which in turn receives advice from Guotai). BG Dragon's Board of Directors is appointed by Banca Generali and has the power to choose and dismiss, even without cause, the manager of the company's assets.

Banca Generali subscribed 80,815 class-A shares, reserved for Generali Group companies, with a value at issue of 100 euros each, for a total amount of approximately 8 million euros.

BG Dragon also issued approximately 4,483 class-B shares, reserved for UCITSs belonging to the banking Group, with a value at issue of 15,000 euros each, for a total amount of approximately 67 million euros. The above shares were mainly subscribed

by BG Selection Sicav, for the benefit of the investors of several of its sub-funds.

Considering that both the class-A and class-B shares present the same voting rights in the General Shareholders' Meeting of the Sicav, Banca Generali therefore directly held 94.74% of the company's voting rights and 10.74% of its capital, and was thus, under IAS 27, in a situation of direct control of the company.

The situation of control was also subsequently confirmed on the basis of the assessment conducted according to the new criteria set out in IFRS 10, effective 1 January 2014.

However, the Bank's investment was temporary in nature, since it was aimed at permitting the start-up of the Sicav. Accordingly, the investment was regarded as a purchase of an asset solely in view of subsequent resale in the near term pursuant to IFRS 5.32.c, and had thus been accounted for as a disposal group.

The investment was therefore disposed of within one year from the date of acquisition of control, in accordance with IFRS 5.

The disposal was made by full redemption of the shares, with a gain of 4.2 million euros, gross of the tax effect thanks to the appreciation of the portfolio invested in equities listed on the Chinese market in the last quarter of the year.

## Section 2 - Transactions after the close of the year

After 31 December 2014, no business combination transactions were undertaken.

## Section 3 - Retrospective adjustments

No retrospective adjustments to business combinations carried out by the Bank in previous years were undertaken in 2014, pursuant to paragraphs 61 and B7 of IFRS 3.

The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any

impairment of goodwill recognised.

At 31 December 2014, Banca Generali's goodwill totalled 61.8 million euros, with an increase of 27.4 million euros due to the acquisition of the business unit of Credit Suisse, and is broken down as follows.

(€ THOUSAND)	31.12.2014	31.12.2013	CHANGE	
			AMOUNT	%
Prime Consult e INA Sim	2,991	2,991	-	-
Banca del Gottardo Italia	31,352	31,352	-	-
Credit Suisse	27,432	-	27,432	n.a.
<b>Total</b>	<b>61,775</b>	<b>34,343</b>	<b>27,432</b>	<b>79.9%</b>

## Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified for management reporting, pursuant to IFRS 8.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The following operating segments (areas of business) have been identified by the banking group (for further details, the reader is referred to Part L of the Notes and Comments of the Consolidated Financial Statements):

- the **Affluent Channel**, which refers to the total earnings generated for the Group by the network of Financial Advisors, most of whom are employed by Banca Generali, and their respective clients;
- the **Private Banking Channel**, which refers to the total earnings generated for the Group by the network of private bankers and relationship managers, most of whom are employed by Banca BSI Italia, and their respective clients;
- the **Corporate Channel**, which refers to the total earnings generated for the Group on the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

The following CGUs have been defined in order to perform the impairment test for such goodwill in accordance with IAS 36:

- “Private Banking” CGU, for Private banking operating segment, to which former Banca Del Gottardo Italia’s and Credit Suisse Italy’s godwills refer;
- “Prime Consult and INA Sim” CGU, for the Affluent operating segment to which former Prime Consult’s and former Ina Sim’s godwills refer.

To determine the recoverable amount, both basic methodologies (to arrive at value in use) and market assessments (to arrive at fair value) were considered.

Value in use was calculated by employing an analytical method as the main model, whereas fair value was calculated by employing an empirical method as the control model.

In detail, the analytical method employed was the Dividend Discount Model (“DDM”), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

- a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
- b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a pay-out consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the individual CGUs were based on an extract of the Banking Group’s 2014-2016 forecast data. These data refer to the 2014-2016 Economic and Financial Plan of the Banca Generali Group, as approved by the Board of Directors, and cash flow projections constructed on the basis of the Group’s historical experience and in accordance with external sources of financial information.

### 1. “Private Banking” CGU (“PB CGU”)

The *Private Banking* CGU (PB CGU) refers to the overall activity of the Banca Generali Private Banking Division. It is therefore made up of the Private Banker network and employed Relationship Managers and the respective customers and assets under management.

In this regard, until 31 December 2013 the Relationship Manager CGU was identified in the Private Banking operating segment. The CGU only referred to Banca Generali Private Banking Division’s activities associated with the operations of Banca BSI Italia and Banca del Gottardo Italia, which were merged into Banca Generali and to which the goodwill arising on the acquisition of Banca del Gottardo Italia was entirely attributable.

In light of the “confusion” arising following the subsequent mergers and corporate reorganisations, this CGU included all Relationship Managers employed by Banca Generali.

Moreover, as of 1 November 2014, following Banca Generali’s acquisition of the business unit made up of the Italian Affluent and Upper Affluent private banking operations of Credit Suisse Italy S.p.A., also the new Private Banker network was included in the Private Banking operating segment.

A new CGU was thus defined (Private Banking CGU), which was allocated both the previous goodwill of the Relationship Management CGU (RM CGU) and the goodwill recognized following the acquisition of the above-mentioned business unit.

The CGU’s scope and future cash flows are now identified on the basis of the Private Banking Division’s assets under management.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU’s mean portfolio of assets under management (AUM) is expected to expand by 6.6% over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 1.5%. The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at 8.54%.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of 2.9%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
- c) a value of 1.03 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the RM CGU's carrying amount of **135.9 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **872.2 million euros** and a maximum of **995.9 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 8.3%-8.8% and 1.25%-1.75%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

## 2. "Prime Consult and INA SIM" CGU

The "Prime Consult and INA SIM" CGU ("former SIM CGU") refers to the part of the activity of the Affluent operating segment, relating to the operations of the stock brokerage companies Prime Consult SIM S.p.A and INA SIM S.p.A., merged at the end of 2002, to which all of the goodwill arising from the acquisition may be attributed.

In light of economic-financial forecasts based on the 2014-2016 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is assumed to expand by 2.0% over the three years in question (CAGR), whilst the long-term growth rate expected following the planning period, and used to determine the Terminal Value (perpetual yield), was estimated at 1.5%. The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model (CAPM), was estimated at **8.54%**.

The cost of capital was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

- a) risk free rate of 2.9%, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
- b) market risk premium of 5.5%, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
- c) a value of 1.03 assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The foregoing assumptions are substantially in line with the estimates and values adopted as basis for the same calculations during the previous financial year.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the Prime Consult and INA SIM CGU's carrying amount of **20.0 million euros**, the value obtained by applying the analytical method described above amounted to a minimum of **165.4 million euros** and a maximum of **188.4 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 8.3%-8.8% and 1.25%-1.75%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.



## PART H - RELATED PARTY TRANSACTIONS

### Procedural aspects

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code, and Article 4 of the Regulations adopted with Consob Resolution No. 17221 of 12 March 2010, as subsequently amended. On 12 December 2011, the Bank of Italy updated the Prudential Supervisory Provisions for Banks (Bank of Italy's Circular Letter No. 263/2006), issuing new Provisions on Risk Assets and Conflicts of Interest of Banks and Banking Groups with Connected Parties (Title V, Chapter 5).

The Procedure was last updated to bring it in line with Article 150 of TUF and the provisions introduced by the Bank of Italy on 2 July 2013 with the 15th amendment of Circular Letter No. 263 of 27 December 2006 concerning "New Prudential Supervisory Provisions for Banks" on Transactions of Greater Importance.

The new Procedure for Related Party and Connected Party Transaction 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 Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

### The related party perimeter

Based on Consob Regulations, the Provisions issued by the Supervisory Body, and the Procedure, the following parties are considered as Banca Generali's related parties:

- subsidiaries of the Banking Group;
- the parent company Assicurazioni Generali, its subsidiaries (companies subject to common control) and pension funds established for the benefit of Generali Group employees;
- Key Management Personnel of the Bank and the parent company Assicurazioni Generali, close relatives of the cited personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Generali Group are also considered related parties.

With specific regard to **key managers**, the following persons have been designated as such:

- the Directors, the Statutory Auditors, including the Chief Executive Officer and the General Manager;

- other top managers identified in the new organisational model introduced in 2013 and in the Bank's remuneration policies, i.e., the Joint General Manager and the three Central Managers;
- representatives of the parent company Assicurazioni Generali S.p.A. identified as Key Management Personnel in the corresponding procedure regarding transactions with related parties adopted by that insurance group.

At the level of Consolidated Financial Statements, transactions with related parties belonging to the Banking Group cancel each other out. Part H of Banca Generali's Notes and Comments provides an analysis of such transactions.

The Key Management Personnel of subsidiaries (directors, statutory auditors and general managers, if any) are also included, based on criteria similar to those of the parent company Banca Generali.

### Significance thresholds of Related Party transactions

The Procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

- **Highly Significant Transactions** - that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution No. 17221, reduced to 2.5% for transactions carried out with a parent company that is listed on regulated markets or with undertakings thereto related, which are in turn related to the Company; they must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
- **Moderately Significant Transactions** - falling short of the threshold defining Highly Significant Transactions; they must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
- **Low Value transactions**, whose value, defined pursuant to the Bank of Italy's Provisions, cannot exceed the amount of **250,000 euros** for banks with Own Funds below 1 million euros, and are excluded from the scope of application of the

regulation on approval and disclosure transparency.

In addition to transactions of a modest amounts, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

- **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-bis of the TUF, and related implementing transactions;
- **resolutions regarding the remuneration of Directors** entrusted with specific tasks other than those determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of Key Management Personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
- **ordinary transactions** that are part of the ordinary operations and any and all related financial activities, and effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Greater Importance threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
- **transactions with or between Subsidiaries and Associates, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question.**

On the basis of the indicator consisting of the consolidated Own

funds, the threshold of transactions of greater importance currently stands at around **18.1 million euros**, reduced to **9.1 million euros** for transactions with the parent company Assicurazioni Generali and the latter's related entities.

Moreover, the provisions issued by the Bank of Italy impose, for the first time, prudential restrictions, based on Own funds, on risk assets in respect of 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 assets carried out with entities qualifying as non-financial related parties. Exposure in respect of the Generali Group's connected parties, on the other hand, is capped at 7.5% of consolidated Own funds. Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed **20%** of the sum total of their respective individual Own Funds.

## 1. Disclosure of compensation of directors and executives

As required by IAS 24, the total compensation recorded in the Profit and Loss Account for the year is disclosed below, broken down by personnel category and type.

(€ THOUSAND)	31.12.2014				31.12.2013	CHANGE
	DIRECTORS	AUDITORS	KEY MANAGEMENT PERSONNEL	TOTAL		
Short-term benefits (current compensation and social security charges)	1,045	150	3,498	4,693	4,543	151
Post-employment benefits	-	-	447	447	575	-128
Other long-term benefits	-	-	1,035	1,035	1,639	-604
Severance indemnities	-	-	-	-	-	-
Share-based payments	-	-	1,577	1,577	436	1,141
<b>Total</b>	<b>1,045</b>	<b>150</b>	<b>6,558</b>	<b>7,753</b>	<b>7,193</b>	<b>560</b>
<b>Total at 31 December 2013</b>	<b>1,034</b>	<b>125</b>	<b>6,034</b>	<b>7,193</b>	-	-

The table presents the total expenses recognised in the Profit and Loss Account presented in the Annual Financial Statements on the basis of the application of IASs/IFRSs. It therefore also includes the social security charges for which the Company is liable, the allocation to provisions for post-employment benefits, the expenses associated with stock-option plans determined in accordance with IFRS 2 and the estimate of productivity bonuses accrued during the year on the basis of the provisions of the remuneration policy.

It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes:

- the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the Bank's new remuneration policy;
- the allocations accrued during the year on the basis of the variable cash salary payments envisaged in the Long-Term Incentive Plan (LTIP), calculated according to best possible estimate procedures and in relation to forecasts relating to the achievement of pre-determined objectives.

The allocations accrued during the year to this latter item refer to the last tranche of cash benefits envisaged in the third cycle (2012-2014) of the plan.

Effective the fourth cycle of the plan (2013-2014), the incentive characteristics were completely revised and now only envisage a share bonus in the form of shares of the Parent Company, Assicurazioni Generali, the costs of which – estimated on the basis of the international accounting standard IFRS 2 – have been included in the item "share-based payments."

In 2014, cash bonuses of a total of 1,322 thousand euros, gross of social-security contributions, fully covered by allocations in previous years, were paid out in connection with the first cycle of the plan (2011-2013).

This incentive plan is described in greater detail in Part A of these Notes and Comments.

For detailed information concerning remuneration policies, the reader is therefore referred to the specific document concerning remuneration policies instituted by Consob Resolution No. 18049 of 23 December 2011 and, as regards the disclosure required by the Bank of Italy, to the section about Pillar 3.

## 2. 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 scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group's operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali.

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.

To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

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

Transactions with related parties outside the Generali Group are mostly confined to direct and indirect inflows activities and loans to Key Management Personnel (and their relatives) of the bank and its Parent Company. These transactions are carried out at arms length. Banca Generali's direct investments in activities in which such related parties exercise significant influence or control are absolutely not material.

### Highly Significant Transactions

In 2014, the only transaction qualifying as a Highly Significant Transaction entailing the mandatory publishing of a disclosure to the market was the subordinated loan from Generali Beteiligungs GmbH, a company of the Generali Group, totalling 43 million euros, for the acquisition of the Credit Suisse Italy S.p.A.'s business line. The terms negotiated for the loan are comparable to customary market terms for similar transactions. The disclosure document on the transaction is available on the corporate website of Banca Generali.

With reference to highly significant intra-group transactions – which are exempt from the obligation to publish a disclosure document – it should be noted that the investment in BG Dragon China Sicav was entirely sold. Please refer to Part G of these Notes and Comments for an analysis of this divestment.

### Other Significant Transactions

In 2014, some transactions were approved qualifying as prior non-binding opinion of the Audit and Risk Committee, “moderately significant” transactions, which are subject to the as follows.

DATA	TRANSACTION	RELEVANT PARTY
23.01.2014	New conditions for the collection and payment services following the entry into force of the new SEPA legislation.	Assicurazioni Generali Group companies
28.02.2014	Time deposit, for the company Assicurazioni Generali for an amount of 200 million euros from 28 February 2014 to 7 November 2014, at a rate of 0.45%.	Assicurazioni Generali S.p.A.
23.04.2014	Reduction of the trading fee from 3.8 bps to 2 bps of the Commission Sharing Agreement entered into on 19 December 2007, which governs the trading and order collection activity performed by Banca Generali.	Generali Investment Europe SGR S.p.A.
25.06.2014	Renewal of an insurance policy, the BBB (Banker's Blanket Bond), through the company AON S.p.A. - Insurance & Reinsurance Brokers.	Generali Italia S.p.A.
09.07.2014	Transformation of a pool loan into a one-to-one loan for Citylife, with a change of collateral, the release of the guarantee provided by Allianz S.p.A. and the concurrent confirmation of the guarantee provided by Generali Properties S.p.A. for the full amount of the loan.	Citylife S.p.A., Generali Properties S.p.A.
04.11.2014	Extension of the pool loan granted to Investimenti Marittimi S.p.A. (maturing on 31 January 2014) until 31 December 2016, with the renegotiation of the rate applied from the three-month Euribor plus 600 bps to the three-month Euribor plus 400 bps.	Investimenti Marittimi S.p.A.

### Ordinary or Recurring Transactions

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

## 1.1 Balance sheet data

### Equity transactions with Assicurazioni Generali Group

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	PARENT COMPANY ASSICURAZIONI GENERALI	SUBSIDIARIES OF THE GENERALI GROUP	31.12.2014	31.12.2013	CHANGE		% WEIGHT 2014
						AMOUNT	%	
HFT financial assets	-	271	-	271	272	-1	-0.4%	0.8%
AFS financial assets	-	783	544	1,327	1,733	-406	-23.4%	0.1%
Loans to banks	-	-	108	108	30	78	260.0%	-
Loans to customers	24,846	27	17,343	42,216	74,548	-32,332	-43.4%	2.4%
Tax assets (AG tax consolidation)	-	1,966	-	1,966	1,633	333	20.4%	4.9%
Non-current assets available for sale/disposal groups	-	-	-	-	7,909	-7,909	-100.0%	n.a.
Other assets	53	-	200	253	134	119	88.8%	0.1%
<b>Total assets</b>	<b>38,924</b>	<b>3,047</b>	<b>18,195</b>	<b>60,166</b>	<b>100,284</b>	<b>-40,118</b>	<b>-40.0%</b>	<b>1.0%</b>
Due to banks	-	-	14,577	14,577	21,173	-6,596	-31.2%	1.4%
Due to customers	72,347	276,313	987,079	1,335,739	1,219,107	116,632	9.6%	30.7%
Other liabilities	396	231	10,091	10,718	1,056	9,662	915.0%	7.5%
Tax liabilities (AG tax consolidation)	-	5,081	-	5,081	631	4,450	7	-
<b>Total liabilities</b>	<b>72,743</b>	<b>281,625</b>	<b>1,011,747</b>	<b>1,366,115</b>	<b>1,241,967</b>	<b>124,148</b>	<b>10.0%</b>	<b>22.4%</b>
<b>Guarantees issued</b>	<b>-</b>	<b>-</b>	<b>3,289</b>	<b>3,289</b>	<b>3,289</b>	<b>-</b>	<b>-</b>	<b>2.8%</b>

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, amounted to 21.2 million euros, compared to the 56.6 million euros recognised at the end of 2013, equal to 0.3% of the banking group's total assets.

By contrast, the total debt position reached 1,293.4 million euros, accounting for 21.2% of liabilities, up by 135 million euros (+11.6%) compared to the previous year.

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 the shares held in consortia of the GBS Group (Generali Business Solutions) and CGS (Generali Corporate Services), as well as to a 15% stake in the subsidiary **Simgenia SIM**.

With regard to the latter, in the previous year the company resolved to dispose of its operating activities, terminating its agreements with its sales network. In the second half of 2014, operations entailing placement to customers have completely ceased and the company is planned to be merged into another Generali Group company.

Out of the over 1,000 agents of its network, 69 decided to join Banca Generali, whereas others have joined different networks or decided to carry out exclusively insurance activities.

Due to the discontinuation of operations and the prospects of liquidation, in 2014 the equity investment was written down for 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. The book value of the equity investment amounted to 303 thousand euros, after write-downs of 730 thousand euros.

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 year-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.

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2014		31.12.2013	
			AMOUNT	REVENUES	AMOUNT	REVENUES
BSI S.A.	Controlled by AG	Currency deposits	108	-	30	8
			<b>108</b>	<b>-</b>	<b>30</b>	<b>8</b>

Exposures to Generali Group companies recognised as **loans to customers** amounted to 17.4 million euros and refer to the following transactions:

COMPANY	TYPE OF RELATIONSHIP	TYPE OF TRANSACTION	31.12.2014		31.12.2013	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Generali Italia	Subsidiaries of the AG Group	GESAV policy		400	22,208	836
Citylife S.r.l.	Subsidiaries of the AG Group	Grant to BT in current account	-	164	13,391	331
Investimenti Marittimi	Associates of the AG Group	Grant to MLT in current account	4,030	623	7,618	621
GenertelLife	Subsidiaries of the AG Group	Operating receivables	11,624	-	7,959	-
Assicurazioni Generali	Parent Company	Operating receivables	27	-	208	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Operating receivables	1,688	-	1,457	-
Other exposures with Group companies	Subsidiaries of the AG Group	Temporary current account exposures	12	29	2	30
			<b>17,381</b>	<b>1,216</b>	<b>52,843</b>	<b>1,818</b>

The company **Investimenti Marittimi** is included in the scope of related parties since it is an associate of the Parent Company Assicurazioni Generali holding a 30% direct investment in the same. The above firm is a holding company that owns exclusively a controlling interest in the shipping company Premuda, which is experiencing a period of financial difficulty, in light of which it has requested a bank debt restructuring. In the fourth quarter of 2013, the company suspended payment of the interest owed on the loan and was classified as a substandard position. The gross exposure of 10.8 million euros, including accrued interest not paid, is made up of a share (10%) of a pooled loan with Banca Carige maturing on 31 December 2014 and fully backed up by a pledge on the Premuda equity stake.

In November, an extension of the loan until 31 December 2016 was approved, and the rate was renegotiated from the three-month Euribor plus 600 bps to the three-month Euribor plus 400 bps, contingent upon certain guarantees. However, since such guarantees have not been formally provided, the loan has currently expired. In 2014, as a result of the continuing situation of difficulty experienced by the Premuda Group and the deterioration of the col-

lateral held, further impairment losses of 4.2 million euros were recognised, which reduced net exposure to 4.0 million euros.

At year-end 2014, the exposure to **Citylife S.r.l.** (13.4 million euros at year-end 2013) was entirely written off. During the year, the transformation from the previous pooled revolving loan – in the overall amount of 30 million euros to cover the borrower's day-to-day business operations – to a one-to-one loan was approved, with the release of the guarantee provided by Allianz S.p.A. and the concurrent extension of the guarantee provided by Generali Properties S.p.A. for the entire amount. Banca Generali has also issued bank guarantees totalling 2.5 million euros, in favour of the same customer.

Operating receivables are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies and payment of the entire amount was received in the first two months of the year.

Finally, the maturing **GESAV policy** with Generali Italia was repaid.

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 presented a debt position of 5.2 million euros towards the tax consolidation programme, net of the advances paid, in relation to the estimated taxes for the year.

**Amounts due to customers** attributable to Generali Group's related parties reached 1,263.4 million euros at the end of the year and included amounts due to the parent company Assicurazioni Generali S.p.A. of 276 million euros and amounts due to Generali Italia S.p.A. of 175.2 million euros.

At year-end 2014, net inflows mainly related to current account deposits. In contrast, **term deposits** entered into in the previous year by some of the Group's companies (Participatie Maatschappij Graafschap Holland N.V and Flandria) due to temporary treasury requirements and maturing in April 2014 (411 million euros) and in February were fully repaid by the parent company Assicurazioni Generali (200 million euros).

Amounts due to customers also include the subordinated loan granted by Generali Versicherung amounting to 8.1 million euros, gross of accrued interest, and the new subordinated loan with Generali Beteiligungs-GmbH taken up to acquire the Credit Suisse Italy S.p.A.'s business line, for a total amount of 43.2 million euros, gross of accrued interest.

**Amounts due to banks** of the insurance group consisted for 14.6 million euros of collateral deposits made by BSI S.A. as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia.

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

#### **Equity relationships with banking group companies**

Within the Banking Group, the exposure to subsidiaries amounted to 38.9 million euros and consisted of operating receivables pertaining to the distribution of financial products. The current account overdraft granted to BG Fiduciaria has been repaid.

Funding from group companies amounted to 72.3 million euros and consists solely of the balances of current account deposits.

#### **Transactions with other Related Parties**

Exposure in respect of Key Management Personnel of the Bank and its parent company Assicurazioni Generali 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. This aggregate remained substantially unchanged since the end of 2013.

However, this aggregate also includes an equity investment held in the Bank's AFS portfolio and attributable to a key manager of the Parent Company, Assicurazioni Generali S.p.A.

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 MANAG. PERSONNEL
AFS financial assets	486
Loans to customers	1,896
Due to customers	1,244
Guarantees issued	45
Guarantees received	-

## 1.2 Profit and Loss account data

### Profit and loss relationships with Generali Group companies

At 31 December 2014, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 93.1 million euros, or 47.6% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	PARENT COMPANY ASSICURAZIONI GENERALI	OTHER SUBSIDIARIES OF THE GENERALI GROUP	2014	2013	CHANGE		% WEIGHT 2013
						AMOUNT	%	
Interest income	-	-	1,214	1,214	1,826	-612	-33.5%	1.0%
Interest expense	-64	-2,069	-2,468	-4,601	-3,453	-1,148	33.2%	42.7%
<b>Net interest</b>	<b>-64</b>	<b>-2,069</b>	<b>-1,254</b>	<b>-3,387</b>	<b>-1,627</b>	<b>-1,760</b>	<b>108.2%</b>	<b>-3.2%</b>
Fee income	96,240	591	115,089	211,920	169,490	42,430	25.0%	64.3%
Fee expense	-	-	-345	-345	-552	207	-37.5%	0.2%
<b>Net fees</b>	<b>96,240</b>	<b>591</b>	<b>114,744</b>	<b>211,575</b>	<b>168,938</b>	<b>42,637</b>	<b>25.2%</b>	<b>174.0%</b>
Dividends	-	28	-	28	12	16	133.3%	1.1%
Gain (loss) on trading	-	-	-	-	123	-123	-100.0%	0.0%
<b>Operating income</b>	<b>96,176</b>	<b>-1,450</b>	<b>113,490</b>	<b>208,216</b>	<b>167,446</b>	<b>40,893</b>	<b>24.3%</b>	<b>73.4%</b>
Staff expenses	310	-	573	883	986	-103	-10.4%	-1.3%
General and administrative expense	-293	-1,519	-13,572	-15,384	-15,808	424	-2.7%	12.3%
Other net operating income	216	-	254	470	440	30	6.8%	1.2%
<b>Net operating expenses</b>	<b>233</b>	<b>-1,519</b>	<b>-12,745</b>	<b>-14,031</b>	<b>-14,382</b>	<b>351</b>	<b>-2.4%</b>	<b>8.8%</b>
<b>Operating result</b>	<b>96,409</b>	<b>-2,969</b>	<b>100,745</b>	<b>194,185</b>	<b>153,064</b>	<b>41,244</b>	<b>26.9%</b>	<b>156.7%</b>
Reversal value of loans	-	-	-4,211	-4,211	-2,539	-1,672	65.9%	55.9%
Adjustments of other assets	-	-	-402	-402	-328	-74	22.6%	11.6%
Dividends and income from equity investments	122,596	-	-	122,596	57,312	65,284	113.9%	100.0%
<b>Operating profit</b>	<b>219,005</b>	<b>-2,969</b>	<b>96,132</b>	<b>312,168</b>	<b>207,509</b>	<b>104,782</b>	<b>50.4%</b>	<b>159.60%</b>
Profit (loss) from non-current assets, net of taxes	3,051	-	-	3,051	-124	3,175	-2560.5%	100.0%
<b>Net profit (loss) for the year</b>	<b>222,056</b>	<b>-2,969</b>	<b>96,132</b>	<b>315,219</b>	<b>207,385</b>	<b>107,957</b>	<b>52.0%</b>	<b>188.24%</b>

Overall, **net interest income** accrued in dealings with companies of the insurance Group is negative and amounted to 3.3 million euros, with interest paid to such companies (4.5 million euros) accounting for 42.1% of the total item recognised in the profit and loss account and showing an increase of 1.1 million euros compared to the previous year, mainly due to the time deposit extant during the year.

Within this item, the interest paid in relation with the subordinated loans of Generali Versicherung and Generali Beteiligungs-GmbH amounted to 0.7 million euros, the interest accrued on collateral deposits of BSI S.A. amounted to 0.5 million euros, interest on the time deposits with foreign subsidiaries and the Parent Company amounted to 1.7 million euros and interest on the funding provided by other Generali Group companies was 1.6 million euros.



Fee income paid back by companies of the insurance Group amounted to 115.6 million euros, equal to 35.1% of the aggregate amount and was broken down as follows:

	BANKING GROUP	GENERALI GROUP	2014	BANKING GROUP	GENERALI GROUP	2013	CHANGE
Fees for the placement of UCITSs	94,153	2,341	96,494	79,925	2,379	82,304	14,190
Distribution of insurance products	-	110,380	110,380	-	82,369	82,369	28,011
Distribution of asset management products	2,087	1,360	3,447	2,112	189	2,301	1,146
Consultancy	-	772	772	999	253	1,252	-480
Other bank fees	-	827	827	-	1,264	1,264	-437
	<b>96,240</b>	<b>115,680</b>	<b>211,920</b>	<b>83,036</b>	<b>86,454</b>	<b>169,490</b>	<b>42,430</b>

The main items were fees for distribution of insurance products paid back to **Genertellife**, which grew significantly compared to the previous year thanks to the successful new multi-line policy BG Stile Libero.

Fees on the placement of units of UCITSs of the insurance group related for 2.3 million euros to the income on the distribution of BG Focus funds, promoted by Generali Investments Europe SGR. Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2014 fee income amounted to 0.8 million euros advisory fees from Alleanza and Generali Italia and 0.2 million euros advisory fees from Generali Paneurope.

The other bank fees refer primarily to direct debit collection activity on behalf of Group companies.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITSs administered by management companies that belong to the banking and insurance Group. Such fees, amounting to 9.5 million euros, are generally charged directly against the assets of the UCITSs, which are considered entities beyond the scope of IAS 24.

The Bank also collects subscription fees for the investment companies with variable capital (Sicav) promoted by the group – BG Sicav, BG Selection Sicav, Generali Investments Sicav – directly from customers through the correspondent bank.

	BANKING GROUP	GENERALI GROUP	2014	BANKING GROUP	GENERALI GROUP	2013
Sicav underwriting fees	6,752	195	6,947	7,406	1,134	8,540
Trading fees on funds and Sicavs	2,331	7,207	9,538	2,961	9,583	12,544
	<b>9,083</b>	<b>7,402</b>	<b>16,485</b>	<b>10,367</b>	<b>10,717</b>	<b>21,084</b>

**Fee expense** paid back to the companies of the insurance group are mainly comprised of fees paid back to Simgenia and BSI Europe for the distribution of portfolio management and banking products, and risk-sharing fee expense paid to BSI S.A. for the provision of guarantees associated to loans granted.

**Net operating expenses** recognised by the Bank in relation to transactions with related parties of the Generali Group amounted to 14 million euros and refer for 8.8% to outsourced services in the insurance, leasing, administrative and IT sectors.

	BANKING GROUP	GENERALI GROUP	2014	BANKING GROUP	GENERALI GROUP	2013	CHANGE
Insurance services	-	2,036	2,036	-	2,548	2,548	-512
Property services	-	6,518	6,518	-	6,177	6,177	341
Administration, IT and logistics services	107	6,283	6,390	310	6,333	6,643	-253
Financial services	-30	-	-30	-	-	-	-30
Staff services	-310	-573	-883	-299	-687	-986	103
<b>Total administrative expense</b>	<b>-233</b>	<b>14,264</b>	<b>14,031</b>	<b>11</b>	<b>14,371</b>	<b>14,382</b>	<b>-351</b>

Administrative expense incurred in relation to Generali Italia S.p.A. amounted to 2.8 million euros, of which 1.8 million euros refer to insurance services and the remainder to rentals for former INA property leases.

The cost of property services relating to the lease of office, branch network and the bank's operating outlet premises totalled 6.6 million euros and referred to the Parent Company, as well as Generali Properties (2.7 million euros), Fondo Mascagni (1.3 million euros) and Generali Immobiliare SGR (1.3 million euros).

Expenses relating to IT, administration and logistics referred chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

#### **Profit and loss relationships with the Banking Group's companies**

The profit and loss components recognised in the Financial Statements with regard to transactions with companies of the

Banking group amounted to 219 million euros and primarily consist of:

- fee income given back to the Group's product companies in connection with the distribution of financial products and services by such companies (96.2 million euros);
- dividends distributed by the Luxembourg-based subsidiary GFM (122.6 million euros).

With respect to aggregate operating expenses, the services rendered by the Parent Company to members of the banking group are highly limited and refer essentially to the exchange of staff and the outsourcing of major administrative services.

#### **Direction and Coordination**

Pursuant to Article 2497-bis of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of the latter company's latest Financial Statements is reported hereunder.

## 2013 Highlights of Assicurazioni Generali

(€ MILLION)	
<b>Net profit</b>	<b>569.3</b>
Aggregate dividend	700.6
<i>Increase</i>	125.0%
Total net premiums	5,357.5
Total gross premiums	6,300.5
Total gross premiums from direct business	3,598.2
<i>Increase on equivalent terms <sup>(a)</sup></i>	n.s.
Total gross premiums from indirect business	2,702.3
<i>Increase on equivalent terms <sup>(a)</sup></i>	n.s.
Acquisition and administration costs	843.3
<i>Expense ratio <sup>(b)</sup></i>	15.7%
<b>Life Business</b>	
Total net premiums	3,261.9
Life gross premiums	3,530.0
<i>Increase on equivalent terms <sup>(a)</sup></i>	n.s.
Life gross premiums from direct business	1,879.1
<i>Increase on equivalent terms <sup>(a)</sup></i>	n.s.
Life gross premiums from indirect business	1,650.9
<i>Increase on equivalent terms <sup>(a)</sup></i>	n.s.
Life acquisition and administration costs	
<i>Expense ratio <sup>(b)</sup></i>	11.9%
<b>Non life Business</b>	
Total net premiums	2,095.6
Non-life gross premiums	2,770.5
<i>Increase on equivalent terms <sup>(a)</sup></i>	n.s.
Non-life gross premiums from direct business	1,719.1
<i>Increase on equivalent terms <sup>(a)</sup></i>	n.s.
Non-life gross premiums from indirect business	1,051.4
<i>Increase on equivalent terms <sup>(a)</sup></i>	n.s.
Non-life acquisition and administration costs	
<i>Expense ratio <sup>(b)</sup></i>	21.7%
<i>Non-life loss ratio <sup>(c)</sup></i>	70.1%
<i>Non-life net combined ratio <sup>(d)</sup></i>	91.8%
<b>Current financial result</b>	
Technical provisions	10,789.0
Technical provisions life	9,247.7
Technical provisions non-life	1,541.3
Investments	37,622.8
<b>Capital and reserves</b>	<b>14,095.1</b>

(a) At constant exchange rates.

(b) Acquisition and administration costs on total premiums.

(c) Claims, maturities and surrenders on earned premiums.

(d) Sum of (b) and (c).

The highlights of the parent company Assicurazioni Generali S.p.A shown above were taken from the company's Financial Statements for the year ended 31 December 2013. These are available together with the Independent Auditor's Report as

provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm engaged by Banca Generali.

## PART I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

### A. Qualitative information

#### Payment agreements based on own equity instruments

At 31 December 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 of the Group's managers relating to Banca Generali's listing on the Stock Exchange, approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two stock-option plans reserved respectively for Financial Advisors and network managers and relationship managers (employees) of Banca Generali, approved by the General Shareholders' Meeting held on 21 April 2010.

The main features of the aforementioned plans are detailed below.

#### 1. Stock Option Plans for employees and Financial Advisors related to the listing

In order to motivate key management personnel and the distribution network to pursue strategic results for the Company, on 24 May 2006 the Board of Directors of Banca Generali approved two stock option plans, both contingent upon the commencement of trading of the Company's shares on the Stock Exchange, called for:

- the allotment to Banca Generali Group salaried managers of a maximum amount of 1,113,130 new ordinary shares to be issued;
- the allotment to Banca Generali's Financial Advisors, area managers and business managers and the private bankers in the BSI channel, of a maximum of 4,452,530 shares to be issued.

The plans were authorised by the General Shareholders' Meeting on 18 July 2006. During the same meeting, the shareholders also passed a resolution on a divisible share capital increase in the service of such stock option plans, for a maximum nominal amount of 5,565,660.00, through the issue of new ordinary shares of a nominal value of 1.00 euro each.

On 15 December 2006, after the ordinary shares started trading on the MTA (electronic share market) on 15 November 2006, the initial allotment in favour of Group managers and

Financial Advisors were made, both with a strike price of 9.046 euros, equal to the arithmetic mean of the closing price of the company's listed shares on the MTA recorded during the period from the option allotment date to the same day in the previous calendar month.

The allotment of options was conditional upon the attainment of overall group targets and, in the case of the plan reserved for the Financial Advisors and network managers, to individual net inflows targets.

The plans' rules and procedures called for Financial Advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met). For salaried managers instead the plan called for a single three-year vesting period, with the possibility of exercising the options over the following three years.

The mandatory reinvestment of 50% of capital gains in Banca Generali shares and retention of said shares for at least 12 months was also provided for.

In order to compensate optionees for the loss in value of the above-mentioned Stock Option Plans due to the well-known market conditions that occurred in 2007 and 2008, which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows, on 9 October 2009 the Board of Directors of Banca Generali resolved to approve a three-year extension of the exercise period of the above-mentioned options. That amendment was subsequently ratified by the Shareholders' Meeting on 21 April 2010. Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for Financial Advisors – 31 March 2014;
- for salaried managers – 15 December 2015.

Throughout the life of the plans, a total of 3,545,870 option rights have been allotted, of which 2,706,870 to Financial Advisors and 839,000 to managers serving under employment contracts.

During 2014, a total of **388,785** options were exercised, of which **67,500** by managers serving under employment

contracts.

In addition, **22,000** options were cancelled due to the termination of employment of employees to whom they had been allotted, while **20,206** options allotted to Financial Advisors at the end of the financial year as of 31 March 2014 expired.

At the end of 2014, the options allotted under the plan reserved for employees of banking group companies totalled **30,000**. They must be exercised by 15 December 2015.

### **1.1 Accounting effects of the extension of the stock-option plans**

For a thorough analysis of the accounting aspects of the extension of stock-option plans and the issues associated with the re-determination of the fair value of such plans, the reader is referred to the corresponding sections of the 2009 and 2010 Financial Statements, in which the transactions concerned were originally recognised.

Following the three-year extension of the exercise period approved in 2011, the option's fair value for the employees' plan was set at 2.5 euros, while for the Financial Advisors' plan was set in a range between 2.4 and 2.5 euros, based on the expected exercise date.

At present, since the vesting period has expired, the above plans have entered a merely executive phase, resulting in accounting effects on capital, as analysed in Section B below, solely in relation to the exercise of vested option rights by beneficiaries.

## **2. Rules for the Stock Option Plans for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010**

In order to pursue the twofold objective, in the medium- and long-term, of maintaining the interest of the distribution network and network managers in line with the interest of the company, as well as retaining the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity, on 21 April 2010 the Shareholders' Meeting approved two stock option plans, which called for:

- the allotment to Banca Generali's Financial Advisors, area managers, business managers and private bankers of a maximum of 2,300,000 shares to be issued;
- the allotment to Banca Generali's Relationship Managers of a maximum amount of 200,000 ordinary shares to be issued;
- the allotment of options by 30 June 2011, after having verified that overall and individual targets for the development of net inflows by 31 December 2010 have been reached;
- the possibility to exercise the options between 1 July 2011 and 30 June 2017 to the extent of one-sixth per year.

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

The following is a summary of the salient characteristics of the plans in question.

Recipients	<ol style="list-style-type: none"> <li>1) Financial Advisors under standard agency agreements at 1 July 2009, provided they are not on notice of termination.</li> <li>2) Financial Advisors engaged in a subsequent period, until the end of the Reference Period.</li> <li>3) The Network Managers on whom the Company conferred as of 1 July 2009 a specific additional appointment as Sales Manager for Italy, Area Manager, Private Banking Manager or District Manager, provided that the said additional appointment is not revoked and continues to remain in full force and effect through to the expiry of the Reference Period.</li> <li>4) Any and all Banca Generali's employees who was still in the service of Banca BSI Italia as Relationship Managers or Unit Coordinators of Relationship Managers, and had not been placed on notice of termination as of 30 September 2009.</li> </ol>
Performance conditions	<p>Allotment of the Options to the Plan Recipients is contingent upon the satisfaction of:</p> <ul style="list-style-type: none"> <li>• overall net inflows targets set by the Board of Directors at 2.0 billion euros for 2010;</li> <li>• individual net inflows targets set by the Plan's Management Committee.</li> </ul> <p>Individual targets call for a minimum net inflows access threshold, above which the options allotted are proportional to the net inflows level achieved.</p> <p>Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be allotted, a distribution would be conducted.</p>
Reference period and measurement parameters	<p>The following must be considered for participation in the Plan:</p> <ol style="list-style-type: none"> <li>1. the net inflows achieved in the fourth quarter of 2009 and all of 2010 arising from application of the "Tax Amnesty";</li> <li>2. the remaining net inflows achieved in 2010, calculated according to the normal rules applicable to semi-annual incentive plans.</li> </ol>
Vesting conditions	<p>The allotted Options shall be exercisable as follows:</p> <ul style="list-style-type: none"> <li>- up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2011;</li> <li>- up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2012;</li> <li>- up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2013;</li> <li>- up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2014;</li> <li>- up to no more than one sixth of the sum total of the allotted Options, as of 1 July 2015;</li> <li>- the remaining one sixth of the Options, as of 1 July 2016.</li> </ul> <p>The Rules and Procedures state that, if the relationship between the Recipients/Grantees and the Company is terminated for any reason or the associated notice period is underway, the Recipient shall forfeit, effective immediately, the right to be allotted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of Financial Advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010).</p> <p>In such case, only the options that have already become exercisable may be exercised.</p>
Exercise period	<p>The allotted Options must be exercised by 30 June 2017 at the very latest.</p> <p>The shares may be freely disposed of and are not subject to any restrictions.</p>
Effective date of the Plan	<p>The Plan shall take effect as soon as the Plan Management Committee identifies the Recipients of the Options, provided that, by such time:</p> <ul style="list-style-type: none"> <li>• Banca Generali's General Shareholders' Meeting approves the capital increase covering the Plan;</li> <li>• the Board of Directors determines that the overall performance targets set during the session of the Board of Directors in which the Financial Statement results for 2010 are discussed have been met;</li> <li>• the Delegated Body determines that the individual Recipients have, in fact, met the individual performance targets previously established.</li> </ul> <p>The latter condition must be determined to have been satisfied by 15 May 2011 and the Options must be allotted to the entitled parties by 30 June 2011.</p>
Strike Price	<p>The Strike Price of the Options represents the arithmetic mean of the Reference Prices of the Shares as quoted on the electronic share market (MTA) during the period between the date on which the Options were allotted, and the same day of the calendar month immediately preceding the aforesaid allotment date.</p>

Following the attainment of the overall net inflows objectives, the review of the achievement of the individual objectives assigned to the various categories of recipients was conducted by the Plan Management Committee on 13 May 2011.

The option rights were effectively allotted to the entitled parties on 7 June 2011.

The exercise price of the shares, amounting to 10.7118 euros, was determined on the basis of the plans Regulations, based on the arithmetic mean of the reference price of Banca Generali stock listing in the period from the option allotment date to the same date of the previous solar month.

The fourth tranche of options, accounting for one-sixth of the total options allotted, became eligible for exercise as of 1 July 2014.

During 2014, a total of **378,208** options were exercised, of which **46,225** by relationship managers. In addition, **21,078** options were cancelled due to termination of the agreements with the Financial Advisors and **3,757** due to the resignations of employees to whom they had been allotted.

At the end of 2014, the options allotted under the plan reserved for Financial Advisors amounted to **1,087,438**, whereas the option rights allotted to Relationship Managers amounted to **88,749**.

### 2.11 Measurement of fair value and accounting effects

Valuation of the stock option plans is based on the fair value of the options allotted, calculated with reference to the final allotment date of the options.

In further detail, since the various tranches of the plan are associated with different vesting dates and option exercise periods, each tranche has been treated as a separate allotment, with the determination of a specific fair value.

The measurement of the fair value of the options was computed using a standardised model available among the operating tools on the Bloomberg platform. This model contemplated information such as the strike price, the vesting period, the exercise window, current share price and implied volatility, expected dividends and the risk-free interest rate. The binomial pricing model also takes into account the possibility of early exercise.

The implied volatility of Banca Generali stock used in the model was determined according to an inductive process commonly used by the market.

In detail, the expected volatility of at-the-money Banca Generali options at three months was first estimated according to surveys of historical volatility and the volatility of more liquid options at three months on the equities of listed issuers with similar structural characteristics. The spread between the volatility of the option at three months and the DJ STOXX 50 index was then calculated, and that spread was applied to the index's implied volatility during the holding period for the new maturities, while also taking the various moneyness profiles into account.

Considering the particular situation of market volatility that occurred during the option allotment period, the current value of the options has been determined on the basis of the average quotations during the period from 15 May (the date on which the beneficiaries were identified) to 30 June 2011, the date specified in the Rules and Procedures as the final deadline for allotment of the options.

The other specific characteristics of the plans, such as the presence of periods of suspension of exercisability, were also considered for measurement purposes.

Since the plan's Rules and Procedures also call for forfeiture of the right to exercise options in the event of the termination of a Financial Advisor for any reason, except for decease, permanent disability or retirement, an estimate was prepared of the briefer expected residual life of the options compared to their contractual duration due to expected cases of early exercise. To that end, the notional fair value of the shares was adjusted on the basis of the expected turnover rates by option vesting class.

This procedure resulted in the identification of fair values between 1.01 and 0.65 euros depending on the exercise date for the option rights.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between allotment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

Given the different vesting dates of the various tranches of the plan, each tranche was measured separately for this purpose. It follows that for the first tranche, which may be exercised beginning on 1 July 2011, vesting was immediate, whereas for the sixth tranche, which may be exercised beginning on 1 July 2016, the vesting period was calculated over six years.

## B. Quantitative information

During 2014, 767,000 option rights deriving from the old 2006 stock-option plans related to the listing and the new 2010 plans were exercised.

The weighted average strike price was 9.85 euros (the strike price range was 9.0-10.71 euros), compared to an average price of the Banca Generali stock of 21.8 euros in 2014.

The total amount of proceeds for the bank thus reached 7,605 thousand euros, whereas the value of the IFRS 2 equity reserve set aside in previous years in connection with the rights exercised amounted to 1,559 thousand euros.

That amount, along with the amount paid out to the beneficiaries, net of the par value of the shares allotted, was added to the share premium reserve (8,272 thousand euros) pursuant to the Supervisory Authority's instructions (Circular No. 262/2005, paragraph 5, Statement of Changes in Net Equity).

The expenses recognised in profit and loss in 2014 in connection with the stock-option plans reserved for Financial Advisors and salaried Relationship Managers authorised in 2010 amounted to 224 thousand euros.

At the end of 2014, the IFRS 2 equity reserve therefore amounted to 1,596 thousand euros.

The total number of options that can be exercised at the end of financial year 2014 is 422 thousand, with an average strike price of 10.59 euros and a total exercise value of about 4.7 million euros. The remaining average life of such aggregate amount is little more than two years.

The exercise period of the 2006 plans expired on 31 March 2014 for Financial Advisors and will expire on 15 December 2015 for employees.

As of 1 July 2015, the fifth tranche of the 2010 stock option plans will also become exercisable.

(€ THOUSAND)	TOP MANAGERS	AVERAGE PRICES	FINANCIAL ADVISORS	AVERAGE PRICES	EMPLOYED MANAGERS	AVERAGE PRICES	TOTAL	AVERAGE PRICES	AVERAGE MATURITY
<b>A. Amount at year-start</b>	-	-	<b>1,781,990</b>	<b>10.38</b>	<b>258,231</b>	<b>9.92</b>	<b>2,040,221</b>	<b>10.33</b>	<b>2.86</b>
<b>B. Increases</b>	-	-	-	-	-	-	-	-	X
B.1 Newly issued shares	-	-	-	-	-	-	-	-	X
B.2 Other changes	-	-	-	9.00	-	-	-	-	X
<b>C. Decreases</b>	-	-	<b>-694,552</b>	<b>9.87</b>	<b>-139,482</b>	<b>9.62</b>	<b>-834,034</b>	<b>9.83</b>	<b>X</b>
C.1 Cancelled	-	-	-21,078	10.71	-25,757	9.25	-46,835	9.91	X
C.2 Exercised	-	-	-653,268	9.87	-113,725	9.70	-766,993	9.85	X
C.3 Expired	-	-	-20,206	9.00	-	-	-20,206	9.00	X
C.4 Other changes	-	-	-	-	-	-	-	-	X
<b>D. Amount at year-end</b>	-	-	<b>1,087,438</b>	<b>10.71</b>	<b>118,749</b>	<b>10.28</b>	<b>1,206,187</b>	<b>10.67</b>	<b>2.46</b>
<b>E. Options that can be exercised at year-end</b>	-	-	<b>372,673</b>	<b>10.71</b>	<b>49,670</b>	<b>9.68</b>	<b>422,343</b>	<b>10.59</b>	<b>2.39</b>
Strike price	-	-	205	X	19	X	224	X	X
IFRS 2 reserve	-	-	1,291	X	305	X	1,596	X	X

The table includes option rights exercised by the beneficiaries in the last days of 2014 to be settled in 2015.

Trieste, 10 March 2015

THE BOARD OF DIRECTORS



# Independent Auditors' Report

PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 27.01.2010, NO. 39



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**Independent auditors' report  
pursuant to art. 14 and 16 of Legislative Decree dated 27.01.2010, n. 39  
(Translation from the original Italian text)**

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

1. We have audited the financial statements of Banca Generali S.p.A. as of and for the year ended December 31, 2014, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 1, 2014.

3. In our opinion, the financial statements of Banca Generali S.p.A. at December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree dated 28.02.2005, n. 38; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Generali S.p.A. for the year then ended.
4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree dated 24.02.1998, n. 58, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the financial statements of Banca Generali S.p.A. as of December 31, 2014.

Milan, March 27, 2015

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

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Capitale Sociale € 1.402.500.000 i.v.  
Iscritto alla S.S. del Registro delle Imprese presso il C.C.A.A. di Milano  
Codice fiscale e numero di iscrizione: 09424000989  
P.IVA: 02097421003  
Reconta Ernst & Young (consigliere) s.p.a. (società pubblica) S.S. Italia - S.r.l. di Sede Sociale del 1100 i.v. per la attività prestata dalle società di consociate  
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# Board of Statutory Auditors' Report

PURSUANT TO SECTION 153 OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429, PARAGRAPH 3, OF THE ITALIAN CIVIL CODE

Shareholders,

We have reviewed the Annual Financial Report for the year ended 31 December 2014, which consists of:

- the Draft Separate and Consolidated Financial Statements of Banca Generali S.p.A. for the year ended 31 December 2014, including the Notes and Comments and detailed accounting statements;
- the Consolidated Report on Operations, including the Annual Report on Corporate Governance and Company Ownership, in accordance with Article 123-bis of Legislative Decree No. 58/1998;

prepared by the Directors and duly forwarded to the Board of Statutory Auditors.

At the Group level, amongst the highly significant transactions described in this Financial Report, mention should be made of the following:

- the acquisition of the Credit Suisse Italia's Italian affluent and upper affluent private banking operations, finalised in November 2014;
- the partial non-proportional de-merger of Generali Fund Management S.A. in July 2014 (with retroactive effect for accounting purposes from 1 January 2014), in which Banca Generali held a 51% equity investment, and whereby the fund and Sicav management business line of the Generali Group's insurance companies was de-merged in favour of a newly set-up company. Following the aforementioned transaction, GFM is fully controlled by Banca Generali and has changed its company name into BG Fund Management Luxembourg S.A.;
- disposal of the equity investment in the UCITS BG Dragon China Sicav at year-end 2014.

During the year, no atypical and/or unusual transactions were undertaken with related parties or entities other than related parties such as intra-group entities or third parties. "Atypical and unusual transactions" are defined as all transactions that may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

At the Group level, two "highly significant" transactions with related parties were carried out:

- the subordinated loan agreement entered into at conditions applied on the market for similar transactions with Generali Beteiligungs GmbH, a Generali Group company;
- BGM's divestment of UCITS BG Dragon China Sicav.

In addition, as thoroughly described in the Financial Report, other related party transactions qualifying as "moderately significant transactions" were carried out, besides ordinary or recurring transactions effected at arm's length, the effects of which are analysed in the dedicated section of Notes and Comments.

The oversight activity was conducted by the Board of Statutory Auditors in the reporting year, in compliance with the law and, specifically, Article 149 of Legislative Decree No. 58/1998, and in accordance with the code of conduct recommended by the *Roll of Certified Public Accountants and Commercial Experts*, as well as with Article 19 of Legislative Decree No. 39/2010, and taking account of *Consob* and *Bank of Italy* provisions.

The Board of Statutory Auditors herewith reports on the oversight activities it conducted in 2014. The Board of Statutory Auditors:

- participated in one General Shareholders' Meeting;
- participated in the 14 meetings of the Board of Directors held during the year, checking that the resolutions adopted and implemented were in compliance with the law and the Articles of Association and ensuring that they were neither imprudent nor gave rise to conflicts of interest not adequately illustrated and managed;
- participated in the 16 meetings of the Audit and Risk Committee;
- participated, also through its Chairman, to the 10 meetings of the Remuneration and Nomination Committee;
- in April 2014, was also vested with the functions of the Supervisory Body, holding 7 meetings throughout the year;
- met periodically to conduct its audits, recording 21 meetings in its book;
- requested and obtained from the Chief Executive Officer, the Manager in charge of preparing the Company's financial reports and the other Managers of the Company information concerning the most significant transactions carried out by the Company, and acknowledged that such transactions were not considered openly imprudent or risky, in potential conflict of interest, in contrast with resolutions adopted by the Shareholders' Meeting, or such as to compromise the integrity of the company's assets;
- exchanged information with the Chairmen of the Boards of Statutory Auditors of other companies of the Group;
- verified the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2, of Legislative Decree No. 58/1998, as well as to supervisory instructions issued by the Bank of Italy, and deemed that they were adequate;

- issued legal opinions, including those relating to the main subjects listed below:
  - remuneration policies;
  - approval of and amendments to Company Rules and Policies;
  - significant changes to organisational structure;
  - ICAAP process;
- verified that its members possessed the independence requisites, as well as its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. Moreover, it verified that the independent auditors possessed the independence requisites and found that the procedures adopted by the Board of Directors to ascertain its own internal independence compliance were adequate;
- systematically monitored the activity carried out by the Internal Control and Risk Management System, stating its observations on the interim and annual reports on activities and the programmes to be implemented, and checked the implementation status of the activity plans and ensuing results. The system envisages line checks, risk management and compliance checks, controls against money laundering, and internal audit activity. Business operations and information flows amongst the various parties involved, including the Board of Statutory Auditors, were efficiently coordinated during the year. During the course of the year, the Internal Audit service assessed that the internal control and risk management systems was efficiently implemented, and put forward certain recommendations and suggestions aimed at improving risk management and control, without, however, highlighting any significant shortcomings. The Board of Directors appointed the Chief Executive Officer as the Executive Director in charge of overseeing the functioning of the internal control and risk management system. The Internal Auditor directly reports to the Board of Directors. On the whole, the Internal Control System was deemed adequate;
- the company did not proceed to appoint a Lead Independent Director in light of the function and tasks assigned to the Chairman of the Bank;
- monitored complaints by investors, without discovering any weaknesses in internal procedures or the Company's organisational layout;
- verified the general compliance of the Bank with the requirements for correspondence with and notices to the Supervisory Bodies, as well as compliance with industry regulations and the deed of incorporation;
- acknowledges that the Company has discharged its obligations relating to the prevention of money laundering, with particular regard to Legislative Decree No. 231 of 21 November 2007, as further amended and extended, and the provisions of the Bank of Italy and the company's Financial Information Unit, including staff training, through the Anti-Money Laundering Compliance Unit, within the Corporate Risks Department;
- acknowledges that the Bank has complied with its obligations concerning privacy with respect to the treatment of personal data pursuant to Italian Legislative Decree No. 196/2003 and other applicable laws in force. Moreover, during 2014, it drew up the Security Plan, on a voluntary basis;
- acknowledges that during the year the Supervisory Body, whose functions are carried out by the Board of Statutory Auditors effective 1 April 2014, monitored the operation and compliance of the Organisation and Management Model, and verified that it has been properly updated and is suitable for preventing over time the commission of the crimes mentioned in the legislation. The work performed revealed no irregularities that could be related to the crimes contemplated under the provisions of Legislative Decree No. 231/2001;
- evaluated and verified the appropriateness of the administrative and accounting system, as well as its reliability in accurately representing operations through the report received by the Manager in charge of preparing the Company's financial reports, the Auditing Firm, and by obtaining direct information from the heads of the respective departments and examining the company records. With reference to the application of Law No. 262/2005 and the provisions of letter a), paragraph 1, of Article 19 of Legislative Decree No. 39/10, the Board of Directors also monitored the processes and activities carried out by the Bank, within the framework of the Financial Accounting Risk Governance activity, aimed at continuously assessing the adequacy of administrative and accounting procedures and the ensuing financial reports. The Annual Report on Corporate Governance and Company Ownership, as per Article 123-bis of Legislative Decree No. 58/1998, illustrates the main features of the Bank's financial reporting risk model, as defined by the Manager responsible for preparing the Company's Financial Reports. The firm engaged for the statutory auditing of the Company's accounts has issued the report as per Article 19, paragraph 3, of Legislative Decree No. 39/2010, in which no significant shortcomings were illustrated as regards the internal control system, in connection with the financial reporting process;
- acquired information and monitored the adequacy of the Company's organisation structure as it evolved in 2014;
- acknowledges that the company has adopted, *inter alia*, the following main codes, policies and procedures, and that it updated them during the year:
  - internal dealing, setting up the Internal Dealing Register;
  - insider information, with the introduction of the Insider Register;
  - related party and connected party transactions and transactions of greater importance;
  - transactions with parties that have powers of management, administration and control over the bank;
  - internal policies governing control mechanisms for activities at risk and conflicts of interest involving con-

- nected parties;
- order execution and transmission policy;
- conflict of interest policy;
- internal rules;
- contingency funding plan;
- single risk management policy;
- Risk Appetite Framework;
- fair value policy;
- Group policy on outsourcing;
- equity investment management policy;
- policy of enhancement of third-party financial instruments;
- inducement policy;
- customer classification policy;
- portfolio investment process;
- compliance policy; Internal Audit policy;
- Internal control system policy;
- Internal Code of Conduct;
- acknowledges that the Company adheres to the new edition of the Corporate Governance Code of Listed Companies;
- checked that the Bank has adopted regulations, processes and structures suitable for monitoring and overseeing banking-related risks (market risks, credit risks, liquidity risks, operating risks, compliance and money laundering risks), as described in the Report on Operations and Notes and Comments;
- believes that the process of determining ICAAP internal capital is adequate and acknowledges that the Bank has discharged its obligations in this area;
- acknowledges that in 2014, the Bank operated in strict compliance with the "Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance", which lays down specific operating rules governing fact-finding procedures, decision-making powers, record-keeping and disclosure obligations; these transactions and relevant information are given in the Report on Operations and Notes and Comments;
- acknowledges that in 2014 the company's intra-group transactions were of a financial and commercial nature, and regarded the supply of services, as described in the Directors' Report on Operations and Notes and Comments;
- acknowledges that Banca Generali complies with the National Tax Consolidation scheme of Assicurazioni Generali S.p.A.;
- acknowledges that the Report on Operations and Notes and Comments contain the information regarding the possession of own shares and Parent Company shares, in respect of which the respective restricted reserves have been set aside;
- the Notes and Comments describe in detail the new prudential regulatory provisions for banks concerning capital requirements. The Banks complies with the required capital requirements (Common Equity Tier 1, Tier 1, Total Capital

Ratio) set forth in the supervisory provisions; detailed information on capital regulatory requirements and capital ratios is given in the Report on Operations and Notes and Comments. Banca Generali exercised the option to neutralise the capital gains and losses deriving from fair-value measurement of financial assets available for sale belonging to the Euro Area government bond segment for the purposes of capital for regulatory purposes, as allowed under Bank of Italy's Order of 18 May 2010, which has been renewed also in Basel 3 new prudential supervisory regime introduced as of 1 January 2014 until the new IFRS 9 becomes effective in 2018;

- acknowledges that the Report on the Corporate Governance System includes the disclosure pursuant to Article 123-bis of the Consolidation Law on Finance;
- acknowledges that the Company prepared the Remuneration Report: Banking Group's remuneration policies and report on the application of remuneration policies;
- Acknowledges that the Notes and Comments include the Report on share-based payment agreements;
- acknowledges that no complaints have been received pursuant to Article 2408 of the Civil Code;
- acknowledges that during the year no complaints were received.

With reference to social corporate responsibility, the Financial Report provides a summary of the 2014 results achieved in the various areas of the Banking Group's social responsibility, restated according to the GAV (Global Added Value) method.

The Board of Statutory Auditors acknowledges that the Company is subject to management and coordination by the parent company Assicurazioni Generali S.p.A. and that all related statutory obligations have been duly discharged.

The periodic auditing, the review of the Half-year Report, and the audit of the Separate and Consolidated Financial Statements were entrusted to the auditing firm Reconta Ernst & Young S.p.A., whose term of office will expire upon approval of the 2014 Financial Report. The Board of Statutory Auditors has examined the audit activity plan for 2014 and periodically exchanged information with the Auditing Firm; the latter did not notify the Board of Statutory Auditors of any events, circumstances or irregularities requiring its attention. During 2014, the Auditing Firm verified regular bookkeeping practices and correct assessment of operations in the accounting entries, and that the Financial Statements for the year ended 31 December 2014 coincided with accounting results. The Independent Auditors have issued clean reports on the Separate and Consolidated Financial Statements for the year ended 31 December 2014.

The Independent Auditors have also issued the statement confirming their independence and the absence of the causes of in-

compatibility contemplated in Articles 10 and 17 of Legislative Decree No. 39/2010.

Further additional engagements were conferred on the auditing firm Reconta Ernst&Young S.p.A. and companies belonging to the same network during the year, as described in the Notes and Comments, and specifically:

- Reconta Ernst & Young S.p.A. rendered technical services, with specific emphasis on methodology, for identifying performing and non-performing Forborne loans;
- the law and tax accountancy firm Ernst & Young rendered services associated with the drawing-up of the periodic reports generated in connection with the Qualified Intermediaries (QI) procedure required by the Internal Revenue Service (IRS);
- Ernst & Young Financial-Business Advisors S.p.A. rendered technical services, with specific emphasis on methodology, in connection with the following projects and procedures:
  - methodological technical support for the analysis of the new prudential regulatory provisions for banks set forth by Basel 3 regulations;
  - methodological technical support for achieving compliance with the new prudential provisions for banks (Bank of Italy's Circular Letter No. 263, 15th update);
  - methodological technical support for assessment activities in relation to the application of IFRS 13 – Lending Area;
  - support for achieving compliance with the Privacy Authority's Order No. 192/11;
  - checks based on the "IT Governance Framework" the Bank adopted;
- Ernst & Young S.A. verified the fairness of the amount of the Generali Fund Management S.A.'s business line subject to de-merger, with respect to the applicable Luxembourg laws.

The Manager in charge of preparing the Company's financial reports and the Chief Executive Officer issued the statement and attestation of conformity provided for by regulations on accounting and financial statement disclosures.

The Board of Statutory Auditors nonetheless controlled the general criteria used in preparing the Financial Statements as well as its compliance with the law and specific regulations regarding the preparation of financial statements of banking institutions.

The Annual Financial Statements has been prepared in accordance with Legislative Decree No. 38/2005, the accounting standards issued by the IASB and the relevant IFRC interpretations; moreover, it was based on "*Instructions for the preparation of company's financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups*" issued by the Bank of Italy,

as most recently updated on 22 December 2014 to Circular No. 262/2005. The Notes and Comments explain the assessment criteria adopted and provide the necessary information as required by current laws, including information on credit risk, market risk, liquidity risk and operating risk. The Directors' Report on Operations provides information on operations, highlighting developments underway and the potential outlook, and the banking Group's development and reorganisation process in the reporting year.

In carrying out our supervisory activity, as described above, no other significant facts emerged that need to be reported to the competent Supervisory Bodies or that are worthy of mention in this report.

The Board of Statutory Auditors points out that the Consolidated Financial Statements of the Banca Generali Group were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and IFRC interpretations. Moreover, they were based on "*Instructions for the preparation of company's financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups*" issued by the Bank of Italy, as most recently updated on 22 December 2014 to Circular No. 262/2005. The scope of consolidation, which has changed compared to the previous year with the exclusion of BG Dragon China Siccav, includes the Parent Company, Banca Generali S.p.A., and its subsidiaries, BG Fiduciaria SIM S.p.A., BG Fund Management Luxembourg S.A. (formerly GFM) and Generfid S.p.A. The Report on Operations includes information on the performance of subsidiaries.

Having regard to the above, the Board of Statutory Auditors considers that the Financial Statements for 2014, as presented to you by the Board of Directors, may be approved by you and expresses a favourable opinion regarding the allocation of the net profit of 167,459,532.00 euros as proposed by the Board of Directors.

The Board of Statutory Auditors reminds you that its term of office is also coming to an end upon approval of the 2014 Financial Statements and wishes to thank you for the confidence accorded it.

Trieste, 27 March 2015

The Board of Statutory Auditors

Giuseppe Alessio Verni - Chairman  
Angelo Venchiarutti - Acting Auditor  
Alessandro Gambi - Acting Auditor



Consulta la soluzione d'Investimento dell'Advisor

PRODOTTI E SERVIZI

STRUMENTI

CONTROVALORE DA ALLOCARE: 250000 €

ISR

CONTROVALORE: 175.000,0 €

PRODOTTI	ISIN	ISR	PESO	CONTROVALORE
BG Sicav - FOLFIDA-DELTA UCITS	IE0085LGG149	4,1	70,0%	22.500,0 €
BG Sicav - ORGAN ASSET MANAGEMENT EUROPE /30 FUND C EUR CUMULATION	LU0289214545	4,0	9,0%	25.000,0 €
PMIF Income Opportunity C HDG - EUR	LU0289472085	7,5	10,0%	10.000,0 €
BG Sicav - Flexible Global Equities E - EUR	LU0997468664	1,1	4,0%	25.000,0 €
BG Sicav - HSBC Euro Credit Opportunities E - EUR	LU0997469399	4,9	10,0%	17.500,0 €
BG Sicav - Amundi Global Income Bond E - EUR	LU1016176379	1,2	7,0%	17.500,0 €
BG Sicav - UBS Global Income Alpha E - EUR	LU1016208677	1,5	7,0%	15.000,0 €
BG Sicav - Vontobel New Frontier Debt F - EUR	LU1016221779	3,2	6,0%	12.500,0 €
		2,5	5,0%	

Fonte: Advisory Finanziario, BG Fund Management Luxembourg



Advisory Note

Analisi

Dati aggiornati al 23/09/2014



4

# ATTESTATION

BOARD OF DIRECTORS - 10 MARCH 2015





# Attestation

PURSUANT TO ARTICLE 154-BIS PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58/98



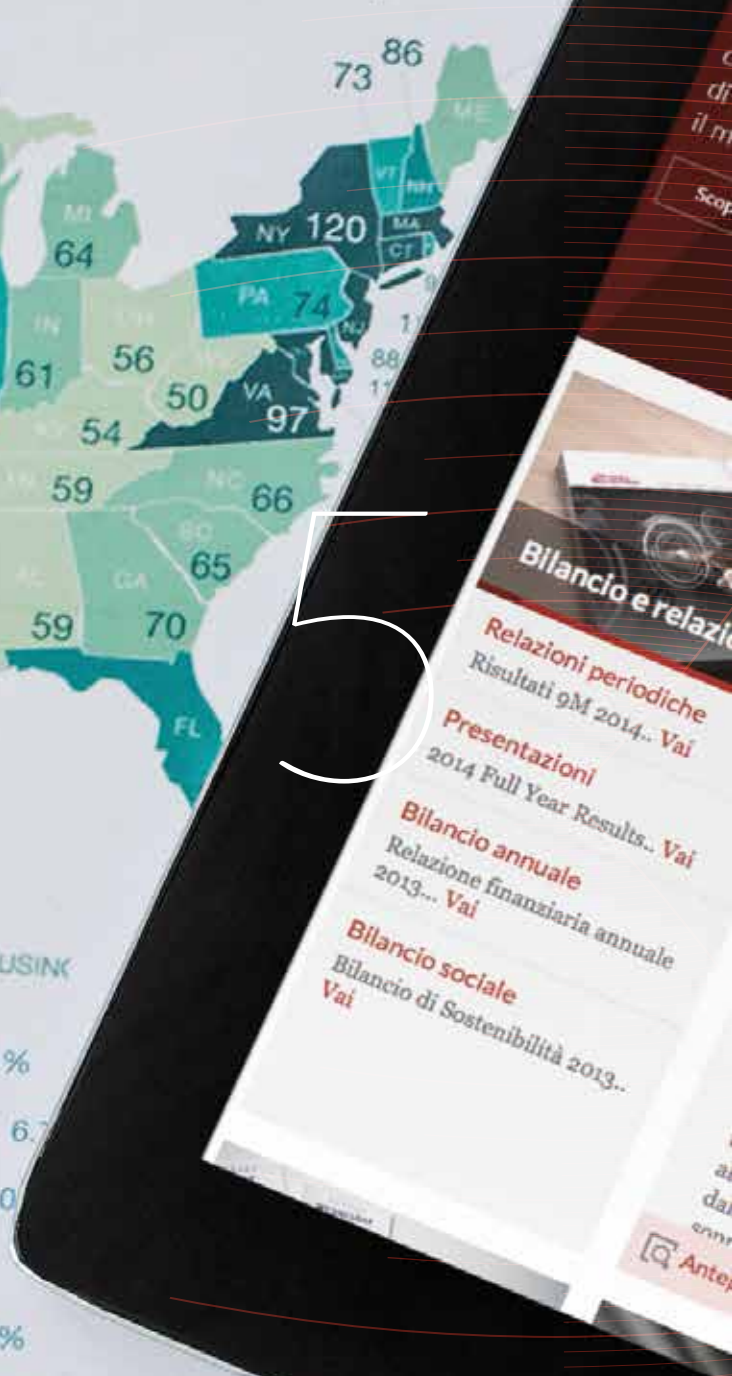
**Attestation to the Annual Financial Report pursuant to the provisions of art. 154-bis, paragraph 5, of Legislative Decree 58 of 24 February 1998 and art. 81-ter of CONSOB Regulation 11971 of 14 May 1999, as amended**

1. The undersigned Piermario Motta, in his capacity as Chief Executive Officer, and Stefano Grassi, in his capacity as Manager in charge of the Financial Reports of Banca Generali S.p.A., taking into account the provisions set out in article 154-bis, paragraphs 3 and 4, of the Legislative Decree dated 24 February 1998, Nr. 58, hereby declare that the administrative and accounting procedures for preparing the Annual Financial Report for the year 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 Annual Financial Report at 31 December 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 Annual Financial Report at 31 December 2014:
    - a) was prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) Nr. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of the Italian Civil Code, and of Legislative Decree Nr. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
    - b) reflects the accounting books and records;
    - c) provides a true and fair view of the asset, liabilities, profit or loss and financial position of the issuer and all its consolidated companies.
  - 3.2 The Directors' report on operations includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

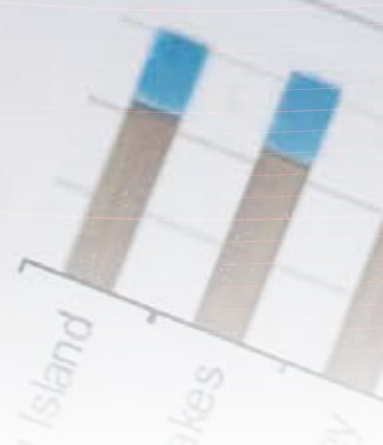
Trieste, 10 March 2015

Piermario Motta  
Chief Executive Officer  
BANCA GENERALI S.p.A.

Stefano Grassi  
Manager in Charge of  
the Company's Financial Reports  
BANCA GENERALI S.p.A.



- Energy 36.1%
- Construction 6.7%
- Agriculture 3.0%
- Health 3.6%
- Education 3.6%
- Public Admin. 4.8%
- Retail & Wholesale 8.1%
- Tourism & Cons. Services 3.8%
- Finance & Real Estate 11%
- Bus. Comm. Services 5.5%
- Transp. & 7.7%
- Manufactu 11%



5

# ANNEXES

BOARD OF DIRECTORS - 10 MARCH 2015



# ANNEX 1

## DISCLOSURE OF COMPENSATION FOR AUDITING PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB REGULATION NO. 11971

The following table shows a breakdown of the compensation paid by Banca Generali and the companies of the Banking Group to the independent auditors Reconta Ernst & Young S.p.A. enga-

ged to audit the financial statements in accordance with Legislative Decree No. 58/98, as well as the Italian and foreign entities in the network to which the auditing firm belongs.

(€ THOUSAND)	E&Y - Italy	E&Y network
<b>Parent Company</b>	<b>785</b>	-
Audit	254	-
Certification	-	-
Other services	531	-
<b>Subsidiaries</b>	<b>22</b>	<b>84</b>
Audit	22	74
Certification	-	10
Other services	-	-
<b>Total</b>	<b>807</b>	<b>84</b>

### Notes

1. Amounts net of VAT and out-of-pocket expenses.

# Banca Generali S.p.A.

## REGISTERED OFFICE

**Via Machiavelli 4 - 34132 Trieste**

## SHARE CAPITAL

**Authorised 119,378,836 euro**

**Subscribed and paid 115,756,094 euro**

TAX CODE, VAT NO. AND TRIESTE  
REGISTER OF COMPANIES

**00833240328**

**Company managed and coordinated  
by Assicurazioni Generali S.p.A.**

**Bank which is a member of the Interbank Deposit  
Protection Fund**

**Registration with the bank register  
of the Bank of Italy under No. 5358**

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

**ABI code 03075.9**



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