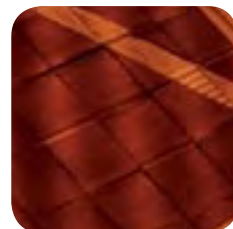
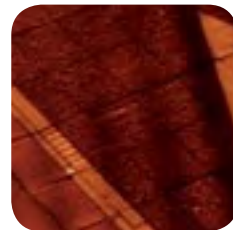
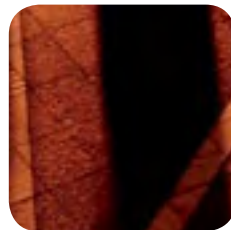


BANCA GENERALI SPA

# ANNUAL FINANCIAL REPORT AS OF 31 DECEMBER 2010





BANCA GENERALI SPA

**ANNUAL FINANCIAL REPORT  
AS OF 31 DECEMBER 2010**



# ANNUAL FINANCIAL REPORT AS OF 31 DECEMBER 2010

Board of Directors 10 March 2011

## BANCA GENERALI SPA

### REGISTERED OFFICES AT

34152 TRIESTE, VIA MACHIAVELLI 4 - ITALY

### AUTHORISED SHARE CAPITAL

119,378,836 EUROS

### UNDERWRITTEN AND PAID-UP SHARE CAPITAL

111,574,408 EUROS

### TRIESTE REGISTER OF COMPANIES, TAX CODE AND VAT NO.

00833240328

### MEMBER OF THE INTERBANK DEPOSIT PROTECTION FUND

BANK REGISTER NO. 5358

### PARENT COMPANY OF THE BANCA GENERALI BANKING GROUP REGISTERED IN THE BANKING GROUP REGISTER

### COMPANY MANAGED AND COORDINATED BY ASSICURAZIONI GENERALI S.P.A.

ABI 03075.9

## COMPANY BOARDS

### CHAIRMAN

PERISSINOTTO GIOVANNI

### CHIEF EXECUTIVE OFFICER

GIRELLI GIORGIO ANGELO

### BOARD OF DIRECTORS

BAESSATO PAOLO

BORRINI AMERIGO

BUSCARINI FABIO

DE VIDO ANDREA

LENTATI ATTILIO LEONARDO

MINUCCI ALDO

MIGLIETTA ANGELO

RIELLO ETTORE

### BOARD OF STATUTORY AUDITORS

ALESSIO VERNÌ GIUSEPPE (CHAIRMAN)

GAMBI ALESSANDRO

VENCHIARUTTI ANGELO

CAMERINI LUCA (ALTERNATE AUDITOR)

BRUNO ANNA (ALTERNATE AUDITOR)

### GENERAL MANAGER

MOTTA PIERMARIO

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

FANCEL GIANCARLO

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## GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

CONSOLIDATED FIGURES			
(€ million)	31.12.2010	31.12.2009	CHANGE %
Net interest	43.2	49.3	-12.2
Net commissions	198.0	184.7	7.2
Dividends and net profit from trading	13.2	21.0	-37.3
<b>Net banking income</b>	<b>254.4</b>	<b>255.0</b>	<b>-0.2</b>
Staff expenses	-64.3	-67.1	-4.1
Other general and administrative expense	-76.4	-80.0	-4.5
Amortisation and depreciation	-4.1	-5.8	-29.0
Other operating income	8.8	3.4	160.4
<b>Net operating expense</b>	<b>-136.0</b>	<b>-149.5</b>	<b>-9.0</b>
<b>Operating profit</b>	<b>118.4</b>	<b>105.5</b>	<b>12.2</b>
Provisions	-19.2	-15.9	21.1
Adjustments	-4.3	-7.6	-43.0
<b>Profit before taxation</b>	<b>94.9</b>	<b>82.1</b>	<b>15.5</b>
<b>Net profit</b>	<b>82.2</b>	<b>63.2</b>	<b>30.1</b>
Cost / income ratio	51.9%	56.4%	-8.0
EBITDA	122.5	111.3	10.0
ROE	41.82%	33.11%	26.3
EPS - Earnings per Share (euro)	0.741	0.571	29.8

NET INFLOWS			
(€ million) (Assoreti data)	31.12.2010	31.12.2009	CHANGE %
Mutual Funds and SICAVs	451	379	18.9
Asset management	314	168	86.5
Insurance / Pension funds	1,171	805	45.4
Securities / Current accounts	-666	724	-192.1
<b>Total</b>	<b>1,270</b>	<b>2,076</b>	<b>-38.8</b>

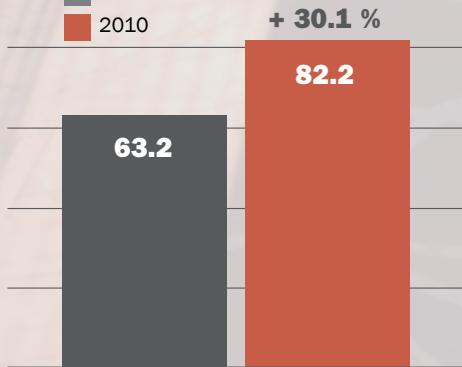
ASSETS UNDER MANAGEMENT & CUSTODY (AUM/C)			
(€ billion) (Assoreti data)	31.12.2010	31.12.2009	CHANGE %
Mutual Funds and SICAVs	6.6	5.8	12.8
Asset management	3.4	3.0	11.0
Insurance / Pension funds	6.8	5.9	16.5
Securities / Current accounts	6.8	7.5	-9.0
<b>Total</b>	<b>23.6</b>	<b>22.2</b>	<b>6.2</b>

NET EQUITY			
(€ million)	31.12.2010	31.12.2009	VAR. %
Net equity	281.2	268.5	4.7
Capital for regulatory purposes	225.3	205.7	9.5
Excess capital	89.6	69.5	28.9
Solvency margin	13.28%	12.08%	9.9

### NET PROFIT

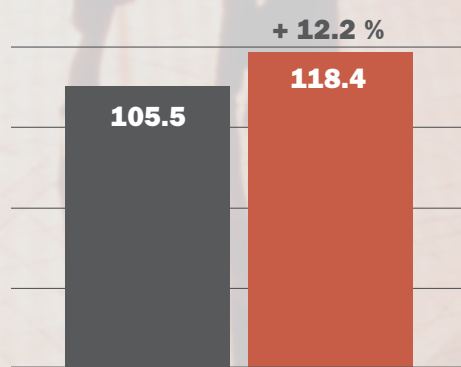
€ million

■ 2009  
■ 2010



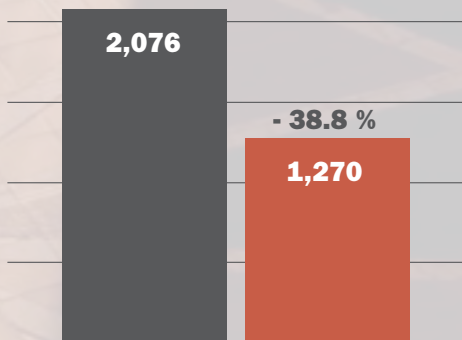
### OPERATING PROFIT

€ million



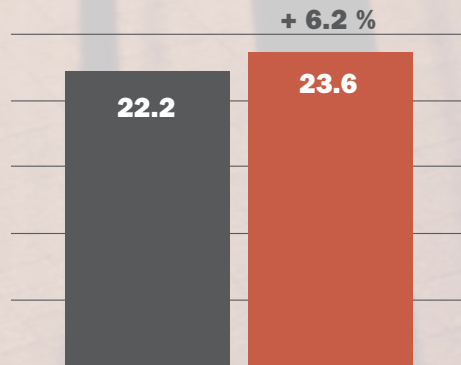
### NET INFLOWS

€ million



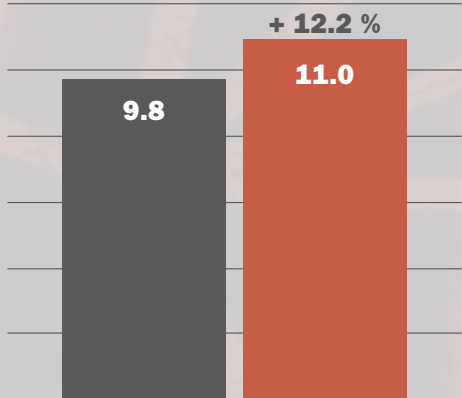
### ASSETS UNDER MANAGEMENT & CUSTODY

€ billion



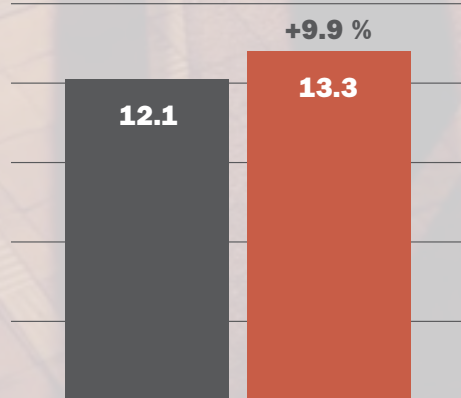
### TIER 1

change %



### TOTAL CAPITAL RATIO

change %



## 2010 HIGHLIGHTS

Net operating  
expense

**136.0**

euro million

-9.0%

Cost/income

**51.9%**

- 8.0%

Net  
inflows

**1,270**

euro million

Net inflows  
managed

**1,936**

euro million

+ 43.2%





**Total assets**

**23.6**

euro billion

+ 6.2%

**Total AuM**

**16.8**

euro billion

+ 14.0%

**Tier 1**

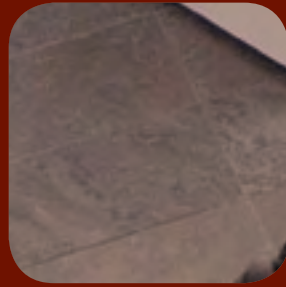
**11.0%**

+ 12.2%

**Total capital ratio**

**13.3%**

+ 9.9%



# REPORT ON OPERATIONS

AS OF 31 DECEMBER 2010

BOARD OF DIRECTORS  
10 MARCH 2011





# CONSOLIDATED REPORT ON OPERATIONS 2010

## SUMMARY OF 2010 OPERATIONS

**NET PROFIT  
OF 82.2  
MILLION  
EUROS**

The Banca Generali Group closed 2010 with net profit of 82.2 million euros – an increase of about 19 million euros compared to 2009 (+30.06%) – and net equity of 281.2 million euros. The growth of net profit reflects significant development of customers and assets under management, as well as cost-

efficiency policies.

**Net banking income** remained essentially unchanged compared to 31 December 2009, falling from 255.0 million euros in 2009 to 254.4 million euros in 2010 (-0.24%), while showing an increase in net commissions of 13.3 million euros (+7.17%), offset by a decrease in net interest of 12.22%, owing to the market performance of interest rates and a decrease in the net result from banking operations of 7.8 million euros.

**General and administrative expense** totalled 140.7 million euros at 31 December 2010, down 4.33% compared to 2009. Staff expenses decreased from 67.1 million euros in 2009 to 64.3 million euros in 2010 (-4.12%).

**Net provisions** amounted to 19.2 million euros, a 21.11% increase compared to financial year 2009, mainly attributable to provisions in connection with the distribution network.

At 31 December 2010, the **total value of the assets** managed by the Group for its customers, obtained through the financial advisor network, was 23.6 billion euros, compared to 22.2 billion euros in 2009. Also, in addition to this amount, at 31 December 2010, the assets under the administration or custody of the Generali Group companies totalled approximately 1.8 billion euros, while 7.7 billion euros were held in mutual funds/SICAVs and discretionary accounts (GPF/GPM) managed and distributed either directly by management companies or parties outside the Group, for an overall total of 33.1 billion euros compared to 31.4 billion euros at the end of 2009.

Based on Assoreti data, the Banca Generali Group is one of the market leaders in the distribution of financial products through its network of Financial Advisors, in terms of both assets under management, with 23.6 billion euros, and net inflows of approximately 1.3 billion euros in 2010.

In 2010, the Banking Group was primarily committed to **improving the quality of customer assets under management** and developing the network to include advanced advisory models, owing in part to the expansion of the range of products available through a product innovation policy.

In this regard, the **sales network continued to be enhanced** and the number of new customers constantly increased. With regard to the asset mix, the Group continued to assist customers in optimising their portfolios with the aim of obtaining an asset mix that best responds to financial and pension needs, as well as generating returns that are consistent with a range of risk/return profiles. To this end, offerings of financial products of third-party and in-house product companies were further expanded, while the sales network continued to receive constant, focused training.

In this scenario, significant planning measures were also launched with the aim of optimising processes and calibrating the operating mechanism to new standards of quality and efficiency, primarily as regards the management tools made available to the sales network.

The reporting year also witnessed the completion of several corporate actions that involved reorganising the banking group's operations to create cost and skill synergies and enhancing the operating structure's efficiency. Effective 1 January 2010, Banca BSI Italia was merged into its parent company, Banca Generali, after de-merging the portfolio management business unit to BG SGR, with the aim of gradually concentrating domestic portfolio management schemes within the group in a single company.

Following the merger of Banca BSI Italia into the parent company, Banca Generali, the Private Banking Division has been created within the latter to enhance the private banking channel, i.e., to continue to make progress towards the objectives of becoming the premier bank for clients of high-standing by offering a full, personalised range of investment solutions and wealth management services and of ranking among the industry's top players in terms of assets under management, know-how and brand awareness.

During the year, the "Related-Party Procedure" approved by the Board of Directors on 5 November 2010, was amended to reflect CONSOB Regulation 17221 of 12 March 2010. As required, the Procedure is available from the Corporate Governance section of Banca Generali's website.

The year also saw the preparation and publication of the first corporate sustainability report, dealing with

2009, which provides an analysis of relationships and policies with the banking group's main stakeholders.

Before analysing the sales and financial results for 2010, macroeconomic information for the main economic regions of the world is reported, to provide a better understanding of the factors that influenced the Group's results.

## 1. Macroeconomic Context

The **global recovery phase continued in 2010**, although at different paces in the various areas. In advanced nations, the stimuli provided by the measures taken during the crisis of 2008-2009 were gradually exhausted, a fact that began to have a negative impact on the growth profile mid-way through the year and drove economic policy authorities to implement new supporting measures. Yet the event that weighed heavily on capital markets in 2010 was the European sovereign debt crisis, the epicentre of which lay in nations on the Euro Area's periphery: uncertainty regarding the sustainability of the fiscal situation, a low level of competitiveness and difficulty in recreating in the near future the conditions for obtaining high growth rates resulted in the gradual exclusion from access to the market for Greece and Ireland, which were forced to apply for aid from the European Union and International Monetary Fund. Bonds issued by Spain, Portugal and Italy were also under constant pressure, as interest rates rose and the spread in yields compared to German bonds increased sharply. By contrast, growth in emerging nations systematically exceeded that of the advanced economies, reaching potential growth rates.

On the **microeconomic front**, 2010 saw a gradual reinforcement of corporate performance in terms of both profits and turnover, rewarding companies with exposure to international markets. Against this backdrop, equity markets showed a bull performance until April, after which they fluctuated within broad trading ranges until autumn, to then resume their climb late in the year and close at the peak of the cycle. In the first eight months of the year, yields on benchmark government bonds (Treasuries and Bunds) fell to historical lows, driven by an uncertain growth scenario and the repeated recurrence of concerns regarding the Euro Area sovereign debt crisis. The improvement in the global situation then drove yields up. In this scenario, spreads on the bonds of Euro Area peripheral nations continued to widen, showing a high degree of volatility. The euro/dollar exchange rate, which had fallen as a result of the intensification of political risk in the euro area during the first half of the year, has begun to climb again during the summer and then fluctuated in a wide range.

At the **macroeconomic level**, global growth was characterised by various phases: while rates neared potential levels in the first half of the year, growth declined towards a weaker trend level in the following months and finally, in the last months of the year the economic scenario improved again. This fluctuation of growth was more pronounced in developed economies, which were hindered by the massive debt reduction and the persistent credit crunch. However, authorities in the United States intervened promptly in response to economic deterioration that exceeded expectations: the Fed approved new expansionary monetary-policy measures and the Obama administration and Congress reached an agreement to extend Bush-era tax cuts. In the Euro Area, the sovereign debt crisis drove many countries to adopt restrictive fiscal stances in order to reduce budget deficit levels in the near term and public debt in the medium term. Throughout the year, European authorities took a series of measures aimed at stemming the sovereign debt crisis: in the end, the European Council of 16-17 December implemented the European Stabilisation Mechanism, which will allow for any crises to be handled in a permanent manner. International trade continued to expand and in many cases returned to pre-recession levels, with positive effects in particular for those economies most open to international markets, such as Germany. With the transition to more restrictive fiscal policies in many European nations, economic support was once more the responsibility of monetary policy, with the ECB proving willing to intervene to ease tensions on several occasions. Inflationary pressures are absent and central banks have succeeded in keeping official rates stable and low. On the contrary, in many emerging countries the pace of growth has led monetary authorities to raise interest rates to combat the price pressures that have begun to crop up again. However, the extensive influx of foreign capital generated by the expansionary monetary policies of advanced nations slowed more restrictive approaches and drove authorities in many emerging economies to use administrative measures and the appreciation of their currencies to control capital flows and combat inflationary pressure.

In the first three months of the year, Euro Area **interbank market interest rates** trended downwards, depressed by an abundance of liquidity and the expectation that the ECB would leave refinancing rates unchanged for many months: the three-month Euribor fell from 0.70% to 0.63%. Then, due to the deterioration of the sovereign debt crisis, upwards pressure resumed: the three-month rate rose to reach 0.71% at the end of June. In this scenario, the ECB approved a series of measures (the “sterilised” purchase of government bonds, the resumption of auctions with an unlimited supply of liquidity, etc.) aimed at responding to money-market tensions: the efficacy of these measures translated into a stabilisation of financing conditions and, in the summer months, a reduction in financing requests. Accordingly, the ECB, while continuing to state that it was willing to supply the required liquidity, also showed that it was disposed to tolerate the rise of market rates around the range of the official refinancing rate (1%) as a response to the improvement in the economic situation. In the autumn, market tensions during the Irish crisis resulted in a widening of the spread between the swap rate and Euribor. Concerted measures in support of Ireland and the subsequent implementation at the European level of a plan aimed at containing debt crises in a permanent manner allowed tensions to subside. At year-end, the three-month Euribor fluctuated around 1% and the spread had returned to 0.5% from the high of 0.84% reached at the end of October.

While showing a high degree of volatility, **equity markets** appreciated and generally reached highs at the end of the year, owing to the prospects of stability in the global scenario and the constant improvement in corporate results. The sole exceptions were the Euro Area’s peripheral markets (Spain, Ireland, Greece, Portugal and Italy), which were slowed by the uncertainties of the debt crisis. In emerging markets, performances continued to benefit from the influx of foreign capital. At the end of 2010, the MSCI World index in euro showed a positive performance of 17.5%, whereas in the United States the Standard & Poor’s 500 rose 20.9% and the NASDAQ 27.8%, nearing pre-crisis levels. European exchanges also improved: the benchmark index for the entire area (the DJ Stoxx 600) rose 8.6%, while the benchmark index for the Euro Area (DJ Euro Stoxx) remained essentially unchanged (-0.1%); the Dax climbed 16.1%, while the Italian exchange (FTSE Mib) index fell by 13.7%. Small caps outperformed large-capitalisation indices: the MSCI Europe Small Cap gained 27.7%. During the year, emerging-market exchanges showed generally positive performances throughout all areas (Asia, Latin America

and Eastern Europe): the MSCI Emerging Market index climbed 24.8%. The sectors of the European market that performed the best were automobiles, industrial goods and services, consumer goods and commodity, whereas banks, utilities, energy and insurance products and services all underperformed the average.

**Bond markets** were initially dominated by the sovereign credit crisis in the countries on the Euro Area’s periphery, then, during the summer, by rising uncertainties relating to the slowdown of global growth: during this phase, yields on the main markets declined, reflecting investors’ preference over the increase in political risk in the Euro Area, while also presaging a transition to a less lively growth trend than in the first six months of the year. The global improvement in the cycle and the establishment of an institutional frame within the EU for limiting the debt crisis then gradually drove returns up. Ten-year rates, which at the beginning of the year were at 3.39% (Germany) and 3.83% (USA), had declined to a low of 2.12% and 2.47% respectively and then closed the year at 2.96% and 3.29%. On the contrary, the yields on the bonds of countries considered at risk of default increased considerably, raising spreads to the highest levels since the Monetary Union was created.

Italian government bonds were also under severe pressure across all maturities, and the spread compared to German bonds expanded to reach a high of near two percentage points. The floating-rate notes issued by Italy (CCT) also did not escape sales flows, showing severe volatility and ending the year with price corrections on five-year maturities amounting to more than four percentage points.

In this context, spreads on non-financial corporate bonds proved highly resistant and continued to contract owing to solid fundamentals (an improvement in cash flow, low interest rates and a decrease in the insolvency rate).

**Currency markets** were also affected by economic expectations and the consequences of the sovereign debt crisis. The euro weakened against all currencies until June: the exchange rate, which was around 1.45 to the dollar, reached a low of 1.1925 in early June. Following the approval of highly restrictive fiscal measures in most countries of the EU, the euro first stabilised then strengthened. Late in the year, the approval of new expansionary monetary-policy measures by the United States, on the one hand, and the repeated recurrence of concerns regarding the Euro Area’s sovereign debt, on the other, caused the



exchange rate to fluctuate within a broad range – 1.30 to 1.40 dollars to the euro – to close the year at 1.34. The yen gradually appreciated to 81 yen to the dollar from 95 at the beginning of the year, while in many emerging markets capital inflows increased, resulting in general currency appreciation, only partly offset by heightened administrative control measures.

Finally, commodities prices climbed until April, after which they weakened, only to then rise once more, reflecting the expected improvement in the global scenario to reach a high at the end of the year. The price of oil rose to 91.5 dollars a barrel from 82.5 at the end of 2009.

## 2. Major Corporate Events

The reporting year witnessed the completion of several corporate transactions, approved and authorised in the previous year, aimed at reorganising and increasing the efficiency of the banking group.

Effective 1 January 2010, Banca BSI Italia was merged into its parent company, Banca Generali, after de-merging the portfolio management business unit to BG SGR, with the aim of creating a single domestic portfolio management hub within the group.

Banca BSI Italia's business is conducted within a division of Banca Generali called Banca Generali Private Banking. The division has its own brand name that is connected to the Group's but unique in terms of target customers. Two separate distribution channels have been maintained within the new division: Private Bankers, consisting of Financial Advisors (serving the company on an agency agreement), and Relationship Managers, consisting of bank employees. Dedicated sales-assistance and product organisational units were created to support these channels.

The merger increased the efficiency of all services associated with the support and coordination of administrative, financial, corporate and human

## Economic Outlook

The willingness shown by authorities to extend measures supporting economic activity drove the main international entities to revise their growth forecasts for 2011 upwards. Nonetheless, consensus projections remain conservative due to the high level of unemployment, the constant reduction of financial leverage and the restricted nature of credit conditions, which could weigh on the performance of consumer spending and investment in advanced economies. In particular, the main international entities continue to cite the fragility of the Euro Area, potentially still conditioned by the sovereign debt crisis, which does not yet appear to have been resolved. The economies of emerging countries are expected to grow considerably owing to the expenditure on investment and the expansion of domestic consumption.

resources management activities that, although previously carried out by the Parent Company under special service agreements, required a use of resources typical of a company with all its own obligations.

The merger did not require an increase in the capital of Banca Generali, as the bank already owned 100% of the merged company.

As mentioned above, the merger was structured in the form of the transfer by Banca BSI Italia to BG SGR (a fully-owned subsidiary of Banca Generali) of the business unit organised to manage portfolio management operations. The decision is in line with the bank's goal of centralising all of Banca BSI Italia's portfolio management activities within the Group's SGR, whose core business involves dedicating the most talented professionals to managing the assets of the various investment lines in order to best satisfy customers' investment needs. The transaction has led, already in 2010, to the achievement of cost synergies and process efficiency gains.

## 3. Banca Generali's Competitive Positioning

### 3.1 Banca Generali's business model

Banca Generali is a leading manager, producer and distributor of financial products for retail customers through financial advisors.

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

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

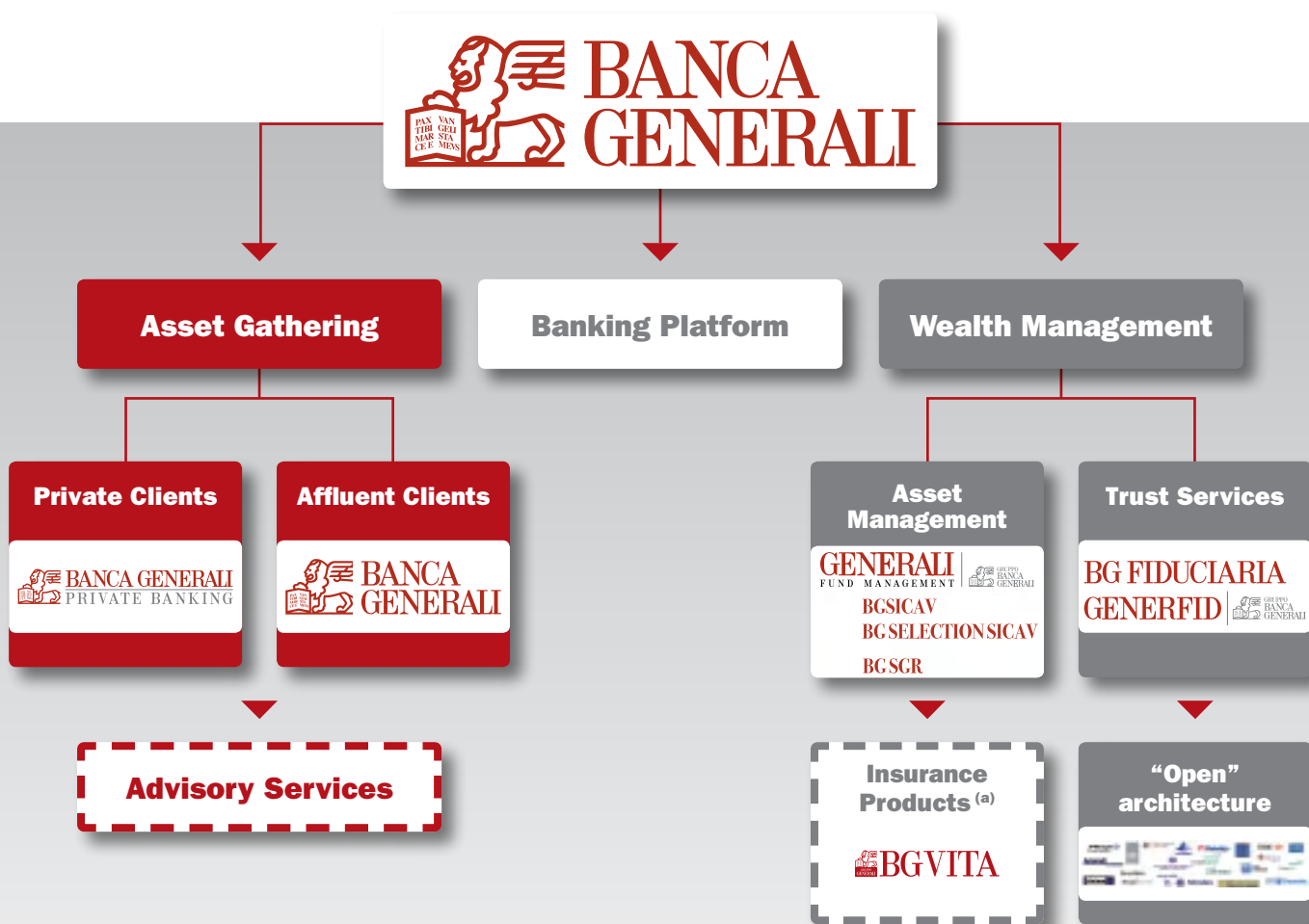
Within this general view, there are five key traits that identify the Banca Generali's approach to its business:

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

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

Banca Generali's financial products and services cover a **wide range of needs**: from mutual funds to discretionary accounts and insurance and pension products. A total of approximately 1,200 products and services, provided by the Group and 26 management companies, banks and insurers, are offered.

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



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

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

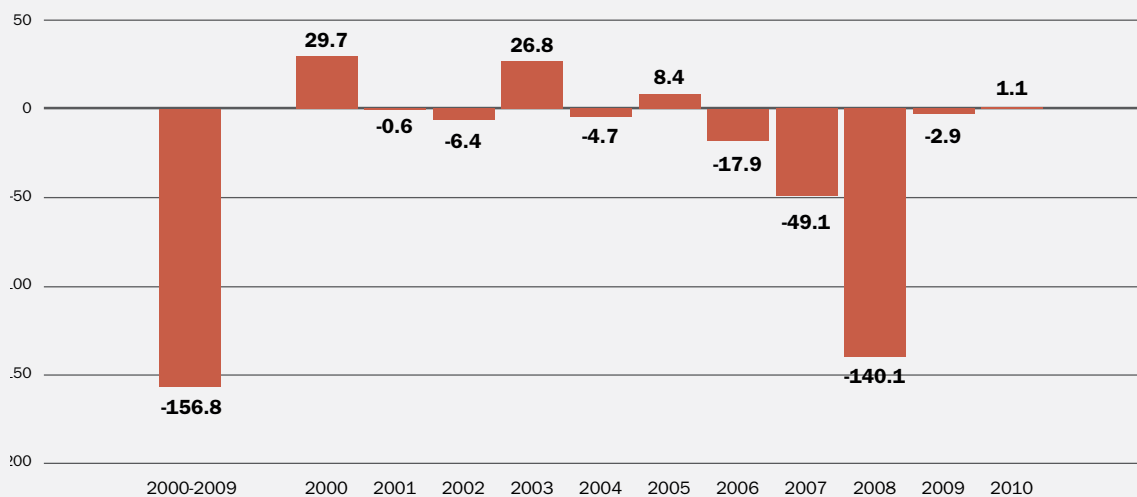
### 3.2 The Asset Management Market

In 2010 the UCIT market in Italy reported minor net inflows (1.1 billion euros), representing a reversal of the trend seen in 2009 (-2.9 billion euros). However, if the data are considered with greater scrutiny, it may be seen that the above result is the product of genuine revolution: Italian UCITs showed net outflows of 24.7 billion euros, while foreign UCITs (largely represented by Luxembourg SICAVs) showed net inflows of 25.8 billion euros.

This trend, which has been in progress for several years, has brought the assets invested in foreign UCITs to 57.2% of the total. The trend is due to a legislative and fiscal situation that is detrimental to Italian products, which only in July 2011 will finally benefit from amendment aimed at achieving parity between the rules applicable to Italian and foreign UCITs.

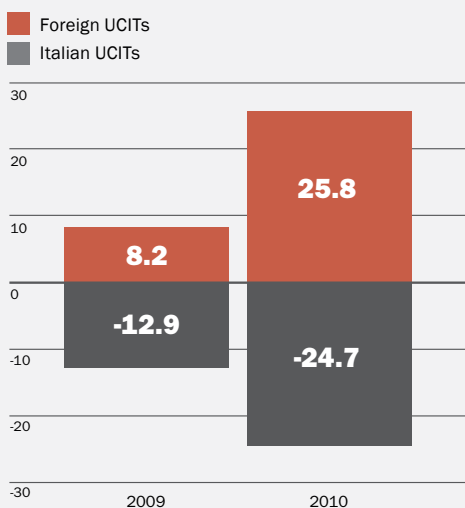
Another important remark to be extrapolated from the Assoreti figures relates to the composition of inflows and outflows in terms of advisors and the traditional banking system, which has shown a polarisation similar to that discussed above: traditional banks reported net outflows of 10.1 billion euros, while networks reported net inflows of 11.2 billion euros.

### THE ITALIAN COLLECTIVE INVESTMENT UNDERTAKINGS (UCITS) MARKET

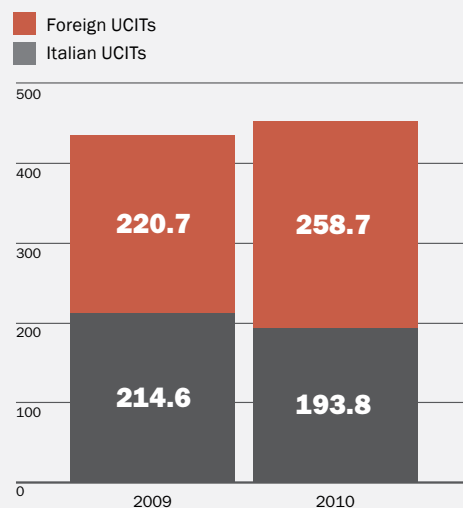


Source: Assogestioni

### NET INFLOWS TREND



### ASSET TREND



Source: Assogestioni

### 3.3 The Assoreti Market

The net inflows reported by the Assoreti market (total distribution activity through financial advisors) in 2010 were lower than in 2009 (+12.3 billion euros compared to 17.8 billion euros in 2009). The reason for this difference is to be sought in the discontinuation of the “tax shield” effect, from which all financial operators, and advisor networks in particular, benefited at the end of 2009.

This is also clear from a breakdown of inflows and outflows.

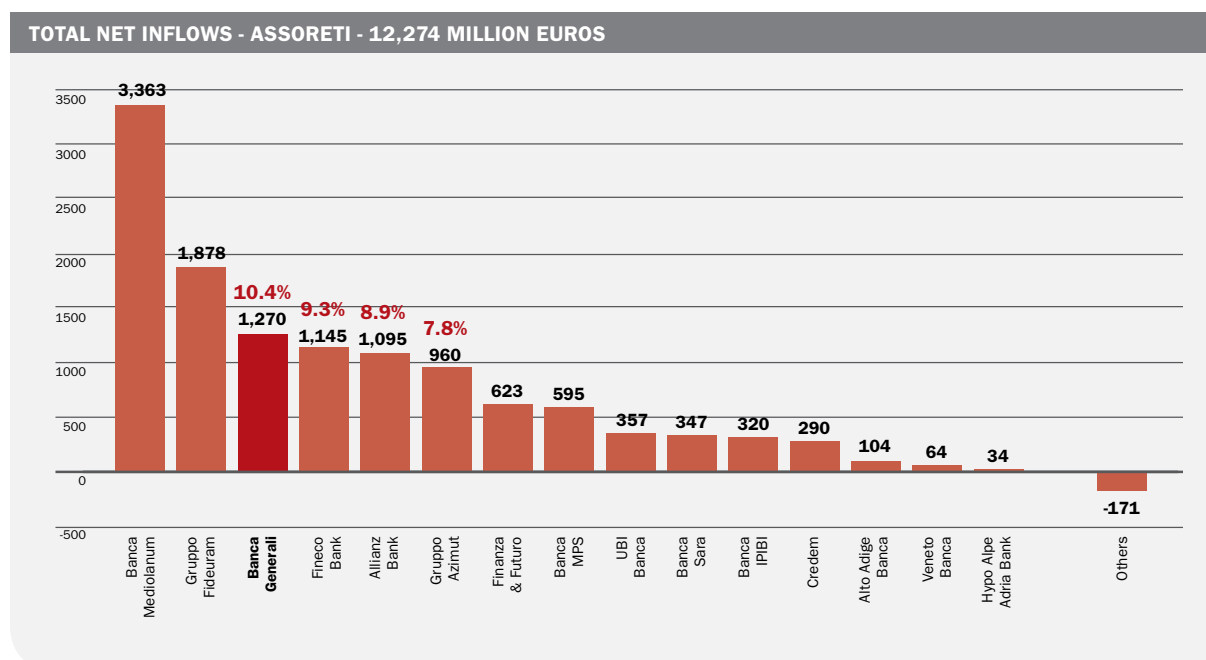
(€ million)	31.12.2010	31.12.2009	DELTA
Asset management	11,192	9,524	1,668
Insurance products	2,973	2,800	173
Assets under administration and custody	-1,890	5,520	-7,410
<b>Total</b>	<b>12,274</b>	<b>17,844</b>	<b>-5,570</b>

The flow of investment towards savings deposits and securities in the fourth quarter of 2009 in particular ceased in 2010, shifting towards investments in asset management schemes, which grew more rapidly than in 2009, while assets under administration showed net outflows. By contrast, new insurance business remained essentially stable year-over-year. In conclusion, the above figures indicate that business was good on the whole, and especially for financial instruments typically distributed by advisors networks.

### 3.4 Banca Generali

In this positive scenario, Banca Generali remains among the market leaders by net inflows through

financial advisors with a market share of 10.4% and net inflows of 1,270 million euros in December.



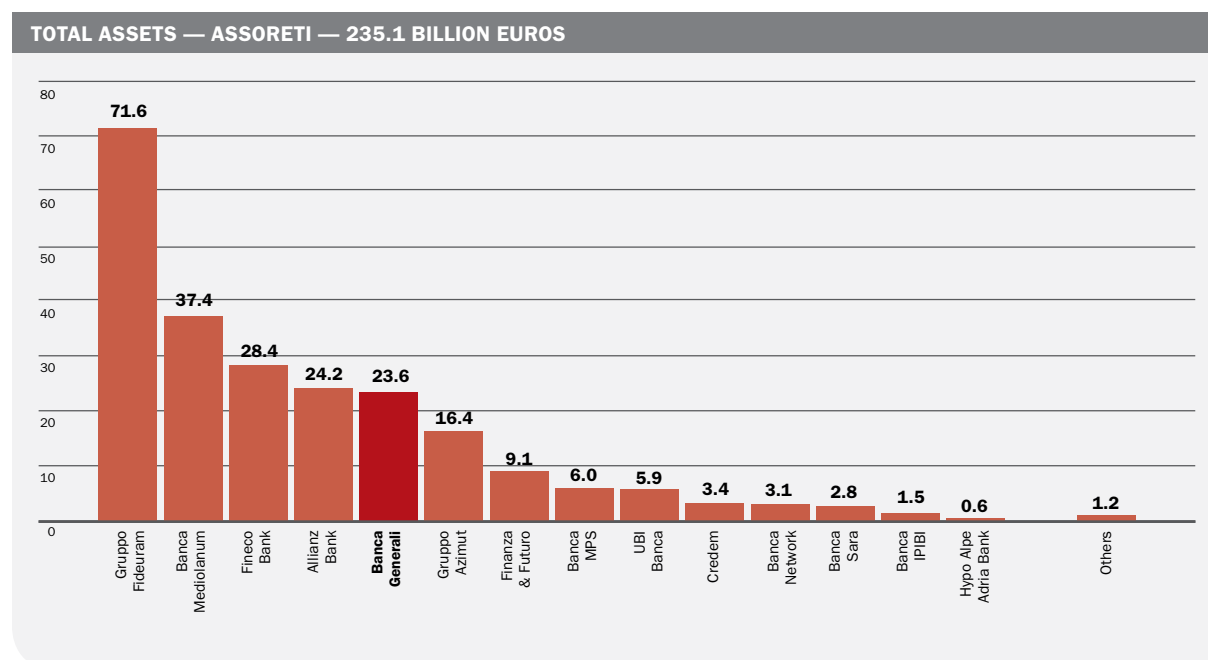
Source: Assoreti – December 2010, in million of Euro

In further detail, Banca Generali's net inflows were balanced between assets under management (765 million euros), and insurance products (1,171 million euros), with a significant shift from assets under administration and custody (-666 million euros), confirming the overall market trend, albeit with some peculiarities:

- the reallocation of investment away from assets under administration, which had seen important inflows in 2009 due to the tax shield, was especially pronounced, fostering a significant improvement in the asset mix towards asset management products, broadly construed;
- the product innovation that characterises Banca Generali's Luxembourg asset management products (in particular, the fund-of-funds BG Selection) facilitated considerable inflow volumes;
- the particularly significant insurance figure was influenced by a product line that presents specific levels of excellence (1.6 billion euros of new insurance business).

NET INFLOWS OF BANCA GENERALI			Change	
€ million	31.12.2010	31.12.2009	Amount	%
Net inflows from asset management	765	547	218	39.9%
<i>Funds/SICAVs</i>	451	379	72	19.0%
<i>GPF/GPM</i>	314	168	146	86.9%
Net inflows from insurance products	1,171	805	366	45.5%
Net inflows from assets under administration and custody	-666	724	-1,390	-192.0%
<b>Total assets placed by the network</b>	<b>1,270</b>	<b>2,076</b>	<b>-806</b>	<b>-38.8%</b>

At the end of 2010, Banca Generali also remained among the top five competitors on the market in terms of assets under management.



Source: Assoreti – December 2010, in billion of Euro

The following table provides a summary of assets, updated through the end of 2010, with a breakdown by macro-aggregate and comparison with the figures at December 2009. The assets in question refer to the Assoreti market, and therefore to the financial advisor operating area.

The change in assets for the year was 6.2%, while the asset management and insurance segments showed 14% growth. This increase depends on both new inflows

and switches from assets under administration, which resulted in a 9% decline in the segment.

Net insurance inflows and the increase in the associated volumes benefited from the launch of a new policy with particularly competitive characteristics, especially in the first part of the year.

BANCA GENERALI'S TOTAL ASSETS			Change		
	€ million	31.12.2010	31.12.2009	Amount	%
Total asset management		9,953	8,871	1,082	12.2%
<i>Funds and SICAVs</i>		6,585	5,837	748	12.8%
<i>GPF/GPM</i>		3,367	3,034	333	11.0%
Total insurance products		6,820	5,855	965	16.5%
Total assets under administration and custody		6,818	7,494	-676	-9.0%
<b>Total assets placed by the network</b>		<b>23,590</b>	<b>22,220</b>	<b>1,370</b>	<b>6.2%</b>

## 4. Group Indirect Inflows

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

### 4.1 Asset management and insurance products

#### Group asset management products

In the asset management sector, the banking group conducted in 2010 wealth management operations through Bg SGR, Generali Fund Management and Bg Fiduciaria.

BG GROUP		Change		
€ million	31.12.2010	31.12.2009	Amount	%
Funds and SICAVs	13,428	11,254	2,174	19.3%
- attributable to the banking group GPF	1,045	813	232	28.5%
GPF/GPM	3,558	3,190	368	11.5%
<b>Total assets managed by the banking group, net of discretionary accounts included in the GPF of the banking group</b>	<b>15,942</b>	<b>13,631</b>	<b>2,311</b>	<b>17.0%</b>

The total assets of mutual funds and SICAVs managed by the Group amounted to 13,428 million euros, including the role of manager received for third-party funds and total Luxembourg-based SICAVs for which Generali Fund Management is the management company (even if a management mandate has been granted to third parties), whereas 1,045 million euros are included in the banking group's portfolios.

The significant increase in the Fund and SICAV segments is mainly due to the sharp growth of assets invested in SICAVs managed by Generali Fund Management on behalf of Banca Generali's customers (about 1.3 billion euros), and the extension of the role of manager by BG Sgr (about 600 million euros) to third-party funds.

#### 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.

Specifically, in the area of Italian mutual funds, the banking Group places various companies' products in addition to Generali Group products.

In the area of foreign UCITs, it places the products of numerous international investment houses.

In the interest of an accurate measurement of the assets diversified across third-party products, it should be noted that during the year, in a manner similar to the situation that occurred in 2009, there was considerable development of investments in the Luxembourg umbrella fund-of-funds BG Section, which is promoted directly by the Group, but invests primarily in third-party products. In confirmation of the product's multi-manager orientation, in the second half of 2009 and during 2010 marketing was launched of 19 of 30 total monobrand sub-funds, management of which is entrusted directly to several leading international investment companies, thereby significantly increasing the management diversification of the asset management portfolios held by the Bank's customers.

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



<b>BG GROUP</b>		<b>Change</b>		
€ million	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>Amount</b>	<b>%</b>
Fondi e SICAV	1.620	1.860	-240	-12,9%
GPF/GPM	27	31	-4	-11,4%
<b>Totale risparmio gestito prodotti terzi</b>	<b>1.647</b>	<b>1.891</b>	<b>-244</b>	<b>-12,9%</b>

### Third-party insurance products

Investments in insurance products and pension assets mainly came through life products, unit-linked policies, and index-linked policies of Genertel Life (formerly “La Venezia Assicurazioni”). At the end of 2010, assets amounted to 6,820 million euros, with a growth of 16.5%, net of maturities, compared to December 2009.

		<b>Change</b>		
€ million	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>Amount</b>	<b>%</b>
Insurance products (unit linked, policies, etc)	6,820	5,855	965	16.5%
<b>Total third-party insurance products</b>	<b>6,820</b>	<b>5,855</b>	<b>965</b>	<b>16.5%</b>

## 4.2 Assets under administration and custody

Indirect inflows of assets under administration and custody consist of securities deposited by retail and corporate customers for custody and administration in portfolios opened with the Parent Company Banca Generali. At 31 December 2010, the market value was 5,727 million euros, a 13.2% decrease compared to 6,595 million euros at year-end 2009.

Net of inflows relating to captive and corporate clients, indirect inflows at market values decreased by 177 million euros due to portfolio diversification by retail clients in favour of asset-management instruments and financial services following the significant inflows to assets under administration as a result of the so-called “tax shield”.

The overall volume of indirect inflows was influenced by the security portfolios held by the parent company Assicurazioni Generali and by Group companies. In the year, deposits decreased by about 0.7 billion euros.

<b>BG GROUP</b>		<b>Change</b>		
€ million	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>Amount</b>	<b>%</b>
<b>Indirect inflows of assets under administration and custody of the banking group (market value)</b>	<b>5,727</b>	<b>6,595</b>	<b>-868</b>	<b>-13.2%</b>
of which securities portfolios of the Generali group's clients	669	1,360	-691	-50.8%
of which other customer's securities portfolios	5,058	5,235	-177	-3.4%

## 5. Operating Performance

The Group's consolidated net profit for 2010 amounted to 82.2 million euros, up by 19.0 million compared to the previous year.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
<b>Net interest</b>	<b>43,249</b>	<b>49,269</b>	<b>-6,020</b>	<b>-12.2%</b>
<b>Net commissions</b>	<b>197,979</b>	<b>184,729</b>	<b>13,250</b>	<b>7.2%</b>
Dividends	73,990	73,866	124	0.2%
Net result from banking operations	- 60,830	- 52,867	- 7,963	15.1%
<b>Net operating income</b>	<b>254,388</b>	<b>254,997</b>	<b>- 609</b>	<b>-0.2%</b>
Staff expenses	- 64,294	- 67,056	2,762	-4.1%
Other general and administrative expense	- 76,411	- 80,013	3,602	-4.5%
Net adjustments of property, equipment and intangible assets	- 4,102	- 5,779	1,677	-29.0%
Other operating expense/income	8,786	3,374	5,412	160.4%
<b>Net operating expense</b>	<b>- 136,021</b>	<b>- 149,474</b>	<b>13,453</b>	<b>-9.0%</b>
<b>Operating profit</b>	<b>118,367</b>	<b>105,523</b>	<b>12,844</b>	<b>12.2%</b>
Net adjustments for non-performing loans	- 1,919	- 3,341	1,422	-42.6%
Net adjustments of other assets	- 2,390	- 4,222	1,832	-43.4%
Net provisions	- 19,197	- 15,851	- 3,346	21.1%
Gain (loss) from equity investments	-	-	-	n.a.
<b>Operating profit before taxation</b>	<b>94,861</b>	<b>82,109</b>	<b>12,752</b>	<b>15.5%</b>
Income taxes for the period on current operations	- 8,510	- 14,639	6,129	-41.9%
Profit (loss) from non-current discontinued operations, net of tax	-	- 1,912	1,912	-100.0%
Profit (loss) for the year attributable to minority interests	- 4,144	- 2,347	- 1,797	76.6%
<b>Net profit</b>	<b>82,207</b>	<b>63,211</b>	<b>18,996</b>	<b>30.1%</b>

Thanks to the significant improvement in net commissions (+13.2 million euros or +7.2%), driven by the increase in AuM and management commissions, **net operating income** was essentially stable, offsetting the decline in the net income from financial operations, including dividends, from 21.0 to 13.2 million euros (-7.8 million euros or -37.3%) and net interest.

**Net operating expense** amounted to 136.0 million euros, down by 9% compared to the previous year, due to the elimination of non-recurrent charges related to the Group's internal reorganisation and continued strict cost control policy.

**Consolidated operating profit** thus reached 118.4 million euros, up by 12.8 million euros compared to the previous year (+12.2%), thanks to the decrease in operating costs.

The **cost/income ratio**, used to calculate the percentage weight of operating costs, gross of adjustments of property, equipment and intangible assets with respect to net operating revenues, significantly improved from 56.4% to 51.9%.

The **consolidated operating profit before taxation** was 94.9 million euros, up by 12.8 million, after adjustments and net provisions amounting to 23.5 million euros, in line with the previous year.

QUARTERLY EVOLUTION OF THE PROFIT & LOSS ACCOUNT								
€ thousand	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
						Restated (*)	Restated (*)	Restated (*)
<b>Net interest</b>	<b>10,525</b>	<b>10,370</b>	<b>11,439</b>	<b>10,915</b>	<b>10,571</b>	<b>10,057</b>	<b>12,345</b>	<b>16,296</b>
<b>Net commissions</b>	<b>46,965</b>	<b>44,109</b>	<b>55,774</b>	<b>51,131</b>	<b>42,323</b>	<b>52,091</b>	<b>55,529</b>	<b>34,786</b>
Dividends	17,557	12,021	44,412	-	15,798	11,379	46,681	8
Net result from banking operations	- 15,082	- 14,712	- 40,478	9,442	- 13,405	- 6,116	- 38,856	5,510
<b>Net operating income</b>	<b>59,965</b>	<b>51,788</b>	<b>71,147</b>	<b>71,488</b>	<b>55,287</b>	<b>67,411</b>	<b>75,699</b>	<b>56,600</b>
Staff expenses	- 14,982	- 15,504	- 17,073	- 16,735	- 19,075	- 14,670	- 17,115	- 16,196
Other general and administrative expense	- 13,240	- 19,860	- 22,950	- 20,361	- 12,138	- 23,492	- 24,618	- 19,765
Net adjustments of property, equipment and intangible assets	- 1,086	- 1,014	- 1,106	- 896	- 1,690	- 1,383	- 1,379	- 1,327
Other operating expense/income	1,055	1,776	3,999	1,956	- 892	1,347	1,222	1,697
<b>Net operating expense</b>	<b>- 28,253</b>	<b>- 34,602</b>	<b>- 37,130</b>	<b>- 36,036</b>	<b>- 33,795</b>	<b>- 38,198</b>	<b>- 41,890</b>	<b>- 35,591</b>
<b>Operating profit</b>	<b>31,712</b>	<b>17,186</b>	<b>34,017</b>	<b>35,452</b>	<b>21,492</b>	<b>29,213</b>	<b>33,809</b>	<b>21,009</b>
Net adjustments for non-performing loans	- 765	355	- 637	- 872	- 26	- 136	- 3,172	- 7
Net adjustments of other assets	- 1,664	- 59	- 426	- 241	- 1,344	16	580	- 3,474
Net provisions	- 825	2,520	- 9,336	- 11,556	4,864	- 3,579	- 9,658	- 7,478
Gain (loss) from equity investments	-	-	-	-	-	-	-	-
<b>Operating profit before taxation</b>	<b>28,458</b>	<b>20,002</b>	<b>23,618</b>	<b>22,783</b>	<b>24,986</b>	<b>25,514</b>	<b>21,559</b>	<b>10,050</b>
Income taxes for the period on current operations	- 5,018	- 2,623	2,459	- 3,328	- 7,090	- 3,018	- 1,133	- 3,398
Profit (loss) from non-current discontinued operations, net of tax	-	-	-	-	-	-	- 749	- 1,163
Profit (loss) for the year attributable to minority interests	- 1,281	- 1,027	- 1,198	- 638	- 313	- 767	- 788	- 479
<b>Net profit</b>	<b>22,159</b>	<b>16,352</b>	<b>24,879</b>	<b>18,817</b>	<b>17,583</b>	<b>21,729</b>	<b>18,889</b>	<b>5,010</b>

(\*) Balance sheets have been restated to account for the aggregation of Generali Investment Luxembourg effective as of 1 October 2009 and retroactive accounting effect as of 1 January 2009.

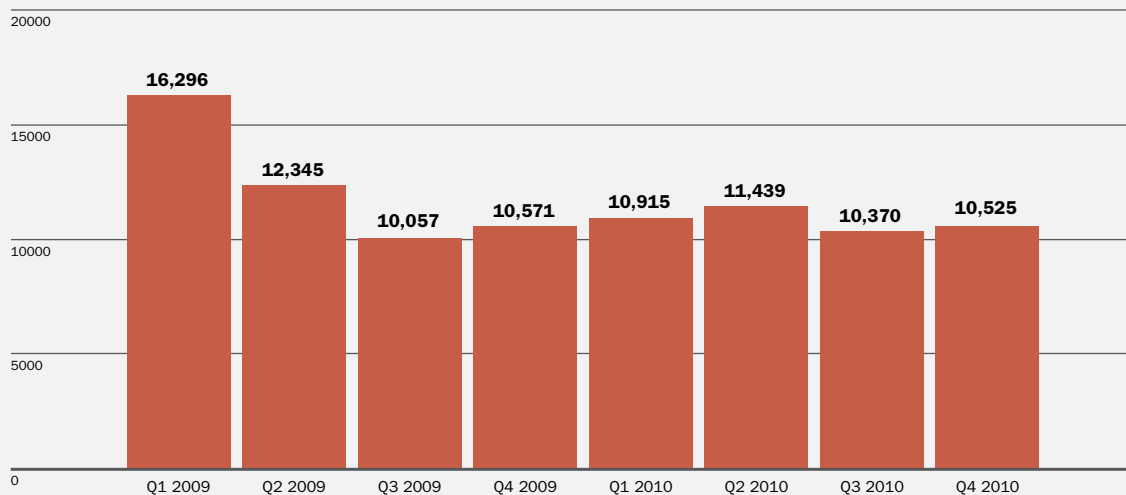
### 5.1.1. Net Interest

Net interest amounted to 43.2 million euros, down by 6.0 million euros (-12.2%) compared to 2009, due to the continued stagnation of interest rates and the reduced spread between inflows and lending rates.

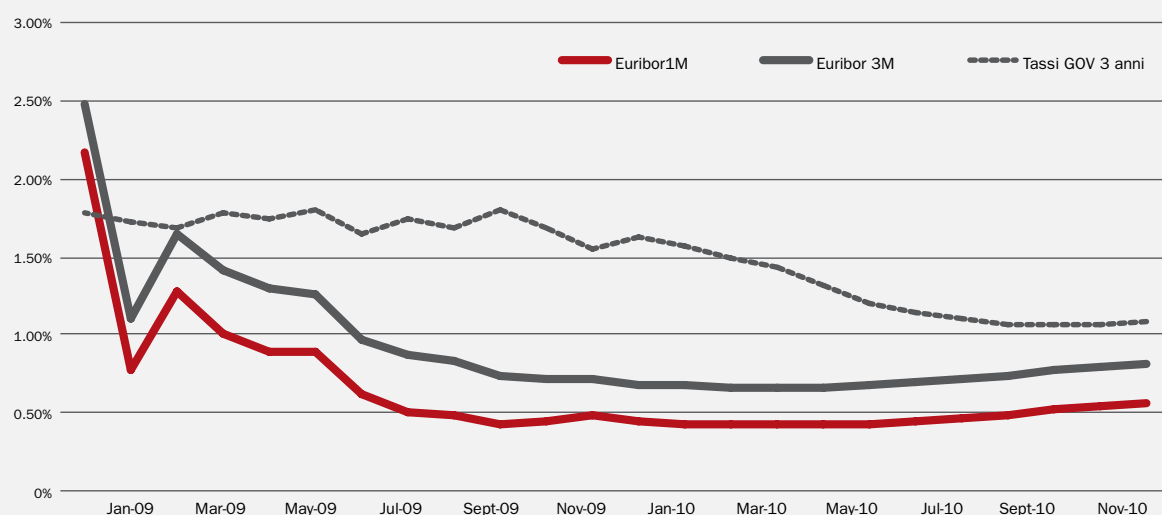
Beginning in the second quarter, the deleveraging effect caused by the decrease in volumes related to the gradual transfer by retail clients of assets under administration to forms of assets under management was offset by the rise in term funding from banks.

€ thousand	Change			
	31.12.2010	31.12.2009	Amount	%
Financial assets held for trading	4,273	8,286	- 4,013	-48.4%
AFS financial assets	20,066	21,087	- 1,021	-4.8%
Financial assets held to maturity	13,848	16,641	- 2,793	-16.8%
Financial assets classified among loans	5,007	8,337	- 3,330	-39.9%
<b>Total financial assets</b>	<b>43,194</b>	<b>54,351</b>	<b>- 11,157</b>	<b>-20.5%</b>
Loans to banks	1,973	6,000	- 4,027	-67.1%
Loans to customers	11,234	14,646	- 3,412	-23.3%
Other assets	5	41	- 36	-87.8%
<b>Total interest income</b>	<b>56,406</b>	<b>75,038</b>	<b>- 18,632</b>	<b>-24.8%</b>
Due to banks	849	654	195	29.8%
Due to customers and securities issued	9,789	21,465	- 11,676	-54.4%
Repurchase agreements - banks	1,989	95	1,894	1993.7%
Repurchase agreements - customers	530	2,659	- 2,129	-80.1%
Hedging derivatives	-	896	- 896	-100.0%
<b>Total interest expense</b>	<b>13,157</b>	<b>25,769</b>	<b>- 12,612</b>	<b>-48.9%</b>
<b>Net interest</b>	<b>43,249</b>	<b>49,269</b>	<b>- 6,020</b>	<b>-12.2%</b>

#### NET INTEREST



## NET INTEREST



### 5.1.2 Net Commissions

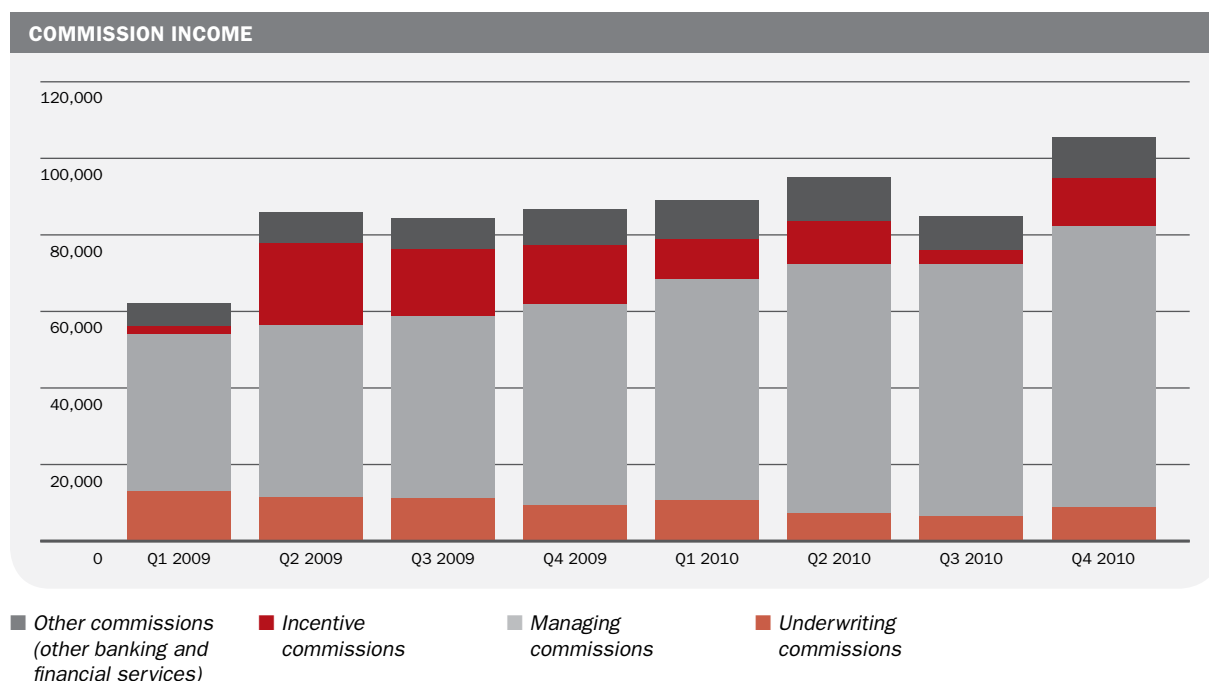
The commissions aggregate amounted to 198.0 million euros, up by 13.2 million euros (+7.2%) compared to 2009 and is broken down as follows.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Asset management	239,221	194,910	44,311	22.7%
Placement of securities	36,105	48,786	-12,681	-26.0%
Distribution of third-party fin. products	58,612	44,522	14,090	31.6%
Trading and securities custody commissions	32,583	23,179	9,404	40.6%
Other services	6,848	6,869	-21	-0.3%
<b>Total commission income</b>	<b>373,369</b>	<b>318,266</b>	<b>55,103</b>	<b>17.3%</b>
Commissions for external offer	152,125	119,104	33,021	27.7%
Dealing in securities and custody	7,675	5,604	2,071	37.0%
Asset management	13,195	5,792	7,403	127.8%
Other services	2,395	3,037	-642	-21.1%
<b>Total commission expense</b>	<b>175,390</b>	<b>133,537</b>	<b>41,853</b>	<b>31.3%</b>
<b>Net commissions</b>	<b>197,979</b>	<b>184,729</b>	<b>13,250</b>	<b>7.2%</b>

**Total commission income** increased by 55.1 million euros, driven by the rise in management commissions (+40.3%) and, to a lesser extent, commissions on other banking services (+31.2%), while underwriting commissions declined (-26.4%) due to

the lesser contribution of bond placements and non-recurring performance commissions, as a result of the increasing capital market volatility during the year.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Underwriting commissions	33,677	45,751	- 12,074	-26.4%
Management commissions	259,753	185,142	74,611	40.3%
Incentive commissions	40,508	57,325	- 16,817	-29.3%
Other commissions (other banking and financial services)	39,431	30,048	9,383	31.2%
<b>Total</b>	<b>373,369</b>	<b>318,266</b>	<b>55,103</b>	<b>17.3%</b>



Commissions from **the solicitation of investment and asset management** of households amounted to 334.0 million euros, with an increase of 45.7 million euros compared to the previous year.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Asset management, own				
1. Collective asset management (UCITs, pension funds)	174,421	150,372	24,049	16.0%
2. Collective assets management of the Generali group	26,490	18,532	7,958	42.9%
3. Individual asset management	38,310	26,006	12,304	47.3%
<b>Commissions on asset management</b>	<b>239,221</b>	<b>194,910</b>	<b>44,311</b>	<b>22.7%</b>
1. Placement of third-party UCITs	29,517	25,183	4,334	17.2%
2. Bond placement	6,138	23,153	- 17,015	-73.5%
3. Other placement operations	450	450	-	0.0%
4. Distribution of third-party asset management products (GPM/GPF, pension funds)	345	905	- 560	-61.9%
5. Distribution of third-party insurance products	56,432	40,946	15,486	37.8%
6. Distribution of other third-party financial products	1,835	2,671	- 836	-31.3%
Placement and distribution of third-party products	94,717	93,308	1,409	1.5%
<b>Asset management commissions earned</b>	<b>333,938</b>	<b>288,218</b>	<b>45,720</b>	<b>15.9%</b>

Overall, the contribution of the Group's collective asset management operations, which consist of the Luxembourg SICAVs and mutual funds of BG SGR, expanded by 16.0% corresponding to 24.0 million euros compared to the previous year.

The individual portfolio management segment, linked to the operations of BG SGR and BG Fiduciaria, showed revenue growth of 47.3%, or 12.3 million euros, a significant portion of which is attributable to the development of trust management schemes, which received large part of "tax-shield" inflows.

Placement and distribution of third-party services, with revenues amounting to 94.7 million euros showed a sharp increase in revenues thanks to the distribution of insurance products (+37.8%) and the placement of third-party UCITs, which completely offset the reduction in commissions from bond placement.

The contribution of management commissions for funds distributed by management companies of the Generali Group, primarily arising from the operations of the merged GIL, amounted to 26.5 million euros, up 8.0 million euros.

**Distribution commission expenses** amounted to 152.1 million euros and increased by 33.0 million euros compared to 2009 (+27.7%).

The figure includes 16.9 million euros paid to foreign placement agents of Generali Group funds, which increased by 2.9 million euros compared to 2009.

The increase in front-end commissions on the other hand is wholly attributable to non-recurring signaling fees paid in the year in connection with the inflows linked to the tax shield.

Net of such items, the pay-out ratio paid to the financial advisor distribution network was 42.0%, with a decrease compared to the previous year due to the reduction in the percentage weight of incentive commissions.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Front-end commissions	37,145	25,676	11,469	44.7%
Management commissions	89,986	65,050	24,936	38.3%
Incentive commissions	18,346	21,966	- 3,620	-16.5%
Other commissions	6,648	6,412	236	3.7%
<b>Total</b>	<b>152,125</b>	<b>119,104</b>	<b>33,021</b>	<b>27.7%</b>
Pay-out ratio (*)	42.0%	45.5%		

(\*) Distribution commission / underwriting and management commissions; net of former GIL activities and Non-recurring signaling fees

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

The aggregate increased by 37.2% compared to the growth of net commissions for trading activities in favour of Italian and foreign asset management companies of the banking group.

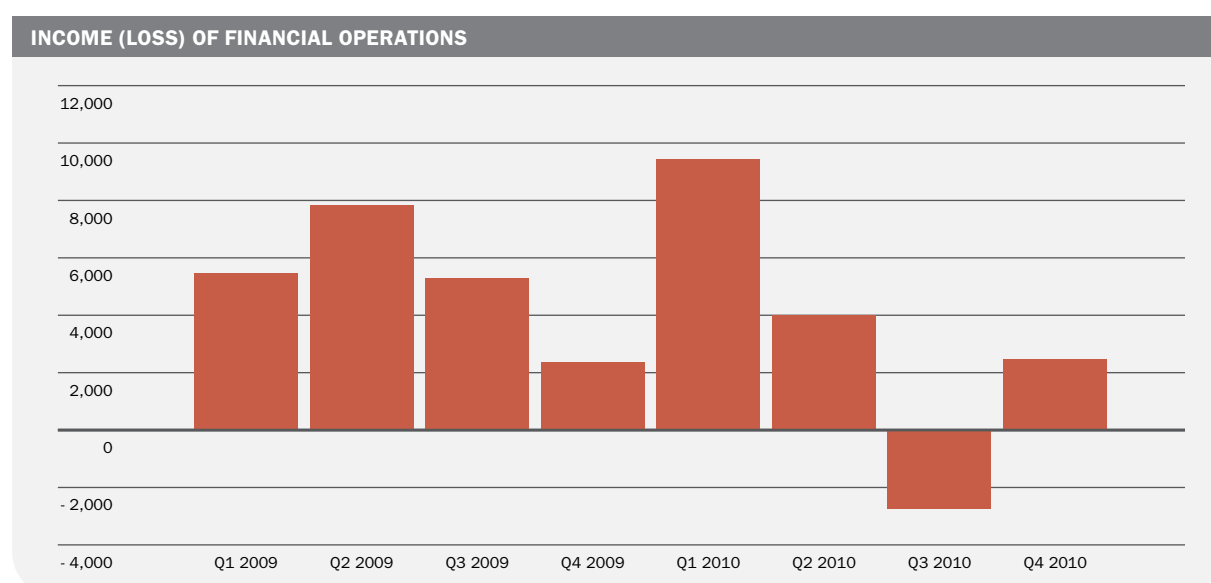
€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Dealing in securities and currencies	17,048	4,503	12,545	278.6%
Order collection, custody, and securities administration	15,535	18,676	- 3,141	-16.8%
Collection and payment services	2,069	2,201	- 132	-6.0%
Commission income	3,032	2,772	260	9.4%
Other services	1,747	1,896	- 149	-7.9%
<b>Total traditional banking operations</b>	<b>39,431</b>	<b>30,048</b>	<b>9,383</b>	<b>31.2%</b>
Trading and custody services	- 7,675	- 5,604	- 2,071	37.0%
Collection and payment services	- 853	- 586	- 267	45.6%
Other services	- 1,542	- 2,451	909	-37.1%
<b>Total commission expense</b>	<b>- 10,070</b>	<b>- 8,641</b>	<b>- 1,429</b>	<b>16.5%</b>
<b>Net commissions</b>	<b>29,361</b>	<b>21,407</b>	<b>7,954</b>	<b>37.2%</b>



### 5.1.3. Net profit from trading operations and dividends

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

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Dividends from trading	73,468	73,308	160	0.2%
Trading of financial assets and equity derivatives	- 70,927	- 69,804	- 1,123	1.6%
Trading of financial assets and bond derivatives	- 2,628	225	- 2,853	-1268.0%
Trading of UCIT units	569	487	82	16.8%
<b>Securities transactions</b>	<b>482</b>	<b>4,216</b>	<b>- 3,734</b>	<b>-88.6%</b>
<b>Currency transactions and currency derivatives</b>	<b>1,968</b>	<b>694</b>	<b>1,274</b>	<b>183.6%</b>
<b>Net profit from trading operations</b>	<b>2,450</b>	<b>4,910</b>	<b>- 2,460</b>	<b>-50.1%</b>
Dividends from AFS assets	522	558	- 36	-6.5%
Gains and losses on equity securities	70	- 336	406	-120.8%
Gains and losses on AFS and HTM debt securities and Loans	10,118	15,867	- 5,749	-36.2%
<b>Income (loss) of financial operations</b>	<b>13,160</b>	<b>20,999</b>	<b>- 7,839</b>	<b>-37.3%</b>



At the end of 2010, this item contributed a positive 13.2 million euros, down compared to 21.0 million for the previous year, due to greater volatility levels of financial markets.

Net profit on assets classified as HFT amounted to 2.4 million euros, whereas the net profit on the sale of securities classified as AFS and in other portfolios valued at amortised cost amounted to 10.7 million euros.

Trading operations also included currency activity, which generated 2.0 million euros in profits, witnessing a clear progress compared to 2009.

Total dividends amounted approximately to 74.0 million euros, mostly attributable to equity securities traded as part of total return swap transactions, achieved in the year.

Trading activity was largely directed towards equity-swap transactions with the aim of achieving financial margins, without assuming positions of risk, through the purchase and sale of equities on the ex-dividend date.

Market risk has been hedged primarily by entering into futures contracts on regulated markets and, to a lesser extent, over-the-counter total-return swap contracts with leading international banks.

Such transactions resulted in the collection of 73.4 million euros in dividends, 115.0 million euros in net losses on the trading of equity securities, 44.6 million euros in net positive differentials on derivatives and a final net profit of 3.0 million euros.

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

€ thousand	Net profit and dividends	Capital gains	Losses	Capital losses	Net result 2010	Net result 2009	Change
1. Debt securities transactions	1,007	160	1,224	548	- 605	509	- 1,114
2. Equity securities transactions	485	33	651	307	- 440	636	- 1,076
Equity securities	356	33	69	278	42	392	- 350
Dividends	93	-	-	-	93	244	- 151
Options on equity securities	36	-	582	29	- 575	-	- 575
3. Par Asset Swaps	841	-	1,116	944	- 1,219	911	- 2,130
Debt securities	659	-	-	560	99	2,101	- 2,002
Asset swaps	182	-	1,116	384	- 1,318	- 1,190	- 128
4. Equity swaps	145,367	-	142,386	-	2,981	2,869	112
Equity securities (TRS transactions)	10,409	-	125,427	-	- 115,018	- 50,754	- 64,264
Dividends	73,375	-	-	-	73,375	73,064	311
Futures and total return swaps OTC	61,583	-	16,959	-	44,624	- 19,441	64,065
5. UCITs unit transactions	430	312	74	99	569	487	82
6. Interest Rate Swaps (IRS)	368	-	525	647	- 804	- 1,196	392
7. Currency transactions	1,968	-	-	-	1,968	694	1,274
Derivatives	262	-	-	-	262	- 6	268
Exchange gains and losses	1,706	-	-	-	1,706	700	1,006
<b>Result from trading</b>	<b>150,466</b>	<b>505</b>	<b>145,976</b>	<b>2,545</b>	<b>2,450</b>	<b>4,910</b>	<b>- 2,460</b>

Net profits earned on the trading of securities not classified to the trading portfolio amounted to 6.9 million euros and consisted of profits on the portfolio of available-for-sale (AFS) assets deriving from the unwinding of positions held at the end of the previous year with the reversal of 2.1 million euros in net positive

reserves to profit and loss and from operations during the period.

Trading of debt securities classified in loans to banks and customers generated net gains of 3.3 million euros.

€ thousand	Gains	Losses	Transfer of reserves	2010	2009
Financial assets available for sale	8,932	- 4,093	2,055	6,894	16,132
<i>Debt securities</i>	8,925	- 4,073	1,972	6,824	16,468
<i>Equity securities</i>	7	- 20	83	70	- 336
Financial assets classified among loans	3,364	- 25	-	3,339	- 602
Financial assets held to maturity	269	- 314	-	- 45	1
<b>Total</b>	<b>12,565</b>	<b>- 4,432</b>	<b>2,055</b>	<b>10,188</b>	<b>15,531</b>

## 5.2 Operating Expenses

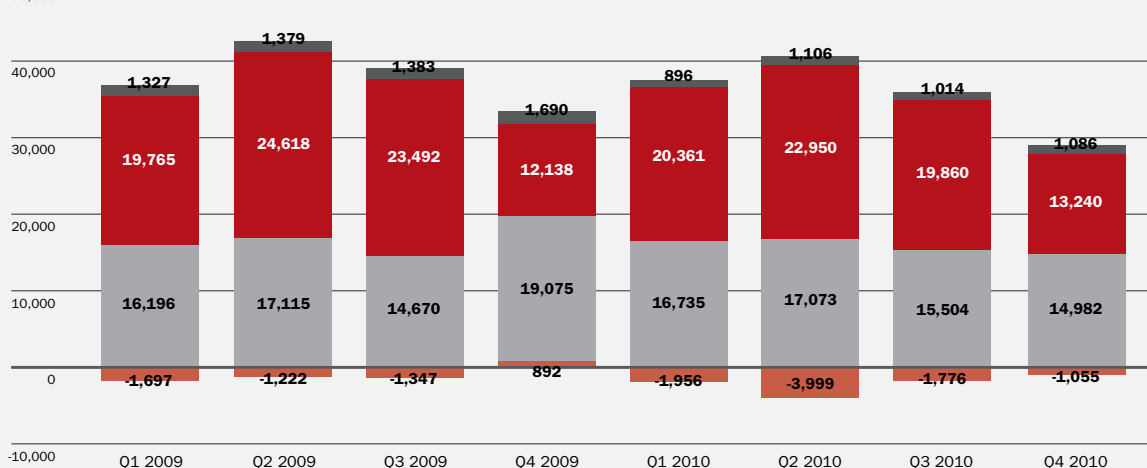
Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses, decreased by 13.4 million euros compared to 2009 (-9.0%).

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Staff expenses	64,294	67,056	- 2,762	-4.1%
Other general and administrative expense	76,411	80,013	- 3,602	-4.5%
Net adjustments of property, equipment and intangible assets	4,102	5,779	- 1,677	-29.0%
Other income and expenses	- 8,786	- 3,374	- 5,412	160.4%
<b>Operating expense</b>	<b>136,021</b>	<b>149,474</b>	<b>- 13,453</b>	<b>-9.0%</b>

## OPERATING EXPENSES

€ thousand

50,000



■ Depreciation and amortisation

■ General and administrative expense

■ Personnel expenses

■ Other net income

Overall, the number of the Group's salaried employees remained essentially stable at 772 (773 at the end of 2009). However, the average headcount declined slightly (-3.6%) due to the reorganisation activity launched in the previous year.

The decrease in staff expenses was primarily due to the containment of bonuses and the reduction in expenses associated with stock-option plans following the

completion of the vesting period and the revision during the year of the expense of the three-year extension recognised in the 2009 financial statements.

A new supplementary company agreement, set to expire in 2012, was signed during the year.

	31.12.2010	31.12.2009	Change		Average 2010	Average 2009*
			Amount	%		
Managers	50	53	- 3	-5.7%	52	55
3rd and 4th level executives	123	120	3	2.5%	122	120
Other employees	599	600	- 1	-0.2%	600	627
<b>Total</b>	<b>772</b>	<b>773</b>	<b>- 1</b>	<b>-0.1%</b>	<b>773</b>	<b>802</b>

(\*) Restated figure including former GIL personnel.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
1) Employees	62,271	64,678	- 2,407	-3.7%
<i>Wages and salaries</i>	36,351	35,623	728	2.0%
<i>Social security charges</i>	9,190	9,167	23	0.3%
<i>Provision for termination indemnity</i>	748	230	518	225.2%
<i>Contributions to outside supplemental pension funds</i>	3,740	3,659	81	2.2%
<i>Costs related to payment agreements based on own financial instruments</i>	- 123	1,114	- 1,237	-111.0%
<i>Productivity premiums</i>	8,607	10,818	- 2,211	-20.4%
<i>Other employee benefits</i>	3,758	4,067	- 309	-7.6%
2) Other staff	- 98	7	- 105	-1500.0%
3) Directors and Auditors	2,121	2,371	- 250	-10.5%
<i>of which costs related to payment agreements based on own financial instruments</i>	-	116	- 116	-100.0%
<b>Total</b>	<b>64,294</b>	<b>67,056</b>	<b>- 2,762</b>	<b>-4.1%</b>

**Administrative expense** amounted to 76.4 million euros, down by 3.6 million euros compared to the previous year (-4.5%), due to the elimination of non-recurring advisory charges and costs for IT system migration, linked to the integration of Banca BSI Italia, as well as other cost savings as a result of such transaction.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Administration	12,640	16,361	- 3,721	-22.7%
<i>Advertising</i>	3,813	5,474	- 1,661	-30.3%
<i>Consultancy and professional advice expense</i>	4,160	6,307	- 2,147	-34.0%
<i>Audit</i>	742	697	45	6.5%
<i>Other general costs (insur.; T&amp;E)</i>	3,925	3,883	42	1.1%
Operations	28,601	27,522	1,079	3.9%
<i>Rent and usage of premises</i>	14,821	12,066	2,755	22.8%
<i>Outsourced services</i>	4,261	5,250	- 989	-18.8%
<i>Post and telephone</i>	2,877	3,088	- 211	-6.8%
<i>Print material and contracts</i>	896	1,387	- 491	-35.4%
<i>Other operating expenses</i>	5,746	5,731	15	0.3%
Information system and equipment	27,114	27,179	- 65	-0.2%
<i>Outsourced IT services</i>	16,904	17,928	- 1,024	-5.7%
<i>Fees for financial databases and other IT services</i>	5,050	4,757	293	6.2%
<i>Software maintenance and servicing</i>	3,545	2,561	984	38.4%
<i>Other expenses (equipment rental, maintenance, etc.)</i>	1,615	1,933	- 318	-16.5%
Taxes and duties	8,056	8,951	- 895	-10.0%
<b>Total other general and administrative expense</b>	<b>76,411</b>	<b>80,013</b>	<b>- 3,602</b>	<b>-4.5%</b>

Adjustments to **property and equipment and intangible assets** decreased by 1.7 million euros mainly due to the IT system restructuring costs incurred in the previous year due to the integration of Banca BSI Italia.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Adjustments/reversals to property and equipment	1,779	2,115	- 336	-15.9%
Adjustments/reversals to intangible assets	2,323	3,664	- 1,341	-36.6%
<b>Total</b>	<b>4,102</b>	<b>5,779</b>	<b>- 1,677</b>	<b>-29.0%</b>

### Other net operating income and charges

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

Net operating income was 8.8 million euros at year-end, with an increase of 5.4 million euros compared to the previous year, due to a reduction of litigation indemnities and a greater percentage of adjustments of costs and revenues of previous years.

### 5.3 Provisions and adjustments

Net provisions amounted to 19.2 million euros and increased by 3.3 million euros compared to 2009 (+21.1%).

Provisions for staff expenses include 2.2 million euros associated with the estimate of the three-year incentive plan entitled the Long Term Incentive Plan for the banking group's top management, whereas the remainder refers to the estimate of certain types of informal incentives for sales personnel, redundancy incentive expenses associated with the Group rationalisation plan launched following the merger

of Banca BSI Italia and other contractual adjustment expenses.

Provisions for the sales network totalled 12.4 million euros, up by 0.9 million euros compared to the previous year, due to the greater expenses associated with the adjustment of provisions for termination indemnity and portfolio valuation (+3.7 million euros), partly offset by the decrease in provisions for medium-term incentives relating to the expansion of the sales network.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Provision for staff expenses	3,211	141	3,070	2177.3%
Provisions for legal disputes	3,223	4,139	- 916	-22.1%
Provisions for risks related to commissions to be assigned	6,896	9,696	- 2,800	-28.9%
Provisions for termination indemnity and over fees	5,546	1,875	3,671	195.8%
Other provisions for risks and charges	321	-	321	n.a.
<b>Total</b>	<b>19,197</b>	<b>15,851</b>	<b>3,346</b>	<b>21.1%</b>

Impairments amounted to 4.3 million euros at year-end, sharply decreasing compared to 7.6 million euros for 2009, due to the reduction of financial assets impairment.

Receivables not arising from lending operations, consisting primarily of commission advances paid to former financial advisors, were also written down by 1.3 million euros.

Financial asset adjustments amounted to 3.3 million euros, of which 2.2 million euros refer to analytical write-downs, mainly regarding equity securities, and 1.1 million euros refer to portfolio write-downs aimed at offsetting any potential losses.

€ thousand	Adjustments	Reversals	31.12.2010	31.12.2009	Change
Specific adjustments/reversals	- 3,489	608	- 2,881	7,857	4,976
<i>Debt securities (AFS, HTM, Loans)</i>	- 547	-	- 547	- 3,193	2,646
<i>Equity securities</i>	- 1,625	-	- 1,625	- 3,364	1,739
<i>Operating loans</i>	- 1,310	18	- 1,292	- 1,298	6
<i>Non-performing loans of the bank portfolio</i>	- 7	590	583	- 2	585
Portfolio adjustments/reversals	- 1,428	-	- 1,428	294	1,722
<i>Debt securities (Loans, HTM)</i>	- 1,095	-	- 1,095	294	- 1,389
<i>Performing loans of the banking portfolio</i>	- 333	-	- 333	-	- 333
<b>Total</b>	<b>- 4,917</b>	<b>608</b>	<b>- 4,309</b>	<b>- 7,563</b>	<b>3,254</b>

#### 5.4 Income taxes

The current and deferred income taxes accrued during the year amounted to 8.5 million euros, marking a decrease of 6.1 million euros compared to the previous year, primarily due to the non-recurring tax benefit arising from the tax-neutral treatment of assets deriving from the absorption of Banca del Gottardo Italia into the merged Banca BSI Italia.

TAXES FOR THE YEAR, NET OF THE REDEMPTION EFFECT			Change	
€ thousand	31.12.2010	31.12.2009	Amount	%
Substitute tax for goodwill redemption	- 5,984	-	- 5,984	n.a.
Prepaid taxes related to goodwill redemption	9,845	-	9,845	n.a.
Deferred taxes related to intangibles redemption	2,431	-	2,431	n.a.
Net effect of redemption	6,292	-	6,292	n.a.
Current taxes for the year	- 15,614	- 10,992	- 4,622	42.0%
Prior period taxes	- 229	600	- 829	-138.2%
Changes of prepaid taxation (+/-)	1,100	- 4,664	5,764	-123.6%
Changes of deferred taxation (+/-)	- 59	417	- 476	-114.1%
Taxes for the year	- 14,802	- 14,639	- 163	1.1%
<b>Total</b>	<b>- 8,510</b>	<b>- 14,639</b>	<b>6,129</b>	<b>-41.9%</b>

The net tax benefit amounted to 6.3 million euros and consists of the difference between the cost of the substitute tax at the lower rate owed for redemption, in accordance with Law Decree 185/2008 and Law 244/2008 (2008 Finance Act), respectively, of goodwill (4.8 million euros) and intangible assets (1.5 million euros) deriving from the merger and the deferred income deriving from recognition in the profit and loss account of prepaid taxes and the reversal of deferred

taxes associated with the future deductibility of assets recognised for tax purposes at the full rates.

If such non-recurring components are excluded, taxes for the year amounted to 14.8 million euros, in line with the previous year, bringing the tax rate to 15.6%.

### 5.5 Net Result for the Year and Earnings per Share

The reporting year ended with a consolidated net profit of 82.2 million euros, less minority interests of 4.1 million euros to be attributed to the minority investment in GFM held by the Assicurazioni Generali insurance group, yielding an increase of 30.1% compared to 2009.

Net basic earnings per share for the year increased from 57.1 eurocents to 74.1 eurocents.

### 5.6 Statement of Comprehensive Income

The Group's comprehensive income, which consists of net profit and all components that contribute to the Company's performance without being reflected in the profit and loss account, amounted to 60.1 million euros, down from the 68.4 million euros reported at the end of the previous year, due to the downtrend in valuation reserves for financial assets available for sale (-27.2 million euros), which exceeded the increase in net profit for the year (+19.0 million euros).

component of the AFS portfolio of 31.1 million euros and the release of 0.9 million euros to the profit and loss account due to the realisation of pre-existing net positive reserves. The net positive tax effect relating to such impairment losses was estimated to amount to 10.0 million euros.

In detail, the net decrease in valuation reserves in 2010, which amounted to 22.1 million euros, consisted of a reduction in fair value relating to the bond

The trend is related to the crisis surrounding the financial debt of several EU countries, which also had repercussions on the performance of Italian government debt.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
<b>Net profit (loss)</b>	<b>82,207</b>	<b>63,211</b>	<b>18,996</b>	<b>30.1%</b>
Other income net of income taxes				
AFS assets	-22,071	5,152	-27,223	-528.4%
<b>Total other income, net of taxes</b>	<b>-22,071</b>	<b>5,152</b>	<b>-27,223</b>	<b>-528.4%</b>
<b>Comprehensive income</b>	<b>60,136</b>	<b>68,363</b>	<b>-8,227</b>	<b>-12.0%</b>



## 6. Performance of the Main Financial and Equity Aggregates

The schedules set forth below, along with the associated commentary, provide an analysis of the change in the main financial and economic aggregates for 2010 and a comparison with the figures at the end of the previous year.

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

At the end of 2010, total consolidated assets were 3.8 billion euros, down by 4.5% compared to the previous year.

In detail, total direct inflows from customers amounted to 2.9 billion euros, down by 0.5 billion euros compared to 2009 (-13.6%), whereas core loans amounted to 3.6 billion euros, limiting the decrease to 0.2 billion euros as a result of the increase in funding from the interbank market.

ASSETS			Change		
	€ thousand	31.12.2010	31.12.2009	Amount	%
Financial assets held for trading		119,952	219,029	- 99,077	-45.2%
AFS financial assets		1,533,275	1,482,281	50,994	3.4%
Financial assets held to maturity		608,118	666,074	- 57,956	-8.7%
Loans to banks		475,597	641,697	- 166,100	-25.9%
Loans to customers		852,038	783,170	68,868	8.8%
Equity investments		-	-	-	n.a.
Property, equipment and intangible assets		53,269	55,914	- 2,645	-4.7%
Tax receivables		71,040	50,209	20,831	41.5%
Other assets		94,599	89,742	4,858	5.4%
<b>Total assets</b>		<b>3,807,888</b>	<b>3,988,116</b>	<b>- 180,228</b>	<b>-4.5%</b>

NET EQUITY AND LIABILITIES			Change		
	€ thousand	31.12.2010	31.12.2009	Amount	%
Due to banks		450,431	148,114	302,317	204.1%
Due to customers		2,910,878	3,368,401	- 457,523	-13.6%
Financial liabilities held for trading		6,502	494	6,008	1216.2%
Tax payables		18,336	16,203	2,133	13.2%
Other liabilities		82,763	136,138	- 53,375	-39.2%
Special purpose provisions		57,759	50,285	7,474	14.9%
Valuation reserves		- 23,712	- 1,602	- 22,110	1380.1%
Reserves		105,400	73,245	32,155	43.9%
Additional paid-in capital		-	22,309	- 22,309	-100.0%
Share capital		111,363	111,313	50	0.0%
Treasury shares (-)		- 660	- 4,471	3,811	-85.2%
Minority interests		6,621	4,476	2,145	47.9%
Net profit (loss) for the year (+/-)		82,207	63,211	18,996	30.1%
<b>Total Net Equity and Liabilities</b>		<b>3,807,888</b>	<b>3,988,116</b>	<b>- 180,228</b>	<b>-4.5%</b>

## QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS								
€ thousand	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	I 2009
						Restated	Restated	Restated
Financial assets held for trading	119,952	231,614	299,958	234,252	219,029	120,832	351,746	539,010
AFS financial assets	1,533,275	1,505,018	1,389,236	1,348,260	1,482,281	850,859	754,472	936,913
Financial assets held to maturity	608,118	584,815	606,797	631,759	666,074	614,241	604,431	605,152
Loans to banks	475,597	512,647	455,346	583,155	641,697	486,997	697,819	599,996
Loans to customers	852,038	798,162	774,520	735,016	783,170	801,773	801,855	806,878
Equity investments	-	-	-	-	0	-	0	-
Property, equipment and intangible assets	53,269	53,217	54,130	55,050	55,914	55,705	56,601	57,624
Tax receivables	71,040	72,095	63,019	49,785	50,209	52,097	52,465	55,287
Other assets	94,599	105,120	116,218	110,416	89,742	92,933	121,682	81,970
Financial assets held for sale	-	-	-	-	0	-	-	4,429
<b>Total assets</b>	<b>3,807,888</b>	<b>3,862,688</b>	<b>3,759,224</b>	<b>3,747,693</b>	<b>3,988,116</b>	<b>3,075,437</b>	<b>3,441,071</b>	<b>3,687,259</b>

## NET EQUITY AND LIABILITIES

€ thousand	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	I 2009
						Restated	Restated	Restated
Due to banks	450,431	471,229	454,627	287,121	148,114	12,713	16,475	18,150
Due to customers	2,910,878	2,836,116	2,790,942	2,917,125	3,368,401	2,541,762	2,988,237	3,261,931
Financial liabilities held for trading	6,502	7,104	6,941	11,182	494	858	8,655	5,591
Tax payables	18,336	18,211	19,138	17,831	16,203	16,385	10,898	8,683
Other liabilities	82,763	201,378	172,095	169,416	136,138	193,217	133,109	133,143
Financial liabilities held for sale	-	-	-	-	0	-	0	2,815
Special purpose provisions	57,759	57,938	63,210	57,329	50,285	64,814	62,317	54,783
Valuation reserves	- 23,712	-10,465	- 11,188	- 2,055	-1,602	- 1,158	- 4,675	-5,694
Reserves	105,400	83,401	86,299	136,662	73,245	70,107	69,779	69,370
Additional paid-in capital	-	21,718	22,309	22,309	22,309	22,309	22,309	22,804
Share capital	111,363	111,329	111,313	111,313	111,313	111,313	111,313	111,313
Treasury shares (-)	- 660	-660	- 4,471	- 4,471	-4,471	- 4,641	- 4,641	-7,424
Minority interests	6,621	5,341	4,313	5,114	4,476	2,130	3,396	6,784
Net profit (loss) for the year (+/-)	82,207	60,048	43,696	18,817	63,211	45,628	23,899	5,010
<b>Total Net Equity and Liabilities</b>	<b>3,807,888</b>	<b>3,862,688</b>	<b>3,759,224</b>	<b>3,747,693</b>	<b>3,988,116</b>	<b>3,075,437</b>	<b>3,441,071</b>	<b>3,687,259</b>

(\*) Balance sheets have been restated to account for the aggregation of Generali Investment Luxembourg (GIL) effective as of 1 October 2009 and retroactive accounting effect as of 1 January 2009

## 6.1 Direct Inflows

Total direct inflows from customers amounted to about 2.9 billion euros, marking a decrease of 457.5 million euros compared to 31 December 2009.

The decline primarily involved inflows from retail clients (-596.1 million euros) due to the gradual transformation of the cash inflows at the end of 2009 under the tax amnesty into investments in asset-management products.

Funding from the Parent Company, Assicurazioni Generali, and the other sibling companies belonging to the Assicurazioni Generali Group, ran counter to the trend at year-end (+138.6 million euros).

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Transfer accounts	2,661,113	3,107,103	- 445,990	-14.4%
Repurchase agreements	67,469	106,703	- 39,233	-36.8%
Debit balance AUM current accounts	-	41,626	- 41,626	-100.0%
Term deposits	78,400	-	78,400	0.0%
Generali Versicherung subordinated loan	40,412	40,387	26	0.1%
Other debts	39,944	49,016	- 9,072	-18.5%
Operating debts to sales network	23,351	22,809	540	2.4%
Debt securities				
Certificates of deposit	189	757	- 568	-75.0%
<b>Total direct inflows</b>	<b>2,910,878</b>	<b>3,368,401</b>	<b>- 457,523</b>	<b>-13.6%</b>

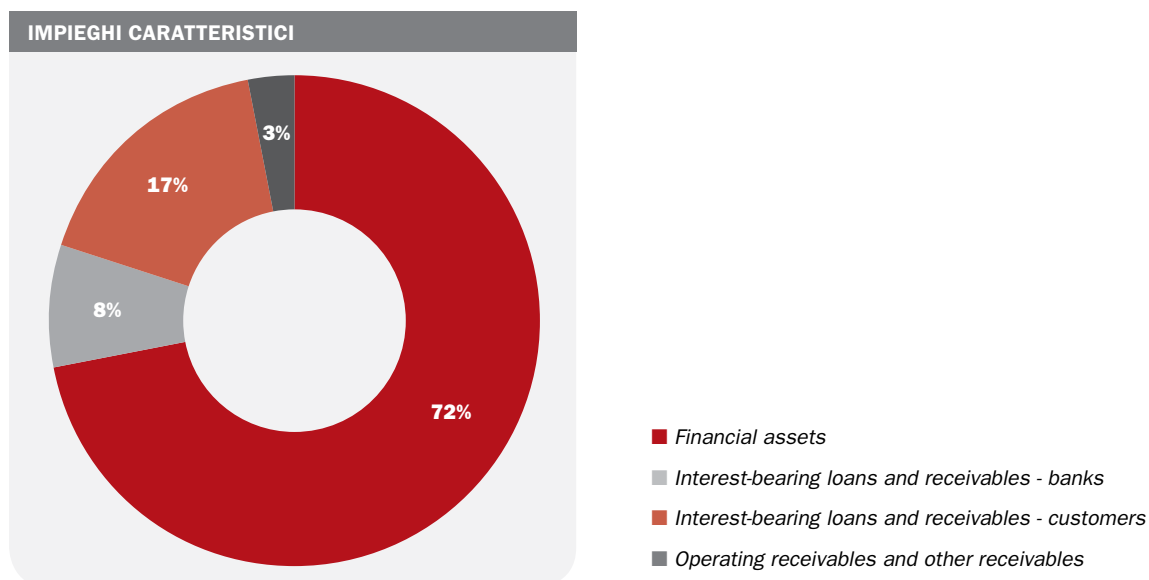
## 6.2 Core Loans

Core loans totalled 3.6 billion euros and decreased by 203.3 million euros compared to 31 December 2009.

In detail, investments in securities allocated to the various IAS portfolios amounted to 2,551.4 million

euros, down slightly compared to the previous year (-3.8%), the credit position in the interbank market declined to 299 million euros, down 43.3%, and loans to customers rose considerably (+22.6%).

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Financial assets held for trading	119,952	219,029	- 99,077	-45.2%
AFS financial assets	1,533,275	1,482,281	50,994	3.4%
Financial assets - held to maturity (HTM)	608,118	666,074	- 57,956	-8.7%
Financial assets classified among loans	290,039	284,473	5,565	2.0%
<b>Financial assets</b>	<b>2,551,384</b>	<b>2,651,857</b>	<b>- 100,474</b>	<b>-3.8%</b>
Interest-bearing loans and receivables - banks	299,162	527,708	- 228,546	-43.3%
Interest-bearing loans and receivables - customers	627,604	511,711	115,891	22.6%
Operating receivables and other receivables	110,830	100,975	9,855	9.8%
<b>Total interest-bearing financial assets and loans</b>	<b>3,588,980</b>	<b>3,792,251</b>	<b>-203,271</b>	<b>-5.4%</b>



### 6.2.1 Financial assets

The portfolio of **available-for-sale financial assets (AFS)** represents the Bank's main container for treasury investments and amounted to 1,533 million euros at year-end, up slightly compared to the end of the previous year.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Debt securities				
Government securities	1,352,479	1,109,468	243,011	21.9%
Debt securities issued by banks	143,863	300,300	- 156,437	-52.1%
Bonds of other issuers	21,561	55,401	- 33,840	-61.1%
<b>Total debt securities</b>	<b>1,517,903</b>	<b>1,465,169</b>	<b>52,734</b>	<b>3.6%</b>
Equity investments	2,271	2,271	-	0.0%
Private-equity investments	5,117	5,117	-	0.0%
Other securities available for sale	7,984	9,724	- 1,740	-17.9%
- Assicurazioni Generali	657	868	- 211	-24.3%
- Simgenia	967	752	215	28.6%
- Enel S.p.A	3,430	3,699	- 269	-7.3%
- Other equity securities	2,930	4,405	- 1,475	-33.5%
<b>Total equity securities</b>	<b>15,372</b>	<b>17,112</b>	<b>- 1,740</b>	<b>-10.2%</b>
<b>Total AFS financial assets</b>	<b>1,533,275</b>	<b>1,482,281</b>	<b>50,994</b>	<b>3.4%</b>

The portfolio of debt securities consists primarily of government securities (89.1%) and corporate bonds (9.5%) issued by Italian and international banks and financial institutions with high credit ratings, having maturities falling primarily between 2011 and 2017 and an average residual life of slightly more than 1.8 years. At year-end, the portfolio showed an overall decrease in fair value through equity of 30.7 million euros, largely attributable to the bear performance of Italian government debt securities.

The portfolio of **financial assets held to maturity (HTM)** amounted to 608 million euros at the end of 2010, down by 58.0 million euros compared

to 31 December 2009, due to redemptions during the year (more than 202 million euros), not entirely replaced by new investments.

The HTM portfolio mainly derives from securities reclassified from other portfolios (67%) and consists of Italian government securities (18.6%), debt securities issued by banks (67.7%) and Italian and international financial institutions, with high credit ratings (72% at variable rate) having maturities falling between 2011 and 2017 and an average residual life of slightly more than 3 years.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Government securities	113,223	-	113,223	n.a.
Debt securities issued by banks	411,604	548,016	- 136,412	-24.9%
Bonds of other issuers	83,291	118,058	- 34,767	-29.4%
<b>Total debt securities</b>	<b>608,118</b>	<b>666,074</b>	<b>- 57,956</b>	<b>-8.7%</b>

**Financial assets classified among loans to banks and customers** totalled 290.0 million euros, with a net increase by 5.6 million euros, due to the combined effect of the exploitation of opportunities in relation to reclassified securities and subscription for newly issued unlisted bank bonds.

Accordingly, at 31 December 2010 only 50.4% of securities was associated with the reclassification operation undertaken in 2008, while more than half consists of bonds issued by financial institutions (60.4%).

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Debt securities issued by banks	175,302	112,705	62,596	55.5%
Bonds of other issuers	114,737	171,768	- 57,031	-33.2%
<b>Total debt securities</b>	<b>290,039</b>	<b>284,473</b>	<b>5,565</b>	<b>2.0%</b>

**Financial assets and liabilities held for trading** amounted to 113.4 million euros, down considerably compared to the previous year (-48.1%).

government bonds (78.0%) and bonds issued by leading national and international financial institutions with high creditworthiness.

The portfolio of on-balance sheet assets consists of 102.6 million euros in debt securities, representing 85.7% of the total, with a large percentage of

Exposure to units of UCITs, equity securities and financial derivatives is thus very limited.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Government securities	79,956	124,034	-44,078	-35.5%
Debt securities issued by banks	6,578	30,019	-23,441	-78.1%
Bonds of other issuers	16,102	30,312	-14,210	-46.9%
Equity securities – shares	2,577	1,400	1,177	84.1%
Equity securities – UCITs	14,540	33,154	-18,614	-56.1%
<b>Total cash assets held for trading</b>	<b>119,753</b>	<b>218,919</b>	<b>-99,166</b>	<b>-45.3%</b>
Trading derivatives – positive fair value	199	110	89	80.9%
<b>Total trading portfolio</b>	<b>119,952</b>	<b>219,029</b>	<b>-99,077</b>	<b>-45.2%</b>
Trading derivatives – negative fair value	-6,502	-494	-6,008	1216.2%
<b>Total assets/liabilities held for trading</b>	<b>113,450</b>	<b>218,535</b>	<b>-105,085</b>	<b>-48.1%</b>

### 6.2.2 Loans to customers and other operating receivables

**Loans to customers** amounted to 627.6 million euros, up by 115.9 million euros compared to the levels at the end of the previous year (+22.6%), essentially due to the increase in account overdraft facilities (+36.5%).

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

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Current accounts	444,734	325,772	118,962	36.5%
Medium-/long-term loans	108,155	98,179	9,976	10.2%
Pooled financing	20,694	22,568	-1,874	-8.3%
Other short term grant in aid receivables	11,857	24,832	-12,975	-52.3%
Short-term loans	11,606	10,921	685	6.3%
Financing	597,046	482,272	114,774	23.8%
Gesav life insurance participating policy	30,558	29,439	1,119	3.8%
<b>Total Loans</b>	<b>627,604</b>	<b>511,711</b>	<b>115,893</b>	<b>22.65%</b>
Receivables from product companies	57,602	40,504	17,098	42.2%
Sums advanced to financial advisors	31,020	31,879	-859	-2.7%
Interest-bearing daily margin, Borsa Italiana	4,403	5,231	-828	-15.8%
Changes to be debited and other loans	16,672	22,077	-5,405	-24.5%
<b>Operating loans and other loans</b>	<b>109,697</b>	<b>99,691</b>	<b>10,006</b>	<b>10.0%</b>
Debt securities	114,737	171,768	-57,031	-33.2%
<b>Total loans to customers</b>	<b>852,038</b>	<b>783,170</b>	<b>68,868</b>	<b>8.8%</b>

The net exposure to **doubtful loans** amounted to 29.6 million euros, representing 4.96% of the financing segment, and decreased by 20.1 million euros on the end of the previous year, mainly due to the repayment of several expired positions or past due from over 180 days.

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

In detail, bad loans and substandard loans are currently secured to a large extent by 21.9 million euros in collateral deposits by BSI SA.

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

€ thousand	Gross exp.	Adjustments	Net exp. 2010	Net exp. 2009	Change Amount	%
Bad loans	29,870	- 15,290	14,580	12,246	2,334	19.1%
Substandard loans	14,474	- 17	14,457	28,190	- 13,733	-48.7%
Expired loans/outstanding over 180 days	577	-	577	9,263	- 8,686	-93.8%
<b>Total non-performing loans</b>	<b>44,921</b>	<b>- 15,307</b>	<b>29,614</b>	<b>49,699</b>	<b>- 20,085</b>	<b>-40.4%</b>

### 6.2.3 Interbank Position

At the end of the year, the net interbank position stood at a net credit position of 25.2 million euros, down by 468.4 million euros compared to the situation at the end of 2009.

This result may be attributed to the decrease in the loan position (-166.1 million euros or -25.9%), which primarily affected the term component, and the increase in the debt position (+302.3 million euros), chiefly owing to the undertaking of repurchase agreement transactions.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Repayable on demand	216,139	126,709	89,430	70.6%
<i>Demand deposits with banks</i>	128,000	35,000	93,000	265.7%
<i>Transfer accounts</i>	88,139	91,709	- 3,570	-3.9%
Time deposits	83,023	400,999	- 317,976	-79.3%
<i>Deposits with central banks</i>	11,680	23,161	- 11,481	-49.6%
Term deposit with ECB	-	165,045	- 165,045	-100.0%
<i>Term deposits</i>	71,343	212,793	- 141,450	-66.5%
<i>Repurchase agreements</i>	-	-	-	0.0%
Debt securities	175,302	112,705	62,597	55.5%
Other operating loans	1,133	1,284	- 151	-11.8%
<b>Total due to banks</b>	<b>475,597</b>	<b>641,697</b>	<b>- 166,100</b>	<b>-25.9%</b>
Transfer accounts	35,873	64,874	- 29,001	-44.7%
Term current accounts	9,391	42,739	- 33,348	-78.0%
Repurchase agreements	382,950	40,074	342,876	855.6%
Subordinated loan	-	-	-	0.0%
Other operating debts	22,217	427	21,790	5103.0%
<b>Total due to banks</b>	<b>450,431</b>	<b>148,114</b>	<b>302,317</b>	<b>204.1%</b>
<b>Net interbank position</b>	<b>25,166</b>	<b>493,583</b>	<b>- 468,417</b>	<b>-94.9%</b>

### 6.3 Special Purpose Provisions

Funds allocated to cover specific liabilities and contingencies totalled 57.8 million euros, up by 7.5 million euros (+14.9%) compared to the previous year, primarily owing to the greater allocations for personnel (+74.8%) and network end-of-service indemnities (+71.8%).

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Provision for termination indemnity	4,345	4,285	60	1.4%
Other provisions for liabilities and contingencies	53,414	46,000	7,414	16.1%
<i>Provisions for staff expenses</i>	7,086	4,054	3,032	74.8%
<i>Provisions for legal disputes</i>	9,496	8,768	728	8.3%
<i>Provisions for advisors' end-of-service indemnities</i>	11,717	6,820	4,897	71.8%
<i>Provisions for network incentives</i>	24,794	26,358	-1,564	-5.9%
<i>Other provisions for risks and charges</i>	321	-	321	n.a.
<b>Total provisions</b>	<b>57,759</b>	<b>50,285</b>	<b>7,474</b>	<b>14.9%</b>

Provisions for staff expenses are allocated to account for the following:

- management's variable compensation accrued during the year, payment of which is deferred beyond the following year by contract, contingent upon the satisfaction of certain conditions.  
The aggregate includes the portion of variable compensation of managers of the banking group deferred beyond two years and contingent upon access gates set out in the banking group's new compensation policy and the new three-year retention plan for the banking group's top managers (Long Term Incentive Plan).
- Other allocations intended to support the redundancy incentive plan promoted following the merger of Banca BSI Italia, informal incentives and other expenses associated with personnel classification, for which the conditions set out in IAS 19 are not currently believed to be met.

Provisions for end-of-service indemnities reflect a new, more conservative measurement on the basis of actuarial statistics of the expense associated with the portfolio development indemnity owed under contract to financial advisors in the event of end of service and the transfer of the clients served to another replacement advisor.

Provisions for network incentives include 22.0 million euros in obligations assumed by the Bank in connection with recruitment plans aimed at expanding portfolios in the medium term, while the remainder refers to incentive plans based on the network's performance for the period and the share of incentives for non-employee network managers subject to the Group's new compensation policy (deferred incentives with access gates).

### 6.4 Net Equity

At 31 December 2010, the Group's net equity, including the net profit for the year, amounted to 274.6 million euros compared to the 264.0 million euros at the end of the previous year and underwent the following changes.



€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Share capital	111,363	111,313	50	0.0%
Additional paid-in capital	-	22,309	-22,309	-100.0%
Reserves	105,400	73,245	32,155	43.9%
(Treasury shares)	-660	-4,471	3,811	-85.2%
Valuation reserves	-23,712	-1,602	-22,110	1380.1%
Net profit (loss) for the year	82,207	63,211	18,996	30.1%
<b>Group net equity</b>	<b>274,598</b>	<b>264,005</b>	<b>10,593</b>	<b>4.0%</b>
Minority interests	6,621	4,476	2,145	47.9%
<b>Consolidated net equity</b>	<b>281,219</b>	<b>268,481</b>	<b>12,738</b>	<b>4.7%</b>

	Group	Third parties	Overall
<b>Net equity at year-start</b>	<b>264,005</b>	<b>4,476</b>	<b>268,481</b>
Dividend paid	- 49,884	- 1,999	- 51,883
Exercise of stock options	355	-	355
Adjustment of IFRS 2 reserve for stock grant/option plans	- 14	-	- 14
Change in AFS reserves	- 22,071	-	- 22,071
Consolidated net profit 2010	82,207	4,144	86,351
<b>Net equity at year-end</b>	<b>274,598</b>	<b>6,621</b>	<b>281,219</b>

In the third quarter of the year, treasury shares having a total carrying amount of 3.8 million euros were granted to the Chief Executive Officer under the Stock-Granting Plan for Banca Generali's Chief Executive Officer and General Manager approved in 2006 linked to the listing of the Parent Company, Banca Generali.

In addition, the favourable performance of market prices in 2010 allowed stock-option plans for the Group's financial advisors and executives to begin to be exercised, resulting in a slight increase in the capitalisation of the Parent Company, Banca Generali.

Lastly, reserves associated with stock-option plans remained essentially stable due to the conflicting effect of the end of the vesting period for the final tranche

of the plans for financial advisors and the revision of the measurement of the three-year extension of the plans authorised at the end of 2009 and ratified by the Shareholders' Meeting called to approve the 2010 financial statements, which resulted in a decrease of 0.8 million euros.

The change in net equity was influenced to a significant degree by the performance of fair-value reserves for the portfolio of financial assets available for sale, which decreased by 22.1 million euros at the end of the year to reach a negative value of 23.7 million euros.

€ thousand	31.12.2010		
	Positive provision	Negative provision	Net provision
1. Debt securities	250	- 22,201	- 21,951
2. Equity securities	13	- 1,774	- 1,761
<b>Total</b>	<b>263</b>	<b>- 23,975</b>	<b>- 23,712</b>

### 6.4.1 Capital for regulatory purposes

At 31 December 2010, consolidated capital for regulatory purposes amounted to 225.3 million euros, net of the dividend expected to be paid, up by 19.5 million euros compared to the end of the previous year.

At the end of the year, the aggregate capital for regulatory purposes recorded 89.6 million euros in excess of the amount required by the Supervisory Authority to cover credit, market, and operating risks. The solvency ratio was 13.28%, compared to the minimum requirement of 8%.

€ thousand	31.12.2010	31.12.2009	Change	
			Amount	%
Tier 1 capital	185,634	166,078	19,556	11.78%
Tier 2 capital	39,624	39,666	- 42	-0.11%
Tier 3 capital	-	-	-	0.00%
<b>Total capital for regulatory purposes</b>	<b>225,258</b>	<b>205,744</b>	<b>19,514</b>	<b>9.48%</b>
B.1 CREDIT RISK	92,561	92,836	- 275	-0.30%
B.2 MARKET RISKS	9,350	13,375	- 4,025	-30.09%
B.3 OPERATING RISK	33,759	30,006	3,753	12.51%
B.4 OTHER PRUDENTIAL REQUIREMENTS	-	-	-	0.00%
B.4 TOTAL PRUDENTIAL REQUIREMENTS	135,670	136,217	- 547	-0.40%
EXCESS OVER PRUDENTIAL REQUIREMENTS	89,588	69,527	20,061	28.85%
Non-committed capital	39.77%	33.79%	5.98%	17.69%
Capital committed to credit risk	41.1%	45.12%	-4.03%	-8.93%
Capital committed for market risk	4.2%	6.50%	-2.35%	-36.15%
Capital committed for operating risk	15.0%	14.6%	n.a.	n.a.
Risk-weighted assets	1,695,875	1,702,713	-6,838	-0.40%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	10.95%	9.75%	0	12.23%
<b>Regulatory capital/Risk-weighted assets</b>	<b>13.28%</b>	<b>12.08%</b>		
<b>(Total capital ratio)</b>				

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

In addition, a negative filter was introduced to neutralise part of the tax benefits deriving from the payment of substitute tax on the goodwill associated with Banca del Gottardo Italia.

## 6.4.2 Reconciliation statement between parent company net equity and net profit and the consolidated net equity and net profit

€ thousand	Capital and reserves	Net profit	Net equity
<b>Net equity of Banca Generali</b>	<b>125,566</b>	<b>106,932</b>	<b>232,498</b>
Differences between net equity and			
<i>book value of companies consolidated using the line-by-line method</i>	20,402	-	20,402
- Goodwill	9,222		9,222
- Income carried forward of subsidiary companies	11,102	-	11,102
- Stock granting reserve for 175th anniversary	78		78
Dividends from consolidated companies	55,454	- 115,454	- 60,000
Consolidated companies result for the year	-	94,793	94,793
Net profit attributable to minority interests	-	- 4,144	- - 4,144
Valuation reserves - consolidated companies	-	-	-
<i>Consolidation adjustments</i>	- 9,031	80	- 8,951
- Goodwill	- 9,222	-	- 9,222
<b>- GIL incorporation expenses</b>	<b>191</b>	<b>80</b>	<b>271</b>
<b>Net equity of the Banca Generali Group</b>	<b>192,391</b>	<b>82,207</b>	<b>274,598</b>

## 6.5 Cash Flows

At the end of 2010, the cash flows generated by operating activities at the consolidated level were essentially balanced.

In detail, the simultaneous decrease in inflows from customers and the increase in loans to customers resulted in the use of 517.2 million euros, which was offset by the cash provided by operations (105.4 million euros) and the net interbank position (+446.1 million euros).

Investing activities provided a net total of 58.7 million euros in cash, primarily as a result of the imbalance between redemptions and new investments in the portfolio of assets held to maturity (60.2 million euros). By contrast, financing activity used 51.6 million euros in cash, mostly attributable to the dividends paid.

€ thousand	31.12.2010	31.12.2009
<b>Cash flows generated by operations:</b>	<b>105,424</b>	<b>73,136</b>
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	16,547	- 242,498
Cash flows generated by (+) used for (-) loans to banks	166,197	313,434
Cash flows generated by (+) used for (-) loans to customers	- 59,077	77,976
Cash flows generated by (+) used for (-) amounts due to banks	279,895	130,729
Cash flows generated by (+) used for (-) amounts due to customers	- 458,114	- 316,745
Cash flows generated by (+) used for (-) other operating assets and liabilities	- 58,103	19,242
<b>Liquidity generated by/used for operating activities</b>	<b>- 7,231</b>	<b>55,274</b>
<b>Liquidity generated by/used for investing activities</b>	<b>58,725</b>	<b>- 49,094</b>
<b>Liquidity generated by/used for financing activities</b>	<b>- 51,556</b>	<b>- 6,480</b>
<b>Net cash liquidity generated/used</b>	<b>- 62</b>	<b>- 300</b>
<b>Cash and deposits</b>	<b>7,953</b>	<b>8,015</b>

## 7. Related Party Transactions

### 7.1 Disclosure of Related Party Transactions

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

The new rules call for:

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

In order to allow companies to adjust their internal procedures to the obligations set out in the above Regulation, the transitional regime calls for:

- the entry into force of disclosure obligations on 1 December 2010;
- compulsory adoption of procedures relating to decision-making mechanisms (more significant transactions, less significant transactions, transactions with the purview of the Shareholders' Meeting and master resolutions) effective 1 January 2011.

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

Until 31 December 2010, the rules governing related party transactions by Banca Generali or its subsidiaries was set forth in the Code of Conduct for Related Party Transactions approved by Banca Generali's Board of Directors on 18 July 2006, in accordance with Article 2391-*bis* of the Italian Civil Code, Article 71-*bis* of Consob Regulation No. 11971/99 (Rules for Issuers) and the recommendations set out in the Corporate Governance Code of Listed Companies.

In detail, that procedure contemplates:

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

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

## 7.2 Unusual, Atypical or Extraordinary Transactions

In 2010, no related-party transaction was carried out that could be defined as atypical or unusual, having an “impact on the safety of the company’s assets or the completeness or accuracy of accounting and other information related to the issuer”, which would therefore require disclosure to the market pursuant to Article 71-*bis* of Consob Regulation No. 11971/99 (and subsequent amendments), except those reported below.

On 1 January 2010, two restructuring transactions internal to the banking group were completed:

- 1) the discretionary portfolio management business unit was contributed by Banca BSI Italia to BG SGR;
- 2) Banca BSI Italia was merged into the parent company, Banca Generali.

## 7.3 Company Managed and Coordinated by Assicurazioni Generali S.p.A.

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

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

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

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

It should also be noted that following the banking group reorganisation transactions closed on 1 January 2010, the comparative balance sheet situation at 31 December 2009 is no longer appropriate to reflecting the development of balance sheet aggregates in 2010.

Accordingly, in the interest of greater comprehensibility of results, the performance of balance-sheet aggregates will be analysed on the basis of a restated balance sheet situation that takes into account:

- the contribution of the discretionary portfolio management business unit Banca BSI Italia to BG SGR;
- the subsequent merger of Banca BSI Italia into the parent company, Banca Generali.

The paragraphs below thus present Banca Generali's balance sheet situation as at 31 December 2010 compared with the restated situation that contemplates the foregoing transactions as at 31 December 2009 and Banca Generali's official financial statement situation as at the same date.

The methods used to determine the comparative profit and loss account and balance sheet figures for 2009 are presented in Annex 2.

### 8.1 Profit and Loss Results

Banca Generali's net profit amounted to 106.9 million euros in 2010, up by 52.4 million euros compared to the previous year and by 74.4 million euros compared to the profit and loss situation restated to account for the banking group reorganisation transactions.

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
Interest income	56,444	74,762	- 18,318	-24.5%	65,315
Interest expense	- 13,737	- 26,366	12,629	-47.9%	-20,239
<b>Net interest</b>	<b>42,707</b>	<b>48,396</b>	<b>- 5,689</b>	<b>-11.8%</b>	<b>45,076</b>
Commission income	213,343	177,251	36,092	20.4%	126,817
Commission expense	- 141,121	- 111,877	- 29,244	26.1%	-81,866
<b>Net commissions</b>	<b>72,222</b>	<b>65,374</b>	<b>6,848</b>	<b>10.5%</b>	<b>44,951</b>
Dividends	189,445	122,615	66,830	54.5%	122,594
Net result from banking operations	- 60,841	- 52,958	- 7,883	-14.9%	-53,463
<b>Net operating income</b>	<b>243,533</b>	<b>183,427</b>	<b>60,106</b>	<b>32.8%</b>	<b>159,158</b>
Staff expenses	- 52,968	- 55,256	2,288	-4.1%	-39,774
Other general and administrative expense	- 69,558	- 69,167	- 391	0.6%	-52,313
Net adjustments of property, equipment and intangible assets	- 3,462	- 5,706	2,244	-39.3%	-3,435
Other operating expense/income	8,271	4,784	3,487	72.9%	11,536
<b>Net operating expense</b>	<b>- 117,717</b>	<b>- 125,345</b>	<b>7,628</b>	<b>-6.1%</b>	<b>-83,986</b>
<b>Operating profit</b>	<b>125,816</b>	<b>58,082</b>	<b>67,734</b>	<b>116.6%</b>	<b>75,172</b>
Net adjustments for non-performing loans	- 1,845	- 3,341	1,496	-44.8%	-2,802
Net adjustments of other assets	- 2,390	- 4,222	1,832	-43.4%	-4,222
Net provisions	- 18,473	- 16,382	- 2,091	12.8%	-7,071
<b>Operating profit before taxation</b>	<b>103,108</b>	<b>34,137</b>	<b>68,971</b>	<b>202.0%</b>	<b>61,077</b>
Income taxes for the period on current operations	3,824	- 1,637	5,461	-333.6%	- 6,592
<b>Net profit</b>	<b>106,932</b>	<b>32,500</b>	<b>74,432</b>	<b>229.0%</b>	<b>54,485</b>

**Net operating income** increased by 60.1 million euros (+32.8%) compared to the restated profit and loss situation as at 31 December 2009, entirely attributable to the increase in dividends collected on equity investments during the year, which rose from 48.7 million euros to 115.4 million euros (+66.7 million euros).

Net of that component, the aggregate decreased slightly from 134.7 million euros to 128.1 million euros (-6.6 million euros or 4.9%) due to the decline in the net profit from banking operations, including non-participating dividends, from 20.9 million euros to

13.1 million euros (-7.8 million euros or -37.1%) and net interest, which was not fully offset by the increase in the commissions aggregate.

**Net interest** stood at 42.7 million euros, down by 5.7 million euros (-11.8%) compared to 2009 due to the continuing stagnation of the level of interest rates and the narrowing of the spread between funding and lending rates.

**Aggregated commissions** stood at 72.2 million euros, up by 6.8 million euros (10.5%) compared to the previous year.

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
Asset management	-	-	-	n.a.	-
Placement of securities and UCITs	96,576	90,176	6,400	7.1%	60,402
Distribution of third-party financial products	77,884	59,081	18,803	31.8%	45,063
Dealing in securities and currencies	19,280	4,503	14,777	328.2%	4,843
Order collection, custody, and securities administration	13,569	17,340	-3,771	-21.7%	11,503
Collection and payment services	2,069	2,201	-132	-6.0%	1,974
Other services	3,965	3,950	15	0.4%	3,032
<b>Total commission income</b>	<b>213,343</b>	<b>177,251</b>	<b>36,093</b>	<b>20.4%</b>	<b>126,817</b>
Commissions for external offer	131,169	103,658	27,511	26.5%	75,169
Collection and payment services	853	586	267	45.6%	545
Dealing in securities and custody	7,563	5,180	2,383	46.0%	4,786
Asset management	-	-	-	n.a.	-
Other commissions	1,536	2,453	-917	-37.4%	1,366
<b>Total commission expense</b>	<b>141,121</b>	<b>111,877</b>	<b>29,244</b>	<b>26.1%</b>	<b>81,866</b>
<b>Net commissions</b>	<b>72,222</b>	<b>65,374</b>	<b>6,848</b>	<b>10.5%</b>	<b>44,951</b>

**Dividends** collected amounted to 189.4 million euros and consist of profits distributed by Banking Group companies (115.4 million euros) and dividends collected under equity-swap transactions (74.0 million euros).

Dividends on the Group's equity investments include 60 million euros in advances on 2010 profits distributed by the Luxembourg subsidiary, up compared to the 15 million euros of the previous year.

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
BG SGR	9,015	10,740	- 1,725	-16.1%	10,740
GFM	106,190	37,440	68,750	183.6%	37,440
BG Fiduciaria	250	570	- 320	-56.1%	570
Other dividends from trading and AFS assets	73,990	73,865	125	0.2%	73,844
	<b>189,445</b>	<b>122,615</b>	<b>66,830</b>	<b>54.50%</b>	<b>122,594</b>

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

on equity securities allocated to the trading and AFS portfolios and any net profit or loss from hedging. At the end of 2010, the aggregate presented a positive contribution of 13.1 million euros, down from the 20.9 million euros reported at the end of the previous year (-7.8 million euros).

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
Dividends from trading	73,468	73,307	161	0.2%	73,306
Trading of financial assets and equity derivatives	- 70,927	- 69,804	- 1,123	1.6%	- 69,794
Trading of financial assets and bond derivatives	- 2,628	134	- 2,762	-2061.2%	422
Trading of UCIT units	569	487	82	16.8%	488
<b>Securities transactions</b>	<b>482</b>	<b>4,124</b>	<b>- 3,642</b>	<b>-88.3%</b>	<b>4,422</b>
<b>Currency and currency derivative transactions</b>	<b>1,957</b>	<b>694</b>	<b>1,263</b>	<b>182.0%</b>	<b>- 110</b>
Net profit from trading operations	2,439	4,818	- 2,379	-49.4%	4,312
Dividends from AFS assets	522	558	- 36	-6.5%	538
Gains/(losses) on equity securities	70	- 336	406	-120.8%	- 336
<b>Gains/(losses) on AFS and HTM debt securities and loans</b>	<b>10,118</b>	<b>15,867</b>	<b>- 5,749</b>	<b>-36.2%</b>	<b>15,867</b>
<b>Profit (loss) of financial operations</b>	<b>13,149</b>	<b>20,907</b>	<b>- 7,758</b>	<b>-37.1%</b>	<b>20,381</b>

**Net operating expense** amounted to 117.7 million euros, down by 6.1% compared to the restated situation for the previous year.

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
Staff expenses	- 52,968	- 55,256	2,288	-4.1%	-39,774
Other general and administrative expense	- 69,558	- 69,167	-391	0.6%	-52,313
Net adjustments of property, equipment and intangible assets	- 3,462	- 5,706	2,244	-39.3%	-3,435
Other income and expenses	8,271	4,784	3,487	72.9%	11,536
<b>Operating expense</b>	<b>- 117,717</b>	<b>-125,345</b>	<b>7,628</b>	<b>-6.1%</b>	<b>-83,986</b>

The **number of employees** remained essentially stable at 693, marking a decrease of four resources at the end of the period, following the acquisition of the 123 former Banca BSI Italia employees and the contribution of eight employees tied to the portfolio management unit. In this scenario, staff expenses, including full-time employees, interim staff and directors, decreased by 2.3 million euros (-4.1%) owing to the lower cost of stock-option plans and the decrease in allocations for productivity bonuses.

Adjustments to **property and equipment and intangible assets** decreased by 2.2 million euros mainly due to the IT system restructuring costs incurred in the previous year due to the integration of Banca BSI Italia.

Other **general and administrative expense** amounted to 69.6 million euros, a slight decrease of 0.4 million euros (-0.6%), compared to the previous year.



€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
<b>Administration</b>	<b>11,566</b>	<b>11,678</b>	<b>-112</b>	<b>-1.0%</b>	<b>8,712</b>
Advertising	3,465	1,008	2,457	243.8%	895
Consultancy and professional advice expense	3,864	6,371	-2,507	-39.4%	5,077
Corporate boards and auditing firms	470	494	-24	-4.9%	309
Insurance	2,862	2,967	-105	-3.5%	1,808
Other general costs (insur. T&E)	905	838	67	8.0%	623
<b>Operations</b>	<b>26,306</b>	<b>24,086</b>	<b>2,220</b>	<b>9.2%</b>	<b>17,298</b>
Rent and usage of premises	14,074	11,572	2,502	21.6%	7,543
Outsourced services (administrative, back office)	3,496	3,704	-208	-5.6%	3,505
Post and telephone	2,622	2,665	-43	-1.6%	1,945
Print material and contracts	771	950	-179	-18.8%	723
Other operating expenses	5,343	5,195	148	2.8%	3,582
<b>Information system and equipment</b>	<b>24,108</b>	<b>24,924</b>	<b>-816</b>	<b>-3.3%</b>	<b>20,604</b>
Outsourced IT services	15,455	17,295	-1,840	-10.6%	14,483
Fees for financial databases and other IT services	3,942	3,751	191	5.1%	3,108
Software maintenance and servicing	3,148	2,104	1,044	49.6%	1,743
Other expenses (equipment rental, maintenance, etc.)	1,563	1,774	-211	-11.9%	1,270
<b>Taxes and duties</b>	<b>7,578</b>	<b>8,479</b>	<b>-901</b>	<b>-10.6%</b>	<b>5,699</b>
<b>Total other general and administrative expense</b>	<b>69,558</b>	<b>69,167</b>	<b>391</b>	<b>0.6%</b>	<b>52,313</b>

### Other net operating income and charges

increased by 3.5 million euros compared to the previous year due to the decrease in indemnities related to litigation and the greater weight of adjustments of revenues and costs from previous years.

**Operating income** amounted to 125.8 million euros, an increase of 67.7 million euros compared to the previous year (+116.6%).

**Operating profit before taxation** amounted to 103.1 million euros, an increase of 69.0 million euros on the restated situation at 31 December 2009, after subtracting adjustments for the impairment of loans of 1.8 million euros, adjustments for the impairment of financial assets of 2.4 million euros and, lastly, net provisions of 18.5 million euros.

Lastly, current and deferred **taxes for the year** amounted to net tax assets of 3.8 million euros, primarily due to the non-recurring tax benefit provided by the option for tax-neutral treatment of assets deriving from the absorption of Banca del Gottardo Italia by the merged Banca BSI Italia in the amount of 6.3 million euros.

If such non-recurring components are excluded, taxes for the year amounted to 2.4 million euros, bringing the tax rate to 2.36% as a result of the decisive weight of the share of dividends on investments excluded from the IRES tax base.

## 8.2 Balance sheet figures

ASSETS			Change		31.12.2009 Official
€ thousand	31.12.2010	31.12.2009 Restated	Amount	%	
Financial assets held for trading	119,554	218,929	- 99,375	-45.4%	218,553
AFS financial assets	1,533,227	1,482,232	50,995	3.4%	1,481,926
Assets held to maturity (HTM)	608,118	666,074	- 57,956	-8.7%	666,074
Loans to banks	447,827	581,388	- 133,561	-23.0%	619,719
Loans to customers	824,562	752,436	72,126	9.6%	426,057
Equity investments	39,417	39,337	80	0.2%	143,992
Property, equipment and intangible assets	40,718	42,886	- 2,168	-5.1%	9,755
Tax receivables	64,605	45,695	18,910	41.4%	14,023
Other assets	71,228	75,982	- 4,754	-6.3%	54,630
<b>Total assets</b>	<b>3,749,256</b>	<b>3,904,959</b>	<b>- 155,703</b>	<b>-4.0%</b>	<b>3,634,729</b>

NET EQUITY AND LIABILITIES			Change		31.12.2009 Official
€ thousand	31.12.2010	31.12.2009 Restated	Amount	%	
Due to banks	450,208	147,944	302,264	204.3%	1,034,333
Due to customers	2,929,876	3,381,540	- 451,664	-13.4%	2,232,448
Financial liabilities held for trading	6,502	494	6,008	1216.2%	494
Tax payables	3,119	5,096	- 1,977	-38.8%	2,327
Other liabilities	72,173	124,317	- 52,144	-41.9%	93,476
Special purpose provisions	54,880	48,505	6,375	13.1%	21,776
Valuation reserves	- 23,712	- 1,602	- 22,110	1380.1%	- 1,602
Reserves	38,575	37,014	1,561	4.2%	67,221
Additional paid-in capital	-	22,309	- 22,309	-100.0%	22,309
Share capital	111,363	111,313	50	0.0%	111,313
Treasury shares (-)	- 660	- 4,471	3,811	-85.2%	- 3,851
Net profit (loss) for the year (+/-)	106,932	32,500	74,432	229.0%	54,485
<b>Total net equity and liabilities</b>	<b>3,749,256</b>	<b>3,904,959</b>	<b>- 155,703</b>	<b>-4.0%</b>	<b>3,634,729</b>

**Direct inflows** from customers amounted to 2,929.9 million euros, a -13.4% decrease of 451.7 million euros compared to the restated balance sheet at 31 December 2009.

€ thousand	31.12.2009		Change		31.12.2009 Official
	31.12.2010	Restated	Amount	%	
Current accounts	2,685,716	3,165,201	- 479,485	-15.1%	2,144,349
Repurchase agreements	67,469	106,703	- 39,234	-36.8%	25,538
Term deposits	78,400	-	78,400	n.a.	-
Subordinated loan	40,412	40,387	25	0.1%	-
Securities issued	189	757	- 568	-75.0%	-
Other debts	57,690	68,492	- 10,802	-15.8%	62,561
<b>Total direct inflows</b>	<b>2,929,876</b>	<b>3,381,540</b>	<b>- 451,664</b>	<b>-13.4%</b>	<b>2,232,448</b>

**Core loans** totalled 3.5 billion euros and decreased by 167.8 million euros compared to the restated balance sheet situation at 31 December 2009.

In detail, investments in securities allocated to the various IAS portfolios amounted to 2,550.9 million euros, down by 100.8 million euros compared to the

previous year (-3.80%), the credit position on the interbank market contracted by 196.1 million euros, down 41.9%, while loans to customers increased significantly, even on a like-for-like basis, by 116.5 million euros (+23.7%).

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
Financial assets held for trading	119,554	218,929	- 99,375	-45.4%	218,553
AFS assets	1,533,227	1,482,232	50,995	3.4%	1,481,926
Financial assets - held to maturity (HTM)	608,118	666,074	- 57,956	-8.7%	666,074
Loans to banks	447,827	581,388	- 133,561	-23.0%	619,719
Financing	271,545	467,628	- 196,083	-41.9%	506,044
Operating loans	980	1,055	- 75	-7.1%	970
Debt securities	175,302	112,705	62,597	55.5%	112,705
Loans to customers	824,562	752,436	72,126	9.6%	426,057
Financing	608,469	491,965	116,504	23.7%	192,667
Life insurance participating policy	30,558	29,439	1,119	3.8%	29,439
Operating loans and other loans	70,798	59,264	11,534	19.5%	32,183
Debt securities	114,737	171,768	- 57,031	-33.2%	171,768
<b>Total core loans</b>	<b>3,533,288</b>	<b>3,701,059</b>	<b>- 167,771</b>	<b>-4.5%</b>	<b>3,412,329</b>

At the end of 2010, **net interbank position** amounted to -2.4 million euros, marking a decrease of 435.8 million euros compared to the restated balance sheet at 31 December 2009.

**Loans to customers** amounted to 824.6 million euros, marking an overall increase of 72.1 million euros (+9.6%) compared to the restated balance sheet at 31 December 2009, essentially due to the increase in lending transactions, and especially in account overdraft facilities.

The net exposure to doubtful loans stood at 29.6 million euros, representing 4.87% of loans to customers,

and consisted largely of non-performing positions inherited from Banca del Gottardo Italia, merged into the merged Banca BSI Italia, and covered in its entirety by a guarantee of reimbursement provided by BSI SA in connection with the sale of the company.

The portfolio of **equity investments** amounted to 39.4 million euros, decreasing by 104.6 million euros compared to the previous year due to the effect of the merger with Banca BSI Italia (114.2 million euros) and the acquisition of the investment in BG SGR issued in service of the contribution of the portfolio management business unit.

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
<b>Controlling interest</b>	<b>39,417</b>	<b>39,337</b>	<b>80</b>	<b>0.2%</b>	<b>143,992</b>
Bg Fiduciaria Sim S.p.A.	11,779	11,779	-	0.0%	11,779
Bg Sgr S.p.A.	25,393	25,393	-	0.0%	15,893
Banca BSI S.p.A.	-	-	-	n.a.	114,155
Generfid S.p.A.	245	165	80	48.5%	165
Generali Fund Management S.A.	2,000	2,000	-	0.0%	2,000
<b>Total equity investments</b>	<b>39,417</b>	<b>39,337</b>	<b>80</b>	<b>0.2%</b>	<b>143,992</b>

Funds allocated to cover specific liabilities and contingencies totalled 54.9 million euros, up by 6.4 million euros (+13.1%) compared to the restated

balance sheet figures at 31 December 2009, primarily owing to the greater allocations for personnel (+60.1%) and network end-of-service indemnities (+71.8%).

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
Provision for termination indemnity	3,379	3,494	-115	-3.3%	2,932
Other provisions for liabilities and contingencies	51,501	45,011	6,490	14.4%	18,844
Provisions for staff expenses	5,653	3,530	2,123	60.1%	1,373
Provisions for legal disputes	9,016	8,303	713	8.6%	6,298
Provisions for termination indemnity for financial advisors	11,717	6,820	4,897	71.8%	4,477
Provisions for network incentives	24,794	26,358	-1,564	-5.9%	6,696
Other provisions for liabilities and contingencies	321	0	321	n.a.	0
<b>Total provisions</b>	<b>54,880</b>	<b>48,505</b>	<b>6,375</b>	<b>13.1%</b>	<b>21,776</b>

### 8.3 Net equity and capital for regulatory purposes

At 31 December 2010, Banca Generali's net equity, including net profit for the year, amounted to 232.5

million euros, down by 17.4 million euros compared to the situation presented in the financial statements at and for the year ended 31 December 2009.

€ thousand	31.12.2009		Change		31.12.2009
	31.12.2010	Restated	Amount	%	Official
1. Share capital	111,363	111,313	50	0.0%	111,313
2. Additional paid-in capital	-	22,309	-22,309	-100.0%	22,309
3. Reserves	38,575	37,014	1,561	4.2%	67,221
4. (Treasury shares)	-660	-4,471	3,811	-85.2%	-3,851
5. Valuation reserves	-23,712	-1,602	-22,110	1380.1%	-1,602
6. Equity instruments	-	-	-	n.a.	-
7. Net profit (loss) for the period	106,932	32,500	74,432	229.0%	54,485
<b>Total net equity</b>	<b>232,498</b>	<b>197,063</b>	<b>35,435</b>	<b>18.0%</b>	<b>249,875</b>

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

<b>Net equity at year start – 1 January 2010</b>	<b>249,875</b>
BSI merger deficit	-52,322
Treasury shares of former BSI	-507
Former BSI stock option plans	134
Dividends for 2009, distributed in May 2010	-49,884
Net change in AFS reserve	-22,071
Exercise of stock options	355
Net change in IFRS 2 reserves for stock option plans	-14
Profit of the period	106,932
<b>Net equity at 31 December 2010</b>	<b>232,498</b>

The net negative reserve of 52.3 million euros emerged following the merger with Banca BSI Italia was covered through the use of share premium reserves and other distributable earnings reserves.

**Capital for regulatory purposes** amounted to 193.0 million euros at 31 December 2010, on the basis of the expected distribution of 61.2 million euros in dividends, and remained essentially unchanged compared to the previous year due to the acquisition of the subordinated loan from the German subsidiary Generali Versicherung, deriving from the merger with Banca BSI Italia.

The excess capital above the minimum capital requirements for risks set by the Oversight Authority amounted to 98.6 million euros, down compared to the previous year due to the greater capital absorbed by the credit risk associated with the operations of Banca BSI Italia.

Total capital ratio amounted to 16.35%, compared to a minimum requirement of 8%, net of the lump-sum reduction of 25% required by the new regulations (Basel 2) for banks belonging to banking groups.

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

In addition, a negative filter was introduced to neutralise part of the tax benefits deriving from the payment of substitute tax on the goodwill associated with Banca del Gottardo.

€ thousand	Change			
	31.12.2010	31.12.2009	Amount	%
Tier 1 capital	153,414	192,968	- 39,554	-20.50%
Tier 2 capital	39,591	-	39,591	0.00%
Tier 3 capital	-	-	-	n.a.
<b>Total capital for regulatory purposes</b>	<b>193,005</b>	<b>192,968</b>	<b>37</b>	<b>0.02%</b>
B.1 CREDIT RISK	88,508	79,010	9,498	12.02%
B.2 MARKET RISKS	9,349	13,420	- 4,071	-30.34%
B.3 OPERATING RISK	28,029	18,593	9,436	50.75%
B.4 OTHER PRUDENTIAL REQUIREMENTS	-	-	-	n.a.
Lump-sum deduction	- 31,472	- 27,756	- 3,716	13.39%
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	94,414	83,267	11,147	13.39%
EXCESS OVER PRUDENTIAL REQUIREMENTS	98,591	109,701	- 11,110	-10.13%
Risk-weighted assets	1,180,175	1,040,841	159,239	13.39%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	13.00%	18.54%		
<b>Regulatory capital/Risk-weighted assets (Total capital ratio)</b>	<b>16.35%</b>	<b>18.54%</b>		

## 8.4 Cash Flows

At the end of 2010, a total of 123.9 million euros had been used in operating activities.

Cash flows from operations, adjusted by dividends on equity investments, used a total of 2.0 million euros in cash, whereas the concurrent decline in inflows from customers and the increase in loans to customers resulted in outflows of 542.5 million euros in cash, only partially offset by the cash provided by the interbank position (+435.3 million euros).

This imbalance was remedied by investing activity, which provided a net total of 174.3 million euros in cash, thanks to the dividends collected on the Group's equity investments (115.4 million euros) and the balance of redemptions and new investments in the portfolio of assets held to maturity (60.2 million euros). By contrast, funding activity used 49.6 million euros in cash, mostly attributable to the dividends paid.

€ thousand	31.12.2010	31.12.2009
<b>Cash flows generated by operations:</b>	<b>- 1,988</b>	<b>50,828</b>
Cash flows generated by (+) used for (-) trading and AFS financial assets and liabilities	17,085	- 248,116
Cash flows generated by (+) used for (-) loans to banks	133,733	287,942
Cash flows generated by (+) used for (-) loans to customers	- 86,530	72,056
Cash flows generated by (+) used for (-) amounts due to banks	301,578	151,169
Cash flows generated by (+) used for (-) amounts due to customers	- 455,973	- 304,409
Cash flows generated by (+) used for (-) other operating assets and liabilities	- 31,796	23,889
<b>Liquidity generated by/used for operating activities</b>	<b>- 123,892</b>	<b>33,359</b>
<b>Liquidity generated by/used for investing activities</b>	<b>174,263</b>	<b>- 27,052</b>
<b>Liquidity generated by/used for financing activities</b>	<b>- 49,559</b>	<b>- 6,638</b>
<b>Net cash liquidity generated/used</b>	<b>812</b>	<b>- 331</b>
<b>Cash and deposits</b>	<b>7,950</b>	<b>7,137</b>

### Legend

(+) liquidity generated

(-) liquidity used

## 8.5 Other information

### Privacy Obligations

In accordance with Legislative Decree 196/2003 "Personal Data Protection Code", in March of 2010, the Bank prepared the Programmatic Document on Security in accordance with the requirements specified in current data-protection regulations (Article 34 and Attachment B of Regulation 19 "Technical Regulations Concerning Minimum Requirements for Security Measures" of Legislative Decree 196/2003).

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

### Related Party Transactions

Information concerning the Bank's transactions and dealings with subsidiaries, the parent company, the parent company's subsidiaries and other related parties is presented in Part H of the Notes to the financial statements. In particular, that section indicates:

- the shares in the Bank held by members of the Parent Company's administrative and control bodies, general managers and, in aggregate form, key management personnel, as well as the other parties identified in Art. 79 of CONSOB Resolution No. 11971/99;
- the compensation paid to members of the Bank's administrative and control bodies, general managers and, in aggregate form, key management personnel, along with the stock-option plans for members of administrative and control bodies, general managers and key management personnel, in accordance with Art. 78 of CONSOB Resolution No. 11971/99, as amended.

## 9 Performance of Subsidiary Companies

### 9.1 Performance of BG SGR

BG SGR, a management company specialising in mutual funds and managed portfolios, reported 3.0 million euros in net profit, in 2010. At the end of the year, net equity amounted to approximately 30.2 million euros and total balance sheet assets to 42.4 million euros.

Effective 1 January 2010, as the first transaction of the year, Banca BSI Italia S.p.A. contributed its portfolio management business unit to BG SGR S.p.A., resulting in an increase in net equity of 9.5 million euros and in intangible assets and goodwill of 8.4 million euros.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBITDA), amounted to 5.5 million euros.

Net banking income amounted to about 16.4 million euros, while general and administrative expense was 11.5 million euros, including 6.3 million euros for staff expenses.

On the whole, assets under management amounted to 4,097 million euros at 31 December 2010, up by 82.6% compared to 31 December 2009, primarily due to the contribution of the business unit organised for portfolio management operations received from Banca BSI Italia effective 1 January 2010.

### 9.2 Performance of BG Fiduciaria SIM

BG Fiduciaria, a company specialising in individual managed funds and securities portfolios, mainly in a custodian capacity, reported 1.7 thousand euros in net profit in 2010. Total assets under management amounted to 1,024 million euros, up compared to 729.3 million euros in 2009, and net equity was 8.9 million euros.

Operating result before taxes, net provisions, value adjustments and depreciation and amortisation (EBITDA), totalled 2.7 million euros, compared to 375 thousand euros in 2009.

Net banking income amounted to 4.8 million euros, whereas general and administrative expense was 2.2 million euros, including 1.3 million euros for staff expenses.

### 9.3 Performance of Generfid SpA

Generfid, a company specialising in custodian capacity of assets, closed financial year 2010 with 127.2 thousand euros in net profit and net equity amounting to about 390 thousand euros.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBITDA) was 201 thousand euros, up compared approximately 36.9 thousand euros for 2009.

Net banking income amounted to 607 thousand euros, whereas general and administrative expense was 408 thousand euros.

### 9.4 Performance of Generali Fund Management SA

Generali Fund Management SA is a Luxembourg company specialised in the administration and management of SICAVs. The Group owns 51% of the share capital, while the remaining 49% is owned by Generali Investments Italy, a Generali Group company. The two shareholdings are treated differently with respect to earnings distributions; in 2010, Banca Generali was allocated 95.4% of the net result of Generali Fund Management.

Generali Fund Management SA reported approximately 90 million euros in net profit for 2010. At the end of the period, net equity amounted to approximately 44.6 million euros and total balance sheet assets to 83.5 million euros. In December 2010, the company paid Parent Company Banca Generali a dividend distribution amounting to 60 million euros.

Operating result before taxes, net provisions, value adjustments and depreciation and amortisation (EBITDA), totalled 100.2 thousand euros, compared to 80.9 thousand euros for the previous year.

Net banking income amounted to approximately 104.9 million euros, whereas general and administrative expense was 5.1 million euros, including about 3.5 million euros for staff expenses.

Assets under management amounted to 11,855 million euros at 31 December 2010, compared to 10,112 million at 31 December 2009. The amount includes the assets under management acquired through the merger of Generali Investments Luxembourg, which amounted to 6,096 million euros at 31 December 2010.

## 10. Purchase of Treasury Shares or Shares in the Parent Company

### 10.1 Treasury shares

At 31 December 2010, the parent company Banca Generali had 70,071 treasury shares having a total carrying value of 660 thousand euros in favour of the following beneficiaries:

- 60,000 shares arising from the merger of Banca BSI Italia S.p.A. allocated in service of the stock-option plan for the subsidiary's former chairman;
- 10,071 shares for the stock-granting plan for the financial advisors of the former Prime Consult network, originally launched in 2001, and not yet assigned at the end of the plan.

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.

On 13 September 2010, the body charged with administering the stock-granting plan reserved for the Chief Executive Officer and General Manager of Banca Generali S.p.A. granted 389,596 Banca Generali ordinary shares to the Chief Executive Officer, for a total book value of 3,810 thousand euros.

### 10.2 Parent Company's Shares held

At 31 December 2010, Banca Generali held the following shares in the Parent Company, Assicurazioni Generali:

- 45,955 shares classified among financial assets available for sale in the service of two stock-option plans for the Chief Executive Officer for 2004 and 2005 that had not been granted upon the conclusion of the plans. The carrying amount of the shares is 1,230 thousand euros, while the book value, corresponding to the fair value of the shares, is 657 thousand euros, net of the negative fair-value reserve of 573 thousand euros;
- 15,767 shares classified as held for trading, purchased by the merged Banca BSI Italia under the authorisation granted by the Shareholders' Meeting 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 225.4 thousand euros, net of impairment losses of 72 thousand euros recognised during the year.

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



## 11. Products and Marketing

The reporting year was characterised by important changes at the level of both products and asset management, first and foremost among which was the constant expansion of the integrated investment solution BG Selection Sicav, in addition to the marketing of new banking products to coincide with important local events involving families and investors.

As further proof of its constant focus on communicating with its customers, the Bank also made important changes to its reporting process, not only to comply with new legislation (in particular the PSD and banking transparency law), but also in the broader sense of facilitating the comprehension and comparison of the information periodically sent to customers.

### Asset management

During 2010, development of the line of asset management products focused primarily on the range of Luxembourg products in accordance with the Bank's open-architecture philosophy.

New investment offerings were developed and accessory services added to the existing line, such as the planned switch service for BG Selection Sicav and BG Sicav.

BG Selection Sicav, the innovative "fund-of-funds system" that combines the management skills of the most prestigious international investment companies with the experience of Generali Fund Management's managers, expanded its offerings to include 11 new sub-funds. Management of ten of these new sub-funds has been entrusted under mandate to prestigious international asset managers (e.g., HSBC, Schroders, JP Morgan, etc.), while one multi-manager sub-fund is managed by Generali Fund Management (3S, a flexible fund-of-funds).

At the end of 2010, BG Selection Sicav confirmed its leading position in the distribution of asset management products in Italy: an open system capable of offering customers a breadth (34 sub-funds) and multiplicity of investment solutions (21 under mandate to third-party companies and 13 multi-manager sub-funds managed by Generali Fund Management) without parallel on the Italian market.

In the retail line, in parallel to the development of BG Selection Sicav, new third-party UCITs began to be marketed, through the addition of two new Luxembourg SICAVs (Lemanik and Arcipelagos) to the over 100 sub-funds of SICAVs already available.

Lastly, also worthy of note are the Bank's constant

efforts to innovate and restyle its portfolio management schemes, which performed with renewed vigour, owing in part to the recent tax shield.

At present, the Bank offers a broad portfolio consisting of 37 management lines (14 fund-based schemes, 16 asset-management schemes and seven protected-capital asset management schemes) that cover all investment strategies, with a strong emphasis on personalisation, a requirement typical of high-net-worth customers, the preferred target for this product.

### Insurance products

In a market scenario characterised by volatility and uncertainty surrounding traditionally less-risky asset classes such as government bonds (and in particular those issued by the peripheral European nations Portugal, Ireland, Greece and Spain), the Bank's insurance product offerings focused primarily on traditional life-insurance policies that invest in segregated accounts. These products allowed the concept of return (certified gross returns at November 2010 of: Ri.Alto: 4.10%, Nuova Concreta: 4.61% and Ri.Alto \$: 4.68%) to be paired with extremely limited volatility.

In the Segregated Accounts segment, distribution of a new product, Valore Plus, was launched in early 2010. By using the segregated account N.P. Auris, this new product invested a greater percentage of its reserves in equities than the other segregated accounts, thereby permitting diversification of assets on the securities market as well.

This management policy, with a greater exposure to equities yet guaranteed invested capital, thus allowed managers to focus on high dividend-yield shares and certify a gross annual return of 5.11% at February 2010 (compared to a gross market average of 4.20% for 2009).

The trend towards traditional life-insurance products continued with the launch of distribution of *Pensione Concreta*, a recurring-premium product with a medium-/long-term holding period, and the restyling of the product *Security*, a single-premium full-life policy.

In the unit-linked segment, the Bank developed *Evolution*, a product with a strong emphasis on the "life-cycle" aspect that pairs a protected component with a component based on multi-manager equity funds selected by Assicurazioni Generali. The customer's ability to choose one of four holding periods (2018, 2023, 2028 and 2033) with a different weight for the equity component allows *Evolution* to meet customers' personalisation needs to the fullest.

### **BG Advisory: Banca Generali's advanced advisory service**

Banca Generali has always centred its service model around advice provided to customers through its networks of financial advisors and private bankers.

With the entry into force of MiFID in November 2007, the Bank exploited the opportunities deriving from this change in regulations to:

- offer all customers and all networks investment advisory service; and
- launch BG Advisory in October 2009: an advanced fee-based advisory service for assets held with Banca Generali and other brokers governed by a specific contract.

BG Advisory is one of the most innovative and advanced advisory systems on the Italian market: developed in partnership with Morningstar, an international leading provider of independent financial research, it supports Banca Generali's financial advisors and private bankers in analysing needs and building and periodically monitoring customers' financial portfolios.

Through a guided process, the service provides customers with an overview of their financial wealth held with Banca Generali and other brokers, with the possibility of transforming that overview into portfolio proposals personalised to suit risk profiles and holding periods.

In the second half of 2010, Banca Generali gave a strong boost to this project by launching the gradual extension of the system to the entire network with a massive training programme scheduled to be completed in the first half of 2011. This is tangible proof of Banca Generali's commitment to this great new challenge.

### **Assets under administration and custody**

In the scenario of severe market volatility and low returns on fixed-income securities that characterised 2010, development of asset under administration products focused on the protection of capital at maturity and an annual coupon flow (with a fixed coupon the first year and floating coupons in subsequent years depending on whether certain conditions are met), with two bond placements by third-party issuers, one in January and the other in September.

Two new online offerings were presented to coincide with specific marketing initiatives as part of the constant search for new banking solutions devoted to specific customer targets:

- the deposit account BG10+, linked to the initiative "Un campione per Amico", paired with a prepaid card devoted to the family and managing children's savings in particular; and
- the online bank account BG Ducati, launched during the event World Ducati Week 2010 (organised in June by Ducati, with Banca Generali as main sponsor), devoted to the community of Ducati fans, with special conditions and the full line of payment instruments (cards and cheques) personalised to include pictures of Ducati motorcycles.

The account statements sent periodically to customers (current account and securities statements) were revised.

In this regard, year-end account statements were brought into compliance with the transparency regulations issued by the Bank of Italy to include the Total Cost Indicator and a document summarising the expenses incurred during the year (Simple Account Statement), which allows account holders to compare the costs incurred for their Banca Generali accounts with standard consumer classes and the competition in a simple, concise manner.

As further evidence of its pursuit of the utmost transparency in communications with its customers and investors generally, Banca Generali has been a member of the Patti Chiari consortium since its inception. In 2005, it participated in two important initiatives (Current Accounts Compared and Clear Information on Structured and Subordinated Bank Bonds) and in 2009 continued with the Commitments to Quality initiative, a set of tools and rules promoted by the Consortium, conceived with the aim of simplifying relations between banks and citizens and providing the latter with greater support and security. In 2010, work focused in particular on the areas of transparency (for example, the Simple Account Statement or the Home Banking Security Guide), mobility (for example, the transfer of operations to or from other banks) and security (for example, the text message alert service for the use of ATM cards).

All contractual documentation for banking products was also updated in the first half of the year to reflect the changes brought on by the PSD (Payment Services Directive).

Thanks to the reorganisation of the Bank's activities and processes both internally and with its suppliers, efficiency was improved and the time required to send account statements to customers and apply for and deliver ATM cards was reduced as part of the constant improvement of customer-service levels.

During 2010, all of Banca Generali's customers received, at no additional cost, a new international ATM card that will allow them to make withdrawals outside of Italy for moderate fees and continue to make withdrawals in Italy from almost any ATM at no charge.

Lastly, the economic conditions of the Assieme account devoted to the Generali Group's employees and the Dipendenti account, devoted to Banca Generali's employees, were improved.

### Web Marketing

In 2010 the website devoted to customers, known as the Customer Front End, was developed and supplemented to include new information and order-submission services in support of home banking and online trading activities.

For home banking, information in the protected area was supplemented both due to the introduction of the PSD and the development of new features, such as the integration of insurance contracts into the presentation of the customer's financial position and the ability for customers to view their financial profiles (MiFID) and arrange for periodic account transfers.

Card information features were expanded to include, for example, the release of the Card List function, which details account transactions related to debit cards (ATM cards) and the activation of the direct link to the CartaSi portal to allow the list of credit card transactions to be viewed.

New features were also added in the area of order submission, including online trading of standard repurchase agreements made available by the Bank and top-ups of prepaid cards directly online.

Numerous changes were made to the Customer Front End with the aim of safeguarding customers' online security: the most important of these included the continuing extension to all customers in 2010 of the required use of the security card to access the secure area of the site, as well as the ability for customers to enjoy free access to a service that verifies the "state of health" of the PCs used to access the site through an agreement with an external supplier.

### Distribution Network Training

In 2010 the training activity of the distribution network was characterised by two important managerial and behavioural courses.

The first, entitled "ABCs of the Role of DM", developed and planned with Concentric, targets all 46 District Managers with the aim of defining instruments, methods and guidelines for the development and growth of the group of coordinated Financial Advisors.

The second, entitled "Developing New Customers", conceived and planned with Newton Management Innovation, involved approximately 500 Financial Advisors and Private Bankers who were selected with the aim of sharing effective methods for developing a new customer portfolio through cold calling, referrals and marketing events.

These works were complemented by a technical-commercial course, "Transfer of Portfolios of Securities" to improve the skills of Financial Advisors in managed investments with an eye to developing cross-selling banking services to customers and the transfer of securities portfolios.

After the classroom sessions of the first semester were completed, in the second part of the year there were follow-up meetings to allow the participants to apply what they learned to their customers' securities portfolios.

Among the "courses of excellence" targeting the Financial Advisors who have most distinguished themselves for professional merit, the "Headquarters - Network" programme, launched in 2009, continued in 2010, allowing participating Financial Advisors to spend two days working respectively at the Milan and Trieste headquarters, and to take in several employees at their own offices, with an eye to greater integration and reciprocal knowledge between headquarters and the network.

The mandatory training required by regulatory updates or Banca Generali's in-house needs involved the entire network, using the consolidated process of "cascade training" from the managerial structures towards the structures they coordinate, particularly for ISVAP (Institute for the Supervision of Private and Collective Insurance) professional updates on insurance products, as well as online training through the Banca Generali Group's new Simulware Sep2 e-learning platform. One of the most important mandatory distance learning courses is the one on "IT Security", characterised by the definition and knowledge of the guidelines to be adopted to protect network and customer data.

Lastly, the innovative e-learning platform called PattiChiari Le@rning guaranteed ongoing updates about the PattiChiari Project and the specific contents of the Commitments for Quality for the certification envisaged by the PattiChiari Consortium.

### Communications

Banca Generali promotes communications inspired by the same values that have helped it grow: clarity, transparency, reliability and professionalism. Initiatives have been implemented on different levels in order to allow customers to benefit fully from messages (vis-à-vis technical consultancy, products, media, advertising and so on) that can supplement not only their knowledge of Banca Generali's unique features, but can also help them best address their investment needs.

In the advertising campaign on the tax shield, "Tax shield: being prepared with Banca Generali" and "Banca Generali. With you, beyond the tax shield" perfectly sum up the institute's commitment towards customers. This is a commitment that is not limited to mere tax consultancy but is ongoing, attempting to respond to questions and doubts that are particularly important to customers and sector professionals. Through outside communication that involved all the leading Italian dailies and magazines, Banca Generali and its subsidiary Generfid organised eight conventions open exclusively to tax experts (chartered accountants, notaries, lawyers) to discuss issues such as the repatriation of offshore assets and the use of fiduciaries as well as inheritance and estate services; the conferences attracted a great deal of attention. Following the entry of new partners and the development of 11 new units of the Luxembourg SICAV, BG Selection Sicav, informative material used to support sales (brochures, leaflets, posters) had to be updated.



### Media Relationships

Given the market volatility and uncertainty that characterised the Italian stock exchange in 2010, Banca Generali gained the attention of the media not only because its stock performed positively, bucking the trend, but above all because of its growth capacity with respect to competitors. The quarterly financial reports provided the media with immediate and detailed information on Banca Generali's performance, which was published by dailies and the trade press. The same holds true for press releases regarding inflows that, month after month and in an absolutely transparent way, have testified to continuous growth. Communication efforts also focused on the website, which received special recognition from the Swedish communication multinational Hallvarsson & Hallvarsson for the rapid response to requests made by financial analysts and journalists.

Visibility of the various aspects of Banca Generali was enhanced in order to ensure maximum transparency: from the recruitment of Financial Advisors to the opening of new branches, and from the dynamics of private banking to the creation of products (Generali Fund Management) and on to fiduciaries. The aim of all this is to provide a comprehensive overview of services, consultancy, and the management of the bank as well as assets. The management's expertise and professionalism have often been requested for specific interventions in various daily newspapers and on television to discuss market criticalities, the tax shield, the investment industry, and unknown tax and pension-related factors for the future. Therefore, professionalism, clarity and transparency have also marked media relations, and mention must also be made of reliability, since the messages that have been conveyed have always been consistent with the Group's moves and strategies.

The objective for 2011 is to continue to bolster communications with customers, investors and sector professionals. The open architecture chosen by Banca Generali, with the sale of the investment products of the world's leading financial firms, thus avoids any potential conflicts of interest in investment management and consultancy. The Group intends to continue to promote its expertise and professionalism along these lines.

### Trade Marketing

In addition to the numerous local marketing initiatives developed directly by the Network, in 2010 Banca Generali and its Private Banking Division also participated in two important exhibitions in this sector: the Italian Trading Forum in Rimini (May) and the National EFPA Convention in Rome (November).

In high-standing sports sponsorships Banca Generali Private Banking organised a prestigious Invitational Golf Tour, whereas Banca Generali inaugurated a new project designed to acquire new customers and entitled "A Champion as a Friend". Furthermore, the bank worked with the parent company in the Ducati sponsorship, serving as the main sponsor of World Ducati Week (June).

Again with a focus on sports, the bank also benefited from the sponsorship with Alessandro Del Piero, organising several initiatives aimed at involving the children of their best customers: a day of healthy fun and sports on the football pitch with the Juventus champion.

In the field of social responsibility, Banca Generali has played an active role on several occasions. It supported the Rava Foundation in sending aid to Haiti, fully backing the construction of a street school in Port-au-Prince; it renewed its customary partnership with AISM (Italian Multiple Sclerosis Association), staging a concert by the conductor Salvatore Accardo (December); it sponsored Sinapsi with the dual initiative that involved the city of Bergamo: the Neuroemozioni exhibition in May and Science Week in October.

The Private Banking Division continued its path uniting art and finance, and at year-end it planned two prestigious events on an exclusive basis at the Palazzo Reale in Milan for the Dali exhibition and at the Vittoriano in Rome for the Van Gogh exhibition.

Two roadshows were held in the first half of 2010: in January for the resumption of commercial activities and in March to launch the new BG Selection SICAV units.



## 12. Human Resources

### 12.1 Employees

At 31 December 2010, Banca Generali had a workforce of 772, essentially in line with 773 in the previous year and included 50 Managers, 123 3rd and 4th level Executives and 599 employees at other levels; of the latter category, 62 were 1st and 2nd level Executives, and 62 were working under fixed-term contracts (33 of these as substitutes for employees on maternity leave or leaves of absence).

Effective 1 January 2010 the human resources of Banca BSI Italia SpA – 123 employees – were

transferred, some to BG SGR (8 people, following the transfer of a business branch from asset management to portfolios) and the rest to Banca Generali, following the merger.

On a Group level, following reinforcement of the risk-management structure, with particular reference to Generali Fund Management S.A., temporary employees, hired to handle work peaks tied to extraordinary activities such as the repatriation of assets, were let go, as planned.

	Banca Generali	BG Sgr	BG Fiduciaria	Generfid	GFM	Total FY 2010	Total FY 2009
Managers	36	10	1	0	3	50	53
3rd and 4th level executives	103	8	4	0	8	123	120
Others	554	20	3	2	20	599	600
<b>Total</b>	<b>693</b>	<b>38</b>	<b>8</b>	<b>2</b>	<b>31</b>	<b>772</b>	<b>773</b>

Following the survey of training needs conducted in the first half of 2010, a plan was set up to develop various specific training programmes for different positions for the second half of 2010 and part of 2011.

The Generali Group Innovation Academy guarantees technical, language and computer courses to ensure better management of the specific needs of the various functions. Through the e-learning provided by the Simulware platform managed by GGIA, the mandatory updates continued, particularly with respect to Legislative Decree 231/01 and measures against money laundering. On this subject, in the first half of the year a course was held for six classes, taught in-house, on reinforced checks, aimed in particular towards people who are in direct contact with customers or are responsible for checks and oversight.

Also in terms of training designed to develop managerial skills, various courses were offered, likewise in collaboration with the Generali Group Innovation Academy.

In the first half of the year the focus was on courses for effective communication through the use of e-mail, whereas in the second half of the year the emphasis

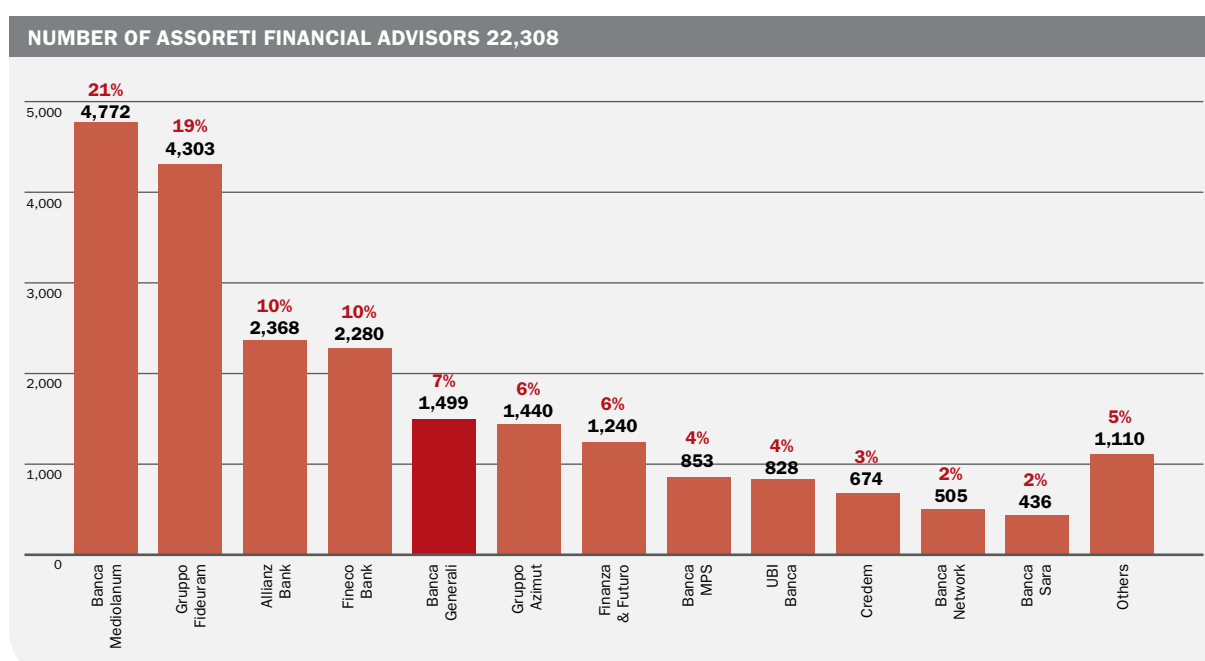
was on workplace safety: all managers were involved in a programme set up especially for them and the heads of bank branches for specific training of related managers.

In the second half of 2010, inspired by a work climate survey conducted by the Italian Private Banking Association (AIPB), a detailed three-year development plan was set up for Relationship Managers. The first courses were held in the final months of 2010.

Towards the end of the year, a training/communication initiative was launched: entitled “Racconta il Mestiere” – “Describe the Job” – it is aimed at giving all Group employees detailed information about the activities of the various departments comprising it.

## 12.2 Financial Advisors and Relationship Managers

Banca Generali owns one of the largest Financial Advisor-based distribution networks in the Italian market: at 31 December 2010 it had 1,499 Financial Advisors and Relationship Managers, 307 of whom with the Private Banking Division.



Source: Assoreti – December 2010, € million

The main data referable to the Banca Generali are summarised in the following tables comparing figures for 2009 and 2010:

31.12.2010	No. of FAs/ Bank./ Rel.Man.	Assets (mln euro)	Assets per Advisor (mln euro)
BG Affluent Division	1,192	13,691	11.4
BG Private Division	307	9,899	32.2

31.12.2009	No. of FAs/ Bank./ Rel.Man.	Assets (mln euro)	Assets per Advisor (mln euro)
BG Affluent Division	1,266	12,993	10.3
BG Private Division*	298	9,226	31.0

\* (former Banca BSI Italia)

It is important to note that there was a constant increase in average assets per Financial Advisor over the years. This is due to the exceptionally high level of inflows, as well as the bank's continuing advisor selection process, which places increasing importance on the professional and qualitative development of out-of-office sales skills with a strong emphasis on consulting. Over the years, this approach has led to a progressive reduction in the profiles of less evolved Financial Advisors, focusing instead on recruiting professionals who can expertly interpret Banca Generali's philosophy of quality.

Specifically, in 2010 approximately 50 new professionals from other networks joined Banca Generali. Taking advantage of the enormous range of investment opportunities offered by the bank, they were better able to satisfy the needs of subscribers, respecting their individual risk profiles.

While the Private Banking Division saw an increase in the net number of participants, the rest of the network posted a decrease of 74 employees in absolute numbers, although there was nevertheless a useful staff turnover, with beneficial effects on absolute asset values as well as per capita averages. It must also be noted that more than 30 terminations were due to retirement or the discontinuance of business activities.

### Presence in Italy

Banca Generali's advisor network covers an extensive area in Italy and at 31 December 2010 is supported by a total of 177 bank branches and Advisor Offices.

31.12.2010	Branches		Branches Total	Offices		Offices Total	Overall Total
	Banca Generali	Div. Private		Banca Generali	Div. Private		
Abruzzo	1		1	1		1	2
Calabria	1		1	3	1	4	5
Campania	3	1	4	10	2	12	16
Emilia Romagna	4	1	5	15	3	18	23
Friuli Venezia Giulia	2		2	3	1	4	6
Lazio	2	1	3	3	1	4	7
Liguria	3	1	4	8	4	12	16
Lombardia	4	2	6	14	5	19	25
Marche				3		3	3
Piemonte	3	1	4	6	7	13	17
Puglia	2		2	6	2	8	10
Sardegna				1		1	1
Sicilia	1		1	4		4	5
Toscana	2	1	3	10	1	11	14
Trentino Alto Adige				2		2	2
Umbria	1		1	2		2	3
Valle d'Aosta					1	1	1
Veneto	5	1	6	13	2	15	21
<b>Overall total</b>	<b>34</b>	<b>9</b>	<b>43</b>	<b>104</b>	<b>30</b>	<b>134</b>	<b>177</b>



## 13. Organisation and ICT

In 2010, planning and investments in organisation and technology were focused on consolidating the extraordinary transactions undertaken in 2009 (see the merger of Banca BSI Italia into Banca Generali and the revision of the business and operating model of BG SGR) while also finalising and consolidating initiatives aimed at supporting the banking group's core business by optimising its level of efficiency and operating efficacy.

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

- management of sales channels and customer services;
- internal support processes for company business;
- Compliance
- Subsidiaries.

### 13.1 Management of sales channels and customer services

#### Private Banking Division

The actions taken involved launching, consolidating and perfecting the business and service model for HNW Private Customers (following the integration of Banca BSI Italia), including the establishment of the new private-banking centre in Rome, the introduction of new services and the outsourcing of certain operating activities.

#### Financial Advisor Front End

Work on the application platform devoted to the advisors channel included targeted developmental maintenance work aimed at optimising the operating activity of Financial Advisors and Private Bankers by increasing process efficiency and automation. Concurrently, work with the service outsourcer CSE in the strictly technical arena strove to improve the performance of procedures and operational scheduling.

#### Customer Front End

Developmental maintenance work was also done on the Web channel, enriching the cutting-edge new platform that came on stream in October 2009 with new information and order features for use by customers.

#### Customer Services

New applications devoted to the Call Centre and the branches were launched in accordance with the process of constant improvement of customer services.

### 13.2 Internal support processes for company business

#### Risk Management

The activity is focused on ensuring regular developmental maintenance of applications in use as well as constant adjustment in the search for and use of qualified infoproviders for particular analyses of financial risk.

#### Finance

Automation was implemented for protocols and processes involved in transmitting orders by professional customers and qualified counterparties to capital markets. Services used to manage the market connection platform were also revised and supplemented with leading suppliers. In addition, connectivity for participation in new markets was implemented.

#### Information technology outsourcers

Specialised coverage was reinforced on contracts with major technology and IT suppliers through attentive monitoring of service level agreements in the interest of constantly improving the services rendered to the Bank.

#### Business Continuity Plan

In the area of monitoring activities aimed at ensuring business continuity, an update was applied to the Banking Group's Business Continuity Plan (BCP), which sets out the measures of an organisational and operational nature arranged to ensure business continuity in the event of a crisis situation caused by external catastrophic events that render business premises inaccessible and/or key resources unavailable. Activity focused on Banca Generali and BG SGR, and will continue in 2010 to implement the planned solutions and revise specific parts for other members of the Banking Group as well.

#### Process mapping

The surveying and standardised charting of all company processes using the ARIS application, which initially focused on mapping sensitive operating processes involving administrative and accounting risks (Law No. 262/2005), was expanded in terms of the base of information to satisfy needs relating to managing the operating risks identified (Basel 2).

## Compliance

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

- **PSD:** procedures and processes aimed at full compliance with the new regulatory provisions, which entered into force in phases throughout the year, were devised and adopted for the various forms of customer payment instructions;
- **Patti Chiari:** in 2010 work was done on the Bank's obligations under Phase 2 of the agreement, the most significant of which were the Simple Account Statement, Security Guide, Home Banking Protection, Protection Against Unauthorised Card Use and Automatic Transferability of Securities;
- **Money Laundering:** procedures were modified to bring them into compliance with amendments to applicable legislation, the new AUI was implemented and the new World Check procedure was activated;
- **Transactions with Related Parties** in order to facilitate the fulfilment of the obligations imposed by CONSOB Regulation No. 17221 of 12 March 2010 regarding Related Parties, a specific application provided by Almoviva was implemented both to survey related parties and manage and monitor related party transactions (the latter module will be completed in the first half of 2011);
- **Illiquid Products:** in the interest of thoroughly implementing the recommendations deriving from the CONSOB MiFID Level 3 measures, the Bank continued to revise and update its internal processes with a bearing on this specific operating context.

## Banking Group Subsidiaries

### BG SGR

Following the contribution of the portfolio management business unit by Banca BSI Italia, the business and service model was consolidated and optimised in accordance with the analysis conducted in 2009, a process that included migration of the AUI from State Street Bank to the outsourcer CSE, functional development of the individual portfolio management platform and the automation of procedures for transmitting purchase and sale orders to the market.

### GFM

At the level of organisation and information technology, attention should be drawn to the constant improvement of the use of the advanced services offered by the RiskMetrics platform for analysing the financial risk of portfolios and the diagnosis of the potential impacts of UCITS IV regulations on the organisational structure and commercial offerings.

### BGFiduciaria

The positive results achieved at the level of business development did not require significant development at the applied level or significant revisions of internal organisational processes. Accordingly, ordinary maintenance was conducted with the aim of developing and achieving compliance with industry regulations.

### GENERFID

As a function of the opportunities and results achieved at the business level (tax shield), a revision of processes, organisational structure and the information technology applications in support of operations was launched, with an eye towards possible regulatory developments in the sector in question as well.

## 14. Auditing

Banca Generali's internal auditing activity is conducted by the Internal Audit Function, which is charged with constantly and independently verifying that the internal control system is adequate, fully operational and functional. The Parent Company Banca Generali's Internal Audit Service also audits its subsidiaries, typically under service contracts or institutional arrangements.

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

In 2010, audit action was conducted in accordance with the Supervisory Model and the annual audit plan. Internal Audit assessed and analysed risks and the associated control mechanisms, in addition to monitoring actions aimed at ensuring effective improvement of the requested implementations. Attention was focused on safeguarding the Bank from possible losses or damages by conducting especially thorough assurance activity of the quality of control mechanisms associated with critical processes.

Audit work was conducted according to the applicable methods, consisting in particular of audit of interested facilities (interviews, assessments and testing reports), tests of the design and functioning of controls, the development of projects to improve levels of control above the first and remote monitoring and control activity.

In further detail, insurance activity included planned audit activity. Audits were carried out also in the areas of back office, branches, administrative/accounting processes, finance, information systems, portfolios, loans, compensation policies, products and second level functions. The purpose of the audit activities was to determine the quality and effectiveness of controls and, where possible, propose solutions for improving risk management. Finally, the Service focused on monitoring improvements implemented as a result of previous audits (follow-up).

Audit and second-level control functions also began to coordinate in 2010 in order to plan activities efficiently and allow engagements to be carried out under service contracts.

Moreover, as required by internal regulations, Internal Audit constantly monitored the risk of money laundering by evaluating the presence of any suspicious transactions, liaising with the competent supervisory entities, and collaborating with the Compliance Service to develop a culture of preventing this risk in the relevant operational structures. Internal Audit was also responsible for the process of evaluating transactions analysed in compliance with market abuse regulations. This involved coordinating guidelines for effectively identifying improper transactions with the bank's Finance department.

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

On the whole, it was concluded that the internal control system was adequately structured and appropriate (in terms of quality and operation) to ensure that business and risk-mitigation targets are met.

## 15. Main Risks and Uncertainties

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

- The bank's exposure to **market** risk stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account, while the exposure of the subsidiaries is limited and residual. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors). In particular, securities measured at fair value and classified in the HFT and AFS portfolios are exposed to risk, as fluctuations in their prices impact the Group's profit and loss account and net equity. Market risks are maintained within appropriate limits, which are monitored by the Risk Management department. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.
- 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 credit exposure. Exposure to the credit risk also derives from the presence of ABS classified in the L&R portfolio, which may become permanently impaired; this exposes the company to the risk of carrying losses through profit or loss. Securities in this portfolio are monitored at least quarterly to identify any deterioration in their credit quality. Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management department and established with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors. Loans to customers are characterised by a low risk of losses inasmuch as they are almost entirely secured by collateral (chiefly pledges of securities) and/or personal guarantees, in some cases provided by a leading financial institution.
- The bank's exposure to **operating** risks across the various legal entities in the Group is closely linked to the type and volume of business conducted as well as the operating procedures implemented. 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 Internal Auditing function assesses the efficacy and efficiency of the overall internal control system that covers assets at risk. The functions dealing with Organisation and IT guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Group and, if necessary, implements measures to guarantee a higher general level of security. Risk Management identifies and evaluates the operating risks inherent in company processes (risk assessment, scoring and analysis of operating losses) and monitors action plans aimed at mitigating major risks. Moreover, the Banca Generali group has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.
- Exposure to **liquidity** risk derives from funding and lending transactions in the course of the Group's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to procure funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own

payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

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

The Risk Management Service monitors that liquidity is properly managed in both the short and long term (structural liquidity) through an ALM system that allows for the detection of cash imbalances by maturity brackets, as well as through monitoring of an appropriate set of ratios.

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

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

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

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

In this general scenario, in order to achieve adequate, coordinated oversight of activities, the organisational model adopted to manage compliance risk involves centralising the Compliance function with the Parent Company of the group, which also provides the service to subsidiaries

at which a compliance contact person has been identified, with the task of playing a supporting role to the Parent Company's Compliance function. During 2010, 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 the Regulation of the Bank of Italy and CONSOB issued pursuant to Article 6, paragraph 2-bis, of the Consolidated Finance Act and 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.

- The Banca Generali group also has an adequate level of capitalisation, with a tier 1 ratio of 10.95% and a total capital ratio of 13.28%.

## 16. Outlook

Despite the positive projections of economic growth, 2011 will likely be characterised by an underlying scenario of continuing uncertainty due to the high level of unemployment and the unresolved sovereign debt crisis.

Given this scenario, the action taken by the banking group will continue to be aimed at constantly controlling and containing company costs and increasing revenues, through the following measures:

- an increased focus on the network's competitive positioning both by exploiting the strong results achieved, the established reputation and awareness of the Generali brand and continuing to push the Group's market placement upwards;
- an increase in market share to be achieved by both acquiring new affluent and private customers and developing existing customers;
- constant maintenance and implementation of the product line in order to meet customers' financial needs;
- implementation and completion of plans to improve the distribution system through a mix of better advisory and operating services;
- extension of the operating and training support provided to the network to sustain its quantitative and qualitative development.
- the outsourcing of low value-added activities.

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

## 17. Proposal for the Distribution of Profits

Shareholders,

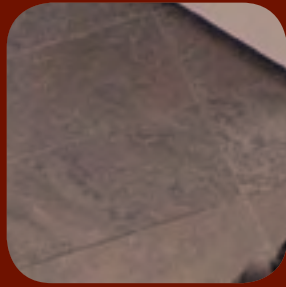
We invite you to approve the financial statements as at 31 December 2010, which include the Balance Sheet, Profit and Loss Account, Notes to the Financial Statements and related attachments as well as this Report on Operations, both taken as a whole and with regard to the individual entries. We therefore propose allocating net profit for the year as follows:

<b>Net profit for the year</b>	<b>106,931,975</b>
to legal reserve	52,246
to retained earnings	45,552,344
	<b>61,327,385</b>
allocation to the 111,504,337 outstanding ordinary shares of 0.55 euro per share, including the amount to treasury shares as per Section 2357-ter of the Italian Civil Code	<b>61,327,385</b>

The amount will be paid net of applicable legal withholdings as of 19 May 2011.

Trieste, 10 March 2011

THE BOARD OF DIRECTORS





**ANNUAL  
FINANCIAL REPORT  
AS OF 31 DECEMBER 2010**

**REPORT ON OPERATIONS  
PART 2**

**REPORT ON CORPORATE GOVERNANCE  
AND COMPANY OWNERSHIP**

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

**Board of Directors  
10 March 2011**



# ANNUAL FINANCIAL REPORT AS OF 31 DECEMBER 2010

## REPORT ON OPERATIONS Part 2

## REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP pursuant to Section 123-bis of Legislative Decree 58/1998

Board of Directors  
10 March 2011

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## GLOSSARY

**Code:** The Corporate Governance Code of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

**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).

**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).

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*In the interest of ease of reading, the Report is structured as follows:*

- a first section providing summary information on the Company's goals and organisation;
- a second section containing the information on company ownership, as required pursuant to article 123-bis of the TUF;
- a third section containing more detailed information on the organisation and concrete functioning of structures and bodies contemplated in the Code and in Article 123-bis, paragraph 2, of TUF.

*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 2011).*

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# SECTION I

## 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 Legislative Decree No.35 of 1 September 1993 and related implementing provisions (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 the Consolidation Law on Banking – TUB), by Order No. 264010 of 4 March 2008, entitled “Supervisory Provisions on the corporate organisation and governance of banks”, the Bank of Italy established a regulatory framework under which organisation is to play a central role in strategic corporate policy-making and risk assessment and management within the banking and financial industry.

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

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

- A. Board of Directors;
- B. Chairman of the Board of Directors;
- C. Chief Executive Officer
- D. Remuneration Committee;
- E. Internal Control Committee;

F. General Shareholders’ Meeting;

G. Board of Statutory Auditors.

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

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

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

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

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

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

The Remuneration Committee expresses opinions and submits non-binding proposals to the Board, pertaining to the remuneration packages of the Chairman of the Board, the Chief Executive Officer and General Manager; it periodically also assesses the policies used to determine the remuneration packages of key Company executives, with strategic responsibilities.

The Internal Control Committee is tasked with assisting the Board of Directors in laying down guidelines for the internal control system; expressing an opinion on the appropriateness of the internal control system and monitoring the proper and uniform application of accounting policies within all group companies.

The committee also issues a consultative opinion on related party transactions, within the terms and procedures established by the Related Party Transaction Procedure approved by Banca Generali, pursuant to applicable laws and regulations; expressing consultative and investigatory opinions to the Board of Statutory Auditors, on statutory accounting audits.

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 internal 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 the Company's accounts, a task entrusted to Independent Auditors duly registered with the specific professional rolls set by the Italian market regulator, CONSOB.

The Independent Auditors are bound to monitor the proper bookkeeping of the Company's accounts, during the course of the financial year, and to ensure that the Company's books faithfully reflect management trends. The Independent Auditors are also in charge of checking that the figures carried in the annual and consolidated financial statements present a true and fair account of the Company's books and that all accounting documents are compliant with applicable regulations.

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

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

## SECTION II

### 1. INFORMATION ON COMPANY OWNERSHIP (PURSUANT TO ARTICLE 123-BIS TUF) AT 10 MARCH 2011

#### 1.1 Structure of the Share Capital (pursuant to Article 123/bis, paragraph 1, letter a), TUF)

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to Euro 111,574,408.00, divided into 111,574,408 ordinary shares of a par value of Euro 1.00 each.

	No. of shares	% of share capital	Listed (specify on which markets)	Rights and obligations
Ordinary shares	111,574,408	100	Listed on MTA organised and managed by Borsa Italiana S.p.A.	All the rights contemplated under the Italian Civil Code and Articles of Association

Banca Generali holds 70,071 treasury shares acquired (i) as a result of the merger of Banca BSI Italia S.p.A., which had acquired them to execute the Stock Option Plan authorised in favour of its Chairman of the Board of Directors, and (ii) 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 Italian Civil Code.

The Extraordinary Shareholders' Meeting of 18 July 2006 approved a capital increase, in one or more tranches, in the maximum nominal amount of Euro 5,565,660.00 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".

The General Shareholders' Meeting held on 21 April 2010 resolved to extend the exercise period for the above-mentioned stock option plans (in accordance with the conditions disclosed in the press release published on 9 October 2009 and in the published Information Document, pursuant to Article 84-bis of the Rules for Issuers, on 2 April 2010), and to change the term for execution of the share capital as authorised by the Shareholders' Meeting on 18 July 2006, in service of the stock option plans for which the exercise period was extended as mentioned above.

For further information on the aforesaid share-based incentive plans, see part I of the Notes to the Banca

Generali's financial statements for 2010, 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 new stock option plans reserved for the distribution networks, respectively one for financial advisors and private bankers and one for relationship managers, as well as the share capital increase in one or more tranches of the option right, pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code, in service of the above-mentioned two new stock option plans and the subsequent amendment of 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 1.00 euro each, at the service of the two new plans, of which respectively a maximum of 2.3 million euros in service of the plan reserved for financial advisors and private bankers, and a maximum of 0.2 million euros in service of the plan reserved for relationship managers.

## 1.2 Restrictions on the Transfer of Securities (pursuant to Article 123-bis, paragraph 1, letter b), 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.

## 1.3 Significant Equity Investments in Share Capital (pursuant to Article 123-bis, paragraph 1, letter c), TUF)

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

Shareholders holding more than 2% of the Company's voting stock, directly or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices received pursuant to law as at 2 March 2011, are indicated in the table below:

Declarant	Direct shareholder	% of ordinary stock	% of voting stock
Assicurazioni Generali SpA	Assicurazioni Generali S.p.A.	47.326	47.326
	through the subsidiary INA Assitalia S.p.A.	1.033	1.033
	through the subsidiary Alleanza Toro S.p.A.	2.124	2.124
	through the subsidiary Genertellife S.p.A.	4.990	4.990
	through the subsidiary Generali Vie S.A.	4.990	4.990
	through the subsidiary Generali Iard S.A.	4.990	4.990
	Direct and indirect total	65.453	65.453
Egerton Capital Limited Partnership	Egerton Capital Limited Partnership	2.040	2.040



#### **1.4 Securities Bearing Special Rights (pursuant to Article 123-bis, paragraph 1, letter d), TUF)**

No securities bearing special rights of control have been issued.

#### **1.5 Shares Held by Employees: Mechanism for the Exercise of the Voting Rights (pursuant to Article 123-bis, paragraph 1, letter e), 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.

#### **1.6 Restrictions on Voting Rights (pursuant to Article 123-bis, paragraph 1, letter f), 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 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 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 2 March, 2011, indicates that:

- Banca Generali S.p.A. holds 70,071 treasury shares, which it acquired in order to implement the approved Stock Granting and Stock Option Plans. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Italian Civil Code.

#### **1.7 Shareholders' Agreements (pursuant to Article 123-bis, paragraph 1, letter g), TUF)**

The Company is not aware of the existence of any significant shareholders' agreements within the meaning of article 122 of the Financial Consolidation Law (TUF).

#### **1.8 Change of Control Clauses (pursuant to Article 123-bis, paragraph 1, letter h), TUF)**

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.

#### **1.9 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), TUF)**

Provision has been made to cover the Chief Executive Officer's severance indemnity, in the amount of 200,000.00 euros per year (or 25% of his annual salary), payable by way of premium on a life insurance policy featuring the Chief Executive Officer himself as the direct recipient.

In the event the relationship underway between the bank and the Chief Executive Officer is terminated – for reasons other than resignation or dismissal for cause – prior to the end of his term of appointment as Director (which shall be deemed to expire with the Shareholders' Meeting call for the approval of the financial statements for the year ending 31 December 2011), the Chief Executive Officer shall be entitled to a lump-sum payment equivalent to his fixed annual salary (and that is to say, 800,000.00 euros) and the annual amount of the severance benefit (i.e. 200,000.00 euros) that would have been payable upon expiry of the original term of appointment, it being further understood that in the event where such termination takes place during the period between the Shareholders' Meeting called for the approval of the financial statements of the year ended 31 December 2010 and that called to approve the financial statements for the year ending 31 December 2011), the said lump-sum payment shall be further increased by the gross amount of 875,000.00 euros, including by way of additional severance benefit.

In the event the Chief Executive Officer ceases to serve as a Director prior to the expiry of his term of appointment, for reasons other than resignation or

dismissal for cause or subjective good reason, he shall nevertheless be entitled to receive any and all bonuses accruing to him and previously subjected to deferred payment.

The Issuer has not entered into any other agreements with directors entailing the payment of indemnities in the event of resignation, dismissal without cause, or termination in office following a takeover bid, or otherwise requiring the assignment or continued provision of benefits or remuneration for non-competition obligations after termination in office.

### **1.10 Appointment and Replacement of Members of the Board of Directors and Amendments to the Articles of Association (pursuant to Article 123-bis, paragraph 1, letter l), TUF)**

For information on the appointment and replacement of Directors and the rules governing changes to the Articles of Association, see Chapter 2 - Board of Directors, Section III, paragraph 2.1 of this Report.

### **1.11 Powers to increase the Share Capital and Authorisation for the Acquisition of Treasury Shares (pursuant to Article 123-bis, paragraph 1, letter m), TUF)**

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

Pursuant to sections 2357 et seq. of the Italian Civil Code, on 18 July 2006, the ordinary shareholders' meeting authorised Banca Generali to acquire 667,800 ordinary shares issued by Banca Generali S.p.A., of face value of euro 1.00 each, in order to allow for the implementation of a Stock Granting Plan reserved for the CEO and the General Manager, and approved by the Board of Directors on 24 May 2006, entailing the assignation, free of charge, of no more than 667,880 ordinary shares in Banca Generali, of a face value of euro 1.00 each, the said acquisition being made subject to 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, euro 1.00 and no more than euro 17.20;

- b) within the imperative time period of eighteen months following the related shareholders' resolution;
- c) the corresponding unavailable reserve is established pursuant to section 2357-ter of the Italian Civil Code;
- d) should the treasury shares be acquired following the listing of Banca Generali shares for trading on the Electronic Share Market (MTA) organised and managed by Borsa Italiana S.p.A., pursuant to article 132 of Legislative Decree No. 58/1998 and article 144-bis, paragraph 1(b) and (c) of the Rules on Issuers set forth in CONSOB resolution No. 11971 of 14 May 1999 as further amended and extended, the related transactions are effected in accordance with operating procedures established under the organisational and management rules of the markets themselves, so as to ensure that all shareholders are subjected to equal treatment. Accordingly, the acquisitions may be made exclusively, and even several times, on regulated markets organised and managed by Borsa Italiana S.p.A., in accordance with the latter's operating procedures which do not allow for the direct matching of buy orders with pre-established sell orders.

Again pursuant to section 2357-ter of the Italian Civil Code, the same shareholders' meeting also authorised the Company to assign, free of charge, to the CEO and General Manager, the aforesaid shares, by the deadlines and in accordance with the terms and conditions set forth in the Stock Granting Rules approved by the Board of Directors on 24 May 2006.

The aforesaid stock granting plan was concluded in 2010 with the assignment of shares to the Chief Executive Officer.

Pursuant to sections 2357 et seq. of the Italian Civil Code, on 23 April 2008, the Stock Granting Plan put in place by merged company Prime Consult SIM for its managers and financial advisors, which the Company took over following the merger, 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. To complete the implementation of the Stock Granting Plan, the General Meeting 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 Italian Civil Code. The plan must be implemented:

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

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

At 31 December 2010, in conjunction with the aforementioned resolution, the Company held 10,071 treasury shares.

Banca Generali also holds 60,000 of its own shares as a result of the merger of Banca BSI Italia S.p.A. which had previously acquired the said shares in implementation of the Stock Option Plan approved in favour of the Chairman of its Board of Directors.

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

## SECTION III

### 1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF LISTED COMPANIES AND FURTHER INFORMATION ( PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), 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 <sup>1</sup>, having determined that bringing its corporate governance system (and that is to say, the framework of rules, principles and procedures making up a company’s management and internal control system) in line with the international best practices of business administration on which the Code is based is a basic pre-requisite for achieving the Company’s goals.

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

The Code is available to the public on the Borsa Italiana website: [www.borsaitaliana.it](http://www.borsaitaliana.it).

<sup>1</sup> March 2006 edition.

<sup>2</sup> A copy of the “Code of Ethics” is available on the website [www.bancagenerali.com](http://www.bancagenerali.com), section “Corporate Governance”- “Corporate Governance System – Company Regulations”.

### 2. BOARD OF DIRECTORS

#### 2.1 Appointment and Replacement of the Board of Directors (pursuant to Article 123-bis, paragraph 1, letter l),TUF)

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

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

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 are selected on the basis of very high standards of professionalism and competency and must have acquired, on the overall, at least three years’ experience (i) as a company director, corporate officer or high level executive; (ii) in professional practice in the banking, financial, real estate, insurance sectors or other fields pertinent to the Company’s business; (iii) in academia, especially in the fields of law or economics; (iv) as a senior civil servant with public undertakings specialising in the banking, financial, real estate, insurance sectors, or with public administrations, bodies or undertakings that are not directly involved in the aforesaid sectors, provided that the job description pertaining to the position held, entailed the management of economic and financial resources. The persons appointed as Chairman of the Board and Chief Executive Officer, must have acquired at least five years’ experience in the above fields and/or positions.

Moreover, pursuant to the provisions of article 26 of Legislative Decree no. 385 of 1 September 1993 and article 147-*quinquies* TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation no. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998.

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 its Rules for Issuers, this percentage is currently 2.5%. 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.

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) 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.

Should the outgoing Board of Directors submit its own

list, the latter 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. 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.

The Board of Directors has not set up any internal committee to examine proposed appointments to the Board, finding no need for the same. This decision was based on the fact that the current regulatory framework, together with the Articles of Association that impose the mechanism based on voting lists, provide for sufficient transparency of the procedure for the proposal and selection of candidates.

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

of the directors in office at the time of the replacement Director's appointment to the Board.

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

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

## **2.2 Composition of the Board of Directors (pursuant to Article 123-bis, paragraph 1, letter d), TUF)**

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

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

The table provided in Attachment 1 lists the members of the Board of Directors as of 31 December 2010, other information about them and Board and Committees meeting attendance.

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

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

Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2

of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in financial institutions, banks, insurance companies or large corporations other than Group companies.

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

<b>Pirelli &amp; C. S.p.A.</b>	Non-executive Director
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**Giorgio Girelli.** Born in Milan on 26 July 1959, graduated in Business Management at the Luigi Bocconi University of Milan in 1983. He developed his professional career in consulting companies such as Arthur Young & Co. and Roland Berger & Partner Inc, where he became partner. In 2000, he joined the Banca Generali Group, serving as Chief Executive Officer of Banca Generali. He is also director at other Group companies (BG SGR, BG Fiduciaria, Generali Fund Management) and companies of the Generali Group.

**Paolo Baessato.** Born in Venice on 24 July 1951, Paolo Baessato graduated in Law through the University of Ferrara in 1976 and then earned an MBA through SDA Luigi Bocconi University of Milan in 1980, before going on to specialise in International Finance and Credit through the same school. After working at several overseas branches of Banco Ambrosiano Veneto S.p.A. (in Argentina and Brazil), he was assigned to the Head Office of the said bank, as Head of the Controlled Risks Department. He continued his professional career within the Intesa Group and was appointed Head of the Finance and Administration Department. He currently

sits on the Boards of several banking and financial institutions, as specified below.

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

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

<b>Premuda S.p.A.</b>	Non-executive Director
<b>Autovie Venete</b>	Non-executive Director
<b>Flandria</b>	Non-executive Director
<b>Perseo S.p.A.</b>	Non-executive Director
<b>Net Engineering International S.r.l.</b>	Non-executive Director

**Fabio Buscarini.** Born in Ancona on 6 February 1948, Fabio Buscarini graduated in Sociology through the University of Trento in 1975. In 1969 he joined Assicurazioni Generali as an Inspector. In 1990 he became the Assicurazioni Generali Insurance Agent for the Ancona area, and from 2002 to 2004, served as Central Manager and later as General Manager. Currently Chief Executive Officer and General Manager of INA Assitalia S.p.A.. He also holds key positions in various Generali Group companies as well as in other companies as specified below.

<b>Cartiere Burgo Group S.p.A.</b>	Non-executive Director
<b>Impre Finanziaria d'Impresa S.p.A.</b>	Vice President
<b>Compass S.p.A.</b>	Director

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

<b>Abbacus Commerciale Finanziaria S.p.A.</b>	Executive Director
<b>Agorà Investimenti S.p.A.</b>	Executive Director
<b>Agenzia Italia S.p.A.</b>	Executive Director
<b>Banca Credinvest S.A.</b>	Non-executive Director
<b>Cadorfin S.r.l.</b>	Executive Director
<b>David S.p.A.</b>	Executive Director
<b>Eurholding S.p.A.</b>	Executive Director
<b>FeraK S.p.A.</b>	Non-executive Director
<b>Finanziaria Internazionale Holding S.p.A.</b>	Executive Director
<b>Finanziaria Internazionale Alternative Investment SGR S.p.A.</b>	Executive Director

<b>Finanziaria Internazionale Securitisation Group S.p.A.</b>	Executive Director
<b>Finint Finanziaria S.r.l.</b>	Director
<b>Finint Partecipazioni S.r.l.</b>	Director
<b>Finitalia Investimenti S.r.l.</b>	Director
<b>Finleasing S.r.l.</b>	Executive Director
<b>Garbuio Immobiliare S.r.l.</b>	Non-executive Director
<b>Garbuio S.p.A.</b>	Non-executive Director
<b>Matala Investimenti S.r.l.</b>	Non-executive Director
<b>Medcentro S.p.A.</b>	Non-executive Director
<b>Marco Polo Holding S.r.l.</b>	Sole Director
<b>Rete S.p.A.</b>	Executive Director
<b>Securitisations Services S.p.A.</b>	Executive Director
<b>Sipi Investimenti S.p.A.</b>	Executive Director
<b>Urvait Service S.p.A.</b>	Executive Director
<b>Networking European Infrastructures Partners - NEIP II S.A., SICAR</b>	Non-executive Director

**Attilio Leonardo Lentati.** Born in Milan, on 26 March 1937, Mr Lentati graduated in Economics and Commerce through the Luigi Bocconi University of Milan. He has also served as General Manager and Chief Executive Officer at RAS S.p.A., and currently holds directorships in other companies, as specified below.

<b>Sofipa SGR S.p.A. – Gruppo Bancario Unicredit</b>	Chairman
<b>I-Faber S.p.A. – Gruppo Unicredit</b>	Chairman



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

<b>Esprinet S.p.A.</b>	Director
<b>S.I.P.A. S.p.A.</b>	Director
<b>Nuova Tagliamento S.p.A.</b>	Director
<b>Intercontabile S.r.l.</b>	Chairman
<b>BLMP S.r.l.</b>	Chairman
<b>SOIMFI S.r.l.</b>	Acting Auditor
<b>Astor Finanziaria Mobiliare S.r.l.</b>	Acting Auditor
<b>Ponte S.p.A.</b>	Acting Auditor
<b>Cogetech S.p.A.</b>	Chairman of the Board of Statutory Auditors
<b>Cogetech Gaming S.r.l.</b>	Chairman of the Board of Statutory Auditors
<b>E.ON Italia S.p.A.</b>	Acting Auditor
<b>E. ON Energia S.p.A.</b>	Acting Auditor
<b>E.ON Produzione S.p.A.</b>	Acting Auditor
<b>E.ON Servizi S.r.l.</b>	Acting Auditor
<b>Cogemat S.p.A.</b>	Chairman of the Board of Statutory Auditors
<b>Sisal S.p.A.</b>	Chairman of the Board of Statutory Auditors
<b>FBH S.p.A.</b>	Chairman of the Board of Statutory Auditors
<b>Atlantia S.p.A.</b>	Acting Auditor
<b>Guiscarda S.r.l.</b>	Acting Auditor
<b>Effetti S.p.A.</b>	Director
<b>Edizioni Anabasi S.r.l.</b>	Acting Auditor
<b>Finwire S.r.l.</b>	Alternate Auditor

**Aldo Minucci.** Born in Reggio Calabria on 4 July 1946, Aldo Minucci graduated in Law through the University of Trieste in 1970. He joined Assicurazioni Generali in 1971, at the Tax Consultancy Department of which he became Executive Manager in 1983. He continued his career within the company becoming Deputy General Manager, a post he holds to this day. Mr Minucci also sits on the Boards of other companies, as specified below.

<b>Acegas – APS S.p.A.</b>	Non-executive Director
<b>Gemina S.p.A.</b>	Non-executive Director
<b>Aeroporti di Roma S.p.A.</b>	Non-executive Director
<b>Intesa Previdenza SIM S.p.A.</b>	Non-executive Director
<b>Telecom Italia S.p.A.</b>	Non-executive Director
<b>Telco S.p.A.</b>	Chairman

**Ettore Riello.** Born in Forte dei Marmi (LU) on 1 April 1956, Ettore Riello earned his degree at the age of twenty-three in Business Administration at the Ca' Foscari University in Venice. In March 2000 he acquired the entire family Group through an alliance with the American Carlyle investment fund; the corporate 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. Mr Riello currently sits on the Boards of other companies, as specified below.

<b>Riello S.p.A.</b>	Chairman of the Board of Directors and Chief Executive Officer
<b>Riello Group S.p.A.</b>	Chairman of the Board of Directors and Chief Executive Officer
<b>Palladio Finanziaria S.p.A.</b>	Non-executive Director
<b>Manin 11 S.r.l.</b>	Non-executive Director
<b>Maglificio Miles S.p.A.</b>	Non-executive Director
<b>Fit Service S.p.A.</b>	Non-executive Director
<b>Ente Autonomo Fiere di Verona</b>	Chairman of the Board of Directors

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

The "Rules on the Functioning of the Board of Directors of Banca Generali S.p.A." (the "Board Rules"), which were approved by the Board of Directors at their meeting on 16 February 2007 and amended on 24 June 2009 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 a Director of the Company may hold, as indicated in the following table:

	Listed Companies			Financial or insurance companies and banking institutions			Large companies (3)		
	Total director's positions	of which executive positions	Auditor	Total director's positions	of which executive positions	Auditor	Total director's positions	of which executive positions	Auditor
Executive Directors	5	0	0	5	0	0	5	0	0
Non-executive Directors	7	2	2	7	2	2	7	2	2

The Board Rules further provide that, in determining the total number of companies in which appointees to the Company's Board hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group. 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 (article 5.4 of the Board Rules).

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

### 2.3 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 and policy definition, is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to deliberate 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.

Pursuant to paragraph 1.C.1, (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 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 particular, 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 transaction of considerable economic, equity and financial importance, including those with related 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 Executive in charge of drawing up the company's accounting documents, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and monitoring of actual compliance with administrative and accounting procedures; f) authorising company representatives and representatives of companies belonging to the Banking Group fulfilling managerial, executive and supervisory roles and other parties identified by law to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases; g) purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company branches; entering into agreements pertaining to joint ventures or strategic alliances; h) approving the organisational structure and any and all amendments to internal rules and policies; carrying out specific checks to ensure that tasks and responsibilities are clearly and coherently defined within the organisational structure; i) carrying out periodic checks to ensure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly; l) carrying out checks to ensure that the system of information flows is adequate, complete and timely; m) drawing up guidelines for the recruitment and internal placement of Company executives; n) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, duration, powers and authority of said committees or commissions at the time they are set up; p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely.

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

Moreover, on 15 December 2010, the Board of Directors voted in favour of calling upon the

Shareholders' Meeting to broaden the responsibilities entrusted to the Board of Directors by vesting the latter with authority to approve related party transactions in accordance with the provisions set forth in the Procedure adopted by the Company in compliance with currently applicable regulations on related party transactions.

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

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

- i) pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness of the Company's organisational, administrative and accounting layout, in light of the information received from the competent corporate organs (article 8.3 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system. It also defines the guidelines governing the organisational and administrative structures of the bank's subsidiaries;
- ii) pursuant to paragraph 1.C.1, (b) of the Code, the Board is bound to evaluate the appropriateness of the internal control system. 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 8.3 of the Board Rules); furthermore, the Board of Directors approved the policies and regulations governing the functioning of the control functions, approved 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 article 1.C. 1(e), of the Code (article 8.3 of the Board Rules). 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.

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

## 2.4 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 said, on 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code and the supervising instructions issued by the Bank of Italy, the Board approved the Regulations of the Board of Directors (the "Board Rules"), amended at the Board Meeting held on 24 June 2009.

The aforesaid Board Rules provide, inter alia, that:

- (i) pursuant to article 1.C.2 of the Code, 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, especially in light of the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including overseas) 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) in order to enable Board members to make informed decisions and choices, the Chairman shall ensure that all of them are provided timely information on the items placed on the agenda of Board meetings (article 4.3 of the Board Rules);
- (iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a 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 all the shareholders, in the medium-to-long term (article 7 of the Board Rules);
- (iv) pursuant to article 1.C.1(g) of the Code, the Board is bound to express, on an annual basis, its opinion on the appropriateness of its size, membership, and operations and those of any and all Board Committees, as well as on the appropriateness and effectiveness of the Board Rules (article 10 of the Board Rules).

In compliance with the said provision, and the provisions of the Order issued by the Governor of the Bank of Italy on 4 March 2008, during the Board meeting held on 22 February 2011, the Board approved the “Self-assessment Report of the Board of Directors of Banca Generali S.p.A.” (the “Self-assessment”) drawn up taking due account of the outcome of the consultation forwarded by the Chairman of the Board of Directors to all Directors requesting the latter to express their opinions, on a voluntary basis and in strict confidence, on a series of matters related to the size, membership and operations of the Board of Directors, as well as the size and operations of the Board Committees, and expressed the following opinion:

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

- having considered, first and foremost, the size of the administrative organ that seems commensurate with the dimensions and operations of the Company, and also in keeping with the Company’s role as Parent Company of the banking group of the same name, insofar as it allows for adequate monitoring and management of the Group’s business operations and trends;
- having considered, secondly, the membership of the same administrative organ, which may be deemed appropriate, in light not only of the inclusion of a sufficient number of directors meeting the requirements for independence, but also thanks to the wide variety of professional competencies featured on the Board of Directors, allowing for an authoritative and knowledgeable approach to the various matters that the Board of Directors is called upon to deal with from time to time, as well as the prevalence of non-executive directors who act as a counterweight in respect of executive directors and the bank’s top management in general;
- having considered the efficient functioning of the administrative organ which is regulated by specific Rules in addition, obviously, to applicable statutory and regulatory provisions;
- having examined, as a panel body, the answers to the questionnaires that each Board member filled in, individually on a confidential basis;
- bearing in mind the considerations set forth by the Independent and non-executive Directors;
- expresses a clean opinion, with nothing to report on:
  - the size and functioning of the Board of Directors

of Banca Generali S.p.A., as well as any and all delegated organs and/or Board committees set up;

- the ability of Board members to properly discharge their assigned tasks and functions, in terms of professionalism, time available, and where applicable, independence;
- 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 2010, Banca Generali’s Board met 12 times. The meetings lasted about 1 hour and 50 minutes on average. In the year underway a total of 12 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The attached table sub 1 provides information on the attendance of Directors at the Board meetings held in 2010. Absentee Directors provided justification for non-attendance.

In accordance with the Board Rules and to encourage the development of mechanisms for the free flow of information amongst and within corporate bodies, the information flows towards corporate bodies and officers are regulated pursuant to a specific internal company Circular, duly approved by the Board of Directors. The aforesaid Circular lays down the timetable, procedures and contents of the information to be provided to the corporate bodies and officers in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the consolidated reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the necessity of providing a timely flow of information to the Board with regard to the exercise of powers delegated. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank’s organisational units, other public and non-public documentation and accounting documentation intended for publication.

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

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

- a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
- b) on 24 December 2010, passed resolutions pertaining to the Company's internal control system with specific reference to the review of the powers and responsibilities of the Compliance and internal audit functions as well as the other entities belonging to the banking group headed by the Company, as specified in greater detail in the Chapter "Internal Control System" of this Report;
- c) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer, as well as carried out quarterly comparisons of results achieved against expectations and forecasts;
- d) determined, as proposed by the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer and Directors serving on sub-committees;
- e) approved, in the meeting held on 5 November 2010, a specific procedures for related party transactions (details provided in the "Related Party Transactions" section of this Report).

With reference to Article 2390 of the Italian Civil Code, the Shareholders' Meeting of 21 April 2009 authorised the Directors to become members of the Board of Directors and hold positions in the companies indicated in their respective curricula provided at the time of appointment or in other companies in the groups to which those companies belong.

### 3. DELEGATED ORGANS

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

#### 3.1 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 themselves, delegate the powers not strictly reserved to its competence pursuant to statute, to one or more Chief Executive Officers, establishing the powers and term in office, of the same.

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

1. to oversee the implementation of Board resolutions by Company Management;
2. to prepare the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
3. to determine and orient, within the framework of the guidelines established by the Board of Directors, the Company's human resources management policies and to directly oversee the Company's internal control, corporate and legal affairs, human resources, external relations and investor relator departments;
4. at the behest of the General Manager, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
5. to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of the electronic securities

administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;

6. to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
7. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
8. to forward to the Board, at the General Manager's request, his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and consolidated financial statements;
9. to represent the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;
10. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;
11. to bring, defend and resist legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file quitclaim and/or settle any and all disputes up to the maximum amount of 150,000.00 euros per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;

12. to process and authorise the write-off of bad debts and to totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as to issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, up to the threshold of 50,000.00 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;
13. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
14. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
15. to set up, transfer or shut down secondary offices, representative offices and branches;
16. within the framework of the budget approved by the Board, to cover the Company's current expenses;
17. within the framework of the approved budget and up to the threshold of 200,000.00 euros for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer real estate and personal property, including personal property subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
18. within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit services, as well as to enter into commitments for the supply of tangible assets, the acquisition of intangible assets, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of 200,000.00 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;
19. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of 200,000.00 euros per contract and/or commitment;
20. to book as losses, any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than 50,000.00 euros per transaction;
21. to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;
22. to approve loans within the limits imposed under lending rules and regulations, from time to time;
23. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
24. at the behest of the General Manager, and always within the framework of the pre-established budget and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
25. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
26. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and



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

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

Pursuant to 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 invested in him.

Furthermore, in compliance with current regulations governing the provision of investment services, in light of his delegated powers and pursuant to the guidelines approved by the Board of Directors, the Chief Executive Officer is in charge of:

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

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

### 3.2 Chairman of the Board of Directors

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

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

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

responsibilities.

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

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

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

Moreover, under 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.

### 3.3 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 of the company or any of its subsidiaries;
- (ii) on decisions pertaining to lending policies and, in general, on credit trend;
- (iii) on property investments;
- (iv) on the performance of sales and inflows;

- on a quarterly basis:

- (i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts.
- (ii) on activities carried out by the Company and the Group with related parties;
- (iii) on the Internal Control System;
- (iv) on the type and performance of managed products;

- every four months:

- (i) on activities associated with evaluating conformity;

- on a half-yearly basis

- (i) on the situation of litigations;
- (ii) on the need to update reserves or provisions.

### 3.4 Other non-executive Directors

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

### 3.5 Non-executive and Independent Directors

Article 12.4 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 2010 was made up of three executive and seven 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 15 December 2010, to discuss the following matters:

- verification of the "non-executive" status of Directors;
- role and activity of non-executive Directors;
- functioning of information flows towards the Board of Directors.

Four non-executive Board members are also independent within the meaning of the Code (paragraph 3.C.1) which is also 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), maintains or has maintained in the previous financial year, significant commercial, financial or professional relationships with: (i) the Company, or one of its subsidiaries or one of its key executives; (ii) a person or party that, including together with others on the basis of a shareholder agreement, controls the company, or — in the case where the said party is a body corporate or legal entity — with the key executives thereof; or is or has been an employee of the aforesaid persons or parties, during the current or previous three financial years;
- d) currently receives or has received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof, significant compensation in addition to the "fixed" emoluments due to non-executive Directors of the Company, including as part of stock option or other plans linked to corporate performance;
- e) has been a Director of the Company for more than nine years during the past twelve years;
- f) is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;
- g) is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company's Independent Auditors;
- h) is a close family member of a person in one of the situations described above.

For the intents and purposes of the above, the “key executives” of a corporation or entity shall include: the Chairman of the entity, or the Chairman of its Board of Directors, as well as the entity’s legal representatives, executive directors, managers and executives with strategic responsibilities.

Three of the non-executive Board members also qualify as independent directors, even under the more stringent rules set forth in Article 37, paragraph 1, subparagraph (d) of the Regulation adopted by CONSOB Resolution No. 16191 of 29 October 2007 which, as most recently amended and extended 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.

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 17 December 2010, to discuss the following matters:

- appropriateness of the number of Independent Directors;
- identification of the criteria for determining whether or not the requirements of independence are met;
- functioning of information flows towards the Board of Directors.

Moreover, 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 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 22 February 2011, during the annual check of satisfaction of independence requirements, the Board of Directors, acting as a panel, determined that the following directors met all the related requirements:

- Paolo Baessato, Attilio Leonardo Lentati, Angelo Miglietta and Ettore Riello, pursuant to Articles 147-ter, paragraph 4 and 148, paragraph 3, of Legislative Decree 58/1998 as well as the parameters indicated in the application criteria of article 3 of the Code.
- Paolo Baessato, Attilio Leonardo Lentati and Ettore Riello pursuant to Article 37, paragraph 1(d) of the Regulations adopted with CONSOB Resolution No. 16191 of 29 October 2007, as amended and extended.

On 22 February 2011, 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.

### 3.6 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 of Listed Companies, although the current Chairman of the Company’s Board, Giovanni Perissinotto, also serves as the Chief Executive Officer and sits on the Executive Committee of the Company’s Parent Company, Assicurazioni Generali S.p.A..

This is because the Company feels that Mr Perissinotto’s directorship and role within Assicurazioni Generali S.p.A. does not entail potential conflict of interests or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali, Mr Perissinotto is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board, of the resolutions passed by the Shareholders’ Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.

Mr Perissinotto, therefore, serves as an outside observer, monitor and supervisor tasked primarily with ensuring that Company Management scrupulously complies with strategic corporate guidelines and policy.

## 4. HANDLING OF CORPORATE INFORMATION

### 4.1 Handling of Confidential Information

Article 4 of the Code requires the members of the Board of Directors and Board of Statutory Auditors to treat as confidential any and all the documents and information of which they may become aware in the performance of their duties, and to comply with all the Company's procedures for the internal management and public disclosure of the said documents and information.

In accordance with these provisions, and pursuant to article 114 and article 115 *bis* of TUF as well as articles 66 et seq. and 152-*bis* et seq. of CONSOB Regulation (the "Rules on Issuers"), on 18 July 2006, the Board, upon request of Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside information (the "Code on Inside Information").

A copy of the "Code on Inside Information" is available on the website [www.bancagenerali.com](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 protecting the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.

The essential elements of the Code on Inside Information are summarised below.

Inside Information means information of a precise

nature which has not been made public relating, directly or indirectly, to the Company and which, if it were made public, would be likely to have a significant effect on the prices of the financial instruments issued by the Company.

The procedures set forth in the Code on Inside Information must be followed by the members of the Board of Directors and the Board of Statutory Auditors, and the employees of the Company and its subsidiaries as well as any and all insiders, and that is to say, persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries (the "Insiders").

In handling the confidential information of which they may become aware in the course of their duties, company executives and insiders are bound to exercise the utmost confidentiality and implement any and all suitable precautions so as to allow the said information to be circulated within the Company and amongst subsidiaries without any breach of the confidentiality thereof.

The aforesaid persons are barred from issuing interviews to the press and media, or in general, any declarations containing Inside Information not included in documents already disclosed to the public.

Any and all relationships with financial analysts and institutional investors entailing the disclosure of Inside Information must take place solely through the Investor Relations department, following authorisation from the Chief Executive Officer, whose responsibilities include the procedures for managing Inside Information pertaining to the Company and its subsidiaries, relations between the Company and institutional investors as well as press relations, availing for such purpose of the support and assistance of the Public Relations department.

The Board of Directors has appointed the Head of the Public Relations Department to act as the referee (the "Referee") who, with the support of his/her direct collaborators, liaises with the media, prepares the drafts of the press releases pertaining to Inside Information regarding the Company or its subsidiaries, and, in concert with the Legal Affairs and Compliance Department of the Banking Group, ensures proper compliance with public disclosure obligations, by proceeding with the publication of the press releases pertaining to Inside Information, following approval by the Company's Chief Executive Officer. Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali

(or in the case of the absence or unavailability thereof, the Chief Executive Director) may meet with market operators in Italy and abroad.

The Company has also set up the Register of Insiders, within the meaning of article 115-bis TUF, establishing procedures for the maintenance of the said Register and appointing the Head of the Banking Group's Legal Affairs and Compliance Department to maintain and update the same.

#### 4.2 Internal Dealing

In accordance with the provisions of Article 114, paragraph 7 of the Consolidation Law on Financial Intermediation, as well as Articles 152-sexies et seq. of the Rules on Issuers, on 18 July 2006, the Board of Directors approved a code of conduct in respect of internal dealing (the "Code on Internal Dealing") which was subsequently amended by Board resolution of 20 February 2008.

The said Internal Dealing Code defines "Relevant Persons" (which include, in particular, the members of the Board of Directors and the Board of Statutory Auditors of the Issuer, persons performing managerial responsibilities within the Company as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, CONSOB and the public, any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.

The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or barter of Banca Generali shares or financial instruments linked to shares, effected, including through third party intermediaries, by Relevant Persons and Persons closely associated with Relevant Persons.

On the other hand, the definition of Significant Transactions excludes transactions:

- (i) amounting, on the overall, to no more than 5,000.00 (five thousand/00) euros per calendar year, taking into account, for the purposes of determining whether or not the said threshold has been exceeded, all the transactions effected during the twelve months immediately following the date of the last transaction;
- (ii) effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights as well as the exercise of any and all such rights deriving from

stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;

- (iii) effected between Relevant Persons and Persons closely associated with Relevant Persons;
- (iv) effected by the Company and its subsidiaries.

The Internal Dealing Code also contains rules governing the management, handling and disclosure of information pertaining to the said transactions.

Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or half-yearly reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said relevant persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.

The Board of Directors has appointed the Head of the Legal Affairs and Compliance Department to implement the provisions of the Code.

## 5. BOARD COMMITTEES

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 Control Committee and a Remuneration Committee, whilst leaving it up to individual companies to decide whether or not they also need a Nomination Committee.

As already noted, the Board did not deem it necessary to set up a specific Nomination Committee insofar as current regulations and the provisions contained in the Articles of Association – in particular, the appointment mechanism based on voting lists – seem sufficient to ensure transparency in the selection and presentation of the candidates.

On the other hand, the Board set up both the Internal Control Committee and the Remuneration Committee, requiring the same to be made up entirely of non-executive directors and, with reference to the Internal Control Committee, independent as well.

### 5.1 Internal Control Committee

The Board of Directors has set up, within the Board itself, an Internal Control Committee vested with consultative and recommendatory functions in respect of internal controls.

Appointees to the Internal Control Committee must not only be non-executive directors, but must also meet the further requirement of independence as defined in the Corporate Governance Code.

The Committee currently in office was initially appointed by the Board of Directors on 21 April 2009, and subsequently underwent an expansion of its membership pursuant to Board resolution of 29 September 2010 which raised the number of its members from three to four. As of today's date, the Committee is composed of the following members:

Name and Surname	Office held (data at 10 March 2011)
Angelo Miglietta	Chairman Non-executive and independent Director pursuant to the Corporate Governance Code
Paolo Baessato	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of the CONSOB Regulation No. 16191/2007.
Attilio Leonardo Lentati	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of the 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 the CONSOB Regulation No. 16191/2007.

The Board of Directors has determined that Angelo Miglietta and Attilio Leonardo Lentati have accumulated appropriate experience in accountancy and finance.

Ms Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary.

The functioning of the Internal Control Committee is regulated by specific rules (the "Internal Control Committee Rules") approved by the Board on 27 November 2006 and last amended during the Board meeting of 15 December 2010.

The Committee is tasked with: (i) submitting recommendations and advice to the Board on internal controls; (ii) providing advice and issuing opinions on related party transactions in the manner and form and in accordance with the deadlines established in

the procedure approved by the Company in respect of related party transactions pursuant to applicable rules and regulations; as well as (iii) providing advice to the Board of Auditors and assisting the latter in conducting fact-finding inquiries regarding the statutory auditing of accounts; and more specifically, assists the Board in laying down the guidelines of the internal control system, periodically checking the appropriateness and effectiveness of the same and ensuring that the Company's main risks (credit, financial and operating risks) are promptly identified and suitably managed, in concert with the specific corporate departments involved.

In this context:

1. assists the Board in carrying out the tasks incumbent on the latter pursuant to the Code in respect of the internal control system;

2. assesses the work programme prepared by Compliance, Internal Audit and Risk Management officers (which collectively make up the functions responsible for the Company's Internal Control System) and receives any periodic reports, for further submission to the Board of Directors for their approval;
3. assesses, together with the company executive in charge of drawing up the Company's corporate accounting documents and the independent auditors, the proper and uniform application of accounting policies throughout all Banca Generali Group Companies, for the purpose of preparing the consolidated financial statements;
4. reports to the Board of Directors on its activity and the adequacy of the internal control system at least once every six months, at the time the annual and half-yearly financial reports are approved, expressing its opinion on matters delegated to it;
5. at the request of the Chief Executive Officer, expresses opinions on specific aspects pertaining to the identification of the main corporate risks, and the conception, setting up and management of the internal control system;
6. may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
7. performs the other duties entrusted to it by the Board of Directors.

Regarding related party transactions, in compliance with the provisions set forth in the Regulation on related party transactions approved pursuant to CONSOB resolution No. 17221 of 12 March 2010, as further amended and extended by CONSOB Resolution No. 17389 of 23 June 2010, and as required pursuant to the Related Party Transaction Procedure adopted by the Company, the Committee's tasks include:

1. in respect of Moderately Significant Related Party Transactions, as defined in the Related Party Transaction Procedure, expressing, in the manner and form and in accordance with the deadlines established in the Procedure, a non-binding, opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions;

2. in respect of Highly Significant Related Party Transactions, as defined in the Related Party Transaction Procedure, (i) playing an active role in the preliminary fact-finding and negotiation phases of each such transaction, including by seeking information from and/or forwarding comments and observations to any and all the persons and parties involved in the said phases; and (ii) expressing, in the manner and form and in accordance with the deadlines established in the Related Party Transaction Procedure, a binding, opinion, duly supported by grounds, on the extent to which it is in Banca Generali's interest to effect each such transaction, as well as on the fairness and substantive correctness of the related terms and conditions.

The Committee is also placed in charge of providing support to the Board of Auditors, at the latter's request, especially in the form of advice and assistance in conducting the fact-finding inquiries required to discharge the duties entrusted to the Board of Auditors with regard to the statutory auditing of accounts pursuant to Legislative Decree No. 39 of 27 January 2010. More specifically, the Committee shall:

1. at the request of the Board of Statutory Auditors, 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 reports, with specific reference to the subject-matter of the appointments and the related economic terms and conditions, reporting its findings to the Board of Auditors;
2. at the request of 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 Auditors;
3. at the request of 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 Auditors;
4. undertake any and all further tasks that the Board of Statutory Auditors may entrust to it in respect of the statutory auditing of accounts.



Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration.

In such regard, it is worth noting that in light of the changes brought to the duties and responsibilities vested in the Committee pursuant to the Related Party Transaction procedure adopted by the Company, on 22 February 2011, the Board of Directors voted in favour of calling upon the Shareholders' Meeting to increase the remuneration due to the directors sitting on the Internal Control Committee by making provision for the latter to receive an attendance fee for each committee 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.

Apart from Committee members, the Chief Executive Officer (to whom the Internal Auditor reports), and the Chairman of the Board of Statutory Auditors shall attend Committee meetings. At the invitation of the Committee Chairman, Committee meetings may also be attended by other senior company executives, the Head of the Compliance Department, the Head of the Internal Audit Department, the Head of the Risk Management Department, Heads of other corporate departments, the executive in charge of drawing up the company's accounting documents and any and all other persons whose presence may be useful.

In 2010 the Internal Control Committee met nine times, for an average of approximately one hour each time. In the year underway a total of 8 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The main activities carried out by the Committee during the year are listed below.

In its meeting on 22 January 2010, the following were examined:

- (i) periodic reports on the activities undertaken by the Compliance Department;
- (ii) amendments to the Compliance Regulations and Policy;
- (iii) analysis of the new organisational chart approved by the Board of Directors on 17 December 2010;
- (iv) analysis of related party transactions;

In its meeting on 23 February 2010, the following were examined:

- (i) examination of the notice received from CONSOB and related and ensuing decisions;
- (ii) annual report by the Internal Audit Service;
- (iii) report on the internal control system and assessments carried out at the investee companies;

In its meeting on 3 March 2010, the following were examined:

- (i) check of the adequacy of the accounting policies followed in preparing the financial statements;
- (ii) annual report by the Compliance Department;
- (iii) annual report by the Risk Management Service;
- (iv) presentation of the 2010 internal control activities plan;
- (v) report within the meaning of article 2.2.7 of the Internal Control Committee Rules;

In its meeting on 20 April 2010, the following aspects were examined:

- (i) presentation of the ICAAP report;
- (ii) presentation of the Pillar 3 report;

In its meeting on 7 May 2010, the following aspects were examined:

- i) periodic report on the activities undertaken by the Internal Audit Service;
- ii) periodic report on the activities undertaken by the Compliance Department;

In its meeting on 23 July 2010, the following aspects were examined:

- i) check of the adequacy of the accounting policies followed in drawing up the interim financial statements;
- ii) CSE report;
- iii) periodic report on the activities undertaken by the Internal Control Office;
- iv) report within the meaning of article 2.2.7 of the Internal Control Committee Rules;

In its meeting on 22 September 2010, the following were examined:

- i) periodic report on the activities undertaken by the Compliance Department;
- ii) amendments to the Compliance Regulations and Policy;
- iii) amendments to the Internal Audit Rules;

In its meeting on 27 October 2010, the following were examined:

- i) presentation of the Related Party Transactions Procedure;
- ii) periodic report on the activities undertaken by the Internal Audit Service;
- iii) Operating risks and risk of fraud project;

In its meeting on 13 December 2010, the following were examined:

- i) the proposal for amendments to the Articles of Association;
- ii) the presentation of the motion to amend the Internal Control Committee Rules;

- iii) proposed acquisition of a participating interest.

The proceedings of each meeting were duly recorded in minutes. Three committee meetings were attended by all the Committee members, whilst one Committee member justified his absence at the others.

The attached table sub 1 provides information on the attendance rate of each member at the Committee meetings.

The Internal Control 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.

## 5.2 Remuneration Committee

Banca Generali's Board of Directors has also set up, within the Board itself, a Remuneration Committee tasked with assisting the Board in laying down Company policies in respect of the remuneration of the Company's directors, officers and top management.

The current Remuneration Committee was appointed by the Board of Directors on 21 April 2009, and is made up as follows:

Name and Surname	Office held (data at 10 March 2011)
Attilio Leonardo Lentati	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of the CONSOB Regulation No. 16191/2007
Angelo Miglietta	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code
Andrea de Vido	Member of the Committee Non-executive Director

Ms Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary.

In compliance with the provisions of paragraph 7.P.3 of the Code, all three members of the Remuneration Committee are non-executive directors and majority of them are also independent.

The Committee's responsibilities include advising and making recommendations and proposals to the Board of Directors on matters pertaining to remuneration.

More specifically, the Remuneration Committee is entrusted with the following tasks and responsibilities:

1. submitting non-binding opinions and recommendations to the Board of Directors in respect of the remuneration packages of the Chairman of the Board and Chief Executive Officer: The Committee's opinions and recommendations must be based on the independent judgement of its members, who must take into account, inter alia, the following

- considerations: (i) the significance of the role played by corporate officer involved within the Company's organisational structure; (ii) the contribution of the said corporate officer to the Company's performance; (iii) the economic results attained; (iv) the attainment of specific pre-set targets established by the Board of Directors;
2. monitoring the proper implementation of the decisions made by the Board in respect of submitted proposals and recommendations;
  3. submitting an opinion to the Board in respect of the amount of the remuneration of Board members entrusted with special duties, or appointed to specific positions pursuant to the Articles of Association;
  4. submitting, after consultation with the Chief Executive Officers non-binding opinions and recommendations in respect of the remuneration packages of General Managers, based on the independent judgement of Committee members in light of: (i) the responsibilities and risks attendant to the tasks and duties of the General Managers in question; (ii) results obtained as compared against pre-set targets; and (iii) additional services rendered beyond the sphere of normal duties and tasks;
  5. periodic assessment of the remuneration policies applied to key management personnel, monitoring the proper application of the said policies on the basis of information provided by the Chief Executive Officers, and submitting general recommendations to the Board in respect of the same;
  6. submitting non-binding opinions and recommendations on stock option and share granting plans;
  7. submitting the report on activities undertaken, as well as notices, and reasoned opinions, proposals and recommendations to the Board with the timeliness necessary to allow the Board to take cognisance of the same and make informed decisions;
  8. any and all other tasks and duties entrusted to the Committee by the Board through specific resolutions.

The procedures governing the functioning of the

Remuneration Committee are set forth in the Remuneration Committee Rules approved by the Board of Directors on 27 November 2006.

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 shall attend Committee meetings. 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 compensation are drawn up for submission to the Board of Directors.

Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration.

In 2010 the Remuneration Committee met four times. On average, the meetings lasted approximately one hour. In the year underway a total of 3 Board meetings are scheduled; since the beginning of the year as at the date of this report, two meetings were held.

The main activities carried out by the Committee during the year are listed below.

In its meeting on 24 March 2010, the following aspects were examined:

- i) check of the 2009 targets assigned to Chief Executive Officer and General Manager, and consequent determination of their variable compensation;
- ii) Remuneration Policies Adopted for Directors, Employees and Financial Advisors report on remuneration policies adopted in 2009 and proposal of review of the adopted remuneration policies to be submitted to the Shareholders' Meeting.
- iii) examination of the remuneration of the Chief Executive Officer, definition of objectives and performance levels to be assigned to the Chief Executive Officer for 2010 and explanation of the method for calculating the related bonus;
- iv) examination of the remuneration of the General Manager. definition of objectives and

performance levels to be assigned to the General Manager for 2010 and explanation of the method for calculating the related bonus;

- v) description of the application of the Management by Objectives philosophy to executives of the Banca Generali Group in 2010;
- vi) proposed changes to the incentive plans targeted at the sales network.

In its meeting on 7 May 2010, the following were examined:

- i) proposals to be submitted to the Board of Directors pursuant to Shareholders' Resolutions on the approval of new stock option plans.

In its meeting on 27 October 2010, the following were examined:

- i) determination regarding the requirements to be met for entitlement to bonuses subjected to deferred payment.

In its meeting on 13 December 2010, the following aspects were examined:

- i) presentation of the Long Term Incentive Plan.

The meetings, the proceedings of which were recorded in minutes, were attended by all the Committee members. The attached table sub 1 provides information on the attendance rate of each member at the Committee meetings.

The Compensation Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks.

## 6. DIRECTORS' REMUNERATION

With reference to resolutions on the delegated boards' remuneration, pursuant to the Code (paragraph 1.C. 1, lett. d) and article 19 of the Articles of Association, the remuneration due to Directors entrusted with specific tasks shall be determined by the Board of Directors in consultation with the Board of Statutory Auditors.

By Board resolution of 27 November 2006, approved pursuant to article 7.P.3 of the Code, the Board set up the Remuneration Committee tasked with, inter alia, making recommendations to the Board in respect of the remuneration packages of Chief Executive Officers and other Board members entrusted with specific tasks (see, below, "*Remuneration Committee*").

Bank of Italy Order No. 264010 of 4 March 2008 also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, under the regulations, in addition to establishing the remuneration due to the members of the corporate organs it appoints, the Ordinary Shareholders' Meeting must also approve the compensation policies applicable to directors, and employees, as well as outside consultants and collaborators other than employees. Accordingly, on 21 April 2010, including pursuant to the clarification published by the Bank of Italy on 19 February 2009, and as required under the Order issued by the Governor of the Bank of Italy on 4 March 2008, the Shareholder's Meeting not only acknowledged receipt of the notice regarding the implementation in 2009, of Remuneration Policies defined, in accordance with applicable regulations, with a view to promoting prudent risk management and aligning the long-term interests of shareholders and management, but also approved certain amendments to the Remuneration Policies applicable to directors, employees, as well as outside consultants and collaborators other than employees so as to bring the same in line with the recommendations issued by the Governor of the Bank of Italy on "*Remuneration and Incentive Systems*" and set forth in Order No. 321560 of 28 October 2009.

At the next Shareholders' Meeting, a report will be provided on the implementation of the compensation policy.

It must further be pointed out that in December 2010, the Bank of Italy published a draft text, which is still in the consultation phase, setting forth provisions transposing into the Italian regulatory framework, the Capital Requirements Directive III (so-called CRD III) which lays down harmonised community regulatory framework in respect of the remuneration and incentive

systems for banks and investment firms. Accordingly, motions will be raised at the forthcoming Shareholders' Meeting, with a view to amending the Remuneration Policies, as recommended by the Bank of Italy, taking due account of, inter alia, aforementioned draft provisions, even though the latter have not yet been finalized.

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-sighted strategies. The remuneration package consists of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the strategic importance of the position to which the remuneration refers (this does not normally exceed 10% for the professional areas and middle managers; for top managers responsible for commercial operating units it may reach at most 60%, when the objective results assigned have been achieved in full).

In 2010, a system for the deferral of the disbursement of 40% of the accrued bonus was introduced for the Generali Banking Group's key management personnel and all other managers who earn a bonus in excess of 75,000 euros. In further detail, 60% of the amount owed will be paid immediately after the Board of Directors verifies the earnings and financial results for the year in question, 20% after the results for the following year have been verified and the remaining 20% after an additional year.

In 2010, in order to link the variable pay of management personnel even more closely to long-term performance indicators, and in order to also take account of current and prospective risks, the cost of capital and the cash required to meet the needs of the activities undertaken, accrual of bonuses was 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 main financial advisor network managers.

Remuneration patterns are closely monitored, including with regard to reference markets, by applying the HAY point-factor job evaluation system to assess the compensation mechanisms applicable to the main executive and professional positions. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics, also with reference to the markets in which the company operates.

The fixed components 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.

The remuneration of the Chief Executive Officer is accordingly comprised of a recurrent fixed component and a variable component linked to the attainment of pre-set performance targets, without any guaranteed minimum.

Further information on the emoluments received by Board members and the General Manager during the course of the financial year, is provided in Part H of Banca Generali's Financial Statements for 2010.

For information on the overall remuneration received by key management personnel – such as Stefano Grassi and Giancarlo Fancel, Deputy General Managers – see Part H of the Explanatory Notes to Banca Generali's Financial Statements for 2010.

For further information on the Company's remuneration policy for 2010, please refer to the document "Remuneration policies for directors, employees and collaborators other than employees, in accordance with the order of the Governor of the Bank of Italy of 4 March 2008 entitled *"Supervisory Provisions Concerning Banks' Organisation and Corporate Governance"*: overview of the implementation of remuneration policies in 2010 and proposed revision of currently applicable remuneration policies" available at the website [www.bancagenerali.com](http://www.bancagenerali.com), under *"Corporate Governance"- Shareholders' Meeting*".

Pursuant to article 7.C.2 of the Code, the compensation due to non-executive directors may not be linked to the Company's performance, and non-executive

directors may not participate in share-based incentive plans. Non-executive directors are paid a fixed fee as established by the Shareholders' Meeting.

In order to motivate executive directors and key managers to strive to attain strategic corporate objectives, in accordance with the provisions of articles 7.P.2 and 7.C.1 of the Code, on 24 May 2006, Banca Generali approved a Stock Granting Plan for the Chief Executive Director and the General Manager, with a view to bring their personal interests in line with the goal of creating value for the Company. The Plan awards the Chief Executive Officer, Giorgio Girelli, a maximum number of 389,596 ordinary shares in the Company of a face value of 1.00 euro each, or such lower number of shares that – on the basis of Offer Price – amount, on the overall, to no more than 4,000,000.00 euros, whilst also awarding the General Manager, Piermario Motta, a maximum of 278,284 ordinary shares in the Company of a face value of 1.00 euro each, or such lower number of shares that – on the basis of Offer Price – amount, on the overall, to no more than 3,000,000.00 euros.

The shares could be assigned within 5 years from the time the company's shares start trading on the electronic share market (MTA), provided that at the time of assignment the beneficiary maintained the mandate or employment with the company (or that the relationship had terminated on the Company's initiative not as the result of the beneficiary's fraud or negligence). The General Manager Piermario Motta as well as the Chief Executive Officer were assigned the shares due to them on 1 April 2009 and 13 September 2010, with the result that the aforesaid stock granting plan is now definitely extinct.

Furthermore, in order to provide information that is as complete as possible, it must be pointed out that, on the same date, 24 May 2006, the Board approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's financial advisors, area managers and business managers.

In order to cover the aforesaid Stock Option Plans, on 18 July 2006, the Company's Extraordinary Shareholders' Meeting approved a capital increase, in one or more tranches, in the maximum nominal amount of 5,565,660.00 euros, through the issue of a maximum number of 5,565,660 ordinary shares of a face 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 face value of 1.00 euro each, with specific exclusion of the option rights afforded to shareholders pursuant to section 2441, paragraph 5, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", reserved to the financial advisors of Banca Generali Group, all of the above in one or more tranches, with the last being effected no later than 30 May 2011;
- b) an issue in the maximum nominal amount of 1,113,130.00 euros, represented by a maximum number of 1,113,130 ordinary shares of a face value of 1.00 euro each, with specific exclusion of option rights afforded to shareholders pursuant to section 2441, paragraph 8, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A. Employees", reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.

In order to compensate optionees for the loss in value of the above-mentioned Stock Option Plans due to the well-known market conditions that occurred in 2007 and 2008, which had a negative impact on the stock performance, despite the achievement of excellent results in terms of net inflows, the Shareholders' Meeting held on 21 April 2010 resolved to approve an extension by three years of the exercise period for both of the above-mentioned Plans.

The price of the aforesaid options shall be determined at a whole number reflecting the arithmetic mean of the listed prices of shares in the Company on the electronic share market from the date of assignment of the stock options to the same day of the previous month.

The exercise of the options is subject to the attainment of overall targets and, in the case of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", even personal targets.

Pursuant to the applicable Rules, the Delegated Organs awarded:

- 2,540,136 option rights in application of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers";
- 829,000 option rights in application of the "Stock Option Plan for Banca Generali S.p.A. Employees".

In total, 3,369,136 stock options were awarded pursuant to the aforesaid Plans.

Moreover, on 21 April 2010, the Shareholders' Meeting approved a broad-ranging programme aimed at enhancing the loyalty of both employees and collaborators other than employees, and comprised of two Stock Option Plans targeted specifically at (a) financial advisors and private bankers, as well as (b) employees serving Banca Generali as Relationship Managers.

This initiative has a twofold objective: maintaining the interest of the distribution network and network managers in line with the interest of shareholders, in the medium- and long-term, as well as enhancing the loyalty of the most promising professionals, by involving the same economically in overall value creation within the Company, whilst also providing incentives to boost productivity in the medium term.

The new Plans 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 calls for the granting of a total maximum of 2,500,000 options for the subscription of Banca Generali ordinary shares (of which 2,300,000 reserved for financial advisors and network managers and 200,000 for employed relationship managers).

In this regard, options shall 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, by 30 June 2011. The grant shall be conditional upon the achievement of both consolidated Group objectives and individual objectives for the development of net inflows in the reference period. Towards this end, on 10 March 2010, the Board of Directors verified the attainment of the consolidated target at group level.

The options shall be exercisable within 6 years from 1 July 2011 in the amount of one sixth per year. The recipients will have the right to subscribe to Banca Generali ordinary shares for consideration equal to the arithmetic mean of the market listing prices of the shares in question on the electronic share market (MTA), organised and managed by Borsa Italiana S.p.A. surveyed during the period from the option grant date to the same date of the previous solar month.

In order to give full effect to the Stock Option Plan for the financial advisors and network managers of Banca Generali S.p.A. for 2010 and the Stock Option Plan for the Relationship Managers of Banca Generali S.p.A. for 2010, the Shareholders' Meeting held on 21 April 2010 resolved, pursuant to Article 2441, paragraphs 5

and 8 of the Italian Civil Code, on a divisible increase in the Company's share capital by an amount equal to the maximum number of options that may be granted under the above-mentioned Plans, and thus in a maximum nominal amount of 2,500,000.00 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".

Lastly, 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.

## 7. INTERNAL CONTROL SYSTEM

### 7.1 Internal Control System features

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.

This was made to meet the need for managerial as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the

governance and control bodies of subsidiaries.

As required pursuant to the Italian Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has adopted an internal control system capable of continuously monitoring typical business risks.

The internal control system is 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 8 of the Code and, moreover, specifically designed to ensure healthy and prudential corporate management of the bank and the group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors on 24 January 2008 (with effect as of 1 March 2008) with a view to bringing the same in line with new regulations introduced through the provisions for the implementation of MiFID in Italy. Lastly, the Internal Control System was revised by the Board on 24 February 2010. Those changes will take effect as from 1 April 2010.

Pursuant to the said provisions and applicable supervisory regulations, it is made up of:

- (i) checks involving the business line: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the transactions effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;
- (ii) risk management checks: checks carried out by the heads of individual operating units and by the Risk Management Department, as part of

the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating departments, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for specific types of risk (credit risk, market risk, operating risk);

- (iii) compliance checks: checks carried out by the Compliance Department on the conformity of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-imposed rules of conduct;
- (iv) internal auditing: checks carried out by the Internal Audit Service with a view to ensuring, also through on-site inspections, the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal checks and balances.

The Company's Internal Control system is structured to ensure proper disclosure of information and adequate oversight of all the Group's activities, with a view to promoting fairness and transparency, in both form and substance, whilst also ensuring the efficiency, traceability and auditing of transactions, and more in general all management activities; the reliability of accounting and management data; compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially in order to prevent fraud against the Company and the financial markets.

The key principles underlying the Company's Internal Control System include:

- the separation of roles in the performance of the main tasks involved in individual production processes;
- the traceability and constant visibility of choices;
- objective decision-making with regard to individual operating processes.

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of:

- (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system;



- (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main corporate risks are identified and appropriately managed, that the Company's control structures are endowed with sufficient autonomy and independence within the Company's organisation as well as with adequate resources to ensure the proper functioning thereof.

The Board of Directors also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective action in case of shortcomings and/or anomalies in the performance of the checks themselves.

The Chief Executive Officer defines operating policies and related risk control procedures, identifying and evaluating, including on the basis of management trends and departures from forecasts, any and all factors giving rise to risks, and assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same as may be necessary or useful, from time to time.

Pursuant to supervisory regulations, internal control functions must be independent of other operating functions, and report directly to the Board of Directors and Board of Statutory Auditors, on a periodic basis, in respect of the outcome of its activities.

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Department, with effect as from 1 October 2003. The appointment took place before the Company's shares began trading on the MTA (Italy's electronic share market). Therefore, his remuneration was determined based on the resolutions in force at that time and in line with best market practice.

In keeping with Banca Generali's organisational model, the Internal Audit department is vested with a dual role: (i) an institutional role arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a service role under which the Company's Internal Audit department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.

The auditing method on which internal auditing activities are based, is defined under the Internal Audit Rules (as most recently amended by resolution of the Board of Directors on 29 September 2010) and the supervisory model, also approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (CoSo Report, professional standards).

Pursuant to applicable regulations, on 24 January 2008, the Board of Directors appointed Paolo Rupil to head the Compliance Service as of 1 March 2008.

On 24 June 2008, the Board of Directors approved the Banking Group's Compliance Policy and related Compliance Rules (subsequently amended by Board resolution of 22 February 2011), ordering the timely notification thereof to all subsidiaries, with a view to ensuring that the said Policy and Rules are fully implemented throughout the banking group.

On 27 August 2008, the Board of Directors appointed Antonino Fici to head, with effect as of 1 September 2008, the Risk Management Service.

As already noted, in compliance with the Code's recommendations regarding internal control, on 27 November 2006, the Board set up within itself, an Internal Control Committee in charge, among other tasks, of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Control Committee", above).

Moreover, with regard to risks, the Chief Executive Officer may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the banking group's risk management and control system, and identifying and implementing appropriate risk containment measures.

As recommended by the Code, article 16 of the Board Rules requires:

- the Board to assess the adequacy of the internal control system in light of the Company's features. This is done on the date of the presentation of both interim and annual reports by the Company's internal control units. The Board of Directors feels that the Company's current internal control system is, on the overall, appropriate in light of the size, structure and requirements of Banca Generali and the banking

group of which it is the parent company.

- the Board of Directors to approve the internal control activity plan annually.
- the Director to whom the Internal Audit department reports on an operating basis, to undertake the following tasks in addition to his/her regulatory duties, and that is to say:
  1. identify the main corporate risks, taking due account of the business operations of the Company and its subsidiaries, and submit periodic reports on the same to the Board of Directors and the Internal Control Committee;
  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. to recommend to the Board, after hearing the opinion of the Internal Control Committee, the appointment, dismissal and remuneration of a person in charge of internal control.
- the person in charge of Internal Control:
  1. is tasked with monitoring the constant adequacy, full functionality and effective operation of the internal control system;
  2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
  3. is to be afforded direct access to any and all the information that may be useful for the performance of his duties;
  4. is to be endowed with adequate resources for the performance of his assigned duties;
  5. answers to the Internal Control Committee, the Board of Statutory Auditors, the Board of Directors and the Chief Executive Officer, expressing an opinion, in particular on the effectiveness of the Internal Control System in ensuring an acceptable overall risk profile;
  6. has a budget to refer to for completing his/her tasks and activities.

As part of his/her activities concerning the management and coordination of the Group, the person in charge of internal control also exercises:

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the range of business activities conducted. This type of control is aimed at monitoring the expansion of the business operations of group companies, and their policies in terms of mergers, de-mergers and acquisitions. Strategic coordination is ensured primarily through presence of a certain number of persons appointed by the Bank's Board of Directors, on the Board of Directors of group companies;
- b) operating control aimed at ensuring that the income statements, cash flow and balance sheets of both, individual group companies and the group as a whole, are appropriately balanced. These checks are carried out preferably through the drawing up of plans, programmes and budgets (for each group company and for the group as a whole) and by analysing the quarterly performance, interim results and annual financial statements of each group company and the group as a whole, duly broken down by specific business sector, and with regard to the entire group. Operations are coordinated by the Planning and Control Department which liaises with the corporate bodies/functions of each of the subsidiaries;
- c) technical-operating control aimed at assessing the profiles of the various risks incurred by the group as a whole as a result of the business operations of individual subsidiaries.

## **7.2 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)**

The risk management and internal control systems as they relate to the financial reporting process adopted by the bank (the "System") are part of the broader Internal Control and Risk Management System described in the previous section.

The System addresses the issues of internal control and risk management arising in respect of the financial reporting process, from an integrated perspective, with a view to identifying, assessing and containing the so-called financial reporting risks: (i.e., risks of errors

leading the annual financial statements, the condensed half-yearly financial statements, the consolidated financial statements and/or other financial disclosures and filings, to reflect a view of the balance sheet, income statement and/or cash flow that cannot be described as true and/or fair) to which the Company and the Group are exposed.

The System is thus intended to guarantee the reliability, accuracy and timeliness of financial reports. To this end, the bank created a financial reporting risk model consisting of principles and rules that aim to guarantee an adequate administrative and accounting system, in part by ensuring the availability of procedures and instructions.

The manager in charge for the Company's financial reports works within this framework. The Executive 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 Executive 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 guidelines for IT and can be used together with ITIL (Information Technology Infrastructure Library, a framework already used by the Group) and ISO/IEC 27001 (International Organisation for Standardisation/Information Electrotechnical Commission).

Within the Group, the financial reporting risk model

has been extended to companies identified as relevant in the context of the model ("Companies within the Scope of Application"). In particular, the Companies within the scope of analysis area adopt a financial reporting risk model that is consistent with the model used by the Company so as to create a uniform system throughout the Group. The models are then changed as indicated by Banca Generali's manager in charge of the Company's reports.

### **7.2.1 Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process**

The key characteristics of the financial reporting risk model adopted by Banca Generali are summarised below, with particular reference to: (a) phases of the model; (b) departments/employees involved in the model and their respective roles; (c) information flows.

#### (a) phases of the financial reporting risk model

The different phases of the financial reporting risk model were defined by the Company based on the reference framework (CoSO Framework). In detail, the model may be divided into the following phases: (i) identification and assessment of financial reporting risks, (ii) identification and assessment of controls for mitigating identified risks

- (i) identification and assessment of financial reporting risks:

to identify and assess financial reporting risks, the Company identifies the relevant companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative elements. Companies within the scope of analysis are those that, in considering the relationships between the assets, revenues and profit or loss of the individual companies and consolidated balances, exceed specific limits established by best market practice (in 2010, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included in the scope of processes to be analysed. Each process is assigned an analysis priority based on quantitative elements. Lastly,

qualitative elements referring to the companies' risk profiles, which are based on both internal and external factors, are added to the scope of analysis.

The scope of analysis is revised at least annually or when warranted by changes in the Group's structure.

Each risk is evaluated to determine its level of significance based on its inherent risk (or gross risk), which does not consider the mitigating effect of controls associated with it. The assessment of gross risk is based on a combination of (i) the probability that the event, that could potentially cause an administrative or accounting error, will occur during a specific timeframe, and (ii) the impact that such event could have on accounting and financial data and, consequently, on the presentation of a true and fair view of assets, liabilities, profit or loss and financial position. The probability is determined by the frequency of controls and how they are carried out, while the impact is measured based on the priority of the analysis process, as described above. The result of the assessment process can be either "high", "medium" or "low". Furthermore, as part of the assessment, control objectives are established in accordance with best market practice. Each control objective is associated with a specific financial assertion (existence or occurrence, completeness, valuation or allocation, presentation and disclosure, rights and obligations).

- (ii) identification and assessment of controls for mitigating identified risks

The financial reporting risk model includes the following types of controls: (i) company-level; (ii) process-level; (iii) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

- (a) time of execution: controls can be either preventative or after-the-fact;
- (b) the execution procedure: manual, automatic or semi-automatic;
- (c) nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
- (d) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design is evaluated and a phase in which the actual application is evaluated according to specific methods for each type of control. If during these phases shortcomings are identified in the management of financial reporting risk, the appropriate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the manager in charge of the Company's financial reports.

#### (i) 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.

#### (ii) Process-level controls

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determining the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

#### (iii) Controls on Information Technology (IT)

IT controls focus on processes associated with managing and handling information stored in the computer systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development

and maintenance, data completeness and accuracy, IT risk analysis and information system management. As for the applications used to create the financial statements, in relation to business processes as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the main automatic controls performed by applications as part of major processes;

(b) the functions involved in the model, their roles and information flows

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages its corporate boards and operating and control units in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Control Committee, ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the manager in charge of the Company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law 262.

The manager in charge of the Company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board. Accordingly, he/she is responsible for evaluating the adequacy and use of administrative and accounting procedures and their ability to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the manager in charge of the Company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him/her. The Unit also serves as a point of reference for the entire Group as regards the management of administrative and accounting risks through guidance and coordination activities.

Banca Generali's Internal Regulations and Procedures

Service is responsible for mapping the administrative and accounting processes of the Company and Group and ensuring that the information and documentation pertaining to them is kept up-to-date.

The Internal Audit Service periodically evaluates the efficiency of procedures and controls included in these processes and supports the Law 262 Organisational Unit in its assessment of the risks and related controls within the Group's administrative and accounting processes.

Compliance Service is responsible for checking and assessing the appropriateness and effectiveness of administrative and accounting processes, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all the banking and investment services offered by the Banking Group, especially so as to minimise the risk of non-conformities.

Process Owners (managers of the Company's and Group's Organisational Units) are appointed by Top Management and are in charge of managing one or more major processes in accordance with Law 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found.

Furthermore, if key activities and/or controls that are the responsibility of a department other than the Process Owner's are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion for which he/she is responsible.

The Company also developed — through a special circular related all Group companies — a documentation system that ensures that all boards, departments and employees with specific tasks within the internal control and risk management system work together to complete their respective duties.

The activities, information and documents included in the financial reporting risk model are managed using computer applications that are shared with other control units.

The manager in charge of the financial reports of the Company reports to the Board of Directors on a regular basis as to the activities carried out in exercising his/her functions.

### 7.3 Organisational model pursuant to Legislative Decree 231/2001

Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter.

The same 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 Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.

On 19 June 2006, the Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The aforesaid Model must be constantly updated taking due account of changes in the relevant regulatory framework. A copy of the Model is available on the website [www.bancagenerali.com/About us/Corporatestructure/BancaGenerali](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. The Model is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, and is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.

In accordance with the provisions of the aforesaid Decree, the task of supervising compliance with the Model and updating the same, must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.

The Company has therefore set up a panel to act as a Supervisory Board (reporting to the Board of Directors), defining the tasks and functioning thereof. The Company has opted to appoint to the said Supervisory Board, persons who hold positions within the Company's organisational structure, that, for technical and/or organisational reasons, enable them to make meaningful contributions to performing the tasks and attaining the goals of the Supervisory Board.

Accordingly, the Board has decided that the Company's Supervisory Board shall consist of a panel made up of a non-executive Director, the Head of the Legal Affairs Department and the Head of the Internal Audit department, as per the following table:

Name and Surname	Office held
Aldo Minucci	Chairman and Non-executive Director
Francesco Barraco	Internal Auditor
Cristina Rustignoli	Head of the Legal and Compliance Department

In carrying out its tasks, the Supervisory Board is to avail of the support of other corporate departments, especially the Compliance Department.

## 7.4 Independent Auditors

In light of the regulatory framework following the entry into force of the Italian Legislative Decree 303/2006, the Ordinary Shareholders' Meeting held on 24 April 2007 extended the appointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ending 31 December 2014. As a consequence of this extension, the total number of consecutive years subject to auditing is nine, and, therefore, in compliance with the provisions of Article 17, of Legislative Decree 39 of 27 January 2010.

## 7.5 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 period of reference, as well as warranting that all the related accounting documents were prepared in accordance with the international accounting principles generally accepted and applied within the European Union, and, accordingly faithfully reflect the contents of the Company's accounting books and records, with the result that the said accounting documents may be deemed to provide a true and fair view of the balance sheet, income statement and cash flow of the Company and the Group, and moreover, attesting, in respect of the annual financial statements and the consolidated financial statements, that the related Directors' Report includes a reliable analysis not only of business trends and operating results, but also of

the situation of the issuer and all the companies included in the reporting entity, together with a description of the main risks and uncertainties to which the Company and Group are exposed, as well as, in respect of the abbreviated half-yearly financial statements, that the related interim Directors' Report comprises a reliable analysis of the information mentioned in paragraph 4 of 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, shall appoint and dismiss the Executive in charge of drawing up the company's accounting documents, 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:

- suitable professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
- specific know-how in the field of financial reporting and auditing, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures, acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The said Manager must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.

On 24 January 2007, pursuant to the Articles of Association, and taking into consideration the opinion of the Board of Statutory Auditors, the Board of Directors appointed Giancarlo Fancel to serve, as of 1 February

2007, as Executive in charge of drawing up the company's accounting documents, within the meaning of Article 154-bis of Legislative Decree 58/1998, after 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.

Giancarlo Fancel is the Vice Deputy General Manager in charge coordinating the Planning & Control, Administrative and Organisation Department, Organisation and Regulation, Coordination of IT Management Development, Finance and Risk Management service and Trade Marketing Office, tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

Following the entry into force of Legislative Decree No. 195 of 6 November 2007 which implemented the Transparency Directive (2004/109/EC) and amended article 154-bis of Legislative Decree 58/1998, on 20 February 2008, the Company's Board of Directors revised the powers and responsibilities invested in Giancarlo Fancel as Manager in charge of the company's financial reports, in which capacity he is required:

(i) as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree 58/1998, to ensure that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports, are accompanied by a written statement issued by him, and attesting that the said notices and information corresponds to the documentary results, books and accounting records;

(ii) as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree 58/1998, to draw up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports as well as any and all other financial notices;

(iii) as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator CONSOB and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements,

the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow of the issuer and all the companies making up the reporting entity;

(iv) 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;

(v) 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;

(vi) to certify that the interim Directors' report on operations attached to the condensed half-yearly financial statements includes a reliable analysis of the information mentioned in article 154-ter, paragraph 4, of Legislative Decree 58/1998;

(vii) to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in 154-bis of Legislative Decree 58/1998;

(viii) for the purposes of discharging the tasks and/or exercising the powers mentioned in article 154-bis of Legislative Decree 58/1998, to avail of the support and collaboration of other corporate functions (including the Internal Audit Department) should intervention by the latter be deemed necessary or even merely useful towards such end.

In order to fully comply with the article in question, in early 2007, the Company launched an initiative known as the FARG – Financial Accounting Risk Governance Project, the management of which was entrusted to a project-specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such purpose. The previous section "*Main features of the Company's risk management and internal control systems related to the financial reporting process*" provides further information on FARG.



## 8. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

### 8.1 Related Party Transactions

In compliance with the provisions set forth in Article 2391-bis of the Italian 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), on 5 November 2010, Banca Generali's Board of Directors — after hearing the opinion of the Internal Control Committee set up within the Board of Directors and made up of independent directors — approved procedures aimed at ensuring the transparency as well as the procedural and substantive correctness of related party transactions (the "Related party Transaction Procedure" or merely the "Procedure").

The Related Party Transaction Procedure regulates transactions effected with counterparties that qualify as "related parties" within the meaning of the aforementioned CONSOB Resolution no. 17221, which defines the same as any person or party that:

- a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries
  - (i) controls, is controlled by, or is under joint control with the Company;
  - (ii) has an interest in the company that gives it significant influence over the entity;
  - (iii) exercises control over the Company jointly with other persons or parties;
- (b) is an associate of the Company;
- (c) is a joint venture in which the Company is a venturer;
- (d) is a member of the key management personnel, with strategic responsibilities, of the Company or its parent;
- (e) is a close member of the family of any of the parties mentioned in paragraphs (a) or (d);
- (f) is an entity company over which a person or party falling within the scope of points (d) or (e) above exercises sole or Joint Control or Significant Influence, or in which the said person or party directly or indirectly holds a significant stake

bearing no less than 20% of the voting rights;

- g) is an Italian or foreign supplementary, collective or individual pension fund set up in favour of the employees of the Company or any of the latter's related parties.

The Procedure establishes first and foremost that any and all duties and responsibilities in respect of Highly and Moderately Significant RP Transactions, respectively, assigned under the said CONSOB Resolution to what the latter refers to as the "committee", shall be entrusted to Banca Generali's Internal Control Committee, subject to appropriate mechanisms for the replacement of any and all committee members who may also qualify as related parties.

The procedure defines the term "Related Party Transaction" as any transaction entailing a transfer of resources, services or obligations between related parties, whether for valuable consideration or otherwise, and lays down provisions governing decision-making powers, the requirement to justify the approval of such transactions on the basis of grounds set forth in writing, and the documents to be prepared depending on the type of related party transaction in question. More specifically:

- (i) Moderately Significant RP Transactions — falling short of the threshold defining Highly Significant RP Transactions — must be approved by the relevant corporate officers as established pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Committee in such regard. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions.
- (ii) Highly Significant RP Transactions — exceeding the threshold of (a) 5% of at least one of the significance indices included in Schedule 1 to the aforesaid CONSOB Resolution No. 17221, or (b) 2.5% of any of the said indices in the event the transaction is to be effected with the Parent Company being a listed company or undertakings related to the Parent Company and therefore in turn related to the Company — must be approved by the Board of Directors. The Internal Control Committee, or one or more of its members

specifically entrusted with such task, shall be involved in the negotiation and preliminary assessment of the transactions in question, on the basis of timely and complete information made available to the same. The aforementioned Committee may, through its Chairman or delegates, forward requests for information and submit its views to the delegated corporate bodies and officers and other persons in charge of negotiating or assessing the proposed transaction.. The Board of Directors shall pass the related resolution on the basis of the documents underlying the preliminary assessment as well as the Committee's binding favourable opinion. The Board resolution in question shall include a statement of the grounds supporting the advisability of the transaction taking due account of the Company's interest in effecting the same, as well as the fairness and substantive propriety of the transaction and the related terms and conditions. In departure from the above rule, the Board of Directors may approve a Highly Significant RP Transaction, despite an unfavourable opinion by the Committee in such regard, provided that: (i) where permitted under the Company's Articles of Association, the Ordinary Shareholders' Meeting authorises the transaction in question; and (ii) in the event the Unrelated Shareholders present at the Shareholders' Meeting at the time of the related ballot hold more than 10% of the sum total of the voting rights, a majority of the said Unrelated Shareholders do not vote against the related motion.

The aforesaid procedural rules shall not however apply to the transactions excluded from the scope of the abovementioned CONSOB Resolution No. 17221 (without prejudice to the public disclosure obligations imposed under Article 114 of TUF) as well as the following Related Party Transactions:

- (a) Low-value Related Party Transactions, and that is to say: (i) unsecured loans of up to 350,000.00 euros, (ii) loans secured by guarantees in rem and amounting to no more than 500,000.00 euros, (iii) agreements for the performance of works and services, including professional and consultancy services involving the management and development of business operations, entailing amounts of no more than 500,000.00 euros, (iv) the acquisition and disposal of real property rights and for the rent-free use of real estate with a value of no more than 500,000.00 euros, (v) any and all other transactions not subject to mandatory Board approval and featuring a value of no more than 500,000.00 euros;
- (b) share-based remuneration plans approved by the General Shareholders' Meeting within the meaning of Article 114-bis of TUF, and related implementing transactions;
- (c) resolutions regarding the remuneration of directors entrusted with specific tasks in cases where the said remuneration is not included in the overall amount awarded pursuant to Article 2389, paragraph 3 of the Italian Civil Code, as well as resolutions determining the remuneration of Key Management Personnel, provided that all of the remuneration in question is determined pursuant to specific remuneration policies adopted by the Company and drawn up with the involvement of a committee made up entirely of non-executive Board members the majority of whom must also be independent directors, as well as illustrated in report submitted to the approval or the consultative vote of the Shareholders' Meeting;
- (d) Ordinary Transactions and any and all related financial activities, falling within the category of transfers of resources concluded at arm's-length or standard terms, in the normal course of day-to-day business operations – including, with regard to transactions to be effected through subsidiaries within the meaning of Article 2359 of the Italian Civil Code, the day-to-day business operations of the latter. Towards such end, arm's-length or standard terms are to be deemed the conditions usually applied in the general course of business to unrelated parties in respect of transactions of a similar nature, size and risk, or otherwise, conditions based on rates regulated under fixed prices or applicable to parties to which the Company is obliged under law to apply specific prices;
- (e) transactions with or between Subsidiaries, including jointly, as well as transactions with Associates, provided that none of the Company's other related parties holds any interest in the Subsidiaries or Associates in question, with the result that it would stand to benefit from the transfer of resources contemplated under the proposed transaction or transactions. A Significant Interest is said to arise when an entity that controls or otherwise exercises a dominant influence over the Company, at the same time, holds, in the Subsidiary or Associate Company which is the counterparty to the proposed transaction, a shareholding that, considered

together with the stake it owns in the Company, would result in advantages to the entity in question, in the event the transfer of resources contemplated under the proposed transaction were to take place.

Furthermore, any and all Related Party Transactions falling within the scope of Article 136 of TUB, shall be subject to the regulatory framework incorporated within the said law.

This Procedure also envisages that authorisation must be obtained from the Company in any event for any and all Highly Significant RP Transactions to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Italian Civil Code, as well as any and all transactions falling within the scope of Article 136 of TUB.

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

- (i) the Company's Board of Directors to include an account of all related party transactions concluded during any financial year, including through Subsidiaries, in the Directors' Report mentioned in Article 2428 of the Italian Civil Code;
- (ii) the Chief Executive Officer shall report to the Board of Directors as well as the Board of Auditors in respect of the conclusion of any and all Moderately Significant RP Transactions, at least on a quarterly basis.
- (iii) the Chairman shall ensure that adequate information on all Moderately Significant RP Transactions pertaining to the Board of Directors and all Highly Significant RP Transactions without exception, is made available not only to all Directors in compliance with Article 2381 of the Italian Civil Code, but also to the Board of Auditors;
- (iv) 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 mentioned in section 2429, paragraph 2, of the Italian Civil Code.

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".

## **8.2 Obligations of Company Officers and Executives Pursuant to Legislative Decree No.136 of TUB**

With regard to the obligations binding on company officers and executives of banks and companies belonging to banking groups, it must be borne in mind that pursuant to Article 136 of the TUB, the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, directly or indirectly, with the bank or banking group companies. By the same token, company officers and executives charged with administrative, managerial and control functions within a banking group company, may not effect any of the said transaction with the companies within which they discharge such functions, or any loan transactions whatsoever with another company or bank belonging to the same banking group as the company or companies within which they serve. This prohibition may be lifted only by Board resolution passed unanimously as well as with the approval of all the members of the control body, and the prior consent of the Parent Company in the case of transactions to be effected with any of the companies belonging to the banking group.

Pursuant to law No. 262 of 28 December 2005 "Provisions for the protection of investors and for regulating financial markets", the requirement of prior consent was extended to obligations entered into with: (a) companies controlled by officers and executives of the bank or other Group companies; (b) companies where such persons perform administrative, management and control functions; (c) companies controlled by or that control those companies.

However, pursuant to the amendments introduced by Legislative Decree No. 303 of 29 December 2006, "Coordination with Law No. 262 of 28 December 2005, of the Consolidation Law on Banking and Credit and the Consolidation Law on Financial Intermediation", the scope of Article 136 of Legislative Decree No. 385/1993 was narrowed with the lifting of the requirement of prior Board authorisation for obligations entered into between companies belonging to the same banking group, or between banks belonging to the same banking group, in the case of transactions effected on the inter-bank market.

In order to constantly monitor situations that could give rise to potential conflicts of interest, Banca Generali has adopted the specific measures and precautions listed below: (i) at the time of their appointment, all company officers and executives are directly and personally made aware of the contents of the regulations in question, through a summary brochure of the obligations arising under the current regulatory framework as well as

a “Personal Data Sheet” to be filled in by company officers and executives, specifying the positions they hold and the relationships relevant for the intents and purposes of Article 136 of the Consolidation Law on Banking; (ii) custom-designed purpose-specific software is used to record all the information contained in the personal data sheet, as most recently updated; (iii) regulatory compliance is monitored — with a view to preventing conflicts of interest (by subjecting transactions effected by persons vested with powers of business administration, management or control, using the monies, assets or guarantees of the Bank or group companies, to specific assessment by the Bank’s governing and control bodies) — through specific computerised processes that prevent the transactions in questions from being completed unless all related regulatory procedures and formalities are strictly complied with.

## 9. BOARD OF STATUTORY AUDITORS

### 9.1 Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors consists of three regular and two alternate Auditors, whose functions, duties and terms of office are defined by the law.

Pursuant to Article 20 of the Articles of Association, regular and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable 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 2.5%. 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 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the regular Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file the following documentation at the registered

office: (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company. Within the term specified for the publication of the lists by the Company and in order to prove their entitlement to submit lists, shareholders shall file the documentation proving legal ownership of their shareholdings, in accordance with applicable laws and regulations, at the Company's registered office.

The lists, signed by the submitting shareholders, shall be filed at the Company's registered office no later than twenty-five days prior to the date set for the Shareholders' Meeting in first call. Furthermore, the list will be available at the Company's registered office, on the corporate website and in any and all forms required by applicable laws and regulations, no later than twenty-one days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of 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 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 regular Auditors; the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes and submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes, shall be deemed elected alternate Auditors.

In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.

Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof, by majority of the votes cast, in accordance with law.

In the event of votes being equal between two or more lists the younger candidates will be elected until all the posts to be assigned have been filled.

The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall, shall be elected Chairman of the Board of Statutory Auditors. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.

In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the same list as the replaced Auditor will succeed him. Such alternate will succeed him for a period coterminous with the term of the other acting Auditors in office at the time of his appointment as an Auditor. Should the outgoing Auditor be the Chairman of the Board of Auditors, his replacement on such Board shall also assume the Chairmanship of the Board of Auditors. In the case where it is not possible to proceed as indicated above, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with 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 aforementioned.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience:

- a) professional activities or permanent university teaching in legal, economic, financial and

technical/scientific subjects strictly pertinent to the Company's business activities;

- b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity,

In such regard, 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.

## 9.2 The Board of Statutory Auditors

Banca Generali's current Board of Auditors which was appointed by the Shareholders' Meeting of 21 April 2009, and extended as regards an alternate Auditor, by Shareholders' Resolution on 23 November 2009, is to remain in office through the date of approval of the financial statements for the year ending 31 December 2011.

The table provided in Attachment 2 lists the members of the Board of Statutory Auditors as of 31 December 2010, other information about them and Board meeting attendance.

The Shareholders' Meeting of 21 April 2009 unanimously elected the members of the Board of Statutory Auditors from the only list presented by controlling shareholder Assicurazioni Generali S.p.A. The list contained the nominees that were elected, as follows: Acting Auditors (Giuseppe Alessio Verni, Angelo Venchiarutti and Corrado Giammattei) and Alternate Auditors (Alessandro Gambi and Luca Camerini). Following the resignation of Acting Auditor Corrado Giammattei on 8 May 2009, Alternate Auditor Alessandro Gambi took his place as Acting Auditor. In accordance with Article 20 of the Articles of Association, the appointment will remain in effect until the date the financial statements at 31 December 2011 are approved. The Shareholders' Meeting of 23 November 2009 decided, by majority vote (in consideration of the only list presented and the provisions of Article 20 of the Articles of Association), to add one Alternate Auditor to the Board of Statutory Auditors, namely Anna Bruno.

A summary profile of the members of the Board of Statutory Auditors, is provided below.

**Giuseppe Alessio Verni.** Born in Trieste on October 5, 1964, Giuseppe Alessio Verni graduated in Economics from the University of Trieste in 1989. He is registered

with the rolls of Certified Public Accountants and Commercial Experts of Trieste, as well as the list of Certified Auditors, the rolls of the Technical Consultants to the Civil Court of Trieste and the rolls of Auditors of Cooperative Societies. Within the framework of his professional activities, he has acquired experience in the field of accounting, business administration, finance, taxation and tax litigation, and as a valuer of corporations and extraordinary corporate transactions. Since 1993, he acts as an Official Receiver with the Civil Court of Trieste. Member of the Board of Governors of the Order of Certified Accounting Consultants and Expert Accountants of Trieste. He is currently the Chairman of the Boards of Statutory Auditors of Banca Generali and Generfid S.p.A. and is also a Statutory Auditor of Assicurazioni Generali and other listed companies.

**Alessandro Gambi.** Born in Ferrara on 17 May 1965, he graduated in Economics from the University of the same city in 1989: he is registered with the Roll of Certified Public Accountants and Commercial Experts of Trieste, in the list of Certified Auditors since 2000 and with the rolls of the Technical Consultants and Experts since 1999.

He works almost exclusively in business, corporate and tax consulting. He also acts as an expert on Article 2343 of the Italian Civil Code with regard to extraordinary transactions.

Within the banking Group, he also serves as the Chairman of the Board of Auditors of BG Società di Gestione del risparmio S.p.A.

**Angelo Venchiarutti.** Born in Rome on 20 September 1956, Angelo Venchiarutti graduated in Law from the University of Trieste in 1981. He earned a doctorate in Civil Law in May 1983, was appointed Associate Professor of Comparative Private Law in 1999 and subsequently tenured Professor of Private Law. He currently holds various positions with the University of Trieste where he has conducted a large number of university and other courses. He is also involved in research, and has published a large number of papers on civil law, comparative private law and commercial and insurance law. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company. Within the banking group, he also serves as the Chairman of the Board of Auditors of BG Fiduciaria SIM S.p.A.

**Luca Camerini.** Born in Trieste on 8 October 1963, Luca Camerini 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.

He serves as Acting Auditor with various Generali Group companies.

**Anna Bruno.** Born in Trieste, Italy on 16 October 1967, Anna Bruno obtained her diploma in Accounting and Business and is registered with the Roll of Certified Accountants and Expert Auditors of Trieste and the Institute of Certified Auditors. She serves as an Acting and Alternate Auditor at various Generali Group companies.

The Board of Statutory Auditors met 21 times in 2010. The average attendance of Auditors at Board of Directors' meetings in 2010 was 100%. A total of 22 meetings are planned for 2011. To date, five meetings have been held since the beginning of the year.

Following its appointment, the Board of Auditors has assessed the independence of its members on an annual basis, and more specifically, at its meetings on 23 February 2010 and 22 February 2011.

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. A similar notice must be given to Auditors who are in any of the situations set out in Article 136 of TUB (see section entitled "Obligations of Company Officers and Executives Pursuant to Article 136 of the TUB").

The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

In performing its duties, the Board of Statutory Auditors coordinated its efforts with the control units (compliance, internal audit and risk management) and the Internal Control Committee.

## 10. RELATIONS WITH SHAREHOLDERS

Banca Generali feels that it has a specific interest — as well as a duty towards the market — to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.

In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market.

The Company Secretariat Service liaises with Shareholders on a day-to-day basis through the Shareholder Relations and Management Division, set up within the Legal and Compliance Department.

On the other hand, the Investor Relations Department that reports directly to the Chief Executive Officer, is in charge of liaising with institutional investors.

### INVESTOR RELATIONS

**Giuliana Pagliari**

**Tel. + 39 02 6076 5548**

**Fax +39 02 6946 2138**

**[Investor.relations@bancagenerali.it](mailto:Investor.relations@bancagenerali.it)**

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 site is constantly updated.

## 11. MEETINGS (PURSUANT TO ARTICLE 123/BIS, PARAGRAPH 2, LETTER C), TUF)

### 11.1 Procedures governing the conduct of Shareholders' Meetings

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 these Articles of Association are binding on all shareholders, including those who are absent or dissenting.

The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors. Shareholders are called through published notice, under the terms and conditions required by applicable laws and regulations. The Shareholders' Meeting is called whenever the administrative body deems necessary and advisable or upon request of the Board of Statutory Auditors or of the shareholders, in accordance with the law, or in the other cases in which call of the Shareholders' Meeting is obligatory pursuant to law. The ordinary Shareholders' Meeting must be called at least once a year within 120 days of closure of the financial year. This deadline may be extended to 180 days where certain legal conditions are met.

In the cases provided by law, those shareholders who, alone or in conjunction with others, represent at least the percentage of share capital envisaged by current applicable regulations, are entitled to request call of the Shareholders' Meeting. Those shareholders who, alone or in conjunction with others, represent at least one fortieth of the share capital, are entitled to request, in compliance with laws in force, integration of the list of items on the agenda.

The notice of call may specify the date of a second or third call, in the event that the Meeting does not prove to be legally constituted.

The persons or parties entitled to participate in the Shareholders' Meeting, in accordance with applicable laws, may participate in the Shareholders' Meeting, provided that they prove their entitlement pursuant to the law and that the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received by the Company by the end of the third trading day

prior to the date set for the first call of the Meeting, in accordance with 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 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.

Under the Article 18 of Association the Board of Directors is exclusively qualified to deliberate on matters pertaining to the setting up or closing down of secondary offices, indication of which Directors may represent the Company and use the company signature, mergers, in the cases permitted by law, amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.

### 11.2 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 of 3 October 2006 approved its own Regulations, setting forth the procedures to be



followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices as well as on its website, under the section "Corporate Governance-AGM-Attending the AGM"

The said Regulations are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, persons with the right to speak, the Directors, and the Statutory Auditors have the right to speak on each one of the issues placed up for discussion and make proposals on them.

Pursuant to 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 shareholders intending to take the floor must request the same from the Chairman, after the debate is opened following reading of the item on the agenda in respect of which the entitled shareholder in question wishes to speak, but before the Chairman declares the debate on such item closed. Such request must be made by the raising of hands, unless the Chairman orders written requests to be submitted. 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. 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. The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to persons with the right to speak 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, according to the procedure laid down by the Chairman. Persons with the right to speak have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda, announces the period of time available for the speech of each person with the right to speak, normally not less than five minutes and not exceeding ten minutes. When such period of time has expired, the Chairman may invite the person with the right to speak to conclude within another five minutes.

On 10 March 2011, the Board of Directors voted in favour of calling upon the Shareholders' Meeting to approve certain amendments to the Shareholders' Meeting Regulations, primarily in light of the transposition of the so-called Shareholders' Rights Directive into Italian legislation (pursuant to Legislative Decree No. 27/2010).

**Trieste, 10 March 2011**

**THE BOARD OF DIRECTORS**

*As already disclosed through a press release issued by the Company on 24 March 2011, following his appointment as member of the Executive Committee of the parent company Assicurazioni Generali, as a result of which he could no longer qualify as Independent Director within Banca Generali's Board of Directors, on 23 March 2011 non-executive Director prof. Angelo Miglietta resigned from his post as Chairman and member of the Internal Control Committee and member of the Remuneration Committee of the Company.*

*Angelo Miglietta will also continue to hold his role as non-executive director of Banca Generali.*

## ANNEX 1: BOARD OF DIRECTORS' AND COMMITTEES' STRUCTURE

Board of Directors (data at 10 March 2011)										Internal Control Committee		Remuneration Committee		
Office held	Member	In office from	In office until	List (M/n)	Exec.	Non- exec.	Indep. As per Code	Indep. Re. Art. 37 of CONSOB Reg. 16191/07	(%)	Number of other offices	Member	(%)	Member	(%)
Chairman	Giovanni Perissinotto	21.04.09	(o)	M(*)		X(**)			100	1				
Chief Executive Officer	Giorgio Girelli	21.04.09	(o)	M(*)	X				100	/				
Director	Fabio Buscarini	21.04.09	(o)	M(*)		X			75.00	3				
Director	Amerigo Borrini	21.04.09	(o)	M(*)	X				75.00	5				
Director	Paolo Baessato**	21.04.09	(o)	M(*)		X	X(***)	X(***)	91.67	8	X(****)	100		
Director	Andrea de Vido	21.04.09	(o)	M(*)		X			100	25			X	100
Director	Attilio Leonardo Lentati	21.04.09	(o)	M(*)		X	X	X	91.67	2	X	100	X (Chairman)	100
Director	Aldo Minucci	21.04.09	(o)	M(*)		X			91.67	6				
Director	Angelo Miglietta	21.04.09	(o)	M(*)		X	X		100	22	X (Chairman)	100	X	100
Director	Ettore Riello	21.04.09	(o)	M(*)		X	X	X	16.67	7	X	33,33		

(\*) Majority list is the only list presented.

(\*\*) The Chairman, as required by the Bank of Italy's provisions, does not have any operating power within the company.

(\*\*\*) With reference to Paolo Baessato, it is noted that on 24 February 2010 the Board of Directors found that the same complies with the independence requisites, taking into account the fact that the company Intesa Sanpaolo has not held any equity investments in Banca Generali SpA. Since 30 July 2009.

(\*\*\*\*) Paolo Baessato became a member of the Internal Control Committee on 29 September 2010.

### DIRECTORS WHO LEFT DURING THE REFERENCE YEAR

Board of Directors										Internal Control Committee		Remuneration Committee		
Office held	Member	In office from	In office until	List (M/n)	Exec.	Non- exec.	Indep. As per Code	Indep. As per TUF	(%)	Number of other offices	Member	(%)	Member	(%)

### NECESSARY QUORUM TO PRESENT LISTS FOR THE LATEST APPOINTMENT 2.5%

Number of Meetings held during reference year	Board of Directors	Internal Control Committee	Remuneration Committee
	12	9	4

## ANNEX 2: STATUTORY AUDITORS' STRUCTURE

Board of Statutory Auditors (data at 10 March 2011)							
Office held	Member	In office from	In office until	List (M/n)	Indep. As per Code	(%)	Number of other offices
Chairman	Giuseppe Alessio Verni	21.04.09	Shareholders' Meeting to approve the fin. statements 31/12/11	M(*)	X	100	12 (of which 3 listed)
Acting Auditor	Angelo Venchiarutti	21.04.09	Shareholders' Meeting to approve the fin. statements 31/12/11	M(*)	X	95	4
Acting Auditor	Alessandro Gambi(**)	08.05.09	Shareholders' Meeting to approve the fin. statements 31/12/11	M(*)	X	95	17
Alternate Auditor	Luca Camerini	21.04.09	Shareholders' Meeting to approve the fin. statements 31/12/11	M(*)	X	/	20
Alternate Auditor	Anna Bruno	23.11.09	Shareholders' Meeting to approve the fin. statements 31/12/11	(***)	X	/	11

(\*) Majority list is the only list presented.

(\*\*) As of 8 May 2009, Alessandro Gambi replaced the Acting Auditor Corrado Giammattei who had resigned from office.

(\*\*\*) Elected by majority vote pursuant to the Articles of Associations, lacking any lists.

## LEAVING AUDITORS DURING REFERENCE YEAR

Board of Statutory Auditors (data at 10 March 2011)							
Office held	Member	In office from	In office until	List (M/n)	Indep. As per Code	(%)	Number of other offices

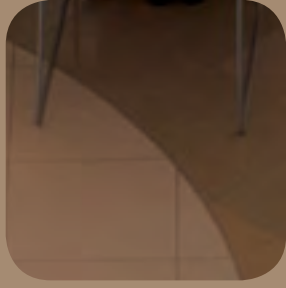
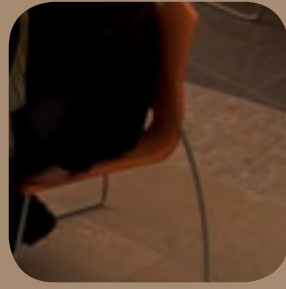
## NECESSARY QUORUM TO PRESENT LISTS FOR THE LATEST APPOINTMENT 2.5%

Number of Meetings held during reference year
21

## ANNEX 3: OTHER PROVISIONS OF THE CORPORATE GOVERNANCE CODE

	YES	NO	Summary of the reasons for eventual differences from the recommendations
<b>Proxy system and transactions with related parties</b>			
Has the BoD granted proxies and defined:			
a) limits	X		
b) methods of execution	X		
c) and information release schedules?	X		
Is the BoD to examine and approve transactions of particular economic and financial importance (including transactions with related parties)?	X		
Has the BoD defined guidelines and standards for identifying "significant" transactions?	X		
Have the standards and guidelines been described in the report?	X		
Has the BoD defined specific procedures for assessing and approving transactions with related parties?	X		
Are these approval procedures for transactions with related parties described in the report?	X		
Procedures for the most recent appointment of Board Members (21 April 2009) and Auditors (21 April 2009)			
Were the candidates for Director recorded at least ten days in advance?	X		
Was sufficient information provided with the candidacies for Director?	X		
Was an indication of independent-status qualifications included with the candidacies for director?	X		
Were the candidates for Auditor recorded at least fifteen days in advance?	X		
Was sufficient information provided with the candidacies for Auditor?	X		
<b>Shareholders' Meetings</b>			
Has the company approved Regulations of the General Shareholders' meetings?	X		
Are these rules (or indications as to where they are available) included with the report?	X		
<b>Internal Control</b>			
Has the Company appointed the persons to be in charge of internal control?	X		
Are these people free of hierarchical connections to heads of operational units?	X		
Company unit in charge of internal control (as per Article 9.3 of the Code)		<i>Internal Auditor</i>	
<b>Investor Relations</b>			
Has the Company appointed a head of investor relations?	X		
Company unit and contact info (address/phone/fax/e-mail) of the head of investor relations			Investor Relations: Dott.ssa Giuliana Pagliari, Via Ugo Bassi n. 6, Milano, Tel. + 39 02 6076 5548, Fax +39 02 6946 2138, Investor.relations@bancagenerali.it





# CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2010

ACCOUNTING STATEMENTS

BOARD OF DIRECTORS

10 MARCH 2011



## CONSOLIDATED BALANCE SHEET

<b>ITEMS</b>			
(€ thousand)		<b>31.12.2010</b>	<b>31.12.2009</b>
10	Cash and deposits	7,953	8,015
20	Financial assets held for trading	119,952	219,029
40	AFS financial assets	1,533,275	1,482,281
50	Financial assets held to maturity	608,118	666,074
60	Loans to banks	475,597	641,697
70	Loans to customers	852,038	783,170
120	Property and equipment	4,758	5,815
130	Intangible assets	48,511	50,099
	of which:		
	- goodwill	38,632	38,632
140	Tax receivables	71,040	50,209
	a) current	27,401	27,405
	b) prepaid	43,639	22,804
160	Other assets	86,646	81,727
	<b>Total assets</b>	<b>3,807,888</b>	<b>3,988,116</b>

<b>NET EQUITY AND LIABILITIES</b>			
(€ thousand)		<b>31.12.2010</b>	<b>31.12.2009</b>
10	Due to banks	450,431	148,114
20	Due to customers	2,910,689	3,367,644
30	Securities issued	189	757
40	Financial liabilities held for trading	6,502	494
80	Tax payables	18,336	16,203
	a) current	17,079	11,369
	b) deferred	1,257	4,834
100	Other liabilities	82,763	136,138
110	Employee termination indemnities	4,345	4,285
120	Provisions for liabilities and contingencies	53,414	46,000
	b) other provisions	53,414	46,000
140	Valuation reserves	- 23,712	- 1,602
170	Reserves	105,400	73,245
180	Additional paid-in capital	-	22,309
190	Share capital	111,363	111,313
200	Treasury shares (-)	- 660	- 4,471
210	Minority interests (+/-)	6,621	4,476
220	Net income (loss) for the period (+/-)	82,207	63,211
	<b>Total net equity and liabilities</b>	<b>3,807,888</b>	<b>3,988,116</b>



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

<b>ASSETS</b>		
(€ thousand)	<b>31.12.2010</b>	<b>31.12.2009</b>
10. Interest income and similar revenues	56,406	75,038
20. Interest expense and similar charges	-13,157	- 25,769
<b>30. Net interest income</b>	<b>43,249</b>	<b>49,269</b>
40. Commission income	373,369	318,266
50. Commission expense	-175,390	-133,537
<b>60. Net commissions</b>	<b>197,979</b>	<b>184,729</b>
70. Dividends and similar income	73,990	73,866
80. Net income (loss) from trading activities	-71,018	-68,398
100. Gain (loss) from sales or repurchase of:	10,188	15,531
a) receivables	3,339	-602
b) AFS financial assets	6,894	16,132
c) Financial assets held to maturity	- 45	1
<b>120. Net banking income</b>	<b>254,388</b>	<b>254,997</b>
130. Net adjustments/reversal due to impairment of:	-4,309	-7,563
a) receivables	-1,919	-3,341
b) AFS financial assets	-1,625	-4,222
c) financial assets held to maturity	-765	-
<b>140. Net income from banking operations</b>	<b>250,079</b>	<b>247,434</b>
180. General and administrative expense:	-140,705	-147,069
a) staff expenses	-64,294	-67,056
b) other general and administrative expense	-76,411	-80,013
190. Net provisions for liabilities and contingencies	-19,197	-15,851
200. Net adjustments/reversal of property and equipment	-1,779	-2,115
210. Net adjustments of intangible assets	-2,323	-3,664
220. Other operating expense/income	8,786	3,374
<b>230. Operating expense</b>	<b>-155,218</b>	<b>-165,325</b>
<b>280. Profit from operating activities before income taxes</b>	<b>94,861</b>	<b>82,109</b>
290. Income taxes for the year on operating activities	-8,510	-14,639
<b>300. Profit from operating activities net of income taxes</b>	<b>86,351</b>	<b>67,470</b>
310. Income of disposal groups, net of taxes	-	-1,912
<b>320. Net profit for the period</b>	<b>86,351</b>	<b>65,558</b>
330. Minority interests (+/-) for the year	-4,144	-2,347
<b>340. Net profit (loss) for the year of the Parent Company</b>	<b>82,207</b>	<b>63,211</b>

## STATEMENT OF COMPREHENSIVE INCOME

ITEMS			
(€ thousand)		31.12.2010	31.12.2009
<b>10</b>	<b>Net profit of the year</b>	<b>86,351</b>	<b>65,558</b>
	<b>Other income net of income taxes</b>		
20	AFS financial assets	-22,071	5,152
<b>110</b>	<b>Total other income net of income taxes</b>	<b>-22,071</b>	<b>5,152</b>
<b>120</b>	<b>Comprehensive income</b>	<b>64,280</b>	<b>70,710</b>
130	Comprehensive income attributable to Minority Interests	-4,144	-2,347
<b>140</b>	<b>Consolidated comprehensive income attributable to the Parent Company</b>	<b>60,136</b>	<b>68,363</b>

## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(€ thousand)	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the year	Net equity	Group's net equity	Minority interests
	a) ord. shares	b) other		a) retained earnings	b) other							
<b>Net equity at 31/12/2009</b>	<b>113,234</b>	-	<b>22,309</b>	<b>73,453</b>	-	<b>-1,602</b>	-	<b>-4,471</b>	<b>65,558</b>	<b>268,481</b>	<b>264,005</b>	<b>4,476</b>
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-
Amounts at 01/01/2010	113,234	-	22,309	73,453	-	-1,602	-	-4,471	65,558	268,481	264,005	4,476
Allocation of net income of the previous year	-	-	-	13,675	-	-	-	-	-65,558	-51,883	-49,884	-1,999
- Reserves	-	-	-	13,864	-	-	-	-	-13,864	-	-	-
- Dividends and other allocations	-	-	-	-189	-	-	-	-	-51,694	-51,883	-49,884	-1,999
Change in reserves	-	-	-22,042	22,081	-	-39	-	-	-	-	-	-
Transactions on net equity	50	-	-267	-3,253	-	-	-	3,811	-	341	341	-
- Issue of new shares	50	-	-267	-3,267	-	-	-	3,811	-	327	327	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	14	-	-	-	-	-	14	14	-
Comprehensive income	-	-	-	-	-	-22,071	-	-	86,351	64,280	60,136	4,144
<b>Net equity at 31/12/2010</b>	<b>113,284</b>	-	-	<b>105,956</b>	-	<b>-23,712</b>	-	<b>-660</b>	<b>86,351</b>	<b>281,219</b>	<b>274,598</b>	<b>6,621</b>
<b>Group's net equity</b>	<b>111,363</b>	-	-	<b>105,400</b>	-	<b>-23,712</b>	-	<b>-660</b>	<b>82,207</b>	<b>274,598</b>	-	-
<b>Minority interests</b>	<b>1,921</b>	-	-	<b>556</b>	-	-	-	-	<b>4,144</b>	<b>6,621</b>	-	-

(€ thousand)	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the year	Net equity	Group's net equity	Minority interests
	a) ord. shares	b) other		a) retained earnings	b) other							
<b>Net equity at 31/12/2008</b>	<b>111,313</b>	-	<b>22,804</b>	<b>61,051</b>	-	<b>-6,754</b>	-	<b>-7,424</b>	<b>7,935</b>	<b>188,925</b>	<b>188,925</b>	-
change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-
Amounts at 01/01/2009	111,313	-	22,804	61,051	-	-6,754	-	-7,424	7,935	188,925	188,925	-
Allocation of net income of the previous year	-	-	-	1,302	-	-	-	-	-7,935	-6,633	-	-
- Reserves	-	-	-	1,302	-	-	-	-	-1,302	-	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-6,633	-6,633	-6,633	-
Change in reserves	1,921	-	-	9,180	-	-	-	-	-	11,101	8,972	2,129
Transactions on net equity	-	-	-495	1,920	-	-	-	2,953	-	4,378	4,378	-
- Issue of new shares	-	-	-495	-2,305	-	-	-	2,953	-	153	153	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	4,225	-	-	-	-	-	4,225	4,225	-
Comprehensive income	-	-	-	-	-	5,152	-	-	65,558	70,710	63,211	2,347
<b>Group's net equity at 31/12/2009</b>	<b>113,234</b>	-	<b>22,309</b>	<b>73,453</b>	-	<b>-1,602</b>	-	<b>-4,471</b>	<b>65,558</b>	<b>268,481</b>	<b>76,561</b>	<b>4,476</b>
<b>Group's net equity</b>	<b>111,313</b>	-	<b>22,309</b>	<b>73,245</b>	-	<b>-1,602</b>	-	<b>-4,471</b>	<b>63,211</b>	<b>264,005</b>	-	-
<b>Minority interests</b>	<b>1,921</b>	-	-	<b>208</b>	-	-	-	-	<b>2,347</b>	<b>4,476</b>	-	-

# CONSOLIDATED CASH FLOW STATEMENT

<b>INDIRECT METHOD</b>		
(€ thousand)	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>105,424</b>	<b>73,136</b>
- Net profit (loss) for the year	86,351	65,558
- Gain/loss on financial assets and liabilities held for trading	6,751	889
- Gain/loss on hedging assets	-	-
- Net adjustments due to impairment	3,544	7,563
- Net adjustments of property, equipment and intangible assets	4,102	5,779
- Net provisions for liabilities and contingencies and other costs/revenues	7,414	2,664
- Taxes included in taxes not paid	- 8,704	13,301
- Adjustments of discontinued operations	-	-
- Other adjustments	5,966	- 22,618
<b>2. Liquidity generated by/used for financial assets (+/-)</b>	<b>126,592</b>	<b>150,741</b>
- Financial assets held for trading	98,945	443,714
- Financial assets measured at fair value	-	-
- AFS financial assets	- 81,904	- 685,364
- Loans to banks: repayable on demand	- 89,430	43,690
- Loans to banks: other receivables	255,627	269,744
- Loans to customers	- 59,077	77,976
- Other assets	2,431	981
<b>3. Net liquidity generated by/used for financial liabilities (+/-)</b>	<b>- 239,247</b>	<b>- 168,603</b>
- Due to banks: repayable on demand	- 29,001	48,432
- Due to banks: other payables	308,896	82,297
- Due to customers	- 457,546	- 148,103
- Securities issued	- 568	- 168,642
- Financial liabilities held for trading	- 494	- 848
- Financial liabilities measured at fair value	-	-
- Other liabilities	- 60,534	18,261
<b>Net liquidity generated by/used for operating activities</b>	<b>- 7,231</b>	<b>55,274</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Liquidity generated by</b>	<b>216,893</b>	<b>13,346</b>
- Disposal of equity investments	-	-
- Dividends received	-	-
- Disposal of held-to-maturity financial assets	216,893	-
- Disposal of property and equipment	-	-
- Disposal of intangible assets	-	-
- Disposal of business units	-	13,346

<b>INDIRECT METHOD</b>		
(€ thousand)	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>2. Liquidity used for</b>	<b>- 158,168</b>	<b>- 62,440</b>
- Purchase of equity investments	-	-
- Purchase of held-to-maturity financial assets	- 156,711	- 59,269
- Purchase of property and equipment	- 722	- 729
- Purchase of intangible assets	- 735	- 2,442
- Purchase of business units and equity investments in subsidiaries	-	-
<b>Net liquidity generated by/used for investing activities</b>	<b>58,725</b>	<b>- 49,094</b>
<b>C. FUNDING ACTIVITIES</b>		
- Issue/purchase of treasury shares	327	153
- Issue/purchase of equity instruments	-	-
- Distribution of dividends and other	- 51,883	- 6,633
<b>Net liquidity generated by/used for funding activities</b>	<b>- 51,556</b>	<b>- 6,480</b>
<b>NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR</b>	<b>- 62</b>	<b>- 300</b>
Reconciliation		
<b>Cash and cash equivalents at year-start</b>	<b>8,015</b>	<b>8,315</b>
Liquidity generated by/used for in the year	- 62	- 300
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
<b>Cash and cash equivalents at year-end</b>	<b>7,953</b>	<b>8,015</b>



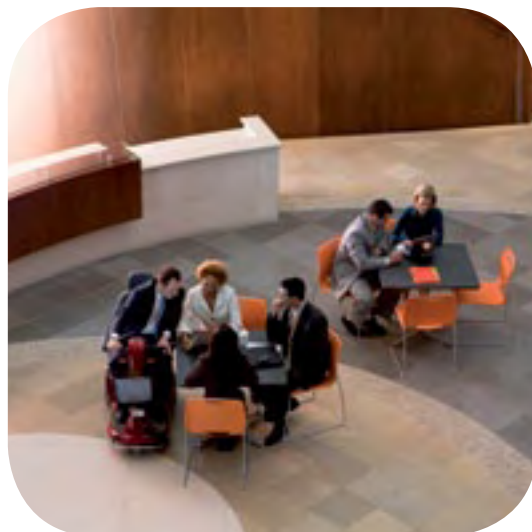
# CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2010

NOTES AND COMMENTS

BOARD OF DIRECTORS

10 MARCH 2011



**Part A – Accounting Policies**

**Part B – Information on the Balance Sheet**

**Part C – Information on the Profit and Loss Account**

**Part D – Comprehensive Income**

**Part E – Information on Risks and Risk Hedging Policies**

**Part F – Information on Net Equity**

**Part G – Mergers of Companies or Business Units**

**Part H – Transactions with Related Parties**

**Part I – Payment Agreements Based on Own Equity Instruments**

**Part L – Segment Reporting**



# 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 2010 was prepared based on the “Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups”, which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions were issued in Circular Letter No. 262/05 through a

Provision dated 22 December 2005, as amended on 18 November 2009. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Explanatory Notes.

In preparing the annual financial statements, Banca Generali adopted the IAS/IFRS in force at 31 December 2010 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2010, several amendments to the IASs/IFRSs, and IFRIC documents entered into force and new IFRICs were issued.

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

International Accounting Standards endorsed in 2009 and effective as of 2010	Endorsement regulations	Publication date	Effective date
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	460/2009	05/06/2009	01/01/2010
IAS 27R – Interim and Separate Financial Statements	494/2009	12/06/2009	01/01/2010
IFRS 3R – Business Combinations	495/2009	12/06/2009	01/01/2010
IAS 39R (hedging elements) - Financial Instruments: Recognition and Measurement	839/2009	16/09/2009	01/01/2010
IFRS 1R – First-time Adoption of International Financial Reporting Standards	1136/2009	26/11/2009	01/01/2010
IFRIC 17 – Distribution of Non-cash Assets to Owners	1142/2009	27/11/2009	01/01/2010
IAS 32R – Financial Instruments: Presentation	1293/2009	24/12/2009	01/01/2010

International Accounting Standards endorsed in 2010 and now in force	Endorsement regulations	Publication date	Effective date
Amendments to IFRS2 - Group Cash-Settled Share-based Payment Transactions (annulment of IFRIC 8 and IFRIC 11)	244/2010	24/03/2010	01/01/2010
Amendments to IAS/IFRS in relation to the 2009 yearly improvement plan (IFRS 2, 5, 8 ; IAS 1, 7, 17, 36, 38, 39; IFRIC 9,16))	243/2010	24/03/2010	01/01/2010
Amendments to IFRS 1 - Additional Exemptions for First-time Adopters	550/2010	24/06/2010	01/01/2010
<b>Effective after 31 December 2010</b>			
Amendments to IFRS 1, Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters	574/2010	01/07/2010	01/01/2011
Amendments to IAS 24 - Related Parties	632/2010	20/07/2010	01/01/2011
amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement	633/2010	20/07/2010	01/01/2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	662/2010	24/07/2010	01/01/2011

## Section 2 - Preparation Criteria

The consolidated annual report consists of the following documents:

- Balance Sheet
- Profit and Loss Account
- Statement of Other Comprehensive Income
- Statement of Changes in Net Equity
- Cash Flow Statement
- Notes and Comments

The accounts are accompanied by a Directors' report on the Group's operations and financial situation.

The consolidated financial statements have been prepared in accordance with article 154-ter of Legislative Decree No. 58/1998, enacted by Legislative Decree No. 195/07, which ratified the Transparency Directive, as amended by Legislative Decree No. 27 of 27 January 2010, which enacted Directive 2007/36/CE on the exercise of several rights of the shareholders of listed companies (so-called "Shareholders Rights Directive" or SHRD),

The statute requires that listed issuers whose home country is Italy make an **Annual financial report** including the following items available to the public at their registered offices, on their websites and in the other ways specified by Consob in a regulation within 120 days of the end of the year:

- the annual financial statements,
- the consolidated financial statements,
- the Report on Operations, and
- the attestation as per article 154-bis, paragraph 5

The audit reports prepared by the independent auditors and the Board of Statutory Auditors' Report pursuant to Article 153 of the Consolidated Finance Act are published in their entirety with the annual financial report.

In addition, no fewer than 21 days must lapse between the date of publication of the annual financial report and the date of the shareholders' meeting.

According to the provisions of Article 3, paragraph 3-bis, of Legislative Decree No. 87/1992, enacted by

Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the consolidated report on operations and the separate report on operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

The Banca Generali Group elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the consolidated annual report was prepared in euros. The amounts included in the financial statements and the figures in the Notes are expressed in thousands of euros. Unless otherwise indicated, the tables presented in the Report on Operations are in thousands of euro and the comments in millions of euro.

The financial statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes, and in line with the general assumptions set out in the Framework for the Preparation and Presentation of Financial Statements drafted by the IASB. There were no derogations of the application of international accounting standards (IAS/IFRS).

The Directors' Report on Operations and the Notes on the Accounts include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The financial statements and Notes include figures for the period under review as well as comparative data at 31 December 2009.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.

In further detail, the directors are reasonably certain that the Group will continue to operate in its current

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

### **Content of the Financial Statements and the Notes**

The Financial Statements and the Notes have been prepared in accordance with Bank of Italy's Circular No. 262/2005 and the first update published on 18 November 2009.

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. In the consolidated profit and loss account, profit attributable to minority interests is presented with a negative sign, whereas losses attributable to minority interests are presented with a positive sign.

Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Comprehensive Income consists of items that present changes in the value of assets reported during the year through valuation reserves, net of the associated tax effect and distinguishing between any income attributable to the Parent Company and minority interests.

As for the balance sheet and profit and loss account, items with nil amounts in both the reporting year and previous year are not presented.

The Statement of Changes in consolidated net equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular No. 262/2005.

The statement presents changes in consolidated total equity, showing separately the final carrying amounts of net equity attributable to the Group and minority interests and aggregate changes in those items.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:

- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) financing activities that alter the company's equity capital and its remuneration.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.

Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected commissions; these items have been disclosed separately and classified under operating activities.

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

## Section 3 – Scope of Consolidation and Consolidation Methods

### 1. Scope of Consolidation

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

COMPANY NAME	Registered office	Type of control	Shareholding relationship		% of votes abs. ord.
			Investor	% of ownership interest	
<b>A. Companies in consolidated accounts</b>					
A.1 recognised using the line-by-line method					
- BG Fiduciaria SIM S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
- BG SGR S.p.A.	Trieste	1	Banca Generali	100.00%	100.00%
- Generali Fund Management S.A.	Luxemb.	1	Banca Generali	51.00%	51.00%
- Generfid S.p.A.	Milan	1	Banca Generali	100.00%	100.00%

*Legend: type of control:*

*(1) control pursuant to Section 2359, paragraph 1, No. 1 of the Italian Civil Code (majority voting rights at General Shareholders' Meeting)*

On 1 January 2010, two restructuring transactions internal to the banking group were completed:

- 1) the discretionary portfolio management business unit was contributed by Banca BSI Italia to BG SGR;
- 2) Banca BSI Italia was merged into the parent company, Banca Generali;

Both of the foregoing qualify as transactions between entities under common control and have been accounted for in accordance with the principle of the continuity of the values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali's 2009 financial statements.

Accordingly, such transactions did not result in changes to the Group's overall scope of consolidation and did not have any effects on the consolidated financial statements for this year.

The consolidated accounts include the separate financial statements of the Parent Company and the subsidiaries at 31 December 2010, reclassified and adjusted where necessary to take account of consolidation requirements.

### 2. Other Information

#### Consolidation Methods

Subsidiaries are included in the accounts using the full consolidation method, whereby the balance sheet and profit and loss items are consolidated on a line-by-line basis.

After the attribution to minority interests of their portion of net equity and profit and loss results, the value of the equity investment was cancelled due to the residual value of the subsidiary's equity.

The resulting differences are allocated to the assets or liabilities, including intangible assets, of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Negative differences are charged to the Profit and Loss Account.

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

Dividends distributed by subsidiaries were eliminated from the consolidated profit and loss account and a corresponding adjustment was made to income reserves.

## **Business Combinations**

Business combinations are regulated by the IFRS 3 Business Combinations.

Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and potential liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the income statement.

The purchase method is applied as of the acquisition date, i.e. from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the consolidated financial statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the consolidated financial statements, up to the date control is transferred.

## **Business Combinations of Entities Under Common Control**

Business combinations of entities under common control are not included in the scope of IFRS 3, nor are they covered by other IFRS. They are accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The IAS/IFRS provide specific guidelines for transactions not covered by IFRS (described in paragraphs 10-12 of IAS 8); according to these guidelines, management is encouraged to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.

In fulfilment of this requirement, we observed that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1 on the accounting treatment of business combinations of entities under common control and OPI No. 2 on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.

In a similar way, if an entity is disposed of, the amount received is directly recognized in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

## Section 4 - Events Occurred After the Balance Sheet Date

The draft Financial Statements of Banca Generali was approved by the Board of Directors in their meeting held on 10 March 2011, when they also authorised its disclosure.

No events occurred after 31 December 2010 and until publication of the annual report was authorised, that would make it necessary to adjust the results presented in the consolidated financial statements at that date.

## Section 5 - Other Information

### Non-recurring Significant Events and Transactions

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

### National Tax Consolidation Option

In 2004, the Parent Company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Banca Generali has participated in the Parent Company's tax consolidation regime since 2004; in 2007 Banca BSI Italia S.p.A., which has now been merged in Banca Generali, and BG SGR S.p.A. were also given the option of participating.

Under the scheme, the aforementioned companies transfer their taxable profit (or tax loss) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

### Audit

The consolidated financial statements were audited by Reconta Ernst & Young.

## PART A.2 - MAIN FINANCIAL STATEMENT AGGREGATES

### ACCOUNTING POLICIES

This section sets out the accounting policies adopted for the preparation of the financial statements as of 31 December 2010, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

During the year, the accounting policies adopted by the Bank underwent amendment and supplementation in the following areas:

- payment of substitute tax for goodwill and intangible assets deriving from the merger of Banca del Gottardo;

in addition to minor refinements of the measurement criteria for assets and liabilities presented below.

#### Payment of substitute tax for goodwill and intangible assets deriving from the merger of Banca del Gottardo - tax and accounting aspects

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 through the payment of a substitute tax.

**Law No. 244 of 24 December 2007** (the 2008 Finance Act) introduced a provision to **paragraph 2-ter, Article 176 of the Consolidated Income Tax Law (hereinafter TUIR)** that allows entities may recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million, 14% up to 10 million and 16% for amounts in excess of the latter bracket) in lieu of the ordinary rates of 27.5% (IRES) and 3.9% (IRAP).

The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on

the tax return, that is to say in the year in which the first instalment is paid.

**Law Decree No. 185 of 29 November 2008** (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced several additional possibilities for optional realignment of tax and balance-sheet values.

The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.

However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in nine 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.

The new rules allowing redemption of misalignments of accounting and financial statement figures arising from extraordinary transactions may also be applied in relation to the merger of Banca del Gottardo Italia into Banca BSI S.p.A., closed on 1 January 2009, for which the terms of exercise of the option coincide with the terms of payment of the balance of income taxes for 2009 (16 June 2010).

As these are transactions of a fiscal nature, reference should be made to the separate financial statements of Banca Generali S.p.A. and other Group companies, and only subsequently to the Group's consolidated financial statements.

In this regard, it should be noted that the Banca Del Gottardo Italia (BDGI) combination occurred in two stages:

- BSI SA acquired a 100% interest in BDGI on 1 October 2008 as part of the broader business combination conducted by the Generali Group;
- Banca BSI Italia then absorbed Banca Del Gottardo Italia on 1 January 2009.

The first transaction resulted in the recognition of the realigned assets only at the level of the consolidated financial statements.

Since the transaction could be considered to be between entities under common control, its accounting treatment maintained continuity of values with the consolidated financial statements of the common parent company, Assicurazioni Generali S.p.A., recognising the share of the goodwill and intangible assets attributed to the Italian subsidiary in the purchase price allocation (PPA) prepared during the acquisition of the Swiss group.

Accordingly, the following amounts were recognised:

- goodwill of 31,252 thousand euros;
- intangible assets relating to customer relationships acquired of 9,535 thousand euros, amortised over ten years.

When Banca del Gottardo Italia was subsequently merged into Banca BSI Italia, the aforementioned amounts of goodwill and intangible assets were recognised in the surviving company's separate financial statements.

This merger between entities under common control was also accounted for by maintaining continuity of values with the consolidated financial statements of Banca Generali at 31 December 2008, recognising the goodwill and residual amount of the intangibles carried in the consolidated financial statements at and for the year ended 31 December 2008.

Accordingly, Banca Generali, in its capacity as surviving company in the merger with Banca BSI Italia S.p.A., decided to pay substitute tax for the residual differences between the carrying amounts and tax amounts of the following items at 31 December 2009:

- goodwill: 31,252 thousand euros;
- intangible assets: 7,628 euros, to be amortised over the next eight years on a straight-line basis in the amount of 953 thousand euro per year.

In detail, Banca Generali exercised the option to pay substitute tax on goodwill under the new rules introduced by Article 15, paragraph 10, of Law Decree No. 185/2008 by paying the tax in the amount of 5,016 thousand euros, and to pay substitute tax on the residual intangible assets carried by Banca BSI Italia at 31 December 2009 according to the original procedure described in Article 176, paragraph 2-ter of the TUIR, by paying 323 thousand euros in tax, corresponding to the first annual instalment of the total tax owed of 968 thousand euros, calculated according to the rates of

12% for the bracket up to 5 million euros and 14% for the next bracket up to 10 million euros.

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 Law Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IASs/IFRSs” have led to three different accounting treatments being considered compatible with IFRSs:

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

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

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

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



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

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

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

Conversely, with respect to the redemption of the intangible asset, Banca Generali has reversed the deferred taxes allocated in conjunction with the recognition of that asset to account for the non-tax deductibility of amortisation to be charged to profit and loss in future years in the residual amount of 2,431 thousand euros at 31 December 2009.

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

<b>REDEEMABLE ITEMS</b>						
(€ thousand)	<b>Book value</b>	<b>Redeemable value</b>	<b>Substitute tax</b>	<b>Recognition of deferred tax assets</b>	<b>Reversal of deferred tax liabilities</b>	<b>Net economic benefit</b>
Goodwill (Art.15 par. 10 of LD 195/08)	31,352	31,352	- 5,016	9,845	-	4,829
Client relationships (Art. 176, par. 2-ter of TUIR)	7,628	7,628	- 968	-	2,431	1,463
<b>Total</b>	<b>38,980</b>	<b>38,980</b>	<b>- 5,984</b>	<b>9,845</b>	<b>2,431</b>	<b>6,292</b>

## 1. Financial Assets Held for Trading

### Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading

including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

### Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.

Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives that are not closely related to the host contract but meet the definition of a derivative are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

### Measurement

After initial recognition financial assets held for trading are measured at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where such instruments are not traded, the notional value of financial instruments, quotes from brokers or placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors.

Values drawn from recent comparable transactions are also used.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 2. Available-for-Sale 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;
- gbonds not held for trading and not classified as assets held to maturity or measured with Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

### Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid, including the transaction income or expenses directly attributable to the instrument itself.

Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

### Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss (for loans or debt securities) or through net equity (for equity securities).

Under no circumstances may the amount of such reversals exceed the amortised cost that would have been attributable to the instrument had no previous impairment been recognised.

### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 3. Financial Assets Held to Maturity

### Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

### Recognition

Initial recognition of these assets takes place on the settlement date.

Upon initial recognition, financial assets classified to this category are measured at their fair value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

Where a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

### Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.

Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

### **Derecognition**

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## **4. Loans**

### **Classification**

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed in an active

market and are not initially classified as financial assets available for sale.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act and Consolidated Finance Act.

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

### **Recognition**

Loans are initially recognised at the date of disbursement or, in the case of debt securities, at the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from available-for-sale assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.

### **Measurement**

Subsequent to initial recognition, loans are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation

(calculated using the effective interest-rate method) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

### Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

**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 180 days.*

Loans classified as *bad loans*, *substandard loans*, or *restructured loans* are normally subject to an **analytical assessment process**.

The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing.

Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.

Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are **tested collectively for impairment**. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.

In further detail, a probability of default and loss given default value is attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach.

Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

## Derecognition

Loans are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 5. Financial Assets at Fair Value

At this time, none of the Bank's financial assets are classified under this category.

## 6. Hedging Transactions

### Types of Hedging Transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance-sheet items attributable to particular risks;
- hedges of a net investment in foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

### Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion

of changes in the fair value of the derivative is recognised immediately in equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;

- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flow) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- *prospective tests*, which justify the use of hedge accounting by demonstrating effectiveness;
- *retrospective tests*, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

## 7. Equity Investments

At 31 December 2010, the Group did not hold equity investments in associate companies within the meaning of IAS 28 or in companies under common control within the meaning of IAS 31.

## 8. Property and Equipment

### Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.

They also include assets held for use in the production

or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

### Recognition

Property and equipment are initially recognised at cost, which includes the purchase price as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

### Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses.

They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.

If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

### Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

## 9. Intangible Assets

### Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events

and from which future economic benefits are expected to flow to the entity.

In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and to restrict the access of others to those benefits.

The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

Intangible assets include the value of contractual relations with customers acquired as a result of the above-mentioned business combination of Banca Del Gottardo Italia.

This asset is an intangible asset as defined by IAS 38, from which future economic benefits are likely to flow to the acquirer. The value of these relationships was determined on the basis of an estimate of the return on the assets managed by Banca del Gottardo Italia, analysed by asset class, while the useful life was estimated as a ten-year period, given the type of customer and the recent foundation of the company.

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

*Software* costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software expenses recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which

it is possible to identify a control situation, and future economic rewards are expected from them.

Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

*Commissions* paid to the network in relation to no-load asset-management products are considered as additional charges incurred to promote the signing of the related agreements; the future economic benefit associated with these expenses consists of the contractual rights to receive periodic commissions from the management company.

Such expenses arise in relation to products (e.g., units of collective investment undertakings – UCITs, discretionary accounts - GPF) for which the management company does not charge commissions at the time the investment is made, but rather charges “tunnel commissions” (in addition to usual “management commissions”) when the customer divests in two to four years.

Commissions paid by the “distributor” to its sales network, which are commensurate to the commissions on corresponding “load” products, are not immediately offset by up-front fees paid by the management company; instead, these are recovered over time by means of the other two commission categories.

## Recognition

### Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company’s ability to generate future income (goodwill).

In case of badwill, or if the goodwill is not representative of the investee company’s ability to generate future income, the difference is recognised directly through profit and loss.

### Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

## Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

*Software* expenses are typically amortised over a three-year period.

*Other capitalised* costs associated with legacy systems are amortised over a five-year period.

*Multi-year no-load commissions* are amortised based on the period the “tunnel” is in force and the estimated time to divestment by the customers.

For *brands* acquired on the incorporation of subsidiaries, the useful life is estimated at ten years.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

## Impairment

### Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The impairment test for goodwill is presented in Section 1.2 “Annual Changes in Goodwill” in Part G of these Notes.

### Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset’s carrying amount exceeds its recoverable amount.

## Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.



## 10. Non-current Assets Held for Sale or Disposal Groups

The asset item “Non-current assets held for sale or disposal groups” and liability item “Liabilities associated with assets held for sale or disposal groups” include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.

Net income (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year, is taken through profit and loss under a specific separate item, “Profit (Loss) on groups of assets held for sale, net of taxes”.

## 11. Current and Deferred Taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences – without time limits – between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recorded to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali – as a result of its exercise of the option provided by the Italian tax consolidation scheme – to generate ongoing taxable income.

Deferred tax 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.

## 12. Provisions for Liabilities and Contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.

This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

## 13. Debt and Securities Issued

### Classification

*Due to banks, Due to customers and Securities issued* include the various forms of interbank funding and direct customer inflows as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Due to banks and due to customers also include operating debts from financial services.

### Recognition

These items are initially recognised when funding is received or the debt securities are issued.

Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the

fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

### Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method,

with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

### Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.

The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

## 14. Financial Liabilities Held for Trading

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

## 15. Financial Liabilities Measured at Fair Value

There are currently no financial liabilities measured at fair value.

## 16. Foreign Currency Transactions

### Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

### Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

## 17. Other Information

### Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

### Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

### Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.

The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

### Share-based payments

In accordance with IFRS 2 (Share-Based Payments) and IFRIC 11, share-based benefit plans for staff and financial consultants are recognised as costs in the profit and loss account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

IFRS 2 was not applied to the plan known as the Stock Granting Plan for the Prime Consult S.p.A. Network approved by that company, subsequently merged into Banca Generali in 2001, in that under the transitional provisions of paragraphs 53 et seq. of the Standard, the transaction was undertaken prior to 14 November 2002

### Employee Termination Indemnities

Under IAS 19 "Employee Benefits", until 31 December 2006 termination indemnity was considered as a "post-employment benefit" classified as a "defined benefit plan". The benefit was therefore reported in the financial statements based on the actuarial value determined using the "Projected Unit Credit Method".

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the

portions of employees' termination indemnities accrued starting from 1 January 2007 must – depending on the employees' choice – be allocated to a supplementary pension fund or maintained within the company and transferred to a special fund managed by Italy's national security institute (INPS).

The entry into force of the aforementioned reform led to a change in the accounting treatment of the termination indemnity, in terms of both the amounts accrued until 31 December 2006 as well as the amounts accrued starting on 1 January 2007.

More specifically:

- termination indemnities accrued by personnel **starting on 1 January 2007** are considered a **defined contribution plan**, whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. The amounts accrued must, however, be determined **based on the contributions owed without applying an actuarial calculation**;
- termination indemnities accrued by personnel **up to 31 December 2006** are considered a "defined benefit plan", and therefore must be calculated using actuarial methods; however, after 31 December 2006, such methods no longer involve the proportional allocation of the benefit to the period of service worked. This is because the service period in question is considered fully completed as a result of the change in the accounting nature of termination indemnities accruing beginning on 1 January 2007

As a result of the legislative changes, employees' termination indemnities were recalculated at 31 December 2006 using the new actuarial method. The difference resulting from the actuarial calculation is deducted from the defined benefit plan, and, in accordance with IAS 19, the related gains or losses are charged to the profit and loss account based on the corridor method used by the group.

For group companies with fewer than 50 employees, the obligation continues to be calculated using the "projected unit credit method" (also known as the accrued benefit method pro-rated on service or as the benefit/years of service method), which considers each period of service rendered by employees as an additional unit of benefit entitlement and measures each unit separately to calculate the final obligation.

### Productivity Bonuses for Salaried Employees

Pursuant to the first update to Circular No. 262/05 of 18 November 2009, productivity bonuses to be paid to

salaried employees during the following year are to be allocated to the item "Other liabilities".

More specifically, in accordance with IAS 19 Employee Benefits, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

By contrast, it was decided that the following requirements of IAS 19 had not been met:

- 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;
- other allocations intended to support a redundancy incentive plan initiated following the merger with Banca BSI Italia, and other charges relating to employee classification level;
- management's variable compensation accrued during the year, payment of which is deferred beyond the following year by contract, contingent upon the satisfaction of certain conditions.

The latter aggregate includes the share of variable compensation of managers of the banking group deferred beyond two years and contingent upon access gates set out in the banking group's new compensation policy and the new three-year retention plan for the banking group's top managers (Long Term Incentive Plan).

### Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

interest payable is recognised on a pro-rated basis

according to contractual interest rate, or the effective interest rate if amortised cost is used;

default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;

dividends are recognised in the profit and loss account when dividend payout is approved;

service revenue commissions are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading commissions on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management commissions are recognised according to the length of the service. Commissions considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

### Measurement

The preparation of the consolidated report requires the use of estimates and assumptions that could influence the amounts reported in the 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 amounts recognised on a half-year basis in the financial statements may differ materially due to changes in the subjective judgements used.

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

- determining the amount of provisions for risks and contingencies;
- determining the expenses of personnel productivity bonuses;

- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- the determination of value adjustments of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

### Testing Financial Instruments for Impairment

In accordance with IAS 39, the portfolio of securities not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans) is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).

In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involved the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 36 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information drawn from the market.

For corporate debt securities classified to the AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating Agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale

(AFS), the amount of the loss is equal to the difference between:

- **purchase cost**, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- **the current fair value.**

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between

- **the book value of the asset;** and
- **the present value of estimated future cash flows** discounted at the financial asset's original effective interest rate.

For ABSs, the decrease 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 belonging to the portfolios measured at amortised cost of loans to banks and customers (L&R) and assets held to maturity (HTM), for which individual signs of impairment were not detected were tested for collective **impairment** in accordance with IAS 39, paragraph 64, in order to estimate the amount of any latent losses on assets that have not explicitly shown 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 event (PD - probability of default) is determined according to historical series for default rates surveyed globally over a period of many years (Standard & Poor's Cumulative Average Default Rates By Rating, 1981 - 2009) and using a market loss given default (LGD) between 60% and 70%.

In any event, Italian government bonds are excluded from such testing of securities in the HTM portfolio.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.

In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.

The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the Bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

## PART A.3 – INFORMATION ON FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The arm's length concept requires that counterparties are fully operational and are not forced to wind up or significantly scale back operations or undertake transactions under unfavourable conditions.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

On the basis of the approach to determining fair value, international accounting standard IFRS 7 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation.

- **Level 1:** prices quoted on active markets for identical instruments;
- **Level 2:** prices quoted on non-active markets for the same instrument or on active markets for similar instruments or calculated through the use of valuation techniques, in which all significant inputs are based on estimation parameters observable on the market;
- **Level 3:** valuation techniques where a significant input for measurement at fair value is based on non-observable market data.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, that is to say whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.

Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of

transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

On 15 December 2010, Banca Generali approved its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

For securities not quoted on active markets, the procedure calls for the analysis of:

- 1) prices of similar instruments quoted on active or inactive markets; and
- 2) inputs other than quotations observably directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. **a single contributor** on a regulated market or exchange system capable of providing a fair, binding price at the measurement date
2. a consensus pricing mechanism capable of

determine the fair value on the basis of, for example:

**Bloomberg Bondtrade Composite** (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;  
**Bloomberg Generic Number** (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;  
**Markit European ABS**, a consensus platform for measuring ABS-type instruments;

3. a reference to current market values of other essentially identical or similar instruments.

UCITs not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

### A.3.1 TRANSFERS BETWEEN PORTFOLIOS

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

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



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

TYPE OF FINANCIAL INSTRUMENT (€ thousand)				31.12.2010	31.12.2010	Income components with no transfer		Income components for the year	
	from	to	date of transf.	Book value	fair value	Valuation	Other	Valuation	Other
Equity securities	TRA	AFS	1/7/08	2,930	2,930	- 1,122	-	- 1,122	70
Debt securities	TRA	HTM	1/7/08	337,568	331,339	- 1,702	4,195	- 482	5,915
Debt securities	AFS	HTM	30/9/08	67,946	67,732	- 966	1,781	- 17	2,428
Total HTM portfolio				405,514	399,071	- 2,668	5,976	- 499	8,343
Debt securities	TRA	LOANS	1/7/08	101,116	90,713	- 7,367	2,117	- 438	3,038
Debt securities	AFS	LOANS	1/7/08	43,152	42,177	2,571	2,282	- 157	837
Total loan portfolio (banks and clients)				144,268	132,890	- 4,796	4,399	- 595	3,875
<b>Total reclassified financial assets</b>				<b>552,712</b>	<b>534,891</b>	<b>- 8,586</b>	<b>10,375</b>	<b>- 2,216</b>	<b>12,288</b>

In 2010 the process of dismantling the portfolios in question through redemptions and sales continued, bringing the total carrying amount at the reporting date to 552.7 million euros, compared to 853.5 million euros in the previous year (-300.8 million euros).

Such amount includes increases for the gradual maturity of their amortised costs.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2010 would have entailed negative differences compared to book values, before taxes of 17.8 million euros, compared to 18.5 million euros at the end of 2009 and 38.7 million euros in 2008.

Had the Bank not opted to reclassify such securities, they would have registered greater capital losses through profit and loss and equity in 2010 of 6.4 million euros, equal to the difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The negative contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to 1.9 million euros due to the lesser interest recognised according to the effective interest rate method.

### A.3.2 FAIR VALUE HIERARCHY

International accounting standard IFRS 7 - Financial Instruments: Disclosures, approved by the IASB in March 2009, requires that entities that apply IASs/IFRSs provide adequate disclosure of the fair value measurements used for each class of financial instrument, with especial reference to:

- 1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
- 2) any significant transfers between Level 1 and Level 2 during the year;
- 3) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

The information on the fair value hierarchy requires that financial assets designated at fair value be reclassified according to a level-based hierarchy that reflects the significance of the inputs used in valuations, as explained in further detail in the premise of the Section.

### A.3.2.1 Accounting portfolios: distribution by fair-value levels

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE (€ thousand)	31.12.2010				Total
	L1	L2	L3	at cost	
1. Financial assets held for trading	88,276	14,006	17,670		119,952
2. Financial assets at fair value					
3. AFS financial assets	1,442,976	69,224	17,837	3,238	1,533,275
4. Hedging derivatives					
<b>Total</b>	<b>1,531,252</b>	<b>83,230</b>	<b>35,507</b>	<b>3,238</b>	<b>1,653,227</b>
1. Financial liabilities held for trading		6,502			6,502
2. Financial Liabilities at fair value					
3. Hedging derivatives					
<b>Total</b>	<b>-</b>	<b>6,502</b>	<b>-</b>	<b>-</b>	<b>6,502</b>

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE (€ thousand)	31.12.2010				Total
	L1	L2	L3	at cost	
1. Financial assets held for trading	131,686	69,096	18,247		219,029
2. Financial assets at fair value					
3. AFS financial assets	1,179,565	294,575	5,117	3,024	1,482,281
4. Hedging derivatives					
<b>Total</b>	<b>1,311,251</b>	<b>363,671</b>	<b>23,364</b>	<b>3,024</b>	<b>1,701,310</b>
1. Financial liabilities held for trading		494			494
2. Financial Liabilities at fair value					
3. Hedging derivatives					
<b>Total</b>	<b>-</b>	<b>494</b>	<b>-</b>	<b>-</b>	<b>494</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 92.6% financial assets eligible for allocation to class L1.

Italian and international government bonds amounted to 1,432 million euros, up by 212.7 million euros compared to the previous year.

The remainder consisted of bank bonds issued by the main Euro Area countries (89.2 million euros), essentially in line with the previous year (81.4 million euros).

This category also includes equity securities listed on regulated Italian and European markets (9.6 million euros).

On the whole, class L1 financial assets increased by 219 million euros.

Financial assets allocated to the trading portfolio belonging to class L2 consist primarily of units of money-market UCITs not listed on regulated markets (13.1 million euros). The Level 2 portfolio also includes derivative financial assets and liabilities consisting of asset swaps, interest rate swaps (IRSs) and currency outright valued according to observable market parameters.

The L2-class assets in the AFS portfolio amounted to 69.2 million euros and consisted of bonds issued by banks based in Italy and major Euro Area countries.

On the whole, class-L2 financial assets decreased by 280.4 million euros, primarily due to the trading activity conducted during the year.

At the reporting date, transfers from class L2 to L1 and from class L1 to L2 were highly limited.

### A.3.2.2 Accounting portfolios: Annual changes in financial assets at fair value (level L3)

FINANCIAL ASSETS (€ thousand)	31.12.2010		
	trading	AFS al fair value	AFS al costo
<b>1. Amount at year-start</b>	<b>18,247</b>	<b>5,117</b>	<b>3,024</b>
<b>2. Increases</b>	<b>1,595</b>	<b>12,825</b>	<b>214</b>
2.1 Purchases	0	6,379	214
2.2 Gains through:			
2.2.1 Profit and loss			
- of which: Capital gains			
2.2.2 Net equity			
2.3 Transfers from other levels	1,595	6,299	
2.4 Other increases		147	
<b>3. Decreases</b>	<b>2,172</b>	<b>105</b>	
3.1 Sales			
3.2 Redemptions	2,172		
3.3 Losses through:			
3.3.1 Profit and loss			
- of which: Capital losses			
3.3.2 Net equity		87	
3.4 Transfers to other levels			
3.5 Other decreases		18	
<b>4. Amount at year-end</b>	<b>17,670</b>	<b>17,837</b>	<b>3,238</b>

The L3 financial assets in the trading portfolio consist solely of:

- the investment in the Quarzo 1 bond, a securitisation of residential mortgage-backed securities originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Assicurazioni Generali Group;
- an interest in the speculative hedge fund Fin.int, previously classified as L2;
- a defaulted Landesbanki bond, written off.

The L3 financial assets in the AFS portfolio include the

8.3 million euro equity investment in the private-equity vehicle Athena Private Equity, which was impaired during the previous year, and a residual amount of equity securities considered minority interests (CSE, GBS Caricese, SWIFT, etc.) and measured at purchase cost in the absence of reliable estimates of their fair value.

The portfolio of AFS debt securities allocated to class L3, in the amount of 12.7 million euros, consists of two defaulted Lehman issues (1.2 million euros) and three recent unlisted bonds. The increase in the L3 securities portfolio is entirely attributable to those bonds.

### **A.3.3 INFORMATION ON “DAY-ONE PROFIT/LOSS”**

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in the financial statements in question.

## PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET ASSETS

### SECTION 1 CASH AND DEPOSITS - ITEM 10

#### 1.1 Cash and deposits: breakdown

ITEMS/VALUES	31.12.2010	31.12.2009
(€ thousand)		
a) Cash	7,953	8,015
b) Demand deposits with central banks	-	-
<b>Total</b>	<b>7,953</b>	<b>8,015</b>

### SECTION 2 FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

#### 2.1 Financial assets held for trading: categories

ITEMS/VALUES	31.12.2010			31.12.2009		
	L1	L2	L3	L1	L2	L3
(€ thousand)						
<b>A. Cash</b>						
1. Debt securities	85,699	687	16,250	130,282	35,836	18,247
1.1 Structured securities	-	634	-	-	-	-
1.2 Other debt securities	85,699	53	16,250	130,282	35,836	18,247
2. Equity securities	2,577	-	-	1,400	-	-
3. UCIT units	-	13,120	1,420	4	33,150	-
4. Loans	-	-	-	-	-	-
4.1. Repurchase agreements	-	-	-	-	-	-
4.2. Other	-	-	-	-	-	-
<b>Total A</b>	<b>88,276</b>	<b>13,807</b>	<b>17,670</b>	<b>131,686</b>	<b>68,986</b>	<b>18,247</b>
<b>B. Derivatives</b>						
1. Financial derivatives	-	199	-	-	110	-
2. Credit derivatives	-	-	-	-	-	-
<b>Total B</b>	<b>-</b>	<b>199</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>-</b>
<b>Total (A+B)</b>	<b>88,276</b>	<b>14,006</b>	<b>17,670</b>	<b>131,686</b>	<b>69,096</b>	<b>18,247</b>

#### Notes

- The trading portfolio contains a single non-performing position consisting of a bond issued by the Icelandic bank Landesbanki, currently subject to a winding-up procedure by the national authorities and written off.
- Government bonds include 29,034 thousand euros relating to a Index Linked BTP related to an asset swap transaction. The derivatives component is recognised among liabilities held for trading.
- A more detailed presentation of the Fair value category of financial assets (L1,L2,L3) is given in Part A.3 of these Notes.

## 2.2 Financial assets held for trading: debtors/issuers

ITEMS/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>A. Cash</b>		
<b>1. Debt securities</b>	<b>102,636</b>	<b>184,365</b>
a) Governments and central banks	79,956	124,034
b) Other public institutions	-	-
c) Banks	6,578	30,019
d) Other issuers	16,102	30,312
<b>2. Equity securities</b>	<b>2,577</b>	<b>1,400</b>
a) Banks	3	5
b) Other issuers	2,574	1,395
- insurance companies	1,782	1,018
- financial companies	10	16
- non-financial companies	782	361
- other entities	-	-
<b>3. UCIT units</b>	<b>14,540</b>	<b>33,154</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other parties	-	-
<b>Total A</b>	<b>119,753</b>	<b>218,919</b>
<b>B. Derivatives</b>		
a) Banks	35	110
b) Customers	164	-
<b>Total B</b>	<b>199</b>	<b>110</b>
<b>Total (A+B)</b>	<b>119,952</b>	<b>219,029</b>

## 2.3 Financial assets held for trading: year changes

(€ thousand)	Debt securities	Equity securities	UCIT units	Financing	Total
<b>A. Amount at year-start</b>	<b>184,365</b>	<b>1,400</b>	<b>33,154</b>	-	<b>218,919</b>
<b>B. Increases</b>	<b>1,284,649</b>	<b>3,857,768</b>	<b>1,153,505</b>	-	<b>6,295,922</b>
B1. Purchases	1,280,645	3,847,005	1,152,763	-	6,280,413
B2. Positive changes in fair value	159	33	312	-	504
B3. Other changes	3,845	10,730	430	-	15,005
<b>C. Decreases</b>	<b>1,366,378</b>	<b>3,856,591</b>	<b>1,172,119</b>	-	<b>6,395,088</b>
C1. Sales	1,231,406	3,730,860	1,171,947	-	6,134,213
C2. Repayments	130,770	-	-	-	130,770
C3. Negative changes in fair value	1,108	278	99	-	1,485
C4. Transfer from other portfolios	-	-	-	-	-
C5. Other changes	3,094	125,453	73	-	128,620
<b>D. Amount at year-end</b>	<b>102,636</b>	<b>2,577</b>	<b>14,540</b>	-	<b>119,753</b>

### Notes

- Item "B.3 Other changes - increases" includes final dividend accruals, final premiums/discounts, and gains on disposal.
- Item "C.5 Other changes - decreases" includes initial dividend accruals, initial premiums/discounts, and losses on disposal. This item also includes losses on the disposal of equity securities under equity-swap transactions.

## SECTION 4 FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

### 4.1 Financial assets available for sale: categories

ITEMS/VALUES	31.12.2010			31.12.2009		
	L1	L2	L3	L1	L2	L3
(€ thousand)						
1. Debt securities	1,435,959	69,224	12,720	1,170,594	294,575	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,435,959	69,224	12,720	1,170,594	294,575	-
2. Equity securities	7,017	-	8,355	8,971	-	8,141
2.1 Valued at fair value	7,017	-	5,117	8,971	-	5,117
2.2 Valued at cost	-	-	3,238	-	-	3,024
3. UCIT UNITS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
<b>Total</b>	<b>1,442,976</b>	<b>69,224</b>	<b>21,075</b>	<b>1,179,565</b>	<b>294,575</b>	<b>8,141</b>

#### Notes

1. The portfolio of debt securities includes two default positions consisting of debt securities issued by Lehman Brothers Holding with an amortised cost of 8,721 million euros, written down by 7,421 million euros in the previous years.
2. The portfolio of equity securities includes the residual 15% investment in Simgenia (amounting to Euro 967 thousand) and equity securities that fall into the category of what are known as "minor equity investments" and largely related to service agreements concluded by the Group (CSE, GBS Caricese, SWIFT, etc.). Those interests are usually non-negotiable and are measured at cost in the absence of reliable estimates of fair value.
3. AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. Following the test impairment losses for an amount of 1,626 thousand euros were recognised on equity securities resulting from reclassifications made the previous year, due to the fact that the fair value relevant threshold compared to the book value had been exceeded (significant loss).
4. A more detailed description of the fair value hierarchy of financial instruments (L1,L2,L3) is given in Part A.3 of these Notes.



## 4.2 Available-for-sale financial assets: debtors/issuers

ITEMS/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>1. Debt securities</b>	<b>1,517,903</b>	<b>1,465,169</b>
a) Governments and central banks	1,352,479	1,095,437
b) Other public institutions	-	14,031
c) Banks	143,863	300,300
d) Other issuers	21,561	55,401
<b>2. Equity securities</b>	<b>15,372</b>	<b>17,112</b>
a) Banks	1,762	3,100
b) Other issuers	13,610	14,012
- insurance companies	840	1,049
- financial companies	6,495	6,312
- non-financial companies	6,275	6,651
- other entities	-	-
<b>3. UCIT units</b>		
<b>4. Loans</b>	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other issuers	-	-
<b>Total</b>	<b>1,533,275</b>	<b>1,482,281</b>

## 4.4 Financial assets available for sale: year changes

(€ thousand)	Debt securities	Equity securities	UCIT units	Financing	Total
<b>A. Amount at year-start</b>	<b>1,465,169</b>	<b>17,112</b>	-	-	<b>1,482,281</b>
<b>B. Increases</b>	<b>2,697,093</b>	<b>376</b>	-	-	<b>2,697,469</b>
B1. Purchases	2,674,348	257	-	-	2,674,605
B2. Positive changes in fair value	257	29	-	-	286
B3. Reversal value	-	-	-	-	-
- P&L	-	X	-	-	-
- net equity	-	-	-	-	-
B4. Transfer from other portfolios	-	-	-	-	-
B5. Other changes	22,488	90	-	-	22,578
<b>C. Decreases</b>	<b>2,644,359</b>	<b>2,116</b>	-	-	<b>2,646,475</b>
C1. Sales	2,462,411	382	-	-	2,462,793
C2. Repayments	135,155	-	-	-	135,155
C3. Negative changes in fair value	31,477	5	-	-	31,482
C4. Write-downs of non-performing loans	-	1,626	-	-	1,626
- P&L	-	1,626	-	-	1,626
- net equity	-	-	-	-	-
C5. Transfer to other portfolios	-	-	-	-	-
C6. Other changes	15,316	103	-	-	15,419
<b>D. Amount at year-end</b>	<b>1,517,903</b>	<b>15,372</b>	-	-	<b>1,533,275</b>

### Notes

1. Item "B.5 Other changes - increases" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals matured at the reporting date and gains on disposals, net of any transfers of equity reserves.
2. The item C.6 "Other decreases" includes interest adjustment arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
3. Item B.3 "Reversal value" in equity is the reversal of negative valuation reserves following the recognition of an impairment loss in the profit and loss account. In the case of equity securities, the item may also refer to the cancellation of previous impairment losses recognised in the profit and loss account.

## SECTION 5 HELD-TO-MATURITY FINANCIAL ASSETS – ITEM 50

### 5.1. Held-to-maturity financial assets: categories

TYPE OF TRANSACTION/VALUES	31.12.2010				31.12.2009			
	FV				FV			
(€ thousand)	Book value	L1	L2	L3	Book value	L1	L2	L3
1. Debt securities	608,118	344,205	173,951	73,799	666,074	144,032	-	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2. Other debt securities	608,118	344,205	173,951	73,799	666,074	144,032	520,442	-
2. Loans	-	-	-	-	-	-	-	-
<b>Total</b>	<b>608,118</b>	<b>344,205</b>	<b>173,951</b>	<b>73,799</b>	<b>666,074</b>	<b>144,032</b>	<b>520,442</b>	<b>-</b>

#### Notes

- Held-to-maturity financial assets were subjected to analytical impairment testing but no impairment was detected. To take into account the financial market turbulence in the Euro area, however, a collective reserve was established to cover potential losses of 765 thousand euros.
- A more detailed analysis of the fair value hierarchy of financial instruments (L1,L2,L3) is given to Part A.3 of these Notes.
- The item includes assets sold but not written off, which refer to titles used in repurchase agreements amounting to 61,585 thousand euros.

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

ITEMS/VALUES	31.12.2010	31.12.2009
(€ thousand)		
<b>1. Debt securities</b>	<b>608,118</b>	<b>666,074</b>
a) Governments and central banks	113,223	-
b) Other public institutions	-	-
c) Banks	411,604	548,016
d) Other issuers	83,291	118,058
<b>2. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other parties	-	-
<b>Total</b>	<b>608,118</b>	<b>666,074</b>

## 5.4. Held-to-maturity financial assets: year changes

(€ thousand)	Debt securities	Financing	Total
<b>A. Amount at year-start</b>	<b>666,074</b>	-	<b>666,074</b>
<b>B. Increases</b>	<b>168,493</b>	-	<b>168,493</b>
B1. Purchases	156,711	-	156,711
B2. Reversal value	-	-	-
B3. Transfer from other portfolios	-	-	-
B4. Other changes	11,782	-	11,782
<b>C. Decreases</b>	<b>226,449</b>	-	<b>226,449</b>
C1. Sales	14,662	-	14,662
C2. Repayments	202,231	-	202,231
C3. Adjustments	765	-	765
C4. Transfer to other portfolios	-	-	-
C5. Other changes	8,791	-	8,791
<b>D. Amount at year-end</b>	<b>608,118</b>	-	<b>608,118</b>

### Notes

1. Other increases (B.4) include dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. Other decreases (C.5) include dividend accruals, final adjustments at amortised cost established according to the effective interest rate effective at the end of the previous year and losses on disposal.

## SECTION 6 LOANS TO BANKS — ITEM 60

### 6.1 Breakdown of item loans to banks: categories

TYPE OF TRANSACTION/VALUES		
(€ thousand)	31,12,2010	31,12,2009
<b>A. Loans to central banks</b>	<b>11,680</b>	<b>188,206</b>
1. Term deposits	-	165,045
2. Mandatory reserve	11,680	23,161
3. Repurchase agreements	-	-
4. Other	-	-
<b>B. Loans to banks</b>	<b>463,917</b>	<b>453,491</b>
1. Current accounts and demand deposits	216,139	126,709
2. Term deposits	71,343	212,793
3. Other:	1,133	1,284
3.1 Repurchase agreements	-	-
3.2 Finance lease	-	-
3.3 Other	-	-
3.4. Operating loans	1,133	1,284
4. Debt securities	175,302	112,705
4.1 Structured	-	-
4.2 Other	175,302	112,705
<b>Total (book value)</b>	<b>475,597</b>	<b>641,697</b>
<b>Total (fair value)</b>	<b>470,195</b>	<b>640,275</b>

*Notes*

1, A specific impairment test was conducted on debt portfolio classified among loans to banks and customers but no impairment was detected. Moreover, a 471 thousand euro collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.

### Breakdown of loans to banks - other loans and operating receivables

TYPE OF TRANSACTION/VALUES		
(€ thousand)	31.12.2010	31.12.2009
Other short term grant in aid receivables	-	-
Operating receivables	1,096	1,284
Other operating receivables	37	-
<b>Total</b>	<b>1,133</b>	<b>1,284</b>

## SECTION 7 LOANS TO CUSTOMERS - ITEM 70

### 7.1 Loans to customers: categories

TYPE OF TRANSACTION/VALUES (€ thousand)	31.12.2010		31.12.2009	
	Performing loans	Non-performing loans	Performing loans	Non-performing loans
1. Current accounts	430,158	14,576	298,102	27,670
2. Repurchase agreements	-	-	-	-
3. Loans	101,685	6,470	88,034	10,145
4. Credit cards, personal loans and loans on wages	-	-	-	-
5. Finance lease	-	-	-	-
6. Factoring	-	-	-	-
7. Other transactions	145,286	8,568	146,128	11,884
8. Debt securities	139,645	5,650	201,207	-
8.1 Structured securities	-	-	-	-
8.2 Other debt securities	139,645	5,650	201,207	-
<b>Total (book value)</b>	<b>816,774</b>	<b>35,264</b>	<b>733,471</b>	<b>49,699</b>
<b>Total (fair value)</b>	<b>809,121</b>	<b>34,154</b>	<b>718,164</b>	<b>49,699</b>

#### Notes

- Item debt securities includes a Gesav capitalisation policy of €30,558 thousand, with tradability option.
- Items classified under "Loans to customers" were subjected to a specific impairment test, which detected an impairment loss amounting to 456 thousand euros. Impaired positions refer to a net book value of 5,568 thousand euros, for four positions arising on third-party securitization transactions which led to an impairment loss of 2,423 thousand euros. Such positions have been classified by convention under non-performing loans - substandard loans.
- Moreover, a 635 thousand euro collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.

### Breakdown of loans to customers - other transactions

TYPE OF TRANSACTION/VALUES (€ thousand)	31.12.2010	31.12.2009
Pooled financing	20,694	22,568
Personal loans	11,606	10,921
Other short term grant in aid receivables	11,857	24,832
Operating receivables	57,602	40,504
Sums advanced to financial advisors	31,020	31,879
Interest-bearing daily margins Italian Stock Exchange	4,403	5,231
Interest-bearing caution deposits	306	293
Amounts to be collected	16,366	21,784
<b>Total</b>	<b>153,854</b>	<b>158,012</b>

## 7.2 Loans to customers: debtors/issuers

ITEMS/VALUES	31.12.2010		31.12.2009	
	Performing loans	Non-performing loans	Performing loans	Non-performing loans
(€ thousand)				
<b>1. Debt securities</b>	<b>139,645</b>	<b>5,650</b>	<b>201,207</b>	-
a) Governments	-	-	-	-
b) Other public institutions	-	-	-	-
c) Other issuers	139,645	5,650	201,207	-
- non-financial companies	980	-	11,748	-
- financial companies	103,205	5,650	155,162	-
- insurance companies	35,460	-	34,297	-
- other entities	-	-	-	-
<b>2. Loans</b>	<b>677,129</b>	<b>29,614</b>	<b>532,264</b>	<b>49,699</b>
a) Governments	-	-	-	-
b) Other public institutions	-	-	-	-
c) Other issuers	677,129	29,614	532,264	49,699
- non-financial companies	188,274	23,052	165,164	42,119
- financial companies	99,392	479	76,170	776
- insurance companies	5,928	-	4,669	-
- other entities	383,535	6,083	286,261	6,804
<b>Total</b>	<b>816,774</b>	<b>35,264</b>	<b>733,471</b>	<b>49,699</b>

## SECTION 12 PROPERTY AND EQUIPMENT - ITEM 120

### 12.1 Property and equipment: breakdown of assets valued at cost

ASSETS/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>A. Operating assets</b>		
<b>1.1 Owned assets</b>	<b>4,758</b>	<b>5,815</b>
a) land	-	-
b) buildings	-	-
c) furniture	3,009	3,702
d) electronic equipment	310	400
e) other	1,439	1,713
<b>1.2 Leased assets</b>	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
<b>Total A</b>	<b>4,758</b>	<b>5,815</b>
<b>B. Assets held as investments</b>		
<b>2.1 Owned assets</b>	-	-
a) land	-	-
b) buildings	-	-
<b>2.2 Leased assets</b>	-	-
a) land	-	-
b) buildings	-	-
<b>Total B</b>	-	-
<b>Total (A + B)</b>	<b>4,758</b>	<b>5,815</b>



## 12.3 Operating assets: year changes

(€ thousand)	Land	Buildings	Furniture	Electronic equipment	Other	Total
<b>A. Gross amount at year-start</b>	-	-	14,496	2,881	6,640	24,017
A.1 Total net impairment	-	-	10,794	2,481	4,927	18,202
<b>A.2 Net amount at year-start</b>	-	-	3,702	400	1,713	5,815
<b>B. Increases:</b>	-	-	372	79	271	722
B.1 Purchases	-	-	372	79	271	722
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	-	-	-	-	-	-
B0.7 Other changes	-	-	-	-	-	-
of which business combination transactions	-	-	-	-	-	-
<b>C. Decreases:</b>	-	-	1,065	169	545	1,779
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	1,065	169	545	1,779
C.3 Adjustments for impairment in	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.4 Fair value negative changes in	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) P&L	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property and equipment held as investments	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C0.7 Other changes	-	-	-	-	-	-
of which business combination transactions	-	-	-	-	-	-
<b>D. Net amount at year-end</b>	-	-	3,009	310	1,439	4,758
D.1 Total net impairment	-	-	11,859	2,650	5,472	19,981
<b>D.2 Gross amount at year-end</b>	-	-	14,868	2,960	6,911	24,739
E. Valued at cost	-	-	3,009	310	1,439	4,758

## SECTION 13 INTANGIBLE ASSETS - ITEM 130

### 13.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES (€ thousand)	31.12.2010			31.12.2009		
	Durata definita	Durata indefinita	Totale	Durata definita	Durata indefinita	Totale
A.1 Goodwill		38,632	38,632		38,632	38,632
A.2 Other intangible assets	9,879	-	9,879	11,467	-	11,467
A.2.1 Assets valued at cost:	9,879	-	9,879	11,467	-	11,467
a) Internally generated intangible assets			-			-
b) Other assets	9,879	-	9,879	11,467	-	11,467
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets			-			-
b) Other assets	-	-	-	-	-	-
<b>Total</b>	<b>9,879</b>	<b>38,632</b>	<b>48,511</b>	<b>11,467</b>	<b>38,632</b>	<b>50,099</b>

### 13.2 Intangible assets: year changes

(€ thousand)	Goodwill	Other intangible assets internally generated		Other intangible assets Other		Total
		Specified maturity	Unspecified maturity	Specified maturity	Unspecified maturity	
<b>A. Amount at year-start</b>	<b>38,632</b>			<b>55,786</b>	-	<b>94,418</b>
A.1 Total net impairment	-	-	-	44,319	-	44,319
<b>A.2 Net amount at year-start</b>	<b>38,632</b>			<b>11,467</b>	-	<b>50,099</b>
<b>B. Increases</b>	-	-	-	<b>741</b>	-	<b>741</b>
B.1 Purchases	-	-	-	741	-	741
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	-	-	-	-	-	-
<i>of which business combination transactions</i>	-	-	-	-	-	-
<b>C. Decreases</b>	-	-	-	<b>2,329</b>	-	<b>2,329</b>
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	2,323	-	2,323
- Amortisation	-	-	-	2,323	-	2,323
- Write-downs	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
C.3 Fair value negative changes	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- P&L	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	6	-	6
<b>D. Amount at year-end</b>	<b>38,632</b>			<b>9,879</b>	-	<b>48,511</b>
D.1 Total net adjustments	-	-	-	46,642	-	46,642
<b>E Gross amount at year-end</b>	<b>38,632</b>			<b>56,521</b>		<b>95,153</b>
F. Valued at cost	38,632	-	-	9,879	-	48,511

### Breakdown of consolidated goodwill

(€ thousand)	31.12.2010	31.12.2009
Prime Consult Sim and Ina Sim	2,991	2,991
BG Fiduciaria SIM S.p.A.	4,289	4,289
Banca del Gottardo	31,352	31,352
<b>Total</b>	<b>38,632</b>	<b>38,632</b>

### Details of intangible assets - other assets

(€ thousand)	31.12.2010	31.12.2009
Charges associated with the implementation of legacy CSE procedures	2,819	3,304
Relations with customers	6,674	7,628
Commissions to be amortized	61	93
Other software costs	259	435
Other assets and assets under processing	66	7
<b>Total</b>	<b>9,879</b>	<b>11,467</b>

*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 respect to carrying value. Tests' execution procedures and results are analysed in greater detail in Part G of the Notes.*

## SECTION 14 TAX RECEIVABLES AND PAYABLES - ITEM 140 (ASSETS) AND ITEM 80 (LIABILITIES)

### Breakdown of item 140 (Assets): tax receivables

TYPE OF TRANSACTION/VALUES		
(€ thousand)	31,12,2010	31,12,2009
<b>Current taxation</b>	<b>27,401</b>	<b>27,405</b>
- Sums due for taxes to be refunded	115	1,012
- IRES arising on National Tax Consolidation	26,862	25,700
- IRES	-	115
- IRAP	424	578
<b>Deferred tax assets</b>	<b>43,639</b>	<b>22,804</b>
<b>With impact on profit and loss account</b>	<b>33,170</b>	<b>21,125</b>
- IRES	29,674	19,169
- IRAP	3,496	1,956
<b>With impact on net equity</b>	<b>10,469</b>	<b>1,679</b>
- IRES	9,122	1,433
- IRAP	1,347	246
<b>Total</b>	<b>71,040</b>	<b>50,209</b>

#### Notes

1. Current tax assets represent the net positive unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
2. In light of the participation of Banca Generali and BG SGR to the national tax consolidation of Assicurazioni Generali, payments on account, withholdings paid, and IRES taxable amounts (+/-) were conferred to, used and liquidated by the consolidating company. Current IRES tax assets are therefore a receivable from Assicurazioni Generali. The receivable includes 19,757 thousand euros for taxes paid by the consolidating company in favour of the merged company Banca BSI Italia and 2,251 thousand euros for the BG SGR's receivable.

### Breakdown of item 80 (liabilities): tax payables

TYPE OF TRANSACTION/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>Current taxation</b>	<b>17,079</b>	<b>11,369</b>
- IRES arising on National Tax Consolidation	-	45
- IRES	643	10
- IRAP	1,420	799
- Other direct taxes payable	14,376	10,515
- Sum due to the Treasury by way of substitute tax (1)	640	-
<b>Deferred tax payables</b>	<b>1,257</b>	<b>4,834</b>
<b>With impact on profit and loss account</b>	<b>1,136</b>	<b>3,509</b>
- IRES	1,081	3,126
- IRAP	55	383
<b>With impact on net equity</b>	<b>121</b>	<b>1,325</b>
- IRES	106	1,160
- IRAP	15	165
<b>Total</b>	<b>18,336</b>	<b>16,203</b>

(1) remaining instalment of the substitute tax on the redemption of the intangible asset pursuant to Article 176, paragraph 2-ter of TUIR, to be paid in 2011 and 2012.

## 14.1 Breakdown of deferred tax assets

(€ thousand)	31.12.2010	31.12.2009
<b>With impact on profit and loss account</b>	<b>33,170</b>	<b>21,125</b>
Previous fiscal losses (1)	1,096	-
Provisions for liabilities and contingencies	15,667	13,598
Write-down of securities in the trading portfolio before 2008	422	511
Write-down of securities in the AFS portfolio	886	375
Write-downs on debt securities	144	-
Credit devaluation	1,283	1,791
Redeemed goodwill (pursuant to art.15, para.10 of Leg. Decree 185/08)	9,845	-
Other goodwill	3,243	3,733
Other operating expenses	584	1,117
<b>With impact on net equity</b>	<b>10,469</b>	<b>1,679</b>
Measurement at fair value of AFS financial assets	10,469	1,679
<b>Total</b>	<b>43,639</b>	<b>22,804</b>

### Notes

(1) Prior fiscal losses refer to the tax benefit for taxable amounts not used within the national tax consolidation of Assicurazioni Generali at the presentation date of the tax return for 2009 (CNM form 2010), integrated with an estimate of the portion of such losses to be absorbed by the taxable amount for 2010 of the national tax consolidation.

## 14.2 Breakdown of deferred tax liabilities

(€ thousand)	31.12.2010	31.12.2009
<b>With impact on profit and loss account</b>	<b>1,136</b>	<b>3,509</b>
Capital gains by instalments	-	-
Intangible assets	-	2,430
Write-up of security portfolio and off-balance sheet transactions	-	-
Off-balance sheet provisions, adjustments and write-downs, off-balance sheet excluded	254	311
Provision for termination indemnity	381	330
Goodwill	501	438
<b>With impact on net equity</b>	<b>121</b>	<b>1,325</b>
Measurement at fair value of AFS financial assets	121	1,325
<b>Total</b>	<b>1,257</b>	<b>4,834</b>

## SECTION 14 TAX ASSETS AND LIABILITIES - ITEM 140 (ASSETS) AND ITEM 80 (LIABILITIES)

### 14.3 Change in deferred tax assets (offsetting entry to the profit and loss account)

(€ thousand)	31.12.2010	31.12.2009
<b>1. Amount at year-start</b>	<b>21,125</b>	<b>30,358</b>
<b>2. Increases</b>	<b>19,150</b>	<b>7,627</b>
2.1 Deferred tax assets for the period	18,054	7,564
a) relative to prior years	191	231
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	17,863	7,333
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	1,096	63
of which other	-	63
di cui rettifica imposte anticipate al consolidato fiscale	1,096	-
of which business combinations	-	-
<b>3. Decreases</b>	<b>7,105</b>	<b>16,860</b>
3.1 Deferred tax assets eliminated in the year	7,105	12,053
a) transfers	6,701	9,233
b) write-downs for non-recoverability	404	2,820
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	201
3.3 Other decreases	-	4,606
of which other	-	10
of which business combinations	-	-
of which reclassified to assets for the Tax Consolidation	-	4,596
<b>4. Amount at year-end</b>	<b>33,170</b>	<b>21,125</b>

#### Notes

1. The difference between the change of deferred tax assets in the P&L (10,945 thousand euros) and the overall change in the balance sheet (12,045 thousand euros) is mainly attributable to the adjustment of tax losses contributed for the national tax consolidation.

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

(€ thousand)	31.12.2010	31.12.2009
<b>1. Amount at year-start</b>	<b>3,509</b>	<b>3,926</b>
<b>2. Increases</b>	<b>77</b>	<b>101</b>
2.1 Deferred tax liabilities for the year	77	65
a) relative to prior years	12	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	65	65
2.2 New taxes or increases in tax rates	-	36
2.3 Other increases	-	-
of which business combinations	-	-
<b>3. Decreases</b>	<b>2,450</b>	<b>518</b>
3.1 Deferred tax liabilities eliminated during the year	2,450	511
a) transfers	19	306
b) change in accounting criteria	-	-
c) other	2,431	205
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	7
of which business combinations	-	-
<b>4. Amount at year-end</b>	<b>1,136</b>	<b>3,509</b>

### Notes

- The amount 3.1 c) is made up of deferred taxes allocated by the merged company Banca BSI Italia and then eliminated following the exercise of the option for the redemption of the intangible asset of former Banca Del Gottardo, pursuant to article 176, paragraph 2-ter of TUIR

## SECTION 14 TAX ASSETS AND LIABILITIES - ITEM 140 (ASSETS) AND ITEM 80 (LIABILITIES)

### 14.5 Changes in deferred tax assets (offsetting entry to the net equity)

(€ thousand)	31.12.2010	31.12.2009
<b>1. Amount at year-start</b>	<b>1,679</b>	<b>3,655</b>
<b>2. Increases</b>	<b>10,045</b>	<b>84</b>
2.1 Deferred tax assets for the year	10,045	84
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	10,045	84
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>1,255</b>	<b>2,060</b>
3.1 Deferred tax assets eliminated in the year	1,255	2,060
a) transfers	1,255	2,060
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Amount at year-end</b>	<b>10,469</b>	<b>1,679</b>

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

(€ thousand)	31.12.2010	31.12.2009
<b>1. Amount at year-start</b>	<b>1,325</b>	<b>1,041</b>
<b>2. Increases</b>	<b>-</b>	<b>1,268</b>
2.1 Deferred tax liabilities for the year	-	1,268
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	-	1,268
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>1,204</b>	<b>984</b>
3.1 Deferred tax liabilities eliminated during the year	1,204	984
a) transfers	1,204	984
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>121</b>	<b>1,325</b>



## SECTION 16

### OTHER ASSETS - ITEM 160

#### 16.1 Breakdown of other assets

(€ thousand)	31.12.2010	31.12.2009
<b>Fiscal items</b>	<b>17,051</b>	<b>20,459</b>
Sums due from fiscal authorities for taxes to be refunded - other	177	196
Advances paid to fiscal authorities - current account withholdings (1)	10,008	12,267
Advances paid to fiscal authorities - stamp duty	6,234	7,875
Excess payment of substitute tax for tax shield	375	-
Other sums due from fiscal authorities	257	121
<b>Leasehold improvements</b>	<b>1,172</b>	<b>1,546</b>
<b>Sundry advances to suppliers and employees</b>	<b>5,897</b>	<b>7,507</b>
<b>Operating receivables other than related to financial transactions</b>	<b>600</b>	<b>488</b>
<b>Cheques under processing</b>	<b>12,765</b>	<b>13,766</b>
C/a cheques drawn on third parties under processing	5,110	2,926
Our c/a cheques under processing c/o service	7,620	10,806
Cheques - other amounts under processing	35	34
<b>Other amounts to be debited under processing</b>	<b>11,246</b>	<b>11,214</b>
Amounts to be settled in the clearing house (debits)	2,620	2,293
Clearing accounts for securities and funds procedure	8,049	7,137
Other amounts to be debited under processing	577	1,784
<b>Amounts receivable for legal disputes related to non-credit transactions</b>	<b>5,320</b>	<b>5,242</b>
<b>Other amounts</b>	<b>32,595</b>	<b>21,505</b>
Due from Assicurazioni Generali for claims to be settled	1,190	4,984
Amounts to be debited	2,916	3,103
Other accrued income and deferred charges	28,033	13,290
Sundry amounts	456	128
<b>Total</b>	<b>86,646</b>	<b>81,727</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 TRANSACTION/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>1. Due to central banks</b>	-	-
<b>2. Due to banks</b>	<b>450,431</b>	<b>148,114</b>
2.1 Current accounts and demand deposits	35,873	64,874
2.2 Term deposits	9,391	42,739
2.3 Loans	382,950	40,074
2.3.1 Repurchase agreements	382,950	40,074
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	22,217	427
<b>Total</b>	<b>450,431</b>	<b>148,114</b>
<b>Fair value</b>	<b>450,431</b>	<b>148,114</b>

#### Notes

1. Other liabilities refers to deposits made by BSI SA as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

## SECTION 2 DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: categories

TYPE OF TRANSACTION/VALUES		
(€ thousand)	31.12.2010	31.12.2009
1. Current accounts and demand deposits	2,661,113	3,148,729
2. Term deposits	78,400	-
3. Loans	107,881	147,090
2.3.1 Repurchase agreements	67,469	106,703
3.3.2 Other	40,412	40,387
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	63,295	71,825
<b>Total</b>	<b>2,910,689</b>	<b>3,367,644</b>
<b>Fair value</b>	<b>2,910,689</b>	<b>3,367,644</b>

#### Notes

1. Item 5 Other liabilities refers for 39,944 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.

## 2.2 Due to customers: subordinated debts

TIPOLOGIA OPERAZIONI/VALORI		
(€ thousand)	31.12.2010	31.12.2009
<b>Due to customers: subordinated debts</b>	<b>40,412</b>	<b>40,387</b>
Generali Versicherung subordinated loan	40,412	40,387

The item 3.2. "Other loans" include a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung AG under the contractual form known as *Schuldschein* (loan), with a repayment schedule that calls for five annual instalments beginning on 1 October 2011 and an interest rate equal to the 12-month Euribor plus 225 basis points. The loan is subordinated in the event of a default by the bank.

## SECTION 3 SECURITIES ISSUED - ITEM 30

### 3.1 Securities issued: categories

TYPE OF SECURITY/VALUES	31.12.2010				31.12.2009			
	FV				FV			
(€ thousand)	Book value	L1	L2	L3	Book value	L1	L2	L3
<b>A. Securities</b>	<b>189</b>	-	<b>189</b>		<b>757</b>	-	<b>757</b>	
1. bonds	-	-			-	-		
1.1 structured	-	-			-	-		
1.2 other	-	-			-	-		
2. other securities	189	-	189		757	-	757	
2.1 structured	-	-			-	-		
2.2 other	189	-	189		757	-	757	
<b>Total</b>	<b>189</b>	-	<b>189</b>		<b>757</b>	-	<b>757</b>	-

#### Notes

1. Securities issued refer solely to certificates of deposit issued. There were no extant certificates of deposit in foreign currencies guaranteed by DCS (Domestic currency swaps).

## SECTION 4 FINANCIAL LIABILITIES HELD FOR TRADING — ITEM 40

### 4.1 Financial liabilities held for trading: categories

TYPE OF TRANSACTION/VALUES	31.12.2010					31.12.2009				
		FV			FV*	VN	FV			FV*
(€ thousand)	VN	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>										
<b>1. Financial</b>		-	<b>6,502</b>	-			-	<b>494</b>	-	
1.1 Trading	X	-	6,502			X	X	494		X
1.2 Related to the fair value option	X	-	-			X	X	-		X
1.3 Other	X		-				X	-		
<b>2. Credit</b>		-	-	-			-	-	-	
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>	<b>X</b>	-	<b>6,502</b>	-		<b>X</b>	-	<b>494</b>	-	
<b>Total (A+B)</b>	<b>X</b>	-	<b>6,502</b>	-		<b>X</b>	-	<b>494</b>	-	

(\*) FV\* fair value measured without taking account of issuer's credit merit changes compared to issue date.

## SECTION 8

### TAX LIABILITIES — ITEM 80

#### Breakdown of tax liabilities - item 80

Section 14 (Assets) provides a breakdown.

## SECTION 10

### OTHER LIABILITIES — ITEM 100

#### 10.1 Breakdown of other liabilities

(€ thousand)	31.12.2010	31.12.2009
<b>Trade payables</b>	<b>18,860</b>	<b>25,230</b>
Due to suppliers	14,039	21,613
Due for payments on behalf of third parties	4,821	3,617
<b>Due to staff and social security institutions</b>	<b>15,721</b>	<b>18,171</b>
Due to staff for accrued holidays etc.	3,467	2,991
Due to staff for productivity bonuses to be paid out (2)	8,302	11,468
Contributions to be paid to social security institutions	2,116	2,102
Contributions to advisors to be paid to Enasarco	1,836	1,610
<b>Tax authorities</b>	<b>12,372</b>	<b>13,257</b>
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	1,273	979
Withholding taxes to be paid to tax authorities on behalf of customers	10,156	10,133
Notes to be paid in to collection services	852	2,002
VAT payables	91	143
<b>Third-party assets available for customers (1)</b>	<b>4</b>	<b>6,622</b>
Sums made available to customers	4	6,006
Sums to be paid to Genertellife	-	616
<b>Amounts to be debited under processing</b>	<b>31,693</b>	<b>71,197</b>
Bank transfers, cheques and other sums payable	4,662	13,716
Amounts to be settled in the clearing house (credits)	10,770	27,876
Liabilities from reclassification of portfolio subject to collection (SBF)	1,083	6,006
Other amounts to be debited under processing	15,178	23,599
<b>Sundry items</b>	<b>4,113</b>	<b>1,661</b>
Accrued expenses and deferred income that cannot be traced back to specific items	146	113
Sundry items	3,693	891
Amounts to be credited	274	657
<b>Total</b>	<b>82,763</b>	<b>136,138</b>

#### Notes

1. Sums made available to customers for cheques, wire transfers, parking accounts, temporary accounts and interest to be credited to customers have been reclassified among payables to customers.
2. Amounts due to employees for production bonuses to be paid out in the following year refer to the portion of variable compensation to be paid to managers and employees for which there are legal obligations that can be reliably estimated, e.g. CIA-related bonuses, managerial bonuses linked to balance scorecards (MBOs) and contractually agreed upon incentive plans for sales personnel.

## SECTION 11

### PROVISIONS FOR TERMINATION INDEMNITY — ITEM 110

#### 11.1 Provisions for termination indemnity: year changes

(€ thousand)	31.12.2010	31.12.2009
<b>A. Amount at year-start</b>	<b>4,285</b>	<b>5,048</b>
<b>B. Increases</b>	<b>965</b>	<b>440</b>
B.1 Provisions for the year	748	230
B.2 Other increases	217	210
of which business combination transactions	-	195
<b>C. Decreases</b>	<b>905</b>	<b>1,203</b>
C.1 Amounts paid	666	778
C.2 Other decreases	239	425
of which business combination transactions	-	195
<b>D. Amount at year-end</b>	<b>4,345</b>	<b>4,285</b>

#### 11.2 Other information

The amount of termination indemnity can be considered as a non financial defined benefit plans after the termination of employment, in accordance with IAS 19.

The fund was measured based on the actuarial value using the methods described in Part A.2 of the Notes..

(€ thousand)	31.12.2010
Current service cost	89
Interest cost	161
Curtailement effect	-
Actuarial gains & losses	498
(Corridor method)	
<b>Total provisions for the financial year</b>	<b>748</b>
Book value	4,345
Actuarial gains & losses not recognised	455
(Corridor method)	
<b>Actuarial value</b>	<b>4,800</b>
<b>Value calculated Re. art. 2120 of the Italian Civil Code</b>	<b>5,838</b>

## SECTION 12

### PROVISIONS FOR LIABILITIES AND CONTINGENCIES — ITEM 120

#### 12.1 Provisions for liabilities and contingencies: breakdown

ITEMS/COMPONENTS	31.12.2010	31.12.2009
(€ thousand)		
<b>1. Company provisions for pensions</b>	-	-
<b>2. Provisions for liabilities and contingencies</b>	<b>53,414</b>	<b>46,000</b>
2.1 litigation	9,496	8,768
2.2 staff	7,086	4,054
2.3 other	36,832	33,178
<b>Total</b>	<b>53,414</b>	<b>46,000</b>

#### Breakdown of provisions for liabilities and contingencies

(€ thousand)	31.12.2010	31.12.2009
<b>Provision for staff expenses</b>	<b>7,086</b>	<b>4,054</b>
<b>Provision for legal disputes</b>	<b>9,496</b>	<b>8,768</b>
Provision for risks related to litigations connected with advisors' embezzlements	4,862	5,395
Provision for risks related to legal disputes with advisors	1,130	813
Provision for risks related to legal disputes with staff	774	893
Provision for other legal disputes	2,730	1,667
<b>Provision for termination indemnity of advisors</b>	<b>11,717</b>	<b>6,820</b>
<b>Provisions for risks related to network incentives</b>	<b>24,794</b>	<b>26,358</b>
Provision for network development incentives	22,025	24,917
Provisions for manager incentives with access gate	1,083	-
Provision for commissions - travel incentives and tenders	1,500	947
Provision for commissions - other	67	390
Provision for loyalty bonuses	119	104
<b>Other provisions for liabilities and contingencies</b>	<b>321</b>	<b>-</b>
<b>Total</b>	<b>53,414</b>	<b>46,000</b>

## SECTION 12

### PROVISIONS FOR LIABILITIES AND CONTINGENCIES — ITEM 120

#### 12.2 Provisions for liabilities and contingencies: year changes

ITEMS/COMPONENTS			
(€ thousand)	Provisions for pensions	Other provisions	Total
<b>A. Amount at year-start</b>	-	<b>46,000</b>	<b>46,000</b>
<b>B. Increases</b>	-	<b>23,264</b>	<b>23,264</b>
B.1 Provisions for the year	-	23,264	23,264
B.2 Other increases	-	-	-
<b>C. Decreases</b>	-	<b>15,850</b>	<b>15,850</b>
C.1 Use in the year	-	12,453	12,453
C.2 Other decreases	-	3,397	3,397
<b>D. Amount at year-end</b>	-	<b>53,414</b>	<b>53,414</b>

#### Provisions for liabilities and contingencies - details of movements

(€ thousand)	31.12.2009	Uses	Surplus	Other Change	Provisions	31.12.2010
<b>Provision for staff expenses</b>	<b>4,054</b>	<b>-1,089</b>	<b>-1,916</b>	-	<b>6,037</b>	<b>7,086</b>
<b>Provision for legal disputes</b>	<b>8,768</b>	<b>-2,495</b>	<b>-73</b>	-	<b>3,296</b>	<b>9,496</b>
Provision for risks related to litigations connected with advisors' embezzlements	5,395	-2,023	-24	-60	1,574	4,862
Provision for risks related to legal disputes with advisors	813	-175	-4	-6	502	1,130
Provision for risks related to legal disputes with staff	893	-90	-	-79	50	774
Provision for other legal disputes	1,667	-207	-45	145	1,170	2,730
<b>Provision for termination indemnity of advisors</b>	<b>6,820</b>	<b>-409</b>	<b>-76</b>	<b>-240</b>	<b>5,622</b>	<b>11,717</b>
<b>Provisions for risks related to network incentives</b>	<b>26,358</b>	<b>-8,460</b>	<b>-1,092</b>	-	<b>7,988</b>	<b>24,794</b>
Provision for risks related to network development incentives	24,917	-7,054	-1,081	-	5,243	22,025
Provisions for managers with access gate	-	-	-	-	1,083	1,083
Provision for commissions - travel incentives and tenders	947	-947	-	-	1,500	1,500
Provision for risks related to incentive plans	390	-390	-	-	67	67
Provision for loyalty bonuses	104	-69	-11	-	95	119
<b>Other provisions for liabilities and contingencies</b>	-	-	-	-	<b>321</b>	<b>321</b>
<b>Total</b>	<b>46,000</b>	<b>-12,453</b>	<b>-3,157</b>	<b>-240</b>	<b>23,264</b>	<b>53,414</b>

#### 12.4 Provisions for liabilities and contingencies — other provisions — details

##### Provision for staff expenses

These provisions include the following amounts:

- variable remuneration of managers accrued in the year, with payment postponed after the following year, subject to satisfaction of specific conditions.
- Such aggregate includes a portion of the variable remuneration of the banking group's managers

characterised by a 2-year deferment and subject to the achievement of the access gate envisaged by the new remuneration policy adopted by the banking group and the new three-year loyalty-building program targeted to top managers of the Assicurazioni Generali group (long term care).

- Other provisions aimed at sustaining the plan for



staff leaving incentives promoted after the merger of Banca BSI Italia, non-contractual incentives and other charges tied to the level of personnel for whom at the moment it is deemed that the other conditions envisaged by IAS 19 are not present.

### **Provisions for legal disputes**

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

### **Provisions for advisors' termination indemnity**

These provisions include additional allowances for sales network customers and the portfolio overvaluation allowance, paid at certain conditions depending on the size of the portfolio managed at the date of severance. Following the implementation of procedures during the year and the clarification provided by the Bank of Italy's notice of 4 August 2010, Banca Generali perfected the process of detection of potential liabilities linked to portfolio valorization, by adopting a statistical-actuarial method.

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

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

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in the company for one or more years (up to 5 or 7 years).

This amount includes also allocations for performance-based incentive programmes, including the "BG Premier Club Trip", and for other commission plans (supplementary allowances, stabilisers, objective-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuing employment in the network or the achievement of sales objectives.

### **Tax Dispute**

The tax audit of the parent company, Banca Generali, regarding fiscal year 2007 and launched in late 2009 under the new "tax tutoring" measure for large enterprises was completed in May 2010.

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

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

## 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	111,362,750	111,362,750	111,363
<b>Treasury shares</b>				
- ordinary shares	1.00	-70,071	-70,071	-660
		<b>111,292,679</b>	<b>111,292,679</b>	<b>110,703</b>

#### 15.2 Capital - No. of Shares: year changes

ITEMS/TYPE	Ordinary	Other
<b>A. Existing shares at year-start</b>	<b>111,313,176</b>	-
- paid up	111,313,176	-
- partially paid	-	-
A.1 Treasury shares (-)	-459,667	-
<b>A.2 Outstanding shares: at year start</b>	<b>110,853,509</b>	-
<b>B. Increases</b>	<b>439,170</b>	-
B.1 Newly issued shares		
- against payment:	49,574	-
- business combination transactions	-	-
- bonds conversion	-	-
- exercise of warrant	49,574	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	389,596	-
B0.3 Other changes	-	-
<b>C. Decreases</b>	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C0.4 Other changes	-	-
<b>D. Outstanding shares: at year-end</b>	<b>111,292,679</b>	-
D.1 Treasury shares (+)	70,071	-
<b>D.2 Existing shares at year-end</b>	<b>111,362,750</b>	-
- paid up	111,362,750	-
- partially paid	-	-

### 15.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 111,362,750 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

During the year the company also allotted to the CEO the whole tranche of the shares for the stock granting plan for No. 389,596 shares having a total carrying value of 3,810 thousand euros.

During the year, as a result of the exercise of options within the stock option plan reserved for financial advisors, 49,574 newly issued shares were issued, for a total of 50 thousand euros.

### 15.4 Income reserves: further information

	31.12.2009	Allocation of profit distrib. of dividends	Merger Bank BSI	Replenishment of deficit from BSI merger	Purchase of treasury shares	Sale of treasury shares	Issue of treasury shares	Other changes	31.12.2010
Legal reserve	17,472	4,791		-	-	-	-	-	22,263
Unavailable reserve for treasury shares	4,471	-		-	-	-3,810	-	-1	660
Unavailable reserve for shares of the parent company	1,364	-		-	-	-	-	91	1,455
Available reserve	-			-	-	-	-	-	-
Extraordinary reserve	4,426	-		-8,388	-	3,810	-	152	-
Contribution to stock grant AG	786		-61	-649		-	-	-	76
Merger surplus - Prime S.p.A.	10,690	-		-10,690	-	-	-	-	-
Merger surplus - Altinia S.p.A.	65	-		-65	-	-	-	-	-
Reserve for merger of Banca BSI			-52,238	52,238					-
Reserve for acquisition of Banca BSI Italia, Banca Del Gottardo Italia	-930	-	930	-	-	-	-	-	-
Reserve from the disposal of the equity investment in Simgenia	8,971			-8,971		-	-	-	-
Share-based payments reserve (IFRS2)	11,723	-		-	-	-3,117	-123	-14	8,469
Reserve from first-time application	2,995	-		-2,995	-	-	-	-	-
Reserve from income (loss) carried forward	4,789	-189		1,219				-91	5,728
Reserve from income (loss) carried forward - consolidated	6,423	8,725	51,369	382	-	-	-	-150	66,749
<b>Total</b>	<b>73,245</b>	<b>13,327</b>	<b>-</b>	<b>22,081</b>	<b>-</b>	<b>-3,117</b>	<b>-123</b>	<b>-13</b>	<b>105,400</b>

## SECTION 16 - MINORITY INTERESTS- ITEM 210

(€ thousand)	31,12,2010	31,12,2009
Share capital	2,129	1,922
2, Additional paid-in capital	-	-
3, Reserves	348	207
4, (Treasury shares)	-	-
5, Valuation reserves	-	-
6, Equity instruments	-	-
7, Net profit (loss) for the period of Minority Interests	4,144	2,347
<b>Total net equity</b>	<b>6,621</b>	<b>4,476</b>

Minority Interests only refers to minority interests in the share capital of Generali Fund Management (GFM) and is made up of class B shares held by the minority shareholder,

the merger reserve arising on the merger of Generali Investment Luxembourg (GIL), and the portion of net profit attributable to said interests.

# PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

## OTHER INFORMATION

### 1. Guarantees issued and commitments

TRANSACTION	31.12.2010	31.12.2009
(€ thousand)		
<b>1) Financial guarantees issued</b>	<b>16,186</b>	<b>20,949</b>
a) Banks	3,999	5,326
b) Customers	12,187	15,623
<b>2) Commercial guarantees issued</b>	<b>12,783</b>	<b>16,106</b>
a) Banks	-	-
b) Customers	12,783	16,106
<b>3) Irrevocable commitment to dispense funds</b>	<b>85,861</b>	<b>3,234</b>
<b>a) Banks</b>	<b>84,642</b>	<b>1,570</b>
i) of certain use	49,695	1,570
ii) of uncertain use	34,947	-
<b>b) Customers</b>	<b>1,219</b>	<b>1,664</b>
i) of certain use	-	264
ii) of uncertain use	1,219	1,400
4) Underlying commitments to credit derivatives: hedging sales	-	-
5) Assets pledged as collateral of third-party obligations	-	-
6) Other commitments	-	-
<i>of which securities receivable for put option issued</i>	-	-
<b>Total</b>	<b>114,830</b>	<b>40,289</b>

1. Financial guarantees to banks includes the commitment to FITD (interbank deposit protection fund) amounting to 3,999 thousand euros.

2. Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.

3. Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.

4. Commitments with uncertain use towards banks refers to the available margin of the loan granted to the Austrian subsidiary Generali Bank for interbank lending transactions.

### 2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	31.12.2010	31.12.2009
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	382,381	218,323
4. Held-to-maturity financial assets	61,585	14,571
5. Loans to banks	5,161	-
6. Loans to customers	-	-
7. Property and equipment	-	-
8. Intangible assets	-	-
<b>Total</b>	<b>449,127</b>	<b>232,894</b>

Financial assets pledged as collateral for own liabilities and commitment refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and the remainder as collateral for daily margins due to Italian stock Exchange.

## OTHER INFORMATION

### 5. Management and trading on behalf of third parties

TYPE OF SERVICE	31.12.2010	31.12.2009
<b>1. Execution of orders on behalf of clients</b>		
a) Purchases	9,985,042	4,338,102
1. settled	9,943,403	4,315,186
2. to be settled	41,639	22,916
b) sales	11,268,409	4,615,606
1. settled	11,205,415	4,587,549
2. to be settled	62,994	28,057
<b>2. Discretionary accounts (1)</b>	<b>14,779,612</b>	<b>13,900,394</b>
a) individual	3,483,170	3,085,272
b) collective	11,296,442	10,815,122

#### Notes

1. The item "Discretionary accounts" refers to the overall amount, at market value, of assets under custody and administration on behalf of third parties, that include individual (GPM/GPF) and collective (Funds, Sicav) asset management. The figure referring to individual management does not include 75,247 thousand euros of liquidity.

2. The figure referring to collective management does not include 1,045 thousand euros of funds included in Group individual discretionary accounts GPM/GPF.

<b>3. Custody and administration of securities</b>	<b>26,998,853</b>	<b>13,249,864</b>
(Excluding asset management)		
a) Third-party securities held in deposit:		
related to services provided as depository bank	-	-
1. Issued by companies making up the reporting entity	-	-
2. Other	-	-
b) Other third-party securities held in deposit: other	11,065,267	4,841,875
1. Issued by companies making up the reporting entity	38,826	44,489
2. Other	11,026,441	4,797,386
c) Third-party securities deposited with third parties	13,286,611	5,681,062
d) Portfolio securities deposited with third parties	2,646,975	2,726,927
<b>4. Other transactions</b>		

Securities under custody and administration are recognised at nominal value,

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

## SECTION 1 INTERESTS - ITEMS 10 AND 20

### 1.1 Breakdown of interest income and similar revenues

(€ thousand)	Debt securities	Financing	Other	31.12.2010	31.12.2009
1. Financial assets held for trading				4,273	8,286
2. Financial assets at fair value				-	-
3. Available-for-sale financial assets	20,066	-	-	20,066	21,087
4. Held-to-maturity financial assets	13,848	-	-	13,848	16,641
5. Loans to banks	2,979	1,973	-	4,952	9,239
6. Loans to customers	2,028	11,234	-	13,262	19,744
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	5	5	41
<b>Total</b>	<b>43,194</b>	<b>13,207</b>	<b>5</b>	<b>56,406</b>	<b>75,038</b>

1, Loans to customers - Financing includes 1,119 thousand euros (1,132 thousand euros at 31 December 2009) for the return on the capitalisation policy Gesav,

### 1.3 Breakdown of interest income and similar charges: further information

(€ thousand)	31.12.2010	31.12.2009
1.3.1 Interest income on financial assets in foreign currencies	275	1,435
1.3.2 Interest income on finance lease transactions	-	-
1.3.3 Interest income on third-party funds under administration	-	-
<b>Total</b>	<b>275</b>	<b>1,435</b>

### 1.4 Breakdown of interest expense and similar charges

(€ thousand)	Debts	Securities	Other transactions	31.12.2010	31.12.2009
1. Due to central banks	-	-	-	-	-
2. Due to banks	2,838	-	-	2,838	749
3. Due to customers	10,236	-	-	10,236	24,073
4. Securities issued	-	7	-	7	51
5. Financial liabilities from trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	76	76	-
8. Hedging derivatives	-	-	-	-	896
<b>Total</b>	<b>13,074</b>	<b>7</b>	<b>76</b>	<b>13,157</b>	<b>25,769</b>

## 1.5 Breakdown of interest expense and similar charges: hedging differentials

(€ thousand)	31.12.2010	31.12.2009
<b>A. Hedging gains:</b>		
A.1 Micro hedges for the fair value of assets		
A.2 Micro hedges for the fair value of liabilities		
A.3 Macro hedges for interest rate risk		
A.4 Micro hedges for asset cash flows		
A.5 Micro hedges for liabilities cash flows		
A.6 Macro hedges for financial cash flows		
<b>Total hedging gains (A)</b>		
<b>B. Hedging losses:</b>		
B.1 Micro hedges for the fair value of assets		
B.2 Micro hedges for the fair value of liabilities		896
B.3 Macro hedges for interest rate risk		
B.4 Micro hedges of asset cash flows		
B.5 Micro hedges for liabilities cash flows		
B.6 Macro hedges for financial cash flows		
<b>Total hedging losses (B)</b>	-	<b>896</b>
<b>Total (A-B)</b>	-	<b>896</b>

## 1.6 Breakdown of interest expense and similar charges: further information

(€ thousand)	31.12.2010	31.12.2009
1.6.1 Interest expense on financial assets in foreign currencies	748	205
1.6.2 Interest expense on finance lease liabilities	76	-
1.6.3 Interest expense on third-party funds under administration	-	-
<b>Total</b>	<b>824</b>	<b>205</b>



## SECTION 2 COMMISSIONS - ITEMS 40 AND 50

### 2.1 Breakdown of commission income

(€ thousand)	31.12.2010	31.12.2009
a) Guarantees issued	141	165
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	366,585	311,397
1) Trading of financial instruments	17,024	4,480
2. Currency trading	24	23
3. Asset management	239,221	194,910
3.1. Individual	38,310	25,565
3.2. Collective	200,911	169,345
4. Custody and administration of securities	2,894	1,004
5. Depository bank	-	-
6. Placement of securities	36,105	48,786
7. Order collection	12,641	17,672
8. Consultancy activities	64	-
9. Distribution of third-party services	58,612	44,522
9.1. Asset management	345	905
9.1.1. Individual	50	657
9.1.2 Collective	295	248
9.2. Insurance products	56,432	40,946
9.3. Other products	1,835	2,671
d) Collection and payment services	2,069	2,201
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	3,032	2,772
j) Other services	1,542	1,731
<b>Total</b>	<b>373,369</b>	<b>318,266</b>

### 2.2 Breakdown of commission expense

(€ thousand)	31.12.2010	31.12.2009
a) Guarantees received	313	747
b) Credit derivatives	-	-
c) Management and brokerage services:	172,995	130,500
1. Trading of financial instruments	7,360	4,659
2. Currency trading	-	-
3. Asset management:	13,195	5,792
3.1 Own portfolio	13,195	5,792
3.2 Third party portfolio	-	-
4. Custody and administration of securities	315	945
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	152,125	119,104
d) Collection and payment services	853	586
e) Other services	1,229	1,704
<b>Total</b>	<b>175,390</b>	<b>133,537</b>

## SECTION 3 DIVIDENDS AND SIMILAR INCOME - ITEM 70

### 3.1 Breakdown of dividends and similar income

(€ thousand)	31.12.2010		31.12.2009	
	Dividends	Proceeds from UCIT units	Dividends	Proceeds from UCIT units
A. Financial assets held for trading	73,430	38	73,259	49
B. Available-for-sale financial assets	522	-	558	-
C. Financial assets measured at fair value	-	-	-	-
D. Shareholdings	-	X	-	X
<b>Total</b>	<b>73,952</b>	<b>38</b>	<b>73,817</b>	<b>49</b>

The dividends on financial assets held for trading refer to 73,375 thousand euros in total return swap transactions,

## SECTION 4 NET PROFIT FROM TRADING - ITEM 80

### 4.1 Breakdown of net income from trading

TRANSACTIONS/INCOME COMPONENTS (€ thousand)	Capital gains	Income from trading	Capital loss	Loss from trading	Net result	
					31.12.2010	31.12.2009
<b>1. Financial assets</b>	<b>505</b>	<b>12,861</b>	<b>1,485</b>	<b>126,794</b>	<b>-114,913</b>	<b>-47,265</b>
1.1 Debt securities	160	1,666	1,108	1,224	-506	2,610
1.2. Equity securities	33	10,765	278	125,496	-114,976	-50,362
1.3. UCIT units	312	430	99	74	569	487
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
<b>2. Financial liabilities from trading</b>	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>3. Other financial assets and liabilities: exchange gains and losses</b>	-	<b>1,706</b>	-	-	<b>1,706</b>	<b>700</b>
<b>4. Derivatives</b>	-	<b>62,431</b>	<b>1,060</b>	<b>19,182</b>	<b>42,189</b>	<b>-21,833</b>
4.1 Financial derivatives:	-	62,431	1,060	19,182	42,189	-21,833
- <b>on debt securities and interest rates</b>	-	<b>550</b>	<b>1,031</b>	<b>1,641</b>	<b>-2,122</b>	<b>-2,385</b>
Interest rate swaps	-	368	647	525	-804	-1,196
swap assets	-	182	384	1,116	-1,318	-1,189
- <b>on equity securities and stock indexes</b>	-	<b>55,059</b>	<b>29</b>	<b>13,547</b>	<b>41,483</b>	-
options	-	36	29	582	-575	-
futures (1)	-	55,023	-	12,965	42,058	-
- <b>on currency and gold (2)</b>	-	<b>262</b>	-	-	<b>262</b>	<b>-6</b>
- <b>other</b>	-	<b>6,560</b>	-	<b>3,994</b>	<b>2,566</b>	<b>-19,442</b>
Total return swaps (1)	-	6,560	-	3,994	2,566	-19,442
4.2 Credit derivatives	-	-	-	-	-	-
<b>Total</b>	<b>505</b>	<b>76,998</b>	<b>2,545</b>	<b>145,976</b>	<b>-71,018</b>	<b>-68,398</b>

#### Notes

(1) Complex derivatives pertaining to equity swap transactions.

(2) It includes currency options and currency outrights.

## SECTION 6 GAIN (LOSS) FROM TRANSFER/REPURCHASE - ITEM 100

### 6.1 Breakdown of gain (loss) from transfer/repurchase

(€ thousand)	31,12,2010			31,12,2009		
	Gains	Losses	Net result	Gains	Losses	Net result
<b>Financial assets</b>						
1. Loans to banks	1,966	6	1,960	569	24	545
2. Loans to customers	1,398	19	1,379	739	1,886	-1,147
3. Available-for-sale financial assets (1)	12,071	5,177	6,894	19,059	2,927	16,132
3.1 Debt securities	11,981	5,157	6,824	19,005	2,537	16,468
3.2. Equity securities	90	20	70	54	390	-336
3.3. UCIT units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	269	314	-45	1	-	1
<b>Total assets</b>	<b>15,704</b>	<b>5,516</b>	<b>10,188</b>	<b>20,368</b>	<b>4,837</b>	<b>15,531</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>

(1) Equity reserves transferred back to the profit and loss account are illustrated in the following table,

(€ thousand)	Positive	Negative	Net
Debt securities	3,056	-1,084	1,972
Equity securities	83	-	83
<b>Total</b>	<b>3,139</b>	<b>-1,084</b>	<b>2,055</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				Adjustments				31.12.2010	31.12.2009
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Other		from interest	other reversals	from interest	other reversals			
(€ thousand)										
A. Loans to banks	-	-	219	-	-	-	-	-219	28	
- Loans								-	-	
- Debt securities			219					-219	28	
B. Loans to customers	3	1,861	444	553	55	-	-	-1,700	-3,369	
- Loans	-	7	333	553	37			250	-151	
- Operating loans	3	1,307			18			-1,292	-1,150	
- Debt securities		547	111					-658	-2,068	
<b>C. Total</b>	<b>3</b>	<b>1,861</b>	<b>663</b>	<b>553</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-1,919</b>	<b>-3,341</b>	

Specific adjustments on debt securities refer to impairment test of four positions of ABSs (asset backed securities) allocated among "Loans to costumers". Three positions were written down at 31 December 2009.

Portfolio adjustments on debt securities classified under "Loans to customers" and "Loans to banks" amounted to 330 thousand euros and refers to the adjustments of the collective reserves allocated to account for potential impairment on the corporate bond and ABS securities portfolios.

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

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

TRANSACTIONS/INCOME COMPONENTS	Adjustments				Adjustments				31.12.2010	31.12.2009
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Other		from interest	other reversals	from interest	other reversals			
(€ thousand)										
A. Debt securities	-	-	-	-	-	-	-	-	-859	
B. Equity securities	-	1,625	-	-	-	-	-	-1,625	-3,363	
C. UCIT units										
C.Loans to banks	-	-	-	-	-	-	-	-	-	
D. Loans to customers	-	-	-	-	-	-	-	-	-	
<b>F. Total</b>	<b>-</b>	<b>1,625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,625</b>	<b>-4,222</b>	

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

TRANSACTIONS/INCOME COMPONENTS	Adjustments				Adjustments				31.12.2010	31.12.2009
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Other		from interest	other reversals	from interest	other reversals			
(€ thousand)										
A. Debt securities	-	-	765	-	-	-	-	-765	-	
B. Equity securities	-	-	-	-	-	-	-	-	-	
C. UCIT units										
C. Loans to banks	-	-	-	-	-	-	-	-	-	
D. Loans to customers	-	-	-	-	-	-	-	-	-	
<b>F. Total</b>	<b>-</b>	<b>-</b>	<b>765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-765</b>	<b>-</b>	

## SECTION 11 GENERAL AND ADMINISTRATIVE EXPENSE - ITEM 180

### Breakdown of general and administrative expense

(€ thousand)	31,12,2010	31,12,2009
180 a) Staff expense	64,294	67,056
180 b) Other general and administrative expense	76,411	80,013
<b>Total</b>	<b>140,705</b>	<b>147,069</b>

### 11.1 Breakdown of staff expenses

(€ thousand)	31,12,2010	31,12,2009
<b>1) Employees</b>	<b>62,271</b>	<b>64,678</b>
a) Wages and salaries	36,351	35,623
b) Social security charges	9,190	9,167
c) Termination indemnity	-	-
d) Retirement benefit plans	-	-
e) Provisions for termination indemnity	748	230
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	3,740	3,659
- defined contribution	3,740	3,659
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	-123	1,114
i) Other employee benefits	12,365	14,885
<b>2) Other staff</b>	<b>-98</b>	<b>7</b>
<b>3) Directors and Auditors</b>	<b>2,121</b>	<b>2,371</b>
<b>4) Retired personnel</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>64,294</b>	<b>67,056</b>

### 11.2 Average number of employees by category

	31.12.2010	31.12.2009
<b>Employees</b>	<b>773</b>	<b>797</b>
a) Managers	52	54
b) Total executives	185	182
of whom 3rd and 4th level	122	119
c) Employees at other levels	536	561
<b>Other employees</b>	<b>2</b>	<b>10</b>
<b>Total</b>	<b>775</b>	<b>807</b>

## Details of headcount

	31.12.2010	31.12.2009
<b>Employees</b>	<b>772</b>	<b>773</b>
a) Managers	50	53
b) Total executives	185	185
of whom 3rd and 4th level	123	120
c) Employees at other levels	537	535
<b>Other employees</b>	<b>-6</b>	<b>9</b>
<b>Total</b>	<b>766</b>	<b>782</b>

## Other employee benefits

(€ thousand)	31.12.2010	31.12.2009
Productivity bonuses to be paid (CIA and Managers bonuses)	8,607	10,818
Transfer incentives and other indemnities	5	461
Expenses for missions - expense reimbursement and indemnities, and charges payable by the group	1,264	1,285
Charges for staff supplementary pensions	1,300	1,228
Amounts replacing cafeteria indemnities, clothes and medical costs	572	596
Training expenses	188	157
Allowances and charitable gifts	80	81
Other expenses	349	259
<b>Total</b>	<b>12,365</b>	<b>14,885</b>

## SECTION 11 GENERAL AND ADMINISTRATIVE EXPENSE - ITEM 180

### 11.5 Breakdown of other general and administrative expenses

(€ thousand)	31,12,2010	31,12,2009
<b>Administration</b>	<b>12,640</b>	<b>16,361</b>
- Advertising	3,813	5,474
- Consultancy and professional advice expenses	3,966	6,111
- Financial consultancy expenses	194	196
- Corporate boards and auditing firms	742	697
- Insurance	2,938	3,016
- Entertainment expenses	385	275
- Membership contributions	483	479
- Charity	119	113
<b>Operations</b>	<b>28,601</b>	<b>27,522</b>
- Rent and usage of premises and management of property	14,821	12,066
- Outsourced services (administration, call center)	4,261	5,250
- Post and telephone	2,877	3,088
- Print material	896	1,387
- Other expenses for sales network management	2,469	2,219
- Other expenses and purchases	3,277	3,512
<b>Information system and equipment</b>	<b>27,114</b>	<b>27,179</b>
- Expenses related to outsourced IT services	16,904	17,928
- Fees for IT services and databases	5,050	4,757
- Software maintenance and servicing	3,545	2,561
- Fees for equipment hired and software used	906	1,230
- Other maintenance	709	703
<b>Indirect taxation</b>	<b>8,056</b>	<b>8,951</b>
<b>Total</b>	<b>76,411</b>	<b>80,013</b>

## SECTION 12 NET PROVISIONS FOR LIABILITIES AND CONTINGENCIES - ITEM 190

### 12.1 Breakdown of net provisions for liabilities and contingencies

(€ thousand)	31.12.2010			31.12.2009		
	Provisions	Reversals	Net	Provisions	Reversals	Net
<b>Provision for risks related to staff expenses</b>	<b>5,127</b>	<b>-1,916</b>	<b>3,211</b>	<b>3,934</b>	<b>-3,793</b>	<b>141</b>
Provisions for staff expenses: long-term incentives	2,204	-	2,204	-	-	-
Provision for staff expenses: other	2,923	-1,916	1,007	3,934	-3,793	141
<b>Litigation</b>	<b>3,296</b>	<b>-73</b>	<b>3,223</b>	<b>4,581</b>	<b>-442</b>	<b>4,139</b>
Provision for risks related to legal disputes with subscribers	1,587	-24	1,563	2,646	-197	2,449
Provision for risks related to legal disputes with advisors	502	-4	498	505	-2	503
Provision for risks related to legal disputes with staff	50	-	50	274	-	274
Provisions for risks related to legal disputes with other parties	1,157	-45	1,112	1,156	-243	913
<b>Provisions for termination indemnity for financial advisors</b>	<b>5,622</b>	<b>-76</b>	<b>5,546</b>	<b>1,999</b>	<b>-124</b>	<b>1,875</b>
<b>Provisions for risks related to network incentives</b>	<b>7,988</b>	<b>-1,092</b>	<b>6,896</b>	<b>10,937</b>	<b>-1,241</b>	<b>9,696</b>
Provision for risks related to network development incentives	5,243	-1,081	4,162	9,811	-1,111	8,700
Provisions for managers with access gate	1,083	-	1,083	-	-	-
Provision for commissions - travel incentives and tenders	1,500	-	1,500	946	-125	821
Provision for commissions - incentive plans	67	-	67	180	-	180
Provision for loyalty bonuses for financial advisors	95	-11	84	-	-5	-5
<b>Other provisions for liabilities and contingencies</b>	<b>321</b>	<b>-</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>22,354</b>	<b>-3,157</b>	<b>19,197</b>	<b>21,451</b>	<b>-5,600</b>	<b>15,851</b>

#### Notes

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



## SECTION 13 NET ADJUSTMENTS/REVERSALS VALUE OF PROPERTY AND EQUIPMENT - ITEM 200

### Breakdown of net adjustments/reversals value of property and equipment

(€ thousand)	31,12,2010	31,12,2009
Adjustments/reversals to property and equipment	1,779	2,115
Adjustments/reversals to intangible assets	2,323	3,664
<b>Total</b>	<b>4,102</b>	<b>5,779</b>

### 13.1 Breakdown of net adjustments of property and equipment

(€ thousand)	Depreciation	Adjustments due to impairment	Reversal value	Net result
A. Property and equipment				
A.1 Owned	1,779	-	-	1,779
- Operating	1,779			1,779
- Investment				-
A.2 Leased	-	-	-	-
- Operating				-
- Investment				-
<b>Total</b>	<b>1,779</b>	<b>-</b>	<b>-</b>	<b>1,779</b>

### 14.1 Breakdown of net adjustments of intangible assets

(€ thousand)	Amortisation	Adjustments due to impairment	Reversal value	Net result
A. Intangible assets				
A.1 Owned	2,323	-	-	2,323
- Generated in-house	-	-	-	-
- Other	2,323	-	-	2,323
A.2 Leased	-	-	-	-
<b>Total</b>	<b>2,323</b>	<b>-</b>	<b>-</b>	<b>2,323</b>

## SECTION 15 OTHER OPERATING INCOME AND EXPENSES - ITEM 220

### 15.1 Breakdown of other operating expenses

(€ thousand)	31.12.2010	31.12.2009
Adjustments of leasehold improvements	766	1,153
Elimination of improvements to discontinued outlets	37	22
Elimination of CSE charges	-	585
Charges for staff leaving incentives	-	-
Contingent liabilities and non-existent assets	2,338	2,109
Charges from accounting adjustments with customers	339	881
Indemnities and compensation	402	2,269
Consolidation adjustments	1	-14
Other operating expenses	106	169
<b>Total</b>	<b>3,989</b>	<b>7,174</b>

### 15.2 Breakdown of other operating income

(€ thousand)	31.12.2010	31.12.2009
Recovery of expenses and inflow from customers	7,115	7,053
Portfolio valuation overcommission	136	88
Indemnities for advisers' notices	102	104
Recovery of costs from advisors	773	1,416
Fees for outsourcing services	240	190
Contingent assets and non-existent liabilities	4,202	1,135
Insurance compensation and indemnities	59	260
Other income	148	302
<b>Total</b>	<b>12,775</b>	<b>10,548</b>
<b>Total other net income</b>	<b>8,786</b>	<b>3,374</b>

## SECTION 20 INCOME TAXES FOR THE YEAR FOR CURRENT OPERATIONS - ITEM 290

### 20.1 Breakdown of income taxes for the year for current operations

(€ thousand)	31.12.2010	31.12.2009
1. Current taxation (-)	-21,598	-10,992
2. Change in prior years current taxes	-229	600
3. Reduction of current taxes for the year (+)	-	-
4. Changes of prepaid taxation (+/-)	10,945	-4,664
5. Changes of deferred taxation (+/-)	2,372	417
<b>6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)</b>	<b>-8,510</b>	<b>-14,639</b>

Current and deferred taxation includes the effects of the tax redemption of goodwill and intangible assets arising on the merger of Banca del Gottardo S.p.A., as follows:

REDEEMABLE ITEMS (€ thousand)	Redeemable value	Substitute tax	Recognition of deferred tax assets	Elimination of deferred taxes	Net economic benefit	beneficio economico netto
Goodwill (Art. 15, para. 10, Legislative Decree 195/08)	31,352	31,352	-5,016	9,845	-	4,829
Client relationships (Art. 176, para. 2-ter, TUIR)	7,628	7,628	-968	-	2,431	1,463
<b>Total</b>	<b>38,980</b>	<b>38,980</b>	<b>-5,984</b>	<b>9,845</b>	<b>2,431</b>	<b>6,292</b>

Deferred taxes on goodwill refer to IRES for 8,622 euros and IRAP for 1,223 euros.

Reversal of deferred taxes regarding intangible assets refer to IRES for 2,098 euros and IRAP for 333 euros.

## 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 290 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.

The item “Other adjustments” refers to the lower figurative tax charge due to the cancellation of intra-group items regarding the discontinued group of assets, as the cancellation of costs of Group companies influences the current operating income, which is offset by Simgenia income, in the section regarding profit/(loss) of discontinued assets.

(€ thousand)	31.12.2010	31.12.2009
<b>Current taxation</b>	<b>-21,598</b>	<b>-10,992</b>
IRES and equivalent foreign direct taxes	-12,048	-8,639
IRAP	-3,545	-2,342
Substitute tax for redemption	-5,984	-
Other	-21	-11
<b>Prepaid and deferred taxation</b>	<b>13,317</b>	<b>-4,247</b>
IRES	11,450	-4,113
IRAP	1,867	-134
<b>Prior years taxes</b>	<b>-229</b>	<b>600</b>
IRES	-106	644
IRAP	-123	-44
<b>Income taxes</b>	<b>-8,510</b>	<b>-14,639</b>
Theoretical tax rate	27.5%	27.5%
Current profit (loss) before taxation	94,861	82,109
<b>Theoretical taxation</b>	<b>-26,087</b>	<b>-22,580</b>
<b>Tax income (+) expense (-)</b>		
Non-taxable income (*)	122	172
Change in tax rates of companies under foreign law	17,869	14,573
Double taxation on 5% of Group dividends	-1,492	-583
Interest expense (4%) (Legislative Decree 133/08)	-130	-247
Impairment of equity securities PEX	-	-595
Other non-deductible costs	-1,422	-1,371
IRAP (with no redemption effect)	-3,367	-2,520
Substitute tax for redemption of goodwill and intangible assets	-5,984	-
Recognition of deferred tax assets for redemption of goodwill and intangible assets	10,719	-
IRAP (effect of redemption on deferred taxes)	1,566	-
Prior years taxes	-106	644
Other taxes	-21	-11
Elimination of tax losses - Banca Del Gottardo	-	-2,381
Other adjustments	-177	260
<b>Actual tax expense</b>	<b>-8,510</b>	<b>-14,639</b>
<b>Total actual tax rate</b>	<b>9.0%</b>	<b>17.8%</b>
<b>Actual tax rate (IRES only)</b>	<b>7.1%</b>	<b>14.8%</b>
<b>Actual tax rate (IRAP only)</b>	<b>1.9%</b>	<b>3.1%</b>

(\*) Chiefly dividends on AFS equity investments with 95% exemption..

## SECTION 21

### INCOME (LOSS) OF GROUPS OF AVAILABLE-FOR-SALE ASSETS, NET OF TAXES – ITEM 310

#### 21.1 Breakdown of profit (loss) of groups of available-for-sale assets, net of taxes

(€ thousand)	31.12.2010	31.12.2009
1. Income	-	3,436
2. Charges	-	-5,767
3. Measurement of groups of assets available for sale and associated liabilities	-	-
4. Gains (losses) on disposal	-	-
5 Taxes and duties	-	419
<b>Profit (Loss)</b>	<b>-</b>	<b>-1,912</b>

*Profit (loss) refers to the business line of the equity investment in Simgenia S.p.A., whose disposal was approved on 19/12/2008 and took place at the end of the first half of 2009.*

*The figure therefore refers to the profit (loss) of the former subsidiary at the end of the first half of 2009 and is given net of intra-group cancellation.*

## SECTION 22

#### 22.1 Details of item 30 - Profit (loss) for the year attributable to minority interests

(€ thousand)	31.12.2010	31.12.2009
Generali Fund Management SA (GFM)	4,144	2,347
<b>Minority interests (+/-)</b>	<b>4,144</b>	<b>2,347</b>

*The item Minority interests is made up of the portion of the profit (loss) of the subsidiary GFM attributable to the minority shareholder. In accordance with the amendments to the Articles of Association approved by this company, the overall result for the year relating to the class of securities B is attributed to the securities B owned by the minority shareholder, i.e., the operations previously carried out by the merged company GIL - Generali Investment Luxembourg.*

## SECTION 24

#### 24.1 Average number of ordinary shares, diluted capital

(€ thousand)	31.12.2010	31.12.2009
Net profit for the year (€ thousand)	82,207	63,211
Net profit attributable to ordinary shares	82,207	63,211
Average number of outstanding shares (€ thousand)	110,923	110,746
<b>EPS - Earnings per Share (euro)</b>	<b>0.741</b>	<b>0.571</b>
Average number of outstanding shares		
Diluted capital (€ thousand)	113,630	111,684
<b>EPS - Diluted earnings per share (euro)</b>	<b>0.723</b>	<b>0.566</b>

## PART D – COMPREHENSIVE INCOME

### ANALITICAL STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME

ITEMS				
(€ thousand)		Gross amount	Income taxes	Net amount
<b>10.</b>	<b>Net profit (loss) for the year</b>	<b>X</b>	<b>X</b>	<b>82,207</b>
	Other income			
20.	AFS financial assets	-32,065	9,994	-22,071
	a) Fair value increases	-32,821	10,232	-22,589
	b) Transfer to Profit and Loss Account	756	-238	518
	- Adjustments due to impairment	1,626	-511	1,115
	- Gains (losses) on disposal	-870	273	-597
	c) Other changes			
30.	Property and equipment			
40.	Intangible assets			
50.	Hedges of foreign investments	-	-	-
	a) Fair value changes			
	b) Transfer to Profit and Loss Account			
	c) Other changes			
60.	Cash-flow hedges	-	-	-
	a) Fair value changes			
	b) Transfer to profit and loss			
	c) Other changes			
70.	Exchange differences	-	-	-
	a) Fair value changes			
	b) Transfer to profit and loss			
	c) Other changes			
80.	Non-current assets held for sale	-	-	-
	a) Fair value changes			
	b) Transfer to Profit and Loss Account			
	c) Other changes			
90.	Actuarial gains (losses) from defined benefit plans			
100.	Share of valuation reserves of investments valued at equity:	-	-	-
	a) Fair value changes			
	b) Transfer to profit and loss	-	-	-
	- Adjustments due to impairment			
	- Gains (losses) on disposal			
	c) Other changes			
<b>110.</b>	<b>Total other income</b>	<b>-32,065</b>	<b>9,994</b>	<b>-22,071</b>
<b>120.</b>	<b>Comprehensive income (Item 10+110)</b>			<b>60,136</b>
130.	Comprehensive income attributable to minority interests			-
<b>140.</b>	<b>Consolidated comprehensive income attributable to Parent Company</b>			<b>60,136</b>

# PART E – INFORMATION ON RISKS AND RISK HEDGING POLICIES

## SECTION 1 – CREDIT RISK

### Qualitative Information

#### 1. General Aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfill its obligations or fulfill its obligations on a delayed basis with respect to predetermined due dates.

In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali Group's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.

The bank's exposure to credit risk mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost, AFS and loans to customers (both corporate and retail).

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

Loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to which selected loans were issued in 2010, backed by adequate guarantees. At any rate, the ratio of loans to customers to total loans remains relatively small.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

The Group has formally defined a credit risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets forth the guidelines for the identification, measurement, monitoring and reporting of credit risk.

The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The Group has defined an extensive system of powers and limits associated with loan authorisation.

In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In terms of the monitoring of loans after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.

The Lending Department monitors the performance of loans and reports on anomalous positions.

In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.

The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.

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

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

#### 2. Credit Risk Management Policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Regulations.

In addition to issuing loans, the Lending Department is also charged with managing and monitoring credit, with a special focus on the performance of doubtful loans.

With reference to adoption of IAS/IFRS, Banca Generali applied what has been developed in the Basel II framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are associated with issuers with high levels of creditworthiness.

#### **Credit Risk Mitigation Techniques**

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.

Collateral can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collateral is in the form of securities, a discount is usually applied when the loan is issued and the market value of the securities is determined periodically.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI SA for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity has been maintained for those positions managed with the aim of recovery and those positions that have shown a default event for which payment of the indemnity was requested from the guarantor, BSI SA.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

#### **Non-performing financial assets**

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority.

At present there are:

- bad loans;
- substandard loans;
- expired loans or outstanding over 180 days.

After value adjustments, overall impaired loans accounted for a negligible percentage of total loans to customers.

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.

Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

Doubtful receivables of a significant amount refer to Banca del Gottardo Italia's clients and are guaranteed by the framework indemnity issued by the seller BSI SA. Such positions are not effectively a credit risk for the Bank, therefore no adjustments were made.



## QUANTITATIVE INFORMATION

### A. Credit Quality

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

##### A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

Portfolios/Quality	Bad loans	Substandard loans	Restructured loans	Expired loans	Other assets	Total
(€ thousand)						
1. Financial assets held for trading	175	-	-	-	102,660	102,835
2. AFS financial assets	1,300	-	-	-	1,516,603	1,517,903
3. Financial assets held to maturity	-	-	-	-	608,118	608,118
4. Loans to banks	-	-	-	-	475,597	475,597
5. Loans to customers	14,580	20,107	-	577	816,774	852,038
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
<b>Total at 31 December 2010</b>	<b>16,055</b>	<b>20,107</b>		<b>577</b>	<b>3,519,752</b>	<b>3,556,491</b>
<b>Total at 31 December 2009</b>	<b>13,565</b>	<b>28,190</b>		<b>9,262</b>	<b>3,689,568</b>	<b>3,740,585</b>

##### A.1.2 Breakdown of loans by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	Non-performing assets			Performing loans			Total (net exposure)
	Gross exposure	Special adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
(€ thousand)							
1. Financial assets held for trading	1,983	1,808	175	X	X	102,660	102,835
2. AFS financial assets	8,415	7,115	1,300	1,516,603	-	1,516,603	1,517,903
3. Financial assets held to maturity			-	608,883	765	608,118	608,118
4. Loans to banks			-	476,068	471	475,597	475,597
5. Loans to customers	52,994	17,730	35,264	821,199	4,425	816,774	852,038
6. Financial assets at fair value			-	X	X		-
7. Financial assets held for sale			-	-	-		-
8. Hedging derivatives			-	X	X		-
<b>Total at 31 December 2010</b>	<b>63,392</b>	<b>26,653</b>	<b>36,739</b>	<b>3,422,753</b>	<b>5,661</b>	<b>3,519,752</b>	<b>3,556,491</b>
<b>Total at 31 December 2009</b>	<b>75,892</b>	<b>24,874</b>	<b>51,017</b>	<b>3,506,993</b>	<b>1,882</b>	<b>3,689,568</b>	<b>3,740,585</b>

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

TYPES OF EXPOSURE/VALUES				
(€ thousand)	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
<b>A. CASH EXPOSURE</b>				
a) Bad loans	1,983	1,808	-	175
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
e) Other assets	1,038,560	X	1,095	1,037,465
<b>TOTAL A</b>	<b>1,040,543</b>	<b>1,808</b>	<b>1,095</b>	<b>1,037,640</b>
<b>B. OFF-BALANCE SHEET EXPOSURE</b>				
a) Non-performing loans	-	-	-	-
b) Other	4,034	X	-	4,034
<b>TOTAL B</b>	<b>4,034</b>	<b>-</b>	<b>-</b>	<b>4,034</b>

### A.1.4 Cash exposure with banks: changes in gross non-performing loans

CAUSES/CATEGORIES				
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans
<b>A. Gross exposure at year-start</b>	<b>1,956</b>	-	-	-
- of which: positions transferred but not written off		-	-	-
<b>B. Increases</b>	<b>27</b>	-	-	-
B.1 Inflows from performing loans	-	-	-	-
B.2 Transfer from other categories non-performing loans	-	-	-	-
B.3 Other increases	27	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	-	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of non-performing loans	-	-	-	-
C.6 Other decreases	-	-	-	-
<b>Gross exposure at year-end</b>	<b>1,983</b>	<b>-</b>	<b>-</b>	<b>-</b>
- of which: positions transferred but not written off	-	-	-	-

#### Notes

1. The exposure to Lehman, classified among loans to banks in 2009 in the amount of 8,415 thousand euros, was transferred to loans to customers.

### A.1.5 Cash exposure with banks: change in total adjustments

CAUSES/CATEGORIES				
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans
<b>A. Total adjustments at year-start</b>	<b>1,938</b>	-	-	-
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>27</b>	-	-	-
B.1. Adjustments	27	-	-	-
B.2 Transfers from other categories of non-performing loans	-	-	-	-
B.3. Other increases	-	-	-	-
<b>C. Decreases</b>	<b>157</b>	-	-	-
C.1. Reversal of adjustments	157	-	-	-
C.2. Reversal of collections	-	-	-	-
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>1,808</b>	-	-	-
- of which: positions transferred but not written off	-	-	-	-

#### Notes

1. The exposure to Lehman, classified among loans to banks in 2009 in the amount of 7,115 thousand euros, was transferred to loans to customers.

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

TYPES OF EXPOSURE/VALUES				
(€ thousand)	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
<b>A. CASH EXPOSURE</b>				
a) Bad loans	38,285	22,405	-	15,880
b) Substandard loans	22,547	2,440	-	20,107
c) Restructured loans	-	-	-	-
d) Expired loans	577	-	-	577
b) Other Assets	2,486,653	-	4,566	2,482,087
<b>TOTAL A</b>	<b>2,548,062</b>	<b>24,845</b>	<b>4,566</b>	<b>2,518,651</b>
<b>B. OFF-BALANCE SHEET EXPOSURE</b>				
a) Non-performing loans	288	-	-	288
b) Other	28,782	-	-	28,782
<b>TOTAL B</b>	<b>29,070</b>	-	-	<b>29,070</b>

### A.1.7 Cash exposure with customers: changes in gross non-performing loans

CAUSES/CATEGORIES				
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans
<b>A. Gross exposure at year-start</b>	<b>36,472</b>	<b>28,200</b>	-	<b>9,263</b>
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>11,367</b>	<b>9,538</b>	-	-
B.1 Inflows from performing loans	571	1,419	-	-
B.2 Transfers from other categories of non-performing loans	9,848	-	-	-
B.3 Other increases	948	8,119	-	-
<b>C. Decreases</b>	<b>9,554</b>	<b>15,191</b>	-	<b>8,686</b>
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	83	-	-	-
C.3 Repayments	9,471	854	-	-
C.4 Gains from disposals	-	288	-	-
C.5. Transfer to other categories of non-performing loans	-	9,848	-	-
C.6. Other decreases	-	4,201	-	8,686
<b>D. Gross exposure at year-end</b>	<b>38,285</b>	<b>22,547</b>	-	<b>577</b>
- of which: positions transferred but not written off	-	-	-	-

#### Notes

1. The exposure to Lehman, classified among loans to banks in 2009 in the amount of 8,415 thousand euros, was transferred to loans to customers.

### A.1.8 Cash exposure with customers: change in total adjustments

CAUSES/CATEGORIES				
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans
<b>A. Total adjustments at year-start</b>	<b>22,923</b>	<b>10</b>	-	-
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>150</b>	<b>2,888</b>	-	-
B.1. Adjustments	150	554	-	-
B.2. Transfers from other categories of non-performing loans	-	-	-	-
B.3. Other increases	-	2,334	-	-
<b>C. Decreases</b>	<b>668</b>	<b>458</b>	-	-
C.1. Reversal of adjustments	566	-	-	-
C.2. Reversal of collections	21	168	-	-
C.3. Write-offs	81	290	-	-
C.4. Transfer to other categories of non-performing loans	-	-	-	-
C.5. Other decreases	-	-	-	-
<b>D. Total adjustments at year-end</b>	<b>22,405</b>	<b>2,440</b>	-	-
- of which: positions transferred but not written off	-	-	-	-

#### Notes

1. The exposure to Lehman, classified among loans to banks in 2009 in the amount of 7,115 thousand euros, was transferred to loans to customers.

## A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.

The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

### A.2.1 Cash and off-balance sheet exposures broken down by external rating classes

RESTRUCTURED (€ thousand)	External rating classes						Without rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	(B		
Financial assets held for trading	80,038	5,570	35	-	-	-	16,993	102,636
Financial assets available for sale	1,405,409	105,447	4,982	-	-	-	2,065	1,517,903
Financial assets held to maturity	282,240	253,144	61,242	7,947	-	-	3,545	608,118
Loans to customers	66,985	32,832	2,956	6,925	3,480	-	738,860	852,038
Loans to banks	52,055	98,479	21,857	2,911	-	-	300,295	475,597
<b>A. Cash exposure</b>	<b>1,886,727</b>	<b>495,472</b>	<b>91,072</b>	<b>17,783</b>	<b>3,480</b>	<b>-</b>	<b>1,061,758</b>	<b>3,556,292</b>
Financial derivatives	-	-	-	-	-	-	199	199
Credit derivatives	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199</b>	<b>199</b>
<b>C Guarantees issued</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,968</b>	<b>28,968</b>
<b>D Commitment to dispense funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,937</b>	<b>3,937</b>
<b>Total</b>	<b>1,886,727</b>	<b>495,472</b>	<b>91,072</b>	<b>17,783</b>	<b>3,480</b>	<b>-</b>	<b>1,094,862</b>	<b>3,589,396</b>

## A.3 Breakdown of guaranteed loans by type of guarantee

### A.3.2 Guaranteed exposure with customers

(€ thousand)	COLLATERALISED GUARANTEES (1)					PERSONAL GUARANTEES (2) GUARANTEES				TOTAL (1)+(2)	
	Loan amount	Buildings	Securities	Other assets	Total	Governments	Other public institutions	Banks	Other entities		
1. Guaranteed cash exposure:	566,881	108,775	184,138	216,123	509,036	-	-	191	50,807	50,998	560,034
1.1 totally guaranteed	545,665	108,547	176,474	211,472	496,493	-	-	191	48,981	49,172	545,665
-of which	14,449	13,444	496	24	13,964	-	-	-	484	484	14,448
1.2 partially guaranteed	21,216	228	7,664	4,651	12,543	-	-	-	1,826	1,826	14,369
-of which	7,909	-	4,000	-	4,000	-	-	-	704	704	4,704
2. Guaranteed off-balance sheet exposures:	22,557	1,205	13,162	6,202	20,569	-	-	224	516	740	21,309
2.1 totally guaranteed	20,557	1,205	12,410	6,202	19,817	-	-	224	516	740	20,557
-of which	128	-	-	50	50	-	-	-	79	79	129
2.2 partially guaranteed	2,000	-	752	-	752	-	-	-	-	-	752
-of which	-	-	-	-	-	-	-	-	-	-	-

## B. Breakdown and Concentration of Loans

### B.1. Sector breakdown of cash and off-balance sheet credit exposure to customers

<b>A. CASH EXPOSURE</b>			
(€ thousand)	<b>Net exposure</b>	<b>Specific value adjust</b>	<b>Port. value adjust.</b>
<b>A. Cash exposure</b>			
1. Government and central banks	1,545,659	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	1,545,659	-	-
2. Other public institutions	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	-	-	-
3. Financial companies	315,488	9,607	2,945
a. Bad loans	1,307	7,180	-
b. Substandard loans	6,117	2,427	-
c. Restructured loans	-	-	-
d. Expired loans	3	-	-
e. Other loans	308,061	-	2,945
4. Insurance companies	41,390	-	19
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	41,390	-	19
5. Non-financial companies	226,495	11,292	1,163
a. Bad loans	9,508	11,291	-
b. Substandard loans	13,164	1	-
c. Restructured loans	-	-	-
d. Expired loans	380	-	-
e. Other loans	203,443	-	1,163
6. Other entities	389,619	3,946	439
a. Bad loans	5,065	3,934	-
b. Substandard loans	826	12	-
c. Restructured loans	-	-	-
d. Expired loans	194	-	-
e. Other loans	383,534	-	439
<b>TOTAL CASH EXPOSURE</b>	<b>2,518,651</b>	<b>24,845</b>	<b>4,566</b>

<b>B. OFF-BALANCE SHEET EXPOSURE</b>			
(€ thousand)	Net exposure	Specific value adjust	Port. value adjust.
<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>	2,960	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	2,960	-	-
<b>4. Insurance companies</b>	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
<b>5. Non-financial companies</b>	14,702	-	-
a. Bad loans	78	-	-
b. Substandard loans	160	-	-
c. Other non-performing loans	50	-	-
d. Other loans	14,414	-	-
<b>6. Other entities</b>	11,408	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	11,408	-	-
<b>TOTAL OFF-BALANCE SHEET EXPOSURE B</b>	<b>29,070</b>	-	-

(€ thousand)	Net exposure	Specific value adjust	Port. value adjust.
Governments and central banks	1,545,659	-	-
Public institutions	-	-	-
Financial companies	318,448	9,607	2,945
Insurance companies	41,390	-	19
Non-financial companies	241,197	11,292	1,163
Other entities	401,027	3,946	439
<b>OVERALL TOTAL (A+B) AT 31/12/2010</b>	<b>2,547,721</b>	<b>24,845</b>	<b>4,566</b>

## B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (book value)

EXPOSURE/GEOGRAPHICAL AREA (€ thousand)	Italy		Other European countries		America		Asia		Rest of the world	
	Net. exposure	Compl. Value adj.	Net. exposure	Compl. Value adj.	Net. exposure	Compl. Value adj.	Net. exposure	Compl. Value adj.	Net. exposure	Compl. Value adj.
<b>A. Cash exposure</b>										
A.1 Bad loans	14,580	14,807	-	483	1,300	7,115	-	-	-	-
A.2 Substandard loans	14,104	17	6,003	2,423	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	577	-	-	-	-	-	-	-	-	-
A.5 Other exposure	2,197,412	4,160	225,501	305	53,589	101	5,585	-	-	-
<b>Total A</b>	<b>2,226,673</b>	<b>18,984</b>	<b>231,504</b>	<b>3,211</b>	<b>54,889</b>	<b>7,216</b>	<b>5,585</b>	-	-	-
<b>B. Off-balance sheet exposure</b>										
B.1 Bad loans	78	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	160	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	50	-	-	-	-	-	-	-	-	-
B.4 Other exposure	26,057	-	2,725	-	-	-	-	-	-	-
<b>Total B</b>	<b>26,345</b>	-	<b>2,725</b>	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	<b>2,253,018</b>	<b>18,984</b>	<b>234,229</b>	<b>3,211</b>	<b>54,889</b>	<b>7,216</b>	<b>5,585</b>	-	-	-
<b>Total at 31/12/2009</b>	<b>1,654,446</b>	<b>16,954</b>	<b>513,433</b>	<b>620</b>	<b>77,027</b>	<b>129</b>	-	-	<b>10,258</b>	-

## B.3 Geographical breakdown of cash and off-balance-sheet credit exposure to banks (book value)

EXPOSURE/GEOGRAPHICAL AREA (€ thousand)	Italy		Other European countries		America		Asia		Rest of the world	
	Net. exposure	Compl. Value adj.	Net. exposure	Compl. Value adj.	Net. exposure	Compl. Value adj.	Net. exposure	Compl. Value adj.	Net. exposure	Compl. Value adj.
<b>A. Cash exposure</b>										
A.1 Bad loans	-	-	175	1,808	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	558,867	707	449,493	349	22,109	39	-	-	6,996	-
<b>Total A</b>	<b>558,867</b>	<b>707</b>	<b>449,668</b>	<b>2,157</b>	<b>22,109</b>	<b>39</b>	-	-	<b>6,996</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	3,999	-	35	-	-	-	-	-	-	-
<b>Total B</b>	<b>3,999</b>	-	<b>35</b>	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	<b>562,866</b>	<b>707</b>	<b>449,703</b>	<b>2,157</b>	<b>22,109</b>	<b>39</b>	-	-	<b>6,996</b>	-
<b>Total at 31/12/2009</b>	<b>809,251</b>	-	<b>639,776</b>	<b>2,190</b>	<b>42,378</b>	<b>7,115</b>	-	-	<b>34,307</b>	-



#### B.4 Big risks (as per surveillance regulations)

The sixth update to Circular No. 263, “New Prudential Supervisory Provisions Concerning Banks” of 27 December 2010, revised prudential rules governing risk concentration to bring them into line with the provisions of Directive 2009/111/EC. In detail, under the new rules, “big risks” are identified as exposures equal to or greater than 10% of capital for regulatory purposes, by reference to the carrying amount of “exposures” rather than the amount weighted for counterparty risk.

Accordingly, risk positions that constitute “big risks” are identified by reference to both carrying amounts and weighted amounts.

<b>BIG RISKS</b>		
(€ thousand)	<b>31.12.2010</b>	<b>31.12.2009</b>
a) Carrying amount	2,385,605	X
b) Weighted amount	373,638	109,711
c) Number	19	7

## C. Securitisation and Disposal of Assets

### C.1 Securitisation

The securitisations portfolio contains only asset-backed securities (ABS) issued by European entities with underlying securities attributable exclusively to European originators.

The portfolio is made up of senior securities with ratings not less than investment grade.

The portfolio includes products with underlying residential and commercial mortgages (RMBS/CMBS).

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	
(€ thousand)							
<b>Cash exposure</b>							
<b>A. With own underlying assets:</b>	-	-	-	-	-	-	-
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
<b>B. With third-party underlying assets:</b>	<b>80,036</b>	<b>78,057</b>	<b>11,817</b>	<b>10,859</b>	-	-	<b>88,916</b>
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	80,036	78,057	11,817	10,859	-	-	88,916

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

PORTFOLIO	TYPE OF UNDERLYING ASSETS/ EXPOSURE	ISIN CODE	UNDERLYING	CASH EXPOSURE						
				SENIOR		MEZZANINE		JUNIOR		
				Book value	Adjust. reversals	Book value	Adjust. reversals	Book value	Adjust. reversals	
A.1	loans	AYT CAJAS N 10 FRN 30/06/2015	ES0312342001	mortgage	14,480	- 11	-	-	-	-
A.2	loans	BANCAJA N6 TITULUZ FRN 20/02/2036	ES0312885017	RMBS	2,625	-	-	-	-	-
A.3	loans	CAIXA D' ESTALVIS FRN 28/01/2043	ES0313252001	RMBS	1,139	-	-	-	-	-
A.4	loans	ABS BBVA RMBS2 FRN 17/09/2050	ES0314148018	RMBS	1,476	-	-	-	-	-
A.5	loans	GC FTPYME SABDEL FRN 31/03/2039	ES0332234014	Loans	543	-	-	-	-	-
A.6	loans	SANTANDER HIP3 FRN 18/01/2050	ES0338093018	RMBS	2,185	-	-	-	-	-
A.7	loans	MBS BANCAJA FRN 23/07/2050	ES0361797014	RMBS/CMBS	6,560	-	-	-	-	-
A.8	loans	AYT KUTXA HIPOTECARIO II FRN 15/10/2059	ES0370154009	RMBS	1,326	-	-	-	-	-
A.9	loans	BBVA HIPOTECARIO 3FND FRN 15/03/2039	ES0370459002	Loans	267	-	-	-	-	-
A.10	loans	PYMES BANESTO FRN 31/12/2031	ES0372260010	Mortgage, personal loans	626	-	-	-	-	-
A.11	loans	RURALPYME 2 FTA FRN 25/04/2030	ES0374352005	loans	261	-	-	-	-	-
A.12	loans	DOLOMITI FIN FRN 15/12/2017	IT0003399018	Leasing	144	-	-	-	-	-
A.13	loans	LOCAT SEC VEHICLE FRN 12/12/2024 A	IT0003733083	Leasing	641	-	-	-	-	-
A.14	loans	FIP FUND FRN 10/01/2023	IT0003872774	CMBS	4,652	- 349	-	-	-	-
A.15	loans	VELA MORT CL A FRN 30/07/2040	IT0003933998	RMBS	1,013	-	-	-	-	-
A.16	loans	ASTI FINANCE FRN 27/09/2041	IT0003966477	RMBS	1,374	-	-	-	-	-
A.17	loans	FE GOLD FRN 30/07/2025 ABS	IT0004068612	Leasing	717	-	-	-	-	-
A.18	loans	CORDUSIO FRM 30/06/2035	IT0004087174	RMBS	1,696	-	-	-	-	-
A.19	loans	ARCOBALENO FRN 28/10/2030	IT0004095672	Loans (Italian pharmacies)	479	-	-	-	-	-
A.20	loans	LEASIMPRESA FRN 22/12/2025	IT0004123722	Leasing	691	-	-	-	-	-
A.21	loans	APULIA FINA FRN 20/07/2044	IT0004127574	RMBS/CMBS	1,068	-	-	-	-	-
A.22	loans	ABS VOBA FIN FRN 28/06/2043	IT0004153216	RMBS	210	-	-	-	-	-
A.23	loans	SESTANTE FRN 23/04/2046 CL A1	IT0004158124	RMBS	689	-	-	-	-	-
A.24	loans	ABS CLARIS FIN FRN 21/11/2053	IT0004189160	RMBS	567	-	-	-	-	-
A.25	loans	BP MORT FRN 20/04/2043	IT0004215320	RMBS	3,965	-	-	-	-	-
A.26	trading	QUARZO CL1 FRN 31/12/2019 ABS	IT0004284706	RMBS/CMBS	16,075	-	-	-	-	-
A.27	loans	MAGELLAN MORT N 2 FRN 18/07/2036	XS0177944690	RMBS	1,022	-	-	-	-	-
A.28	loans	LUSITANO MORT N 2 FRN 16/11/2036	XS0178545421	RMBS	1,873	-	-	-	-	-
A.29	loans	ABS THEMELEION MTG FRN 27/12/2036	XS0194393640	RMBS	454	-	-	-	-	-
A.30	loans	EMAC MORTG CL A FRN 25/01/2037	XS0207208165	RMBS	1,366	-	-	-	-	-
A.31	loans	E-MAC MORTG FRN CL A 25/04/2038	XS0216513118	RMBS	1,707	-	-	-	-	-
A.32	loans	ESTIA MORTG FRN 27/10/2040 CL A	XS0220978737	RMBS	1,069	-	-	-	-	-
A.33	loans	AIRE VALLEY MORTG FRN 20/09/2066	XS0264192989	RMBS	1,873	-	-	-	-	-
A.34	loans	ENTRY FNDG FRN 28/09/2013	XS0277614532	loans	1,419	- 144	-	-	-	-
A.35	loans	ABS BLUEBONNET FRN 20/12/2016	XS0279760184	Mortgage	113	-	-	-	-	-
A.36	loans	SAGRES PELICAN FRN 15/09/2054	XS0293657416	RMBS	522	-	-	-	-	-
A.37	loans	WINDERM FRN 15/10/2019 CL A	XS0293895271	CMBS	1,532	-	-	-	-	-
A.38	loans	ABS JUNO ECLIPSE FRN 24/11/2022	XS0299976836	CMBS	1,618	- 1,476	-	-	-	-
A.39	loans	OPERA FIN ABS FRN 15/02/2012 CL C	XS0218490653	CMBS	-	-	2,793	- 119	-	-
A.40	loans	ABS LOCAT SEC V FRN CL B 12/12/2026	IT0003951123	Leasing	-	-	2,828	-	-	-
A.41	loans	ITALF VEHIC CL C FRN 14/03/2023	IT0003963433	Leasing	-	-	379	-	-	-
A.42	loans	ATLANTE FINANCE FRN 28/07/2047	IT0004069040	RMBS/CMBS	-	-	767	-	-	-
A.43	loans	ABM LOCAT SEC FRN 12/09/2028 B	IT0004153687	Leasing	-	-	1,133	-	-	-
A.44	loans	GRANITE MAS FRN 20/12/2054	XS0229615603	RMBS	-	-	1,248	- 156	-	-
A.45	loans	LAMBDA FIN FRN 08/11/2029	XS0237016000	Loans	-	-	427	-	-	-
A.46	loans	WINDERM FRN 15/10/2019 CL D	XS0293898457	CMBS	-	-	2,242	- 683	-	-
<b>Total</b>					<b>80,036</b>	<b>- 1,979</b>	<b>11,817</b>	<b>- 958</b>	<b>-</b>	<b>-</b>

### C.1.4 Exposure arising on securitisations broken down by financial-asset portfolio and type

EXPOSURE/PORTFOLIO (€ thousand)	Type of financial-asset portfolio						31.12.2010	31.12.2009
	Fin. assets held for trading	Financial assets at fair value	AFS financial assets	HTM financial assets	Loans			
<b>1. Cash exposure</b>	<b>16,075</b>	-	-	-	<b>72,841</b>	<b>88,916</b>	<b>135,780</b>	
- senior	16,075	-	-	-	61,982	78,057	118,213	
- mezzanine	-	-	-	-	10,859	10,859	17,250	
- junior	-	-	-	-	-	-	317	
<b>2. Off-balance sheet exposure</b>	-	-	-	-	-	-	-	
- senior	-	-	-	-	-	-	-	
- mezzanine	-	-	-	-	-	-	-	
- junior	-	-	-	-	-	-	-	

## C.2 Transfer Operations

### C.2.1 Transferred financial assets not written off

TECHNICAL TYPE /PORTFOLIO (€ thousand)	Fin. assets held for trading			AFS financial assets			HTM fin. assets			Financial assets - banks			Financial assets - customers			Total A
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
<b>A. Cash assets</b>	-	-	-	<b>382,381</b>	-	-	<b>61,585</b>	-	-	<b>5,161</b>	-	-	-	-	-	<b>449,127</b>
1. Debt securities	-	-	-	382,381	-	-	61,585	-	-	5,161	-	-	-	-	-	449,127
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	-	-	-	<b>382,381</b>	-	-	<b>61,585</b>	-	-	<b>5,161</b>	-	-	-	-	-	<b>449,127</b>
<b>Total at 31/12/2009</b>	-	-	-	<b>142,809</b>	-	-	<b>14,571</b>	-	-	-	-	-	-	-	-	<b>157,380</b>

### C.2.2 Financial liabilities for transferred assets not written off

LIABILITIES/ASSETS PORTFOLIO (€ thousand)	Financial assets held for trading	FVO financial assets	AFS financial assets	HTM financial assets	Loans to banks	Loans to customers	Total
<b>1. Due to customers</b>	-	-	<b>52,186</b>	<b>10,252</b>	-	<b>5,031</b>	<b>67,469</b>
a) for fully recognised assets	-	-	52,186	10,252	-	5,031	67,469
b) for partially recognised assets	-	-	-	-	-	-	-
<b>2. Due to banks</b>	-	-	<b>332,560</b>	<b>50,390</b>	-	-	<b>382,950</b>
a) for fully recognised assets	-	-	332,560	50,390	-	-	382,950
b) for partially recognised assets	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	-	-	<b>384,746</b>	<b>60,642</b>	-	<b>5,031</b>	<b>450,419</b>
<b>Total at 31/12/2009</b>	-	-	<b>142,721</b>	<b>14,571</b>	-	-	<b>157,292</b>

## 1.2 Banking Group – Market Risks

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

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

The Group has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.

The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Finance Rules.

Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with high credit ratings.

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

### 1.2.1 Interest Rate and Price Risk – Regulatory Trading Book

#### Qualitative Information

##### A.General aspects

The main activities of the banking group that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the corporate bond securities;
- dealings in interest rate derivatives, all of them over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;

- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate corporate debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The average remaining duration of the securities portfolio is short as floating rate coupons outweigh fixed rate coupons.

This choice is aimed at reducing risk exposure and thus protecting the portfolio from unexpected changes in value caused by significant changes in interest rates.

The bank's investments in structured securities are negligible.

## **B. Management Processes and Interest Rate Risk Measurement Techniques**

Market risk is measured through daily VaR (Value at Risk) carried out by Parent Company Banca Generali, which holds the majority of the trading book.

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

	<b>Fourth quarter 2010</b>	<b>Third quarter 2010</b>	<b>Second quarter 2010</b>	<b>First quarter 2010</b>
Average VaR (€/000)	5,337	4,694	2,879	3,802

## Quantitative Information

### 1. Regulatory trading portfolio: broken down by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY (€ thousand)	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>100,344</b>	<b>491</b>	<b>677</b>	<b>723</b>	<b>13</b>	-	-	<b>102,248</b>
1.1 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	100,344	491	677	723	13	-	-	102,248
1.2 Other assets	-	-	-	-	-	-	-	-	-
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-	-
2.1 PCT liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	-	<b>280,045</b>	<b>49,850</b>	<b>2,602</b>	<b>90,034</b>	-	<b>84</b>	-	<b>422,615</b>
3.1 With underlying securities	-	50,309	49,638	74	34	-	84	-	100,139
- Options									
+ long-term positions	-	503	-	-	-	-	-	-	503
+ short-term positions	-	-	-	-	-	-	-	-	-
- other									
+ long-term positions	-	111	49,623	37	17	-	42	-	49,830
+ short-term positions	-	49,695	15	37	17	-	42	-	49,806
3.2 Without underlying securities	-	229,736	212	2,528	90,000	-	-	-	322,476
- Options									
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
- other									
+ long-term positions	-	114,868	106	1,264	45,000	-	-	-	161,238
+ short-term positions	-	114,868	106	1,264	45,000	-	-	-	161,238

## 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 (€ thousand)	Listed			Non listed
	Italy	Germany	Other	
<b>A. Equity securities</b>				
- long positions	991	889	697	-
- 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	-	-	-	-
- 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 OICR units held in the portfolio,

however, the Group’s exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.



### 3. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.

This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +/- 100 basis points in the rate curve, deemed reasonably possible given the current market scenario.

The next stage involves establishing the potential effects on the profit and loss account both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.

In calculating the price risk associated with equities, a 10% change in market prices was deemed reasonable.

On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of +258/-258 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 -1.1/+1.1 million euros, gross of the tax effect.

(€ thousand)	HFT	AFS	HTM+L&R	LOANS**	TOTAL
<b>Delta FV Equity (+10%)*</b>	258	1,350	-	-	1,608
<b>Delta FV Equity (-10%)*</b>	- 258	- 1,350	-	-	- 1,608
<b>Delta FV bonds (+1%)</b>	- 1,097	- 11,889	- 15,035	- 1,311	- 29,332
<b>Delta FV bonds (-1%)</b>	1,097	11,893	15,047	1,311	29,348
<b>Delta MI (+1%)</b>	580	7,684	6,117	7,917	22,299
<b>Delta MI (-1%)</b>	- 580	- 7,684	- 6,117	- 5,918	- 20,300

\*\*Loans to banks and loans to customers

## 1.2.2 Interest Rate and Price Risk – Banking Portfolio

### Qualitative Information

#### A. General Aspect, Management Processes and Interest Rate Risk Measurement Techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Group's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and therefore net equity.

The Group has established a specific policy for managing interest-rate risk in the banking portfolio.

The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.

The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.

The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the Group's banking portfolio arises from:

- trading on the interbank deposits market and
- customer lending activities;
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

## Quantitative Information

### 1 Banking portfolio: broken down by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY (€ thousand)	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>952,952</b>	<b>1,195,821</b>	<b>516,066</b>	<b>247,982</b>	<b>411,408</b>	<b>127,486</b>	<b>720</b>	<b>1,398</b>	<b>3,453,833</b>
1.1 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	62,707	1,095,127	505,011	247,597	409,824	126,527	-	-	2,446,793
1.2 Loans to banks	232,179	68,116	-	-	-	-	-	-	300,295
1.3 Loans to customers									
- current accounts	443,548	66	24	163	92	-	-	842	444,735
- other loans	214,518	32,512	11,031	222	1,492	959	720	556	262,010
- with early repayment option	78,831	32,096	122	222	1,492	959	720	268	114,710
- other entities	135,687	416	10,909	-	-	-	-	288	147,300
<b>2. Cash liabilities</b>	<b>2,831,899</b>	<b>251,616</b>	<b>8,974</b>	<b>198,733</b>	<b>24,000</b>	<b>16,000</b>	<b>-</b>	<b>-</b>	<b>3,331,222</b>
2.1 Due to customers									
- current accounts	2,739,488	-	-	-	-	-	-	-	2,739,488
- other payables	33,686	67,428	-	-	24,000	16,000	-	-	141,114
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	33,686	67,428	-	-	24,000	16,000	-	-	141,114
2.2 Due to banks									
- current accounts	873	-	-	-	-	-	-	-	873
- other payables	57,852	183,999	8,974	198,733	-	-	-	-	449,558
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	189	-	-	-	-	-	-	189
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-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities									
- Options	-	-	-	-	-	-	-	-	-
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
+ long-term positions	-	-	-	-	-	-	-	-	-
+ short-term positions	-	-	-	-	-	-	-	-	-

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS).

In further detail, the only listed securities consist of the equity investments in the parent company, Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.

The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

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

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +1.3/-1.3 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of +11.9/-11.9 million euros, gross of the tax effect.

A change of +100/-100 basis points in interest rates would have an effect of +21.7/-19.7 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.

The same criteria were also applied to a sensitivity analysis of net interest income, which resulted in a potential impact on the profit and loss account of -8.7 million euros, gross of the tax effect in case of reduction of interest rates by 1% and +9.3 million euros in case of increase by the same amount.

(€ thousand)	ASSETS	LIABILITIES	TOTAL
Net interest income Delta (+1%)	22,299	- 13,009	9,290
Net interest income Delta (-1%)	- 20,300	11,582	- 8,718

Notes: The -100 bps scenario is strictly theoretical inasmuch as rates on the short-term part of the curve are below 1%.

### 1.2.3 Exchange Rate Risk

Exchange-rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.

#### Breakdown by currency of denomination for assets, liabilities, and derivatives

ITEMS	Currency					Other Currencies	Total Currencies
	US dollar	Japanese yen	Swiss franc	Pound sterling	Icelandic krona		
(€ thousand)							
<b>A. Financial assets</b>	<b>43,063</b>	<b>9,524</b>	<b>9,966</b>	<b>9,420</b>	<b>2,242</b>	<b>510</b>	<b>74,725</b>
A.1. Debt securities	41	-	-	-	-	-	41
A.2. Equity securities	1	-	-	-	-	-	1
A.3. Loans to banks	43,020	52	9,758	9,419	2,242	510	65,001
A.4. Loans to customers	1	9,472	208	1	-	-	9,682
A.5. Other financial assets	-	-	-	-	-	-	-
<b>B. Other assets</b>	-	-	-	-	-	-	-
<b>C. Financial liabilities</b>	<b>30,587</b>	<b>9,414</b>	<b>7,679</b>	<b>6,708</b>	<b>2,193</b>	<b>173</b>	<b>56,754</b>
C.1. Due to banks	-	9,390	-	-	-	-	9,390
C.2. Due to customers	30,470	24	7,607	6,708	2,193	173	47,175
C.3. Debt securities	117	-	72	-	-	-	189
<b>D. Other liabilities</b>	-	-	-	-	-	-	-
<b>E. Financial derivatives</b>	<b>- 541</b>	<b>4</b>	<b>- 129</b>	<b>- 35</b>	<b>-</b>	<b>- 519</b>	<b>- 1,220</b>
Options							
- long-term positions	-	-	-	-	-	-	-
- short-term positions	-	-	-	-	-	-	-
Other derivatives	- 541	4	- 129	- 35	-	- 519	- 1,220
- long-term positions	49,630	3,508	84	31	-	4,257	57,510
- short-term positions	50,171	3,504	213	66	-	4,776	58,730
<b>Total assets</b>	<b>92,693</b>	<b>13,032</b>	<b>10,050</b>	<b>9,451</b>	<b>2,242</b>	<b>4,767</b>	<b>132,235</b>
<b>Total liabilities</b>	<b>80,758</b>	<b>12,918</b>	<b>7,892</b>	<b>6,774</b>	<b>2,193</b>	<b>4,949</b>	<b>115,484</b>
<b>Excess</b>	<b>11,935</b>	<b>114</b>	<b>2,158</b>	<b>2,677</b>	<b>49</b>	<b>-182</b>	<b>16,751</b>

## 1.2.4 Derivative Financial Instruments

### A. Financial Derivatives

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

TYPES OF DERIVATIVES/UNDERLYING ASSETS (€ thousand)	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>1. Debt securities and interest rates</b>	<b>45,000</b>	-	<b>20,000</b>	-
a) Options				
b) Swaps	45,000		20,000	
c) Forwards				
d) Futures				
e) Other		-		-
<b>2. Equity securities and equity indices</b>	<b>1,430</b>	-	-	-
a) Options	1,430	-		-
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
<b>3. Currencies and gold</b>	<b>15,650</b>	-	<b>108,828</b>	-
a) Options				
b) Swaps				
c) Forwards	15,650		108,828	
d) Futures				
e) Other				
<b>4. Goods</b>	-	-	-	-
<b>5. Other underlying assets</b>	-	-	-	-
<b>Total</b>	<b>62,080</b>	-	<b>128,828</b>	-

## A.2 Banking Portfolio: notional amounts at period-end

### A.2.2 Other derivatives

TYPES OF DERIVATIVES/UNDERLYING ASSETS (€ thousand)	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>A.2.1 Hedging derivatives</b>				
<b>1. Debt securities and interest rates</b>	-	-	-	-
a) Options				
b) Swaps	-		-	
c) Forwards				
d) Futures				
e) Other				
<b>2. Equity securities and equity indices</b>	-	-	-	-
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
<b>4. Goods</b>	-	-	<b>8,175</b>	-
5. Other underlying assets				
Total				
c) Forwards	-		-	
d) Futures	-		8,175	
e) Altri				
<b>4. Merci</b>				
<b>5. Altri sottostanti</b>				
<b>Totale</b>	-	-	<b>8,175</b>	-

### A.3 Financial derivatives positive fair value- breakdown by products

PORTFOLIO/TYPE OF DERIVATIVES (€ thousand)	Positive FV 2010		Positive FV 2009	
	OTC	Central counterparties	OTC	Central counterparties
<b>A. Regulatory trading portfolio:</b>	<b>199</b>	-	<b>110</b>	-
a) Options	-	-	-	-
b) interest rate swaps	-	-	-	-
c) cross currency swap Swaps	-	-	-	-
d) equity swaps	-	-	-	-
e) Forwards	199	-	110	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	-	-	-	-
a) Options	-	-	-	-
b) interest rate swaps	-	-	-	-
c) cross currency swap 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 swap Swaps	-	-	-	-
d) equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>199</b>	-	<b>110</b>	-



## A.4 Financial derivatives negative fair value- breakdown by products

PORTFOLIO/TYPE OF DERIVATIVES (€ thousand)	Negative FV 2010		Negative FV 2009	
	OTC	Central counterparties	OTC	Central counterparties
<b>A. Regulatory trading portfolio:</b>	<b>6,502</b>	-	<b>494</b>	-
a) Options	73	-	-	-
b) interest rate swaps	6,239	-	384	-
c) cross currency swap Swaps	-	-	-	-
d) equity swaps	-	-	-	-
e) Forwards	190	-	110	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	-	-	-	-
a) Options	-	-	-	-
b) interest rate swaps	-	-	-	-
c) cross currency swap Swaps	-	-	-	-
d) equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	-	-	-	-
a) Options	-	-	-	-
b) interest rate swaps	-	-	-	-
c) cross currency swap Swaps	-	-	-	-
d) equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>6,502</b>	-	<b>494</b>	-

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

<b>CONTRACTS OTHER THAN COMPENSATION AGREEMENTS</b>	Government and central banks	Other public institutions	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
(€ thousand)							
<b>1) Debt securities and interest rates</b>							
- notional value			45,000				
- positive fair value							
- negative fair value			6,239				
- future exposure			225				
<b>2) Equity securities and equity indices</b>							
- notional value			1,430				
- positive fair value							
- negative fair value			73				
- future exposure			86				
<b>3) Currencies and gold</b>							
- notional value			7,902	4,707		75	2,966
- positive fair value			34	120			44
- negative fair value			156			1	32
- future exposure			79	47		1	30
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

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

LIABILITIES/ASSETS PORTFOLIO				
(€ thousand)	Up to 1 year	Over 1 year, up to 5 years	Over 5 years	Total
<b>A. Regulatory trading portfolio</b>	<b>17,080</b>	<b>45,000</b>	-	<b>62,080</b>
A.1 Financial derivatives on debt securities and interest rates	-	45,000	-	45,000
A.2 Financial derivatives on equity securities and stock indices	1,430	-	-	1,430
A.3 Financial derivatives on exchange rates and gold	15,650	-	-	15,650
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 31/12/2010</b>	<b>17,080</b>	<b>45,000</b>	-	<b>62,080</b>
<b>Total at 31/12/2009</b>	<b>117,003</b>	<b>20,000</b>	-	<b>137,003</b>

## 1.3 Liquidity Risk

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

The Group has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.

The Finance Department (more specifically, the Treasury and Corporate Finance Office) conducts first-tier controls on operations of the Parent Company and is responsible for managing liquidity risk for several Group companies and keeping it within the assigned limits in accordance with strategic goals. The transactions set out in the Parent Company's Finance Rules, as approved by the Board of Directors, are as follows:

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

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

Second-tier checks are the responsibility of the Risk Management Service, which monitors that liquidity is properly managed in both the short and long term

(structural liquidity) through an ALM system that allows for the detection of cash imbalances by maturity brackets, as well as through monitoring of an appropriate set of ratios.

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

The Internal Audit Service is responsible for third-tier controls on investment and fund-raising transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The Banca Generali Group is primarily a supplier of funds to the market and has historically had excess liquidity. Liquidity management is aimed at optimising market cash flow and rates.

Part of cash on hand is allocated to interbank deposits in order to obtain the most efficient results in terms of treasury management.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with high credit ratings.

The securities portfolio also featured a moderate residual average maturity and a prevalence of floating-rate securities over fixed-income securities aimed at avoiding exposure to the risk of mismatching against the interest rates on the bank's liabilities.

The Group uses a maturity ladder to apply the guidelines set out in Annex D to the Prudential Supervisory provisions<sup>1</sup> governing the measurement of net financial position. The maturity ladder permits an assessment of the balance of expected cash flows by comparing the assets and maturities whose maturities fall within each individual time range. The maturity ladder permits the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or excess amounts) over the holding period considered.

<sup>1</sup> Circular No. 263 of 27 December 2006, "New Prudential Supervisory Provisions Concerning Banks".

## 1. Breakdown of assets and liabilities by maturity

ITEM / TIME-TO-MATURITY (€ thousand)	On demand	Over 1 day to 7 days	Over 7 days to 15 days	Over 15 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 month to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite maturity.	Total
<b>Cash assets</b>											
A.1 Government securities	-	-	-	-	82,585	142,189	292,627	698,408	326,371	-	1,542,180
A.2 Other debt securities – listed	1,119	-	-	9,965	51,130	58,386	75,251	658,681	137,408	7,125	999,065
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.4 UCIT units	14,327	-	-	-	-	-	-	-	-	-	14,327
A.5 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	217,281	31,282	10,000	30,000	-	-	-	-	-	11,680	300,243
- to customers	536,802	37	523	2,062	5,274	15,009	23,616	69,354	53,624	3,845	710,146
<b>Total</b>	<b>769,529</b>	<b>31,319</b>	<b>10,523</b>	<b>42,027</b>	<b>138,989</b>	<b>215,584</b>	<b>391,494</b>	<b>1,426,443</b>	<b>517,403</b>	<b>22,650</b>	<b>3,565,961</b>
<b>Cash liabilities</b>											
B.1 Deposits	-	-	-	-	-	-	-	-	-	-	-
- from banks	35,873	-	-	-	414	8,974	-	-	-	-	45,261
- from customers	2,660,889	78,400	-	45	25	13	9	131	-	-	2,739,512
B.2 Debt securities	-	-	-	189	-	-	-	-	-	-	189
B.3 Other liabilities	52,204	1,831	5,038	222,314	21,829	-	198,733	24,000	16,000	-	541,949
<b>Total</b>	<b>2,748,966</b>	<b>80,231</b>	<b>5,038</b>	<b>222,548</b>	<b>22,268</b>	<b>8,987</b>	<b>198,742</b>	<b>24,131</b>	<b>16,000</b>	<b>-</b>	<b>3,326,911</b>
<b>Off-balance sheet transactions</b>											
C.1 Financial Derivatives with capital swap	-	-	-	-	-	-	-	-	-	-	-
- long-term positions	-	100,699	-	-	14,281	49,723	1,265	56	45	-	166,069
- short-term positions	-	150,285	-	-	14,281	114	1,265	56	45	-	166,046
C.2 Financial Derivatives without capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	6,239	-	-	-	-	-	-	-	-	-	6,239
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitment to dispense funds	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	1,219	-	-	-	-	-	-	1,136	75	-	2,430
C.5 Financial guarantees issued	-	-	-	-	-	-	-	160	-	-	160
<b>Total</b>	<b>7,458</b>	<b>250,984</b>	<b>-</b>	<b>-</b>	<b>28,562</b>	<b>49,837</b>	<b>2,530</b>	<b>1,408</b>	<b>165</b>	<b>-</b>	<b>340,944</b>

## 1.4 Operating Risk

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 Group has established an operating risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of operating risk.

The 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 Legal and Compliance Department is tasked with contributing to the management of operating risks, to the extent of its competence, through the management and monitoring of law suits. Particular attention is devoted to the control and monitoring of the risk of fraud, a risk of particular importance to the Group, given its organisational configuration.

The Risk Management Service is responsible for second-tier checks on operating risk and is thus charged with identifying, measuring, monitoring and managing operating risks. The Risk Management

function identifies and assesses the operating risks inherent in company processes through risk assessment, scoring and analysis of operating losses, and also monitors action plans aimed at mitigating significant risks.

The Internal Auditing Service is responsible for third-level controls on operating risks. 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 that monitors 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 deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

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

# PART F – INFORMATION ON NET EQUITY

## SECTION 1 – NET EQUITY

### A. Qualitative Information

The Banca Generali Group's capital management strategy aims to ensure that the capital and ratios of Banca Generali and the banks and financial companies it controls are consistent with its risk profile and regulatory requirements.

Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the Bank of Italy.

Such rules require that banks maintain a certain level of capital for regulatory purposes, which is separate from the net equity stated in the financial statements. Regulatory capital requirements are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Moreover, the ratio of regulatory capital to risk-weighted assets must be at least 8%; the Bank of Italy verifies compliance with these requirements every six months.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis as well as safeguarding the related databases of historical information. The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Lastly, when each corporate action is undertaken, capital adequacy is evaluated and any measures to be taken in relation to net equity and/or the balance sheet aggregates that affect minimum capital requirements are identified.

### B. Quantitative Information

Group net equity at 31 December 2010 amounted to 281.2 million euros, a 12.7 million euros increase compared to the previous year due to the following changes:

(€ thousand)	Group	Third parties	Comprehensive
<b>Net equity at year-start</b>	<b>264,005</b>	<b>4,476</b>	<b>268,481</b>
Dividend paid in May 2010	- 49,884	- 1,999	- 51,883
Exercise of stock options	355	-	355
Adjustment of IFRS2 reserve for stock grant/option plans	- 14	-	- 14
Change in AFS reserves	- 22,071	-	- 22,071
Consolidated net profit 2010	82,207	4,144	86,351
<b>Net equity at year-end</b>	<b>274,598</b>	<b>6,621</b>	<b>281,219</b>

Net equity includes also minority interests in the amount of 6.6 million euros, of which 2.5 million euros recognized under reserves and 4.1 million euros included in profit for the year.

## B.1 Consolidated net equity: Break down by type of company

(€ thousand)	Banking Group	Insurance companies	Other companies	Cancellations and adjustments for consolidation purposes	Total
1. Share capital	111,363	-	-	-	111,363
2. Additional paid-in capital	-	-	-	-	-
3. Reserves	107,877	-	-	-	107,877
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	- 660	-	-	-	- 660
6. Valuation reserves	- 23,712	-	-	-	- 23,712
- Financial assets available for sale	- 23,712	-	-	-	- 23,712
- Property and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash-flow hedges	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets held for sale	-	-	-	-	-
- Actuarial gains (losses) from defined benefit plans	-	-	-	-	-
- Share of valuation reserves of investee companies valued at equity	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-
7. Net profit (loss) for the year attributable to the Group and minority interests	86,351	-	-	-	86,351
<b>Total net equity</b>	<b>281,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>281,219</b>

## B.2 Breakdown of reserves from financial assets available for sale

At year-end, valuation reserves for AFS assets were a negative 23,712 thousand euros, net of the associated tax effect, thus worsening by 22,071 million euros

compared to the end of 2009, mainly attributable to the debt securities portfolio.

ATTIVITÀ/VALORI	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
(€ thousand)										
1. Debt securities	250	22,201	-	-	-	-	-	-	250	22,201
2. Equity securities	13	1,774	-	-	-	-	-	-	13	1,774
3. UCIT units	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	<b>263</b>	<b>23,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>263</b>	<b>23,975</b>
<b>Total at 31/12/2009</b>	<b>3,672</b>	<b>5,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,672</b>	<b>5,313</b>



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

The worsening position was caused, for a net amount of 31,195 thousand euros, by the reduction in fair values pertaining to the bond component of the AFS portfolio and 870 thousand euros by the transfer back to the profit and loss account of existing net positive reserves. The net positive tax effect of these write-downs has been estimated at 9,994 thousand euros.

This trend is linked to the crisis affecting the financial debt of a number of EU countries which has also had repercussions for Italian public debt prices.

31.12.2010				
(€ thousand)	Equity securities	Debt securities	Formerly AFS debt securities	Total
<b>1. Amount at year-start</b>	- 1,647	1,732	- 1,726	- 1,641
<b>2. Increases</b>	<b>1,681</b>	<b>11,777</b>	<b>1,308</b>	<b>14,766</b>
2.1 Fair value increases	29	257	-	286
2.2 Transfer to profit and loss of negative reserves	1,626	1,084	1,276	3,986
due to impairment	1,626	-	-	1,626
due to disposal	-	1,084	1,276	2,360
2.3 Other changes	26	10,436	32	10,494
<b>3. Decreases</b>	<b>1,795</b>	<b>34,547</b>	<b>495</b>	<b>36,837</b>
3.1 Fair value decreases	1,630	31,477	-	33,107
3.2 Transfer to statement of operations of positive reserves	83	3,056	91	3,230
due to impairment	-	-	-	-
due to disposal	83	3,056	91	3,230
3.3 Other changes	82	14	404	500
<b>4. Amount at year-end</b>	<b>- 1,761</b>	<b>- 21,038</b>	<b>- 913</b>	<b>- 23,712</b>

The reserve associated with debt securities also includes 913 million euros in decreases in fair value that were recognised due to the transfer of securities from the AFS portfolio to the portfolios held to maturity and loans and receivables (net of the relative tax effect). According to IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.

## SECTION 2 – NET EQUITY AND BANK SURVEILLANCE COEFFICIENTS

### 2.1 Capital for regulatory purposes

#### Qualitative Information

The Group's capital for regulatory purposes and capital ratios were calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IAS/IFRS, and bearing in mind the new rules defined in the update to Circular Letter No. 155/91 relating to the "Instructions on Reporting Regulatory Capital and Capital Ratios".

The objective of the new provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS. Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.

Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital.

Deductions from Tier 1 and Tier 2 capital include equity investments and other items (innovative equity instruments, hybrid equity instruments and subordinated assets) and the so-called "prudential filters".

The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes.

In particular, the aspects of the new provisions that most affect Banca Generali Group include:

- 1 for financial assets held for trading, both unrealised gains and losses are fully recognised;
- 2 for financial assets available for sale, unrealised gains and losses are netted: if the result is a negative balance, it reduces Tier 1 capital; if it is positive, it contributes for 50% to Tier 2 capital. Furthermore, any unrealised gains and losses on loans classified as available-for-sale are sterilised;
- 3 for hedges, unrealised gains and losses on cash-flow hedges, which are recorded in a specific reserve, are sterilised; no filter is applied to fair-value hedges.

The Instruction of 15 May 2010 partly changed the regulatory framework in that it introduced the possibility of adopting the approach calling for the full "neutralisation" of capital gains and losses to net equity on AFS securities in alternative to the "asymmetrical" approach provided for in applicable supervisory regulations.

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

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

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

Banca Generali has opted for the full neutralisation method.

In determining consolidated capital for regulatory purposes, the Note of 11 March 2009 was also taken into account concerning the ways in which prudential filters are calculated in the event of the tax redemption of goodwill in accordance with Article 15 of Law Decree No. 185/2008.

With this note, the Bank of Italy stated that, when the bank immediately reports in profit and loss both the substitute tax and the tax benefit — represented by the tax saving made through the tax amortisation of goodwill — thereby bringing forward to the first year the tax benefit expected over the 9-year period, a special negative prudential filter must be activated when calculating the regulatory capital:

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

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

### 1. Tier 1 capital

Tier 1 capital includes paid-in share capital, issue premium, earnings and capital reserves, the net profit for the year, innovative and non-innovative equity instruments, net of treasury shares or units in portfolio, intangible assets, “other negative items”, as well as any losses reported in the previous and current years, net of the application of positive/negative “prudential filters”.

The Banca Generali Group’s Tier 1 capital did not include any innovative or non-innovative equity instruments at year-end, whereas prudential filters consisted of negative reserves resulting from the measurement of available-for-sale financial assets according to the equity method.

### 2. Tier 2 capital

Tier 2 capital includes valuation reserves, innovative and non-innovative equity instruments not included in Tier 1 capital, hybrid equity instruments, Tier 2 subordinated liabilities, net of non-performing loan projections due to country risk, and other negative items, net of positive/negative “prudential filters”.

Banca Generali’s year-end Tier 2 capital includes Tier 2 subordinated liabilities consisting of a subordinated loan, for an amount of 40 million euros, granted by the German insurance associate Generali Versicherung AG.

The loan was obtained on 1 October 2008 by the merged Banca Bsi Italia for the acquisition of Banca del Gottardo Italia.

The loan was contracted in the “schuldschein” contractual form, calls for repayment in five annual instalments over seven years beginning on 1 October 2011, and is subordinated if the bank defaults.

The interest rate agreed upon is equal to the 12-month Euribor plus 225 basis points. The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

### 3. Tier 3 capital

Tier 3 capital includes subordinated liabilities that may not be calculated as part of Tier 2 capital and Tier 3 liabilities, net of the application of negative “prudential filters”. This aggregate may only be used to cover market risk capital requirements – computed net of capital requirements for counterparty risk and settlement risk associated with the “regulatory trading book” – and up to a maximum of 71.4% of said market risk requirements.

The Banca Generali Group did not have Tier 3 capital at year-end.

### B. Quantitative Information

The following is a brief account of the structure of the Group’s consolidated capital for regulatory purposes, broken down into its main Tier 1 and Tier 2 components.

**Capital for regulatory purposes** amounted to 225.3 million euros at 31 December 2010, on the basis of projected total dividends to be distributed of 65.3 million euros.

The aggregate shows an increase of 19.5 million euros compared to the 2009 year-end. This is due to the capitalisation of a portion of the current and prior year’s profit, as well as the benefit arising from the taking up of the option provided for by the Bank of Italy Measure of 18 May 2010, whereby net negative changes in fair value for the year accrued in the government securities sector in the Euro area could be disregarded.

ITEMS/VALUES	Change			
	31.12.2010	31.12.2009	Amount	%
(€ thousand)				
Tier 1 capital	185,634	166,078	19,556	11.78%
Tier 2 capital	39,624	39,666	- 42	-0.11%
Tier 3 capital	-	-	-	
<b>Total capital for regulatory purposes</b>	<b>225,258</b>	<b>205,744</b>	<b>19,514</b>	<b>9.48%</b>
<b>Consolidated net equity</b>	<b>281,219</b>	<b>268,481</b>	<b>12,738</b>	<b>4.74%</b>

## Composition of Capital for Regulatory Purposes

ITEMS/VALUES	31.12.2010	31.12.2009
(€ thousand)		
<b>TIER 1 CAPITAL</b>		
Share capital	111,363	111,313
Additional paid-in capital	-	22,309
Reserves	107,877	75,374
Net profit (loss) for the year	86,351	65,558
Dividends for pay-out	- 65,352	- 51,883
<b>Total positive items</b>	<b>240,239</b>	<b>222,671</b>
Treasury shares	- 660	- 4,471
Goodwill	- 38,632	- 38,632
Intangible assets	- 9,879	- 11,467
<b>Total negative items</b>	<b>- 49,171</b>	<b>- 54,570</b>
<b>Prudential Tier 1 capital filters:</b>		
Negative fair value reserve for AFS debt securities	- 884	-
Negative fair value reserve for AFS equity securities	- 1,760	- 1,647
50% net tax benefit redempt. Goodwill Re. Art. 15 of Leg. Decree 185/09	- 2,414	-
<b>Total negative items</b>	<b>- 5,058</b>	<b>- 1,647</b>
<b>Total Tier 1 capital</b>	<b>186,010</b>	<b>166,454</b>
50% higher port. 10% in banks/SIMs	- 376	- 376
<b>Total deductions</b>	<b>- 376</b>	<b>- 376</b>
<b>Total Tier 1 capital</b>	<b>185,634</b>	<b>166,078</b>
<b>TIER 2 CAPITAL</b>		
Valuation reserves	-	-
- revaluation reserve	-	39
Subordinated loan	-	6
positive fair value reserve for AFS equity securities	40,000	40,000
<b>Total positive items</b>	<b>40,000</b>	<b>40,045</b>
Inapplicable portion of positive AFS reserve	-	-
Other negative items	-	-
<b>Total negative items</b>	<b>-</b>	<b>-</b>
<b>Prudential filters of Tier 2 capital:</b>		
Other	-	-
<b>Total positive filters</b>		
- 50% reserve from valuation of AFS securities	-	- 3
- other entities	-	-
<b>Total negative filters</b>	<b>-</b>	<b>- 3</b>
<b>Total Tier 2 Capital</b>	<b>40,000</b>	<b>40,042</b>
50% higher port. 10% in banks/SIMs	- 376	- 376
<b>Total deductions</b>	<b>- 376</b>	<b>- 376</b>
<b>Total Tier 2 Capital</b>	<b>39,624</b>	<b>39,666</b>
<b>TIER 3 CAPITAL</b>		
- subordinated liabilities (up to 50% of Tier 1 capital)	-	-
Excess capital compared to calculated amount	-	-
<b>Total TIER 3 capital</b>	<b>-</b>	<b>-</b>
<b>TOTAL CAPITAL FOR REGULATORY PURPOSES</b>	<b>225,258</b>	<b>205,744</b>

## Prudential Filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel

Committee on the calculation of capital for regulatory purposes.

(€ thousand)	31.12.2010	31.12.2009
<b>A. Tier 1 capital before application of prudential filters</b>	<b>191,068</b>	<b>168,101</b>
B. Prudential Tier 1 capital filters:	- 5,058	- 1,647
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	- 5,058	- 1,647
<b>C. Tier 1 capital before deductions</b>	<b>186,010</b>	<b>166,454</b>
D Deductions from Tier 1 capital	- 376	- 376
<b>E. TIER 1 capital (C - D)</b>	<b>185,634</b>	<b>166,078</b>
<b>F. Tier 2 capital before application of prudential filters</b>	<b>40,000</b>	<b>40,045</b>
G. Prudential filters of Tier 2 capital:	-	- 3
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	- 3
<b>H. Tier 2 capital before deductions</b>	<b>40,000</b>	<b>40,042</b>
Deductions from Tier 2 capital	- 376	- 376
<b>L. TIER 2 capital (H - I)</b>	<b>39,624</b>	<b>39,666</b>
M. Items to deduct from total Tier 1 and Tier 2 capital	-	-
<b>N. Capital for regulatory purposes (E+L-M)</b>	<b>225,258</b>	<b>205,744</b>
O.TIER 3 capital	-	-
<b>P. Capital for regulatory purposes, including TIER 3 (N+O)</b>	<b>225,258</b>	<b>205,744</b>

## 2.2. Capital Adequacy

### A. Qualitative Information

Based on the supervisory instructions, Banca Generali's capital for regulatory purposes, since the bank is part of a banking group, must amount to at least 8% of its risk-weighted assets (total capital ratio) in relation to credit risk, which is evaluated based on the category of the counterparty, maturity, country risk and guarantees received.

Banks are also required to comply with regulatory capital requirements connected to trading activities. Related market risks are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.

Internal models may be used to calculate capital requirements for market risk; however, companies belonging to the Banca Generali Group use standard methods under all circumstances.

Banks are also required to set aside part of their regulatory capital to cover the operating risk, which, in the case of a Banking group, should be calculated using the basic method set forth by the Circular No. 263 of the Bank of Italy dated 27 December 2006.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis as well as safeguarding the related databases of historical information.

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g. acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

### B. Quantitative Information

Total capital adequacy requirements for credit, market and operating risks set by the Supervisory Authority amounted to 135.7 million euros, resulting in a surplus of capital for regulatory purposes of 89.6 million euros, with a total capital ratio of 13.28%.

ITEMS/VALUES	31.12.2010		31.12.2009	
	Non weighted amounts	Weighted amounts	Non weighted amounts	Weighted amounts
(€ thousand)				
<b>A. RISK ACTIVITY</b>	<b>4,628,314</b>	<b>1,157,013</b>	<b>4,409,987</b>	<b>1,160,454</b>
<b>A.1 Credit and counterparty risk</b>				
1. standardised method	4,553,494	1,083,550	4,304,219	1,046,136
2. internal rating method	-	-	-	-
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. securitisation	74,820	73,463	105,768	114,318
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 CREDIT RISK AND COUNTERPARTY RISK</b>		<b>92,561</b>		<b>92,836</b>
<b>B.2 MARKET RISKS</b>		<b>9,350</b>		<b>13,375</b>
1. Standard methodology	X	9,350	X	13,375
2. Internal models	X	-	X	-
3. Foreign exchange risk		-		-
<b>B.3 OPERATING RISK</b>	<b>X</b>	<b>33,759</b>	<b>X</b>	<b>30,006</b>
1. Basic method	X	33,759	X	30,006
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
<b>B.4 OTHER PRUDENTIAL REQUIREMENTS</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
<b>B.5 TOTAL PRUDENTIAL REQUIREMENTS</b>	<b>X</b>	<b>135,670</b>	<b>X</b>	<b>136,217</b>
<b>C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS</b>				
C.1 Risk-weighted assets	X	1,695,875	X	1,702,713
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	10.95%	X	9.75%
C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio)	X	13.28%	X	12.08%



## PART G – MERGERS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the banking group's goodwill are also stated in the interest of consistency of presentation.

### SECTION 1 - TRANSACTIONS UNDERTAKEN DURING THE YEAR

On 1 January 2010, within the banking Group two internal restructuring transactions authorised in the previous year were finalised:

- 1) the portfolio management business unit was contributed by Banca BSI Italia to BG SGR S.p.A.;
- 2) Banca BSI Italia S.p.A. was merged into its parent company, Banca Generali S.p.A..

The first of the two transactions was undertaken by Banca BSI Italia before it was merged into Banca Generali and thus is also presented in this chapter in order to provide a complete overview of the resulting situation.

Both of the foregoing qualify as transactions between entities under common control and have been accounted for in accordance with the principle of the continuity of the values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali's 2009 financial statements and have not therefore had any effects on the consolidated financial statements of 2010.

(€ thousand)	31.12.2010	31.12.2009	change	
			Amount	%
Prime Consult and Ina sim	2.991	2.991	0	0.0%
BG Fiduciaria Sim Spa	4.289	4.289	0	0.0%
Banca Del Gottardo Italia	31.352	31.352	0	0.0%
<b>Total</b>	<b>38.632</b>	<b>38.632</b>	<b>0</b>	<b>0.0%</b>

In detail, the goodwill arising from the acquisition of the 100% equity investment in Banca del Gottardo Italia was recognised on the basis of the book values resulting from initial recognition in the consolidated financial statements of the common parent company,

### SECTION 2 – TRANSACTIONS AFTER THE CLOSE OF THE PERIOD

As of the date publication of the financial statements was authorised, no such transactions had been approved.

### SECTION 3 RETROSPECTIVE ADJUSTMENTS

No retrospective adjustments to business combinations by the banking group in previous years were undertaken in 2010 pursuant to paragraphs 61 and B7 of IFRS 3.

The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

The banking group's goodwill amounted to 38.6 million euros at 31 December 2010, unchanged compared to 31 December 2009.

As a result, the Group's goodwill is as shown in the following table.

Assicurazioni Generali S.p.A. This value was determined on the basis of the Purchase Price Allocation (PPA) prepared by the Parent Company pursuant to IFRS 3 for the acquisition of the Swiss banking group Banca del Gottardo S.A. in 2008.

## Annual Changes in Goodwill

	Goodwill
Net amount at year-start	38,632
<b>Increases</b>	-
Purchases	-
Other changes	-
of which business combinations	-
<b>Decreases</b>	-
Sales	-
Adjustments	-
of which: a) amortisation	-
of which: b) write-downs	-
Other changes	-
<b>Amount at year-end</b>	<b>38,632</b>

## Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is tested at least annually for impairment.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified, pursuant to IFRS 8, for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Goodwill is monitored by Banca Generali's central functions. In order to test such goodwill for impairment in accordance with IAS 36, the following CGUs have been defined within the private banking operating segment (Relationship Management CGU and Trust Management CGU) and the Retail segment (Trust Management CGU and Prime Consult and INA Sim CGU).

## 1. Relationship Management CGU ("RM CGU")

The "Relationship Management" CGU ("RM CGU") refers to the part of the activity of "Banca Generali's Private Banking Division", relating to the operations of the now merged Banca BSI Italia and Banca del Gottardo Italia, to which the goodwill arising from the acquisition is attributable in full.

This CGU, in view of the "confusion" arising following successive business merger and reorganisation operations, includes all Relationship Managers employed by Banca Generali.

The CGU's scope and future cash flows have been identified on the basis of the assets under management with the relationship managers, including management mandates received by BG SGR.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered.

Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of the hypothetical dividend flows that it is capable of generating prospectively over the chosen holding period.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the RM CGU were based on an extract of the banking group's 2011-2014 forecast data. These data refer to the 2011 Budget, as approved by the Parent Company's Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

The expected long-term growth rate after the explicit forecasting period employed to determine the terminal value was set at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at 10.7%.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the RM CGU's carrying amount of **48.7 million euros**, the value obtained by applying the analytical method described above comes to a minimum of **56.1 million euros** and a maximum of **66.3 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 10.4%-10.9% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

## 2. Trust Management CGU (TM CGU)

The Trust Management CGU (TM CGU) coincides substantially with the equity investment in BG Fiduciaria SIM. For the purposes of the application of IAS 36 in connection with IFRS 8, since the CGU in question is transversal to the operating segments identified for IFRS 8, cash flows were allocated between the Private Banking, Retail and Corporate segments according to AUM, thereby avoiding overlapping between segments. Since the profitability of the assets attributed to the three segments is similar and costs are also allocated on the basis of AUM, the fact that the TM CGU passed the impairment test means that the goodwill attributed to the Private Banking, Retail and Corporate segments also passed the test.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered.

Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of a company is a function of the dividend flows that it is capable of generating prospectively over the chosen holding period.

The empirical control method employed was the comparable market multiples method.

The earnings and cash flow projections for the TM CGU were drawn from the banking group's 2011-2013 forecast data. These data refer to the 2011 Budget, as approved by the Parent Company's Board of Directors, and cash flow projections constructed on the basis of

the Group's historical experience and in accordance with external sources of financial information.

The expected long-term growth rate after the explicit forecasting period employed to determine the terminal value was set at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at 11.8%.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the TM CGU's carrying amount of **13.2 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **19.3 million euros** and a maximum of **20.9 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 11.5%-12.0% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

### 3. Prime Consult and INA Sim CGU

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered. Specifically, the following were used to determine value in use:

- the CGU's earnings and cash flow projections, extrapolated from the Banca Generali Group's 2011-2013 forecast data, supplemented by management analyses of specific aspects; the Group's forecast data are based on the 2011 Budget, as approved by the Board of Directors, and cash-flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information;
- analytical valuation methods based on the discounting of expected future cash flows (cash flow method);
- a fixed cost of capital of 10.7%, constructed according to the Capital Asset Pricing Model;
- the terminal value determined according to the perpetual return method on the basis of growth rate of 2%.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the Prime Consult and INSA SIM CGU's carrying amount of 13.4 million euros, the value obtained by applying the analytical method described above amounts to a minimum of 82.7 million euros and a maximum of 85.3 million euros.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 10.4%-10.9% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

# PART H – TRANSACTIONS WITH RELATED PARTIES

## 1. Disclosure of Directors and Executives Compensation

IAS 24 defines key management personnel as “those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors (whether executive or otherwise)” and establishes that key management personnel of an entity or an entity’s parent are to be considered related parties.

In this regard, the governance code adopted by the Group, on the subject of dealings with related parties, identifies the following types of entities:

- the members of the Banca Generali’s Board of Directors and Board of Auditors;
- the Company’s General Manager and executives vested with managerial powers and/or credit-approval powers directly by the Banca Generali’s Board of Directors;
- executives with strategic responsibilities for the Company’s Subsidiary Companies, as identified by the administrative organs of the latter from time to time and notified to Banca Generali;

- executives with strategic responsibilities for the Company’s parent company, as identified by the administrative organ of the latter from time to time and notified to Banca Generali.

In the banking group’s financial statements, key management personnel were identified as the directors, statutory auditors, the general manager, and the two deputy general managers of Banca Generali, as well as persons holding similar positions at the Group’s subsidiaries.

Key management personnel were also considered to include those of the parent company, Assicurazioni Generali, as explicitly disclosed in the latter’s financial statements (i.e., the parent company’s directors, statutory auditors, and general managers).

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

31.12.2010				
(€ thousand)	Directors	Auditors	Other key management personnel	Total
Short-term benefits (current comp. and social security charges) (1)	1,570	176	3,888	5,634
Post-employment benefits (2)	200	-	484	684
Other long-term benefits (3)	175	-	545	720
Severance indemnities (4)	-	-	-	-
Share-based payments (5)	-	-	-	-
<b>Totale</b>	<b>1,945</b>	<b>176</b>	<b>4,917</b>	<b>7,038</b>

(1) Includes current remuneration and social security charges payable by the company and short-term benefits

(2) Includes the company’s pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations

(3) Includes 40% of the bonus with access gate

(4) Includes charges for early retirement incentives

(5) Includes the cost of stock option plans determined based on IFRS 2 criteria and recorded in the financial statements

## 2. Disclosure of Transactions with Other Related Parties

Other related parties are defined as per IAS 24, concerning related party disclosures in financial statements, adopted in compliance with the procedure established by Art. 6 of EC Regulation No. 1606/2002.

According to this standard, a party is related to an entity if:

- a) directly or indirectly, through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and associates);
  - (ii) has an interest in the entity that gives it significant influence over the entity; or
  - (iii) has joint control over the entity;
- b) the party is an associate of the entity as defined in IAS 28;
- c) the party is a joint-venture in which the entity is a venturer as per IAS 31;
- d) the party is a member of the key management staff of the entity or its parent;

- e) the party is a close member of the family of any individual referred to in (a) or (d);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
- g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

In accordance with IAS 24, the banking group's related parties, in addition to the entities set out under d) in paragraph 1 above, consisted of the following:

- the Parent Company, Assicurazioni Generali S.p.A.;
- companies that are either directly or indirectly controlled by Assicurazioni Generali (subsidiaries).

## Informazioni sulle transazioni con parti correlate

### 1. Dati di Stato patrimoniale

(€ thousand)	Parent Company Assicurazioni Generali	Other Subsidiaries General Group	Other related parties	31.12.2010	31.12.2009	% weight 2010	% weight 2009
Financial assets held for trading	226	-	-	226	298	0,19%	0,14%
AFS financial assets	657	1,279	-	1,936	1,932	0,13%	0,13%
Loans to customers	30,722	10,023	2,662	43,407	35,696	9,13%	5,56%
Loans to banks	-	37,842	-	37,842	-	4,44%	0,00%
Tax assets (AG tax consolidation)	26,753	-	-	26,753	28,996	37,66%	57,75%
Other assets	408	1,363	-	1,771	5,692	1,87%	6,34%
<b>Total assets</b>	<b>58,766</b>	<b>50,507</b>	<b>2,662</b>	<b>111,935</b>	<b>72,614</b>	<b>2,94%</b>	<b>1,82%</b>
Due to banks	-	31,434	-	31,434	7,906	6,98%	5,34%
Due to customers	296,349	510,776	11,518	818,643	671,594	28,12%	19,94%
Other liabilities	256	432	-	688	1,452	0,83%	1,07%
<b>Total liabilities</b>	<b>296,605</b>	<b>542,642</b>	<b>11,518</b>	<b>850,765</b>	<b>680,952</b>	<b>22,34%</b>	<b>17,07%</b>
<b>Guarantees issued</b>		<b>529</b>	<b>2,500</b>	<b>3,029</b>	<b>529</b>		

(\*) Trade receivables were reclassified from assets to loans to banks and customers based on the regulations set forth in the first update to Circ. 262/2005 dated 18 November 2009.

## 2. Profit and Loss Account Data

(€ thousand)	Parent Company Assicurazioni Generali	Other Subsidiaries Generali Group	31.12.2010	31.12.2009	% weight 2010	% weight 2009
Interest income	1,122	523	1,645	1,141	2.92%	1.52%
Interest expense	- 1,100	- 4,410	- 5,510	- 9,975	41.88%	38.71%
<b>Net interest</b>	<b>22</b>	<b>- 3,887</b>	<b>- 3,865</b>	<b>- 8,834</b>	<b>-8.94%</b>	<b>-17.93%</b>
Commission income	168	76,806	76,974	53,261	20.62%	16.73%
Commission expense	-	- 17,614	- 17,614	- 2,341	10.04%	1.75%
<b>Net commissions</b>	<b>168</b>	<b>59,192</b>	<b>59,360</b>	<b>50,920</b>	<b>29.98%</b>	<b>27.56%</b>
Dividends	20	-	20	34	0.03%	0.05%
<b>Operating income</b>	<b>210</b>	<b>55,305</b>	<b>55,515</b>	<b>42,120</b>	<b>21.82%</b>	<b>16.52%</b>
General and administrative expense	- 3,166	- 11,919	- 15,085	- 16,470	19.74%	20.58%
Staff expenses	- 146	541	395	420	-0.61%	-0.63%
Other net operating profit	-	241	241	148	2.74%	4.39%
<b>Net operating expense</b>	<b>- 3,312</b>	<b>- 11,137</b>	<b>- 14,449</b>	<b>- 15,902</b>	<b>10.62%</b>	<b>10.64%</b>
<b>Operating profit</b>	<b>- 3,102</b>	<b>44,168</b>	<b>41,066</b>	<b>26,218</b>	<b>34.69%</b>	<b>24.85%</b>

### Direction and Coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities. A summary of the main items of this company's latest Financial Statements is reported hereunder.

## HIGHLIGHTS OF ASSICURAZIONI GENERALI S.p.A.

<b>HIGHLIGHTS OF ASSICURAZIONI GENERALI S.P.A.</b>		
(€ thousand)		<b>Esercizio 2009</b>
<b>Net profit</b>		<b>555.7</b>
Aggregate dividend		544.9
	Increase	167.9%
Total net premiums		8,428.5
Total net premiums		9,270.9
Total gross premiums from direct business		7,003.0
	Change on equivalent terms (a)	-4.9%
Total gross premiums from indirect business		2,267.9
	Change on equivalent terms (a)	-1.6%
Acquisition and administration costs		1,271.6
	Expense ratio (b)	15.1%
<b>Life Segment</b>		
Life net premiums		5,267.6
Life gross premiums		5,426.5
	Change on equivalent terms (a)	-5.0%
Life gross premiums from direct business		3,742.6
	Change on equivalent terms (a)	-5.8%
Life gross premiums from indirect business		1,683.9
	Change on equivalent terms (a)	-3.4%
Life acquisition and administration costs		569.7
	Expense ratio (b)	10.8%
<b>Non-life Segment</b>		
Non-life segment net premiums		3,160.9
Non-life gross premiums		3,844.4
	Change on equivalent terms (a)	-2.7%
Non-life gross premiums from direct business		3,260.4
	Change on equivalent terms (a)	-3.8%
Non-life gross premiums from indirect business		584.0
	Change on equivalent terms (a)	4.1%
Non-life acquisition and administration costs		701.9
	Expense ratio (b)	22.2%
	Loss ratio (c)	78.2%
	Combined ratio (d)	100.4%
<b>Current financial result</b>		<b>2,136.8</b>
Technical provisions		39,832.2
	Life segment technical provisions	32,962.2
	Non-life segment technical provisions	6,870.0
Investments		63,588.2
Capital and reserves		13,247.4

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 2009. These are available together with

the Independent Auditor's Report as provided for by the law. Consequently, these figures are not subject to audit performed by the auditing firm entrusted by Banca Generali..



# PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

## A. QUALITATIVE INFORMATION

### Payment Agreements Based on Own Equity Instruments

At 31 December 2010 the payment agreements based on own equity instruments activated by the Banca Generali Group consisted of:

- two stock-option plans, one for financial advisors and the other for certain of the Group's directors relating to Banca Generali's listing on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A., approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two new stock-option plans, one for financial advisors and private bankers and the other for relationship managers, approved by Banca Generali's Ordinary Shareholders' Meeting on 21 April 2010;
- a stock-option plan approved by the subsidiary Banca BSI Italia on 19 January 2007 for the company's then-Chairman, inherited through the merger with the company.

The stock-granting plan for top management, approved along with the stock-option plans by the Shareholders' Meeting on 18 July 2006, may be considered completed following the granting on 13 September of shares to Banca Generali's Chief Executive Officer.

The main features of the aforementioned plans are detailed below.

### 1. Stock Option Plans for Employees and Financial Advisors

The stock-option plans approved by the Board of Directors on 24 May 2006, ratified by the extraordinary Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA, organised and managed by Borsa Italiana S.p.A., called for:

- the granting to employees of companies belonging to Banca Generali Group a maximum amount of 1,113,130 ordinary shares can be issued;
- the granting to Banca Generali's financial advisors, area managers and business managers and the private bankers in the BSI channel, a maximum of 4,452,530 shares can be issued.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting passed a resolution for a capital increase, in one or more tranches, subject to the admission of the company's shares to trading on the MTA for a maximum nominal amount of 5,565,660.00 euros, through the issuance of a maximum of 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the MTA on 15 November 2006. On 15 December 2006, 4,452,530 options were assigned to financial advisors and 818,500 options to Group executives; the strike price of both sets of options was 9.046 euros.

The plans' rules and procedures called for advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met).

The plan called for a single three-year vesting period for managers, with the possibility of exercising the options over the following three years.

	Grant date	Check date	Vesting	Maturity date	Expiry
FAs (**)	15/12/2006	31/03/2008	(10 mesi)	31/01/2009	31/03/2011
FAs (**)	15/12/2006	31/03/2008	20 mesi	30/11/2009	31/03/2011
FAs (**)	15/12/2006	31/03/2008	30 mesi	30/09/2010	31/03/2011
Managers (*)	15/12/2006	31/03/2007	3 anni	15/12/2009	15/12/2012
Private Bankers	15/12/2006	31/03/2008	3 anni	15/12/2009	15/12/2012

(\*) For employees, the determination by the Board of Directors that approves the financial statements that the group targets have been met, i.e., 90% of the group's budgeted operating profit for 2006.

The three-year vesting period commences on the conditional grant date.

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

On 9 October 2009, Banca Generali's Board of Directors resolved to amend the plans' rules and procedures to include a three-year extension of the strike period of the options granted. That amendment was approved by the Shareholders' Meeting on 21 April 2010.

Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for financial advisors - 31/03/2014;
- for employed managers - 15/12/2015.

All other plan conditions, from the strike price of 9.0 euros per share, to the obligation to reinvest 50% of capital gains in Banca Generali shares and retain said shares for at least 12 months, remain unchanged.

The vesting period for the final instalment of the plan for financial advisors also ended in 2010.

At the end of 2010, the options assigned under the plan for employees of banking group companies totalled **823,500**.

The option rights granted to financial advisors amounted to **2,424,386** at year-end.

### 1.1 Accounting effects of the extension of the stock-option plan

The effects of modifications to share-based payment agreements are governed by paragraphs 26-29 of IFRS 2 and the specific instructions set forth in paragraphs B42-B44 of the application guidance (appendix B).

In particular, the Standard requires that an entity recognise the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee.

In the case at hand, the extension of the option strike period, without prejudice to the vesting period, certainly represents a benefit for the plan beneficiary that may be measured by an increase in the fair value of the options granted.

In this situation, the effects of the modifications to stock-option plans must be determined as follows:

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

For shared-based payment transactions with employees and others providing similar services (financial advisors were considered to fall into this category), the measurement date of the fair value of the equity instruments granted coincides with the grant date.

The grant date is defined as “the date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date, the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.”

In the case at hand, the fair value measurement date coincides with the date of the Banca Generali shareholders’ meeting that ratified the plan on 21 April 2010.

However, a partial exception to this rule is indicated in the Application Guidance (Guidance on Implementing IFRS 2 Share-based Payment) for stock-option plans included in remuneration packages for certain categories of employees that are still subject to approval by shareholders.

In this case, the employee’s services begin to be received before the plan is formally approved.

Accordingly, the entity estimates the fair value of such instruments at the provisional grant date.

When the grant date has been determined by the shareholders’ meeting, the entity revises its estimate on the basis of the definitive fair value determined with respect to the grant date.

It is believed that the situation presented in the Application Guidance to IFRS 2 may also be applied in the specific case of the extension of existing plans. Accordingly, the expense of extending the plans was measured provisionally on the basis of the date of the Board of Directors’ resolution (9 October 2009).

The expense of plans for which vesting conditions had been satisfied by year-end was charged to the profit and loss account in its entirety, whereas the expense of plans that will vest in the following year has been charged on a pro-rated basis.

The amount of the plans has thus be re-measured at the date of the Shareholders’ Meeting called to approve the extension, and the resulting greater or lesser costs were recognised in profit and loss during 2010.

## 1.2 Measurement of fair value

Valuation of the stock option plan is based on the fair value of the options assigned, calculated on the options assignment date.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

On the other hand, the measurement of the extension was carried out based on the incremental fair value, measured as the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification;

In both cases, 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.

Other peculiar features of the plan are considered, such as different dates and exercise conditions. The binomial pricing model also takes into account the possibility of early exercise.

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 S&P MIB 40 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.

As stated above, an initial estimate was conducted in reference to the date of approval of the extension by the Board of Directors (9 October 2009) and a final estimate was prepared at 21 April 2010, the date of the Shareholders' Meeting that approved the 2009 financial statements and the dividend paid for 2010.

economico nel precedente esercizio a 2,1 milioni di euro , determinando una riattribuzione a conto economico nell'esercizio 2010 per 0,8 milioni di euro.

	Strike price	Maturity date	Original maturity	Original FV	New maturity	Valuation date	Delta FV	Valuation date	Delta FV	Difference
FA - 1st tranche	9.003	31/01/2009	31/03/2011	1.732	31/03/2014	09/10/2009	1.155	21/04/2010	0.815	-0.340
FA - 2nd tranche	9.003	30/11/2009	31/03/2011	1.683	31/03/2014	09/10/2009	1.155	21/04/2010	0.815	-0.340
FA - 3rd tranche	9.003	30/09/2010	31/03/2011	1.592	31/03/2014	09/10/2009	1.178	21/04/2010	0.815	-0.363
Employed managers	9.003	15/12/2009	15/12/2012	1.943	15/12/2015	09/10/2009	0.741	21/04/2010	0.592	-0.149

The final measurement conducted in April 2010 yielded a significant decrease in the incremental fair value of 20% to 31%, largely due to the decrease in the stock's historical volatility compared to the figure surveyed in October 2009 and to the time decay on options that were out of the money at that date.

The expense accrued in 2009 thus decreased from the 2.8 million euros allocated to a provision in profit and loss in the previous year to 2.1 million euros, resulting in a release to profit and loss of 0.8 million euros in 2010.

The total value of the extension, measured as the difference between the fair value of the options with the original maturity and as extended, thus fell from 3.6 to 2.6 million euros, a decrease of 1.0 million euros.

	No. of options	Estimated extension value	Final extension value	delta	amount due in 2009 based on BoD resolution	Final 2009 amount	delta
FAs	2,540,136	2,953	2,070	(883)	2,224	1,565	(658)
EMPLOYEES	829,000	614	491	(123)	614	491	(123)
	<b>3,369,136</b>	<b>3,567</b>	<b>2,561</b>	<b>(1,006)</b>	<b>2,838</b>	<b>2,056</b>	<b>(782)</b>

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

The stock-granting plan for the Company's top management, approved by the Company's Board of Directors on 24 May 2006, ratified by the Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA organised and managed by Borsa Italiana S.p.A. called for the free granting of a maximum of 667,880 ordinary shares. Specifically:

- (i) Chief Executive Officer Giorgio Girelli will be assigned up to 389,596 ordinary shares, with a par value of 1.00 euro each, or the least number of shares worth a total of not more than 4,000,000.00 euros, calculated based on the Offer Price;
- (ii) General Manager Piermario Motta will be assigned up to 278,284 ordinary shares, with a par value of 1.00 euro each, or the least number of shares worth a total of not more than 3,000,000.00 euros, calculated based on the Offer Price.

Grants were to be made within five years of the commencement of trading of the Company's shares on the MTA, which occurred on 15 November 2006, and on the condition that the grantee remained under contract with or in the employ of the Company at the grant date.

In addition, 50% of the shares granted were to be locked up for a period of one year from the grant date, without prejudice to termination of employment or contract at the Company's initiative or for a cause not attributable to wilful misconduct or grave negligence on the part of the grantee.

To that end, the Shareholders' Meeting had authorised the Board of Directors to repurchase a maximum of 667,880 ordinary shares of Banca Generali stock in service of the plan.

On 13 September 2010, the stock-granting plan administration made a free grant of 389,596 shares of Banca Generali ordinary stocks, for a carrying amount of 3,810 thousand euros, to the Chief Executive Officer. For tax purposes, the grant was made at a strike price equal to the arithmetic mean of the market prices of Banca Generali shares surveyed from the grant date to the same date of the previous solar month (8.90352 euros).

Fifty percent of the shares were locked up for a period of one year from the grant date.

The above grant brought the stock-option plan for the Chief Executive Officer and General Manager to definitive conclusion.

### 2.1 Measurement of fair value and accounting effects

The stock granting plan in favour of the Chief Executive Officer and the General Manager changed from its original formulation, in the point where it envisages that the delegated organ, or the Chairman of the Board of Directors, shall assign the shares within a maximum period of five years.

This change is a modification of the vesting conditions that is not beneficial to the employee, which, in accordance with IFRS 2, section B44, requires that the "entity shall nevertheless continue to account for the services received as consideration of the equity instruments granted as if that modification had not occurred."

For this reason the charge arising from this stock granting plan was recognised as if the vesting conditions were satisfied at original grant date, coinciding with the suspension condition or Banca Generali's admission to trading on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A.

The full cost of the plan was consequently charged to financial year 2006.

The fair value of the shares was calculated according to the price set for the public offering on 11 November 2006 (8.0 euros). The plans consequently had a total value of 5,343 thousand euros, gross of the tax effect.

### **3. Rules for the Stock Option Plan for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010**

The stock-option plans approved by the Shareholders' Meeting on 21 April 2010 called for:

- the granting to Banca Generali's financial advisors, area managers and business managers and the private bankers of a maximum of 2,300,000 shares to be issued;
- the granting to Banca Generali's relationship managers of a maximum amount of 200,000 ordinary shares to be issued.

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 two new stock-option plans indicated above for the issue of a maximum of 2.5 million new ordinary shares, in addition to the 5.5 million new shares already approved in relation to the existing stock-option plans, already examined.

The following is a summary of the salient characteristics of the plans in question.

<b>Recipients</b>	<p>1) Financial advisors under standard agency agreements at 1 July 2009, provided not on notice;</p> <p>2) Financial advisors engaged after the end of the Reference Period;</p> <p>3) the Network Managers on whom the Company conferred as of 1 July 2009, a specific additional appointment as Sales Manager for Italy, Area Manager, Private Banking Manager or District Manager, provided that the said additional appointment is not revoked and continues to remain in full force and effect through to the expiry of the Reference Period.</p> <p>4) any and all employees still in the service of Banca BSI Italia as Relationship Managers or Unit Coordinators of Relationship Managers, and not placed on notice of termination as of 30 September 2009.</p>
<b>Performance conditions</b>	<p>Granting of the Options to the Plan Recipients is contingent upon the satisfaction of:</p> <ul style="list-style-type: none"> <li>• overall net inflow targets set by the Board of Directors at 2.0 billion euros for 2010;</li> <li>• individual net inflow targets set by the Plan's Management Committee.</li> </ul> <p>Individual targets call for a minimum net inflow access threshold, above which the options granted are proportional to the net inflow level achieved.</p> <p>Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be assigned, an allotment will be conducted.</p>
<b>Reference period and measurement parameters</b>	<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>
<b>Vesting conditions</b>	<p>The assigned 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 assigned Options, as of 1 July 2011;</li> <li>- up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2012;</li> <li>- up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2013;</li> <li>- up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2014;</li> <li>- up to no more than one sixth of the sum total of the assigned 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 granted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of financial advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010).</p> <p>In such case, only the options that have already become exercisable may be exercised.</p>
<b>Exercise conditions</b>	<p>The assigned Options must be exercised by 30 June 2017 at the very latest.</p> <p>The shares may be freely disposed of and are not subject to any restrictions.</p>
<b>Effective date of the Plan</b>	<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 during which the financial statement results for 2010 are discussed have been met;</li> <li>• the Delegated Organ 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 granted to the entitled parties by 30 June 2011.</p>
<b>Strike Price</b>	<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 date on which the Options were assigned, and the same day of the calendar month immediately preceding the aforesaid assignment date..</p>

### 3.1 Accounting effects and measurement of Fair value

The new plans will begin to affect profit and loss results starting from the year the options are granted.

The impact on the profit and loss account is measured based on the maturity period of the options, i.e. the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

## 4. Stock Option Plans for Parent Company Banca BSI Italia's Top Management

On 19 January 2007, Banca BSI Italia's Board of Directors approved a stock-option plan for the bank's Chairman, who is not employed by the bank and was therefore not covered by the stock-option plan of the parent company reserved for managers employed by the Group.

The plan called for 60,000 options on shares of Banca Generali's ordinary stock to be granted effective 19 January 2007 at the strike price of 10.546 euros, the arithmetic mean of the quoted prices of Banca Generali shares on the MTA surveyed from the grant date of the rights to the same date of the previous solar month, with a three-year vesting period ending on 19 January 2010 and the possibility of exercise in one or more instalments during the following three years, or by 19 January 2013.

In service of the plan, Banca BSI Italia purchased 60,000 shares in its parent company, Banca Generali, on the market.

Following the merger with Banca BSI Italia, effective 1 January 2010, the plan beneficiary's employment was terminated for reasons not of said beneficiary's choosing. Accordingly, the plan vested under the surviving company, Banca Generali.

### 4.1 Measurement of fair value

The fair value of the options assigned was calculated according to the same methods employed for the Group's managers and financial advisors, as analysed in paragraph 1.1.

Based on the parameters set, the value of the option was initially calculated as 2.7848 euros.

The impact on profit and loss was measured at the consolidated level according to the vesting period for the options, the period between the grant date and final vesting of the right to exercise those options, and was recognised by Banca Generali according to that measurement following the merger.



## B. QUANTITATIVE INFORMATION

The expenses recognised in profit and loss in 2010 in relation to the stock-option plans approved in 2006 for executives and advisors totalled 0.8 million euros and are entirely attributable to the final tranche of stock options granted to financial advisors, the vesting period for which ended on 30 September 2010.

However, those expenses were offset in their entirety by the effects of the re-measurement of the value of the extension of those plans at the date of ratification by the Shareholders' Meeting, which resulted in the release to profit and loss of the amount of 0.8 million euros.

As stated above, the expenses associated with the stock-granting plan for the top management were recognised in their entirety to the profit and loss account for 2006 through a specific equity reserve for share-based payments. Moreover, deferred taxes on these plans were set aside according to the plans' method of execution, namely through the purchase of own shares on the market.

During 2010 the IFRS 2 reserve of 3,117 thousand euros deriving from the measurement of the plan through profit and loss in 2006 was used to cover the carrying amount of the shares repurchased and granted to the Chief Executive Officer (3,810 thousand euros).

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

The total IFRS 2 equity reserve allocated at year-end thus was 8.5 million euros.

(€ thousand)	Top managers	Average prices	Financial Advisors	Average prices	Employed managers	Average prices	Total	Average prices	Average maturity
A. Amount at year-start	449,596	1.33	2,540,136	9.00	829,000	8.78	3,818,732	8.05	2011-15
B. Increases	-	-	-	-	22,000	-	22,000	9.00	-
B.1 Newly issued shares	-	-	-	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	22,000	9.00	22,000	9.00	-
C. Decreases	-389,596	-	-115,750	9.00	-27,500	9.00	-532,846	2.42	-
C.1 Cancelled	-	-	-66,176	9.00	-27,500	9.00	-93,676	9.00	2014-15
C.2 Exercised	-389,596	-	-49,574	9.00	-	-	-439,170	1.02	2014-15
C.3 Expired	-	-	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-	-	-
<b>D. Amount at year-end</b>	<b>60,000</b>	<b>10.00</b>	<b>2,424,386</b>	<b>9.00</b>	<b>823,500</b>	<b>8.78</b>	<b>3,307,886</b>	<b>8.97</b>	<b>2014-15</b>
<b>E. Options that can be exercised at the end of the year</b>	<b>60,000</b>	<b>-</b>	<b>2,424,386</b>	<b>-</b>	<b>823,500</b>	<b>-</b>	<b>3,307,886</b>	<b>-</b>	<b>2014-15</b>
<b>Strike price</b>			<b>109</b>		<b>-123</b>		<b>42</b>		
<b>IFRS 2 reserve</b>	<b>164</b>		<b>6,190</b>		<b>2,115</b>		<b>8,469</b>		

## PART L – SEGMENT REPORTING

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

The banking Group identifies the following three main business areas:

- the Retail Channel, which refers to the total earnings generated for the Group by the network of financial advisors, most of whom are employed by Banca Generali, and their respective clients;
- the Private Channel, which refers to the total earnings generated for the Group by the network of private bankers and relationship managers, reporting to the "Banca Generali Private Banking Division" and by their respective clients;
- the Corporate Channel, which refers to the total earnings generated for the Group by the financial activities of the Finance Department and the provision of banking and investment services to medium-sized and large enterprises, including those belonging to the Assicurazioni Generali Group.

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

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

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

It should be noted in this regard that internal revenues can be identified solely with reference to the interest margin; in fact, since net commissions are generated directly by volumes of gross deposits and Assets Under Management relating to the individual segments they are generated in full as external revenues.

The interest expense incurred by the Retail and Private segments was determined on the basis of the actual interest paid on each segment's direct inflows. Interest income for the two segments includes, in addition to the actual interest accrued on the loans issued to customers in each segment, a share of the "notional interest" paid by the Corporate segment at the internal transfer rate of 0.57% at 31 December 2010 and 0.96% at 31 December 2009.

In addition, the Corporate segment's commission margin includes the entire amount of Performance fees for the year.

All the revenue components presented are measured using the same accounting criteria adopted to prepare the Group's consolidated financial statements so that segment data can be reconciled more easily with consolidated data.

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

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 31/12/2010, along with the comparative figures, by operating segment.

## Distribution by Business Segment: Profit and Loss Account Figures

BANCA GENERALI GROUP										
PROFIT & LOSS										
	31,12,2010					31,12,2009				
(€ million)	Retail Channel	Private Channel	Corp. Channel	GIL	Total	Retail Channel	Private Channel	Corp. Channel	GIL	Total
Interest income and similar revenues	2,683	5,469	48,243	11	56,406	2,109	8,588	64,100	243	75,040
Notional interest	4,479	2,490	-6,969		0	8,062	5,639	-13,701		0
Interest expense and similar charges	-2,085	-1,926	-9,144	-2	-13,157	-5,239	-7,165	-13,365	-2	-25,770
<b>NET INTEREST INCOME</b>	<b>5,077</b>	<b>6,033</b>	<b>32,130</b>	<b>0</b>	<b>43,249</b>	<b>4,933</b>	<b>7,062</b>	<b>37,034</b>	<b>241</b>	<b>49,270</b>
Commission income	169,078	103,651	73,532	27,108	373,369	147,053	75,172	77,892	18,150	318,267
of which subscriptions	25,776	5,092	2,809		33,677	36,514	8,851	450		45,815
of which management	134,571	88,746	9,526	26,908	259,751	102,453	58,279	6,196	18,150	185,077
of which performance	0	0	40,509		40,509	0	0	57,325		57,325
of which other	8,731	9,813	20,688	200	39,432	8,087	8,042	13,921		30,050
Commission expense	-84,431	-41,227	-29,779	-19,953	-175,390	-78,074	-32,719	-8,660	-14,085	-133,538
<b>NET COMMISSIONS</b>	<b>84,647</b>	<b>62,424</b>	<b>43,753</b>	<b>7,155</b>	<b>197,979</b>	<b>68,980</b>	<b>42,453</b>	<b>69,232</b>	<b>4,065</b>	<b>184,729</b>
Net income (loss) from banking activities	0	0	-60,830		-60,830	0	0	-52,867		-52,867
Dividends and similar income	0	0	73,990		73,990	0	0	73,866		73,866
<b>NET BANKING INCOME</b>	<b>89,724</b>	<b>68,457</b>	<b>89,043</b>		<b>254,388</b>	<b>73,912</b>	<b>49,515</b>	<b>127,265</b>		<b>254,997</b>
Staff expenses					-64,294					-67,056
Other general and administrative expense					-76,411					-80,013
Net adjustments/reversal of property, equipment and intangible assets					-4,102					-5,779
Other operating expense/income					8,786					3,374
<b>Net operating expense</b>					<b>-136,021</b>					<b>-149,474</b>
<b>Operating profit</b>					<b>118,367</b>					<b>105,523</b>
Adjustments for non-performing loans					-1,919					-3,341
Adjustments of other assets					-2,390					-4,222
Net provisions					-19,197					-15,851
Gain (loss) from the disposal of equity investments										0
<b>Operating profit/ before taxation</b>					<b>94,861</b>					<b>82,109</b>
Income taxes for the year on current operations					-8,510					-14,639
Profit (loss) from assets held for sale					0					-1,912
Minority interests (+/-) for the year					-4,144					-2,347
<b>Net profit</b>					<b>82,207</b>					<b>63,211</b>
Assets Under Management	13,691	9,899	3,415	6,096	33,101	12,993	9,227	3,320	5,894	31,434
Net Inflows	741	528	n.a.	n.a.	1,270	1,054	1,022	n.a.	n.a.	2,076
Financial advisors/RM	1,192	307	n.a.	n.a.	1,499	1,266	298	n.a.	n.a.	1,564

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

Accordingly, for comments on the Group's balance sheet figures, the reader is referred to the other sections of these Notes.

The following table allocates the balance of consolidated intangible assets, showing separately goodwill, between the three segments.

31.12.2010					
(€ thousand)	Retail Channel	Private Channel	Corp. Channel	GIL	Total
Goodwill	4,416	33,110	1,106	0	38,632
Intangible assets (client relationships)	-	6,674	-	0	6,674

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 2011**

**THE BOARD OF DIRECTORS**

**INDEPENDENT AUDITORS'  
REPORT**



**Independent auditors' report  
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010  
(Translation from the original Italian text)**

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

1. We have audited the consolidated financial statements of Banca Generali S.p.A. and its subsidiaries, (the "Banca Generali Group") as of and for the year ended December 31, 2010, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 2, 2010.

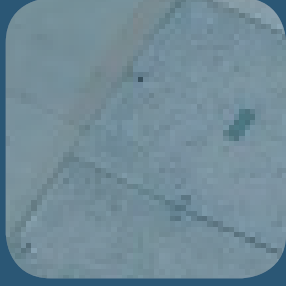
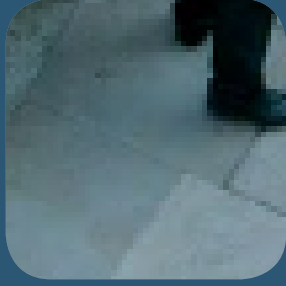
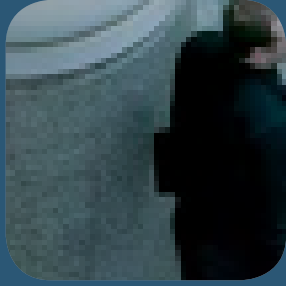
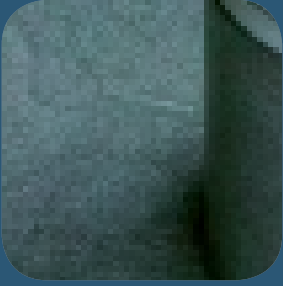
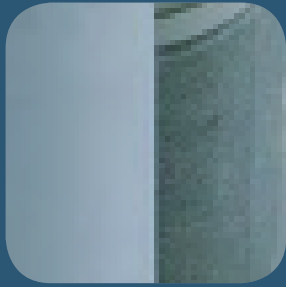
3. In our opinion, the consolidated financial statements of the Banca Generali Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Generali Group for the year then ended.
4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the ABC Group as of December 31, 2010.

Milan, March 29, 2011

Reconta Ernst & Young S.p.A.

Signed by: Stefano Cattaneo, Partner







# FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2010

BOARD OF DIRECTORS

10 MARCH 2011



## ECONOMIC AND FINANCIAL HIGHLIGHTS

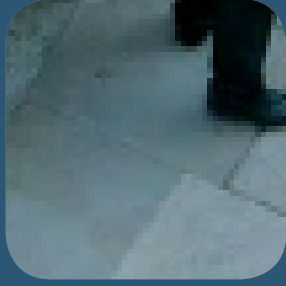
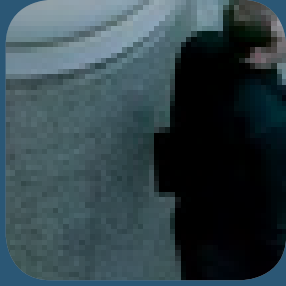
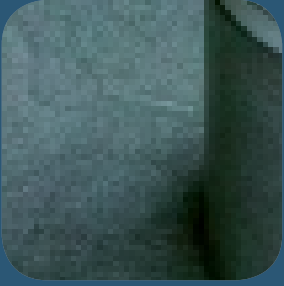
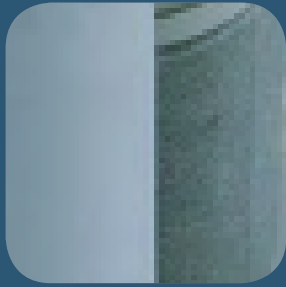
<b>OPERATING HIGHLIGHTS</b>			
(€ million)	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>VAR. %</b>
Net interest income	42.7	45.1	-5.3
Net commissions	72.2	45.0	60.7
Dividends and net profit from trading	128.6	69.1	86.0
<b>Net banking income</b>	<b>243.5</b>	<b>159.2</b>	<b>53.0</b>
Staff expenses	-53.0	-39.8	33.2
Other general and administrative expense	-69.6	-52.3	33.0
Amortisation and depreciation	-3.5	-3.4	0.8
Other operating income	8.3	11.5	-28.3
<b>Net operating expense</b>	<b>-117.7</b>	<b>-84.0</b>	<b>40.2</b>
<b>Operating profit</b>	<b>125.8</b>	<b>75.2</b>	<b>67.4</b>
Provisions	-18.5	-7.1	161.3
Net adjustments of loans and other assets	-4.2	-7.0	-39.7
<b>Profit before taxation</b>	<b>103.1</b>	<b>61.1</b>	<b>68.8</b>
<b>Net profit</b>	<b>106.9</b>	<b>54.5</b>	<b>96.3</b>
Cost / income ratio	46.9%	50.6%	-7.3
EBITDA	129.3	78.6	64.5
ROE	66.63%	29.65%	124.7
EPS - Earnings per Share (units of euro)	0.964	0.492	96.1

<b>NET INFLOWS</b>			
(€ million) (Assoreti data)	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>VAR. %</b>
Mutual funds	451	154	193
Asset management	314	27	1063
Insurance / Pension funds	1,171	462	153
Securities / Current accounts	-666	411	-262
<b>Total</b>	<b>1,270</b>	<b>1,054</b>	<b>20.5</b>

<b>ASSETS UNDER MANAGEMENT &amp; CUSTODY (AUM/C)</b>			
(€ billion) (Assoreti data)	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>VAR. %</b>
Mutual funds	6.6	3.7	78.4
Asset management	3.4	1.2	183.3
Insurance / Pension funds	6.8	4.5	51.1
Securities / Current accounts	6.8	3.6	88.9
<b>Total</b>	<b>23.6</b>	<b>13.0</b>	<b>81.5</b>

<b>NET EQUITY</b>			
(€ million)	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>VAR. %</b>
Net equity	232.5	249.9	-7.0
Capital for regulatory purposes	193.0	193.0	0.0
Excess capital	98.6	109.7	-10.1
Solvency margin	16.35%	18.54%	-11.8





# FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2010

## ACCOUNTING STATEMENTS

BOARD OF DIRECTORS

10 MARCH 2011



# BALANCE SHEET

<b>ASSETS</b>		
	<b>31.12.2010</b>	<b>31.12.2009</b>
10. Cash and deposits	7,949,961	7,137,474
20. Financial assets held for trading	119,554,264	218,552,720
40. AFS financial assets	1,533,226,557	1,481,926,409
50. Financial assets held to maturity	608,117,663	666,073,679
60. Loans to banks	447,827,439	619,719,107
70. Loans to customers	824,562,163	426,057,414
100. Equity investments	39,417,137	143,992,305
110. Property and equipment	4,601,586	3,186,668
120. Intangible assets	36,116,587	6,568,828
- goodwill	29,410,091	2,990,625
130. Tax receivables	64,605,171	14,022,834
a) current	24,726,199	4,323,880
b) prepaid	39,878,972	9,698,954
150. Other assets	63,277,698	47,491,483
<b>Total assets</b>	<b>3,749,256,226</b>	<b>3,634,728,921</b>

<b>NET EQUITY AND LIABILITIES</b>		
	<b>31.12.2010</b>	<b>31.12.2009</b>
10. Due to banks	450,208,473	1,034,332,553
20. Due to customers	2,929,686,983	2,232,447,558
30. Securities issued	188,732	-
40. Financial liabilities held for trading	6,501,986	494,360
80. Tax payables	3,119,078	2,327,020
a) current	1,932,131	336,390
b) deferred	1,186,947	1,990,630
100. Other liabilities	72,172,654	93,477,161
110. Employee termination Indemnities	3,379,432	2,932,420
120. Provisions for liabilities and contingencies	51,501,005	18,843,399
b) other provisions	51,501,005	18,843,399
130. Valuation reserves	-23,711,626	-1,602,155
160. Reserves	38,575,083	67,220,501
170. Additional paid-in capital	-	22,308,906
180. Share capital	111,362,750	111,313,176
190. Treasury shares (-)	-660,299	-3,851,460
200. Net profit (loss) for the period (+/-)	106,931,975	54,485,482
<b>Total Net Equity and Liabilities</b>	<b>3,749,256,226</b>	<b>3,634,728,921</b>

## PROFIT AND LOSS ACCOUNT

	31.12.2010	31.12.2009
10. Interest income and similar revenues	56,444,115	65,314,404
20. Interest expense and similar charges	-13,736,636	-20,238,506
<b>30. Net interest income</b>	<b>42,707,479</b>	<b>45,075,898</b>
40. Commission income	213,342,696	126,816,075
50. Commission expense	-141,121,014	-81,865,592
<b>60. Net commissions</b>	<b>72,221,682</b>	<b>44,950,483</b>
70. Dividends and similar income	189,444,959	122,593,957
80. Net income (loss) from trading activities	-71,029,489	-68,993,411
100. Gain (loss) from sales or repurchase of:	10,188,500	15,530,682
a) receivables	3,339,204	-602,281
b) AFS financial assets	6,894,410	16,132,170
c) Financial assets held to maturity	-45,114	793
<b>120. Net banking income</b>	<b>243,533,131</b>	<b>159,157,609</b>
130. Net adjustments/reversal due to impairment of:	-4,235,270	-7,024,225
a) receivables	-1,844,862	-2,801,737
b) AFS financial assets	-1,625,518	-4,222,488
c) Financial assets held to maturity	-764,890	-
<b>140. Net income from banking operations</b>	<b>239,297,861</b>	<b>152,133,384</b>
150. General and administrative expense:	-122,525,628	-92,087,377
a) staff expenses	-52,967,568	-39,774,255
b) other general and administrative expense	-69,558,060	-52,313,122
160. Net provisions for liabilities and contingencies	-18,473,317	-7,070,679
170. Net adjustments/reversal of property and equipment	-1,712,076	-1,276,675
180. Net adjustments of intangible assets	-1,749,657	-2,157,828
190. Other operating expense/income	8,271,082	11,536,658
<b>200. Operating expense</b>	<b>-136,189,596</b>	<b>-91,055,901</b>
<b>250. Profit (loss) from operating activities before income taxes {}</b>	<b>103,108,265</b>	<b>61,077,483</b>
260. Income taxes for the year on operating activities	3,823,710	-6,592,001
<b>270. Profit (loss) from operating activities net of taxes</b>	<b>106,931,975</b>	<b>54,485,482</b>
<b>290. Net income (loss) for the period</b>	<b>106,931,975</b>	<b>54,485,482</b>

## STATEMENT OF COMPREHENSIVE INCOME

ITEMS			
(€ thousand)		31.12.2010	31.12.2009
<b>10</b>	<b>Net profit of the year</b>	<b>106,931,975</b>	<b>54,485,482</b>
	<b>Other income net of income taxes</b>		
20	Financial assets available for sale	-22,070,737	5,152,222
<b>110</b>	<b>Total other income net of income taxes</b>	<b>-22,070,737</b>	<b>5,152,222</b>
<b>120</b>	<b>Comprehensive income</b>	<b>84,861,238</b>	<b>59,637,704</b>



## STATEMENT OF CHANGES IN NET EQUITY

	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the year	Net equity
	a) ordinary shares	b) other		a) retained earnings	b) other					
<b>Net equity at 31/12/2009</b>	<b>111,313,176</b>	-	<b>22,308,906</b>	<b>67,220,501</b>	-	<b>-1,602,155</b>	-	<b>-3,851,460</b>	<b>54,485,482</b>	<b>249,874,450</b>
Change in opening balances	-	-	-	-	-	-	-	-	-	0
Amounts at 01/01/10	111,313,176	-	22,308,906	67,220,501	-	-1,602,155	-	-3,851,460	54,485,482	249,874,450
Allocation of net income of the previous year	-	-	-	4,601,403	-	-	-	-	-54,485,482	-49,884,079
- Reserves	-	-	-	4,790,726	-	-	-	-	-4,790,726	-
- Dividends and other allocations	-	-	-	-189,323	-	-	-	-	-49,694,756	-49,884,079
Change in reserves	-	-	-22,042,293	-29,992,774	-	-38,734	-	-619,060	-	-52,692,861
Transactions on net equity	49,574	-	-266,613	-3,254,047	-	-	-	3,810,221	-	339,135
- Issue of new shares	49,574	-	-266,613	-3,268,214	-	-	-	3,810,221	-	324,968
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	14,167	-	-	-	-	-	14,167
Comprehensive income	-	-	-	-	-	-22,070,737	-	-	106,931,975	84,861,238
<b>Net equity at 31/12/10</b>	<b>111,362,750</b>	-	-	<b>38,575,083</b>	-	<b>-23,711,626</b>	-	<b>-660,299</b>	<b>106,931,975</b>	<b>232,497,883</b>

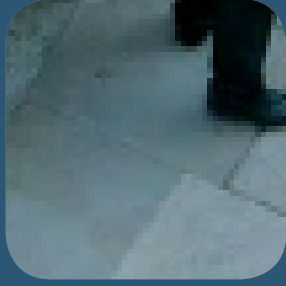
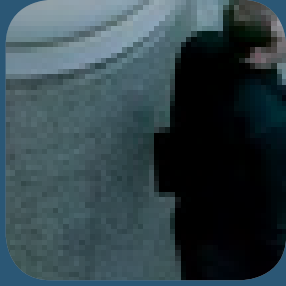
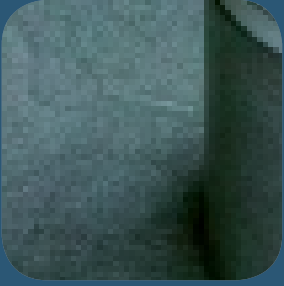
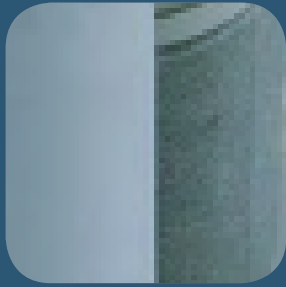
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net profit (loss) for the year	Net equity
	a) ordinary shares	b) other		a) retained earnings	b) other					
<b>Net equity at 31/12/2008</b>	<b>111,313,176</b>	-	<b>22,804,232</b>	<b>51,377,107</b>	-	<b>-6,754,377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

# CASH FLOW STATEMENT

INDIRECT METHOD		
	31.12.2010	31.12.2009
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>-1,988,498</b>	<b>50,827,773</b>
- Net profit (loss) for the year	106,931,975	54,485,482
- Gain/loss on financial assets held for trading	6,660,072	974,986
- Gain/loss on hedging assets	-	-
- Net adjustments due to impairment	3,470,380	7,024,225
- Net adjustments of property, equipment and intangible assets	3,461,733	3,434,503
- Net provisions for liabilities and contingencies and other costs/revenues	6,490,126	1,781,714
- Taxes included in taxes not paid	-11,216,798	9,697,493
- Adjustments of discontinued operations	-	-
- Other adjustments	-117,785,986	- 26,570,630
<b>2. Liquidity generated by/used for financial assets (+/-)</b>	<b>77,003,755</b>	<b>115,780,416</b>
- Financial assets held for trading	99,485,765	437,789,359
- Financial assets measured at fair value	-	-
- Financial assets available for sale	-81,905,969	-685,056,280
- Loans to banks: Repayable on demand	-121,892,899	18,198,844
- Loans to banks: other receivables	255,625,425	269,743,251
- Loans to customers	-86,530,077	72,056,068
- Other assets	12,221,510	3,049,174
<b>3. Net liquidity generated by/used for financial liabilities (+/-)</b>	<b>-198,906,730</b>	<b>-133,249,819</b>
- Due to banks: Repayable on demand	-28,998,362	326,454,229
- Due to banks: other payables	330,576,300	-175,285,716
- Due to customers	-455,405,203	-304,409,019
- Securities issued	-568,038	-
- Financial liabilities held for trading	-494,360	-849,437
- Financial liabilities measured at fair value	-	-
- Other liabilities	-44,017,067	20,840,124
<b>Net liquidity generated by/used for operating activities</b>	<b>-123,891,473</b>	<b>33,358,370</b>

<b>INDIRECT METHOD</b>		
	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Liquidity generated by</b>	<b>332,347,932</b>	<b>47,095,180</b>
- Disposal of equity investments	-	13,345,000
- Dividends received	115,454,475	33,750,180
- Disposal of held-to-maturity financial assets	216,893,457	-
- Disposal of property and equipment	-	-
- Disposal of intangible assets	-	-
- Disposal of business units	-	-
<b>2. Liquidity used for</b>	<b>158,084,961</b>	<b>-74,147,002</b>
- Purchase of equity investments	-80,000	-12,000,000
- Purchase of held-to-maturity financial assets	-156,710,665	-59,269,695
- Purchase of property and equipment	-665,397	-450,071
- Purchase of intangible assets	-628,899	-2,427,236
- Purchase of business units	-	-
<b>Net liquidity generated by/used for investing activities</b>	<b>174,262,971</b>	<b>-27,051,822</b>
<b>C. FUNDING ACTIVITIES</b>		
- Issue/purchase of treasury shares	325,068	-
- Issue/purchase of equity instruments	-	-
- Distribution of dividends and other	-49,884,079	-6,637,863
<b>Net liquidity generated by/used for funding activities</b>	<b>-49,559,011</b>	<b>-6,637,863</b>
<b>NET LIQUIDITY GENERATED BY/USED FOR IN THE YEAR</b>	<b>812,487</b>	<b>-331,315</b>
Reconciliation		
<b>Cash and cash equivalents at year-start</b>	<b>7,137,474</b>	<b>7,468,789</b>
Liquidity generated by/used for in the year	812,487	-331,315
Cash and cash equivalents - effects of exchange rate fluctuations	-	-
<b>Cash and cash equivalents at year-end</b>	<b>7,949,961</b>	<b>7,137,474</b>

Legend: + liquidity generated; - liquidity used



# FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2010

NOTES AND COMMENTS

BOARD OF DIRECTORS

10 MARCH 2011



- Part A – Accounting Policies**
- Part B – Information on the Balance Sheet**
- Part C – Information on the Profit and Loss Account**
- Part D – Comprehensive Income**
- Part E – Information on Risks and Risk Hedging Policies**
- Part F – Information on Net Equity**
- Part G – Mergers of Companies or Business Units**
- Part H – Transactions with Related Parties**
- Part I – Payment Agreements Based on Own Equity Instruments**

# PART A – ACCOUNTING POLICIES

## PART A.1 – GENERAL

### Section 1 - Declaration of Compliance with International Accounting Standards

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

The consolidated annual report at 31 December 2010 was prepared based on the “Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups”, which were issued by the Bank of Italy in the exercise of the powers established in Article 9 of Legislative Decree No. 38/2005. Such instructions

were issued in Circular Letter No. 262/05 through a Provision dated 22 December 2005, as amended on 18 November 2009. The Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Explanatory Notes.

In preparing the annual financial statements, Banca Generali adopted the IAS/IFRS in force at 31 December 2010 (including SIC and IFRIC interpretations), which were endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2010, several amendments to the IASs/IFRSs, and IFRIC documents entered into force and new IFRICs were issued.

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

International Accounting Standards endorsed in 2009 and effective as of 2010	Endorsement regulations	Publication date	Effective date
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	460/2009	05/06/2009	01/01/2010
IAS 27R – Interim and Separate Financial Statements	494/2009	12/06/2009	01/01/2010
IFRS 3R – Business Combinations	495/2009	12/06/2009	01/01/2010
IAS 39R (hedging elements) - Financial Instruments: Recognition and Measurement	839/2009	16/09/2009	01/01/2010
IFRS 1R – First-time Adoption of International Financial Reporting Standards	1136/2009	26/11/2009	01/01/2010
IFRIC 17 – Distribution of Non-cash Assets to Owners	1142/2009	27/11/2009	01/01/2010
IAS 32R – Financial Instruments: Presentation	1293/2009	24/12/2009	01/01/2010

International Accounting Standards endorsed in 2010 and effective	Endorsement regulations	Publication date	Effective date
Amendments to IFRS2 - Group Cash-Settled Share-based Payment Transactions (annulment of IFRIC 8 and IFRIC 11)	244/2010	24/03/2010	01/01/2010
Amendments to IAS/IFRS in relation to the 2009 yearly improvement plan (IFRS 2, 5, 8 ; IAS 1, 7, 17, 36, 38, 39; IFRIC 9,16)	243/2010	24/03/2010	01/01/2010
Amendments to IFRS 1 - Additional Exemptions for First-time Adopters	550/2010	24/06/2010	01/01/2010
<b>entered into force after 31 December 2010</b>			
Amendments to IFRS 1, Limited Exemption from Comparative IFRS7 Disclosures for First-time Adopters	574/2010	01/07/2010	01/01/2011
Amendments to IAS 24 - Related Parties	632/2010	20/07/2010	01/01/2011
amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement	633/2010	20/07/2010	01/01/2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	662/2010	24/07/2010	01/01/2011

## Section 2 – Preparation Criteria

The annual report consists of the following documents:

- Balance Sheet
- Profit and Loss Account
- Statement of Other Comprehensive Income
- Statement of Changes in Net Equity
- Cash Flow Statement
- Notes and Comments

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

According to the provisions of Article 3, paragraph 3-bis, of Legislative Decree No. 87/1992, enacted by Legislative Decree No. 32/2007, which ratified the EU accounting modernisation directive (2003/51/EC) into Italian law, the consolidated report on operations and the separate report on operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.

Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the financial statements of Banca Generali S.p.A. were prepared in euros. All amounts in the accounting statements are expressed in euro units, while the figures in the Notes and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The financial statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes, and in line with the general assumptions set out in the Framework for the Preparation and Presentation of Financial Statements drafted by the IASB. There were no derogations of the application of international accounting standards (IAS/IFRS).

The Directors' Report on Operations and the Notes

on the Accounts include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the bank's situation.

The financial statements and Notes include figures for the period under review as well as comparative data at 31 December 2009.

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accruals-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.

In further detail, the directors are reasonably certain that the bank will continue to operate in its current form for the foreseeable future and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has been deemed insignificant and does not cast doubt on the Group's ability to operate as a going concern.

### Accounting Statement Contents

The Accounting Statements and the Notes have been prepared in accordance with Bank of Italy's Circular No. 262/2005 and the first update published on 18 November 2009.

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular No. 262/2005.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:

- cash flows from operating activities, including cash flows from operations and cash flows from increases



and decreases in financial assets and liabilities;

- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) financing activities that alter the company's equity capital.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.

Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected commissions; these items have been disclosed separately and classified under operating activities.

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

### Section 3 – Events Occurred after the Balance Sheet Date

II The draft Financial Statements of Banca Generali was approved by the Board of Directors in their meeting held on 10 March 2011, when they also authorised its disclosure.

No events occurred after 31 December 2010 and until publication of the annual report was authorised, that would make it necessary to adjust the results presented in the financial statements at that date.

## Section 4 – Other Issues

### Merger of Banca BSI Italia SPA and contribution of the portfolio management unit to BG SGR S.p.A.

On 1 January 2010, two restructuring transactions internal to the banking group were completed:

- 1) the discretionary portfolio management business unit was contributed by Banca BSI Italia to BG SGR;
- 2) Banca BSI Italia was merged into the parent company, Banca Generali;

Both of the foregoing qualify as transactions between entities under common control and have been accounted for in accordance with the principle of the continuity of the values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali's financial statements at 31 December 2009.

It should be noted that, following the above-mentioned transactions, the comparison balance sheet at 31 December 2009 and the Profit and Loss Account for 2009 did not adequately reflect the balance sheet and profit and loss aggregates compared to financial year 2010.

For this reason, with a view to a greater understanding of results for the year, in the Report on Operations the analysis of the performance of balance sheet and profit and loss aggregates is presented with reference to restated comparison data.

A brief description of the accounting effects of the foregoing transactions is provided in Part G Business Combinations below.

### Non-recurring Significant Events and Transactions

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

### **National Tax Consolidation Option**

In 2004, the Parent Company Assicurazioni Generali and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or tax loss) for the Group as the sum of the profit and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

### **Audit**

The financial statements of Banca Generali S.p.A. are audited by Reconta Ernst & Young.

## PART A.2 – MAIN ITEMS OF THE ACCOUNTS

### ACCOUNTING POLICIES

This section sets out the accounting policies adopted for the preparation of the financial statements as of 31 December 2010, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

During the year, the accounting policies adopted by the Bank underwent amendment and supplementation in the following areas:

- payment of substitute tax for goodwill and intangible assets deriving from the merger of Banca del Gottardo; in addition to minor refinements of the measurement criteria for assets and liabilities presented below.

#### Payment of substitute tax for goodwill and intangible assets deriving from the merger of Banca del Gottardo - tax and accounting aspects

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 through the payment of a substitute tax.

**Law No. 244 of 24 December 2007** (the 2008 Finance Act) introduced a provision to **paragraph 2-ter, Article 176 of the Consolidated Income Tax Law (hereinafter TUIR)** that allows entities may recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment.

That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million 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.

**Law Decree No. 185 of 29 November 2008** (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009, subsequently introduced several additional possibilities for optional realignment of tax and balance-sheet values.

The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.

However, the greater amounts attributed to goodwill and trademarks may be recovered through the off-the-books procedure for amortising goodwill in nine 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.

The new rules allowing redemption of misalignments of accounting and financial statement figures arising from extraordinary transactions may also be applied in relation to the merger of Banca del Gottardo Italia into Banca BSI S.p.A., closed on 1 January 2009, for which the terms of exercise of the option coincide with the terms of payment of the balance of income taxes for 2009 (16 June 2010).

As these are transactions of a fiscal nature, reference should be made to the separate financial statements of Banca Generali S.p.A. and other Group companies, and only subsequently to the Group's consolidated financial statements.

In this regard, it should be noted that the Banca Del Gottardo Italia (BDGI) combination occurred in two stages:

- BSI SA acquired a 100% interest in BDGI on 1 October 2008 as part of the broader business combination conducted by the Generali Group;

- Banca BSI Italia then absorbed Banca Del Gottardo Italia on 1 January 2009.

The first transaction resulted in the recognition of the realigned assets only at the level of the consolidated financial statements.

Since the transaction could be considered to be between entities under common control, its accounting treatment maintained continuity of values with the consolidated financial statements of the common parent company, Assicurazioni Generali S.p.A., recognising the share of the goodwill and intangible assets attributed to the Italian subsidiary in the purchase price allocation (PPA) prepared during the acquisition of the Swiss group.

Accordingly, the following amounts were recognised:

- goodwill of 31,252 thousand euros;
- intangible assets relating to customer relationships acquired of 9,535 thousand euros, amortised over ten years.

When Banca del Gottardo Italia was subsequently merged into Banca BSI Italia, the aforementioned amounts of goodwill and intangible assets were recognised in the surviving company's separate financial statements.

This merger between entities under common control was also accounted for by maintaining continuity of values with the consolidated financial statements of Banca Generali at 31 December 2008, recognising the goodwill and residual amount of the intangibles carried in the consolidated financial statements at and for the year ended 31 December 2008.

Accordingly, Banca Generali, in its capacity as surviving company in the merger with Banca BSI Italia S.p.A., decided to pay substitute tax for the residual differences between the carrying amounts and tax amounts of the following items at 31 December 2009:

- goodwill: 31,252 thousand euros;
- intangible assets: 7,628 euros, to be amortised over the next eight years on a straight-line basis in the amount of 953 thousand euro per year.

In detail, Banca Generali exercised the option to pay substitute tax on goodwill under the new rules introduced by Article 15, paragraph 10, of Law Decree No. 185/2008 by paying the tax in the amount of

5,016 thousand euros, and to pay substitute tax on the residual intangible assets carried by Banca BSI Italia at 31 December 2009 according to the original procedure described in Article 176, paragraph 2-ter of the TUIR, by paying 323 thousand euros in tax, corresponding to the first annual instalment of the total tax owed of 968 thousand euros, calculated according to the rates of 12% for the bracket up to 5 million euros and 14% for the next bracket up to 10 million euros.

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 Law Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IASs/IFRSs" have led to three different accounting treatments being considered compatible with IFRSs:

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

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

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

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

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

Conversely, the **third method** calls for the substitute tax to be treated as an advance against current taxes and then for it to be recognised through profit and loss during the years in which the tax benefit will be enjoyed. Accordingly, no positive or negative effects on profit

and loss will be recognised during the year in which the tax is paid, whereas the following years, when the goodwill becomes eligible for non-accounting deduction, will benefit from a lighter tax position as a result of the difference between the substitute tax charged to profit and loss and the lower current taxes due.

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

Conversely, with respect to the redemption of the intangible asset, Banca Generali has reversed the deferred taxes allocated in conjunction with the recognition of that asset to account for the non-tax deductibility of amortisation to be charged to profit and loss in future years in the residual amount of 2,431 thousand euros at 31 December 2009.

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

<b>REDEEMABLE ITEMS</b>						
(€ thousand)	<b>Book value</b>	<b>Redeemable value</b>	<b>Substitute tax</b>	<b>Recognition of deferred tax assets</b>	<b>Reversal of deferred tax liabilities</b>	<b>Net economic benefit</b>
Goodwill (Art.15 par. 10 of LD 195/08)	31,352	31,352	- 5,016	9,845	-	4,829
Client relationships (Art. 176, par. 2-ter of TUIR)	7,628	7,628	- 968	-	2,431	1,463
<b>Total</b>	<b>38,980</b>	<b>38,980</b>	<b>- 5,984</b>	<b>9,845</b>	<b>2,431</b>	<b>6,292</b>

## 1. Financial assets held for trading

### Classification

This category includes only debt and equity securities and the positive value of derivative contracts held for trading including those embedded in complex financial instruments. Embedded derivatives were reported separately for the following reasons:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments considered separately meet the definition of a derivative;
- the hybrid instruments in which they are embedded are not recognised at fair value with changes in fair value recognised in profit or loss.

### Recognition

Debt and equity securities are initially recognised on the settlement date. Derivative contracts are initially recognised on the date the contract is entered into.

Financial assets held for trading are initially recognised at cost, being the fair value of the instrument less transaction costs or income directly related to the instrument itself.

Embedded derivatives that are not closely related to the host contract but meet the definition of a derivative are separated from the host contract and recorded at fair value; the host contract is accounted for using the appropriate standard.

### Measurement

After initial recognition financial assets held for trading are measured at fair value.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments, namely the current bid price.

A financial instrument is regarded as listed in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity, and those prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period.

In the absence of an active market, alternative valuation methods based on market data are used,

such as quotes drawn from inactive markets, or on markets where such instruments are not traded, the notional value of financial instruments, quotes from brokers or placing agents involved in the issue of financial instruments, and quotes from info providers specialised in specific sectors. Values drawn from recent comparable transactions are also used. Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 2. AFS financial assets

### Classification

- This category includes non-derivative financial assets not otherwise classified as Loans, Assets held for trading, Assets designated at fair value or Assets held to maturity.
- Specifically, it includes:
- equity investments not held for trading;
- other equity interests and units not considered as establishing a relationship of control, association, or joint control, such as minority-interest equity investments and private-equity investments;
- bonds not held for trading and not classified as assets held to maturity or measured with Loans, intended for the treasury portfolio and purchased in connection with their potential cash flow in terms of interest rather than for trading purposes.

### Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date.

Upon initial recognition, these assets are measured at cost, defined as the fair value of the instrument, which normally corresponds to the consideration paid,

including the transaction income or expenses directly attributable to the instrument itself.

Such assets may also be recognised upon reclassification from held-to-maturity assets, or, in rare circumstances, from held-for-trading assets; in this case, they are recognised at their fair value at the time of the transfer.

### Measurement

After initial recognition, available-for-sale assets are measured at fair value, as follows:

- the amortised cost is recognised in profit or loss;
- gains and losses arising from changes in fair value are recognised in a special reserve in equity (net of the related tax effects) until the financial instrument is sold or impairment occurs.

On derecognition or impairment, cumulative gains and losses are recognised in profit or loss.

Fair value is determined according to the same criteria as indicated above for held-for-trading assets. The book value of debt securities comprises accrued interest income.

Equity securities and related derivatives with no reliable fair value measurement are measured at cost.

Available-for-sale financial assets are tested in order to determine whether there is objective evidence of impairment (impairment testing).

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the original effective interest rate, or by using specific valuation methods for equity securities.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss (for loans or debt securities) or through net equity (for equity securities).

Under no circumstances may the amount of such reversals exceed the amortised cost that would have been attributable to the instrument had no previous impairment been recognised.

### Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 3. Financial assets held to maturity

### Classification

Held-to-maturity investments comprise non-derivative securities having fixed or determinable payments and fixed maturities, which the entity has the intention and ability to hold to maturity.

### Recognition

Initial recognition of these assets takes place on the settlement date.

Upon initial recognition, financial assets classified to this category are measured at their fair

value, including any directly attributable costs and income.

If recognition under this category occurs due to the reclassification of available-for-sale assets or, in rare circumstances, of held-for-trading assets, the new amortised cost of said assets is taken as the fair value thereof at the date of reclassification.

Where a non-insignificant amount of such investments is sold or reclassified prior to maturity, the remaining held-to-maturity assets are reclassified as available-for-sale and the use of the portfolio in question is precluded for the following two years (tainting provision), unless such sales or reclassifications:

- are so near the date of the maturity or repayment option associated with the asset that the fluctuations in the market interest rate would not have a significant effect on the asset's fair value;
- occur after the collection of substantially all of the asset's original principal through scheduled or early ordinary payments.

## Measurement

After initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest-rate method.

Gains or losses relating to held-to-maturity assets are taken through profit and loss when the assets are derecognised (gains or losses on repurchase) or suffer impairment (impairment adjustments), as well as through the process of amortising the difference between the value at initial recognition and the value payable at maturity.

Held-to-maturity assets are tested in order to determine whether there is objective indication of impairment (impairment testing). If evidence to this effect is found, the amount of the loss is measured as the difference between the asset's book value and the current value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is taken through profit and loss.

If the causes of impairment cease to apply due to an event that occurs after impairment is recognised, reversals are taken through profit and loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised.

Financial assets held to maturity for which there is no objective evidence of loss are tested collectively for impairment. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan. Adjustments resulting from collective evaluation are recognised in profit or loss.

## Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 4. Loans

### Classification

This category includes loan commitments with customers and banks, either granted directly or acquired from third parties, that have fixed or determinable payments and are not listed in an active market and are not initially classified as financial assets available for sale.

This item also includes:

- repurchase agreements with a commitment to repurchase;
- debt securities not listed on active markets, having determined or determinable payments, purchased through subscription;
- operating loans from financial services, as defined in the Consolidated Banking Act and Consolidated Finance Act.

Available-for-sale debt securities may also be reclassified to this category if the securities in question are not listed on an active market and the entity has the intention and ability to hold said securities for the foreseeable future or until maturity.

### Recognition

Loans are initially recognised at the date of disbursement or, in the case of debt securities, at the settlement date, based on the fair value of the financial instrument, i.e., the amount disbursed or the subscription price, including the costs/revenues directly related to the individual loan and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.

The fair value of loans disbursed under non-market conditions is determined using the appropriate valuation techniques; the difference between the fair value and the amount dispensed or the subscription price is recognised in profit or loss.

This category includes loans disbursed under below-market conditions, the carrying value of which is equal to the current value of the expected cash flows, discounted at the benchmark market rates used by the bank instead of the contractual rate.

If recognition in this category takes place as a result of reclassification from available-for-sale assets, the asset's fair value on the date of reclassification is taken as its new amortised cost.



## Measurement

Subsequent to initial recognition, loans are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the effective interest-rate method) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.

The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.

The amortised cost method is not used for short-term loans if discounting to present value is deemed to have a negligible effect. Such loans are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure loans with no stated maturity or that are valid until revoked.

## Adjustments and reversal value

At annual and interim reporting dates, an impairment test is performed on loans to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.

**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 180 days.

Loans classified as bad loans, substandard loans, or restructured loans are normally subject to an **analytical assessment process**.

The amount of the impairment for each loan is equal to the difference between its book value at the time of assessment (amortised cost) and the current value of the expected future cash flows, calculated by applying the original effective interest rate.

Expected cash flows take account of anticipated collection times, the presumed realisable value of any underlying guarantees and costs that are expected to be incurred to recover the credit exposure. Cash flows relating to short-term loans are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change in the contractual rate, including if the loan becomes non-interest-bearing. Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.

In light of the method employed to determine the recoverable value of non-performing loans, the mere passage of time, and the ensuing increased proximity to the projected date of recovery, implies an automatic decrease in the notional financial expenses previously charged against the loans.

Write-backs due to the passage of time are taken among reversals.

Loans for which there is no objective evidence of loss are **tested collectively for impairment**. Collective evaluation is carried out on categories of loans with similar risk characteristics; the related loss percentages are estimated using historical data and other elements that can be observed at the measurement date, allowing the probable loss to be estimated for each category of loan.

In further detail, a probability of default and loss given default value is attributed to each class of assets having similar characteristics in terms of exposure, the borrower's industry, type of collateral and other significant factors, based on a historical/statistical approach.

Adjustments resulting from collective evaluation are recognised in profit or loss. At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

## Derecognition

Receivables are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all the related risks and rewards incidental to ownership, is transferred. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried on the balance sheet, even though the ownership of said assets has been effectively transferred in legal terms.

## 5. Financial assets at fair value

At this time, none of the Bank's financial assets are classified under this category.

## 6. Hedging Transactions

### Types of Hedging Transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items.

Possible types of hedges include:

- fair-value hedges, intended to hedge exposure to changes in the fair value of a balance-sheet item attributable to a particular risk;
- cash-flow hedges, intended to hedge exposure to changes in future cash flows of balance-sheet items attributable to particular risks;
- hedges of a net investment in foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

### Measurement

Derivatives are measured at fair value. Specifically:

- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the effect on net profit or loss;
- in the case of cash-flow hedges, the effective

portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flow of the hedged item;

- hedges of a net investment in a foreign operation are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

A hedge is considered effective (within a range of 80-125%) when the changes in fair value (or cash flow) of the hedging instrument almost entirely offset the changes in the hedged item.

Effectiveness is assessed at annual and interim reporting dates using:

- prospective tests, which justify the use of hedge accounting by demonstrating effectiveness;
- retrospective tests, which show the degree of effectiveness achieved in the period under review. In other words, retrospective tests measure the extent to which actual results differed from a perfect hedge.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

## 7. Equity Investments

### Classification

This item includes equity investments in subsidiary and associate companies.

Subsidiaries are entities in which the bank directly or indirectly holds more than half of the voting rights, or when, despite having a lower percentage of voting rights, the bank has the power to appoint the majority of directors or determine financial and operating policies of the entity. In assessing voting rights, "potential" rights that can be currently exercised or converted into actual voting rights at any time are taken into account.

Companies are considered associates when the bank holds 20% or more of the voting power and, due to specific legal or economic ties, is presumed to have significant influence.

### Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

### Measurement

Equity investments are measured at cost and adjusted for impairment.

When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the investment.

If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

### Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

## 8. Property and Equipment

### Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.

They also include assets held for use in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.

### Recognition

Property and equipment are initially recognised at cost, which includes the purchase price as well as all directly related costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised in profit or loss.

### Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses. They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.

If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

### Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

## 9. Intangible Assets

### Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract or must arise from contractual or other legal rights, regardless of whether those rights are 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 to restrict the access of others to those benefits.

The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

Goodwill, which represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities, is also recognised among intangible assets.

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

**Software costs** recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.

Software expenses recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the bank based on the outsourcing contract with CSE (legacy, front-end advisors and front-end customers, etc.).

Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and future economic rewards are expected from them.

Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised in the balance sheet in the year in which they are borne.

Commissions paid to the network in relation to no-load asset-management products are considered as additional charges incurred to promote the signing of the related agreements; the future economic benefit associated with these expenses consists of the contractual rights to receive periodic commissions from the management company.

Such expenses arise in relation to products (e.g., units of collective investment undertakings – UCITs, discretionary accounts - GPF) for which the management company does not charge commissions at the time the investment is made, but rather charges “tunnel commissions” (in addition to usual “management commissions”) when the customer divests in two to four years.

Commissions paid by the “distributor” to its sales network, which are commensurate to the commissions on corresponding “load” products, are not immediately offset by up-front fees paid by the “management company”; instead, these are recovered over time by means of the other two commission categories.

### Recognition

#### Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including incidental expenses) is representative of the investee company's ability to generate future income (goodwill).

In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

#### Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

### Measurement

Intangible assets are amortised on a straight-line basis over their useful lives.

**Software expenses** are typically amortised over a three-year period.

Other capitalised costs associated **with legacy systems** are amortised over a five-year period.

**Multi-year no-load commissions** are amortised based on the period the “tunnel” is in force and the estimated time to divestment by the customers.

For brands acquired on the incorporation of subsidiaries, the useful life is estimated at ten years.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

## Impairment

### Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The impairment test for goodwill is presented in Section 1.2 “Annual Changes in Goodwill” in Part G of these Notes.

### Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset’s carrying amount exceeds its recoverable amount.

### Derecognition

Intangible assets are removed from the balance sheet on disposal or when no future economic benefits are expected from their use.

## 10. Non-current Assets Held for Sale or Disposal Groups

The asset item “Non-current assets held for sale or disposal groups” and liability item “Liabilities associated with assets held for sale or disposal groups” include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.

The net balance of income and expenses (net of the tax effect) attributable to a group of assets available for sale or a group of assets recognised as available for sale during the year is taken through profit and loss under a specific separate item, “Profit (Loss) on groups of assets available for sale, net of taxes”.

## 11. Current and Deferred Taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.

Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences – without time limits – between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recorded to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company Assicurazioni Generali – as a result of its exercise of the option provided by the Italian tax consolidation scheme – to generate ongoing taxable income.

Deferred tax 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.

## 12. Provisions for Liabilities and Contingencies

Provisions for liabilities and contingencies include allocations relating to current provisions arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognised in the profit and loss account.

This item also includes provisions made (based on both individual and collective assessments) to cover possible disbursements in relation to credit risks associated with guarantees and commitments.

## 13. Debt and Securities Issued

### Classification

**Due to banks, Due to customers** and **Securities issued** include the various forms of interbank funding and direct customer deposits as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.

Due to banks and due to customers also include operating debts from financial services.

### Recognition

These items are initially recognised when funding is received or the debt securities are issued.

Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus or minus any costs or income directly attributable to the transaction and not repaid by the creditor. Internal general and administrative expense are excluded.

For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

### Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method,

with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

### Derecognition

Financial liabilities are removed from the balance sheet when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.

The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

## 14. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.

If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

## 15. Financial Liabilities Measured at Fair Value

There are currently no financial liabilities measured at fair value.

## 16. Foreign Currency Transactions

### Initial recognition

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

### Subsequent measurement

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate at that date.

The Group has no non-monetary items that are measured at historical cost or fair value.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised in profit or loss in the period in which they arise.

## 17. Other Information

### Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

### Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.

Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

### Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.

The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

### Share-based payments

In accordance with IFRS 2 (Share-Based Payments) and IFRIC 11, share-based benefit plans for staff and financial consultants are recognised as costs in the profit and loss account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity,

the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.

Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

IFRS 2 was not applied to the plan known as the Stock Granting Plan for the Prime Consult S.p.A. Network approved by that company, subsequently merged into Banca Generali in 2001, in that under the transitional provisions of paragraphs 53 et seq. of the Standard, the transaction was undertaken prior to 14 November 2002.

### Employee Termination Indemnities

Under IAS 19 “Employee Benefits”, until 31 December 2006 termination indemnity was considered as a “post-employment benefit” classified as a “defined benefit plan”. The benefit was therefore reported in the financial statements based on the actuarial value determined using the “Projected Unit Credit Method”.

Following the entry into force of Italy’s 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees’ termination indemnities accrued starting from 1 January 2007 must – depending on the employees’ choice – be allocated to a supplementary pension fund or maintained within the company and transferred to a special fund managed by Italy’s national security institute (INPS).

The entry into force of the aforementioned reform led to a change in the accounting treatment of the termination indemnity, in terms of both the amounts accrued until 31 December 2006 as well as the amounts accrued starting on 1 January 2007.

More specifically:

- termination indemnities accrued by personnel **starting on 1 January 2007** are considered a **defined contribution plan**, whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund. The amounts accrued must, however, be determined **based on the**

### contributions owed without applying an actuarial calculation;

- termination indemnities accrued by personnel **up to 31 December 2006** are considered a “defined benefit plan”, and therefore must be calculated using actuarial methods; however, after 31 December 2006, such methods no longer involve the proportional allocation of the benefit to the period of service worked. This is because the service period in question is considered fully completed as a result of the change in the accounting nature of termination indemnities accruing beginning on 1 January 2007.

As a result of the legislative changes, employees’ termination indemnities were recalculated at 31 December 2006 using the new actuarial method. The difference resulting from the actuarial calculation is deducted from the defined benefit plan, and, in accordance with IAS 19, the related gains or losses are charged to the profit and loss account (including actuarial components that had not been previously recognized, in accordance with the corridor method).

### Productivity Bonuses for Salaried Employees

Pursuant to the first update to Circular No. 262/05 of 18 November 2009, productivity bonuses to be paid to salaried employees during the following year are to be allocated to the item “Other liabilities”.

More specifically, in accordance with IAS 19 Employee Benefits, the following are allocated to current liabilities:

- the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
- incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

By contrast, it was decided that the following requirements of IAS 19 had not been met:



- 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;
- other allocations intended to support a redundancy incentive plan initiated following the merger with Banca BSI Italia, and other charges relating to employee classification level;
- management's variable compensation accrued during the year, payment of which is deferred beyond the following year by contract, contingent upon the satisfaction of certain conditions.

The latter aggregate includes the share of variable compensation of managers of the banking group deferred beyond two years and contingent upon access gates set out in the banking group's new compensation policy and the new three-year retention plan for the banking group's top managers (Long Term Incentive Plan).

### Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:

- interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
- default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
- dividends are recognised in the profit and loss account when dividend payout is approved;
- service revenue commissions are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading commissions on securities trading are recognised when the service is rendered; Portfolio management, advisory and mutual fund management commissions are recognised according to the length of the service. Commissions considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit and loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational

procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

### Use of estimates and assumptions in the preparation of the financial statements for the year

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

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

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

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

- determining the amount of provisions for risks and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network for work done in the second half of the year;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
- determining the impairment of financial instruments;
- the determination of value adjustments of non-performing loans and the provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

## Testing Financial Instruments for Impairment

In accordance with IAS 39, the portfolio of securities not designated at fair value through profit or loss and classified as available for sale (AFS), held to maturity (HTM) and loans to customers and banks (Loans) is tested for impairment to be recognised in profit or loss.

An asset is impaired when, following the occurrence of specific events ("loss events"), there is objective evidence of a decrease in expected future cash flows with respect to original estimates and the loss may be reliably estimated.

Some indicators that an asset may have become impaired include, for example, significant financial difficulty experienced by the issuer, the probability that insolvency or other financial restructuring procedures will be initiated, breach or non-payment of interest or principal, the disappearance of an active market for a financial instrument, a significant downgrade of credit rating and the decrease in the fair value of a financial asset below its cost or amortised cost for reasons not attributable to changes in market conditions (change in the risk-free rate).

In addition to the general criteria cited above, a significant or prolonged decrease in the fair value of an equity instrument below its cost is objective evidence of impairment.

The loss event must have occurred at the measurement date. Losses expected as a result of future events, no matter how likely, are not recognised.

The impairment measurement process involved the use of specific methods according to the type of securities in question:

- equity securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets available for sale (AFS);
- corporate debt securities allocated to the portfolio of financial assets held to maturity (HTM) and the portfolio of loans and receivables (Loans);
- the portfolio of asset-backed securities (ABSs) and similar securities allocated to the portfolio of loans and receivables (Loans).

The test is performed on an individual basis for financial assets that present specific evidence of losses and on a collective basis for financial assets for which individual testing is not necessary or does not require adjustments.

For listed equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 36 months from the reporting date.

Criteria based on temporal and quantitative filters of varying scopes are also used to identify additional financial instruments that may have become impaired.

For unlisted equity instruments, the specific conditions of the issuer are analysed on the basis of the most recent financial statements available and further information drawn from the market.

For corporate debt securities classified to the AFS and HTM portfolios, a decrease in value of more than 50% with respect to the average book value of the investments at the reporting date is also considered evidence of impairment.

For the portfolio of ABSs classified as loans to customers, individual testing takes account of the type of the underlying asset class (RMBSs, CMBSs, cards, etc.), seniority, rating, and the trend in relevant quantitative parameters for the underlying assets based on the most recent reports issued by rating Agencies.

Once an asset has been found to be impaired, the amount of the impairment is determined as follows.

For financial instruments classified as available for sale (AFS), the amount of the loss is equal to the difference between:

- **purchase cost**, net of any redemptions and repayments and less any impairment already recognised in the profit and loss account; and
- **the current fair value**.

Impairment losses on equity securities may not be reversed through the profit and loss account. Accordingly, any reversals are recognised in net equity. Conversely, reversals are allowed for debt securities, as for securities classified as HTM/LOANS.

For debt securities measured at amortised cost and classified as held to maturity (HTM) and loans and receivables (LOANS), the loss is measured as the difference between:

- **the book value of the asset**; and
- **the present value of estimated future cash flows** discounted at the financial asset's original effective interest rate.

For ABSs, the decrease 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 belonging to the portfolios measured at amortised cost, loans to bank and customers (L&R) and assets held to maturity (HTM), for which individual signs of impairment were not detected were tested for **collective impairment** in accordance with IAS 39, paragraph 64, in order to estimate the amount of any latent losses on assets that have not explicitly shown 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 event (PD - probability of default) is determined according to historical series for default rates surveyed globally over a period of many years (Standard & Poor's Cumulative Average Default Rates By Rating, 1981 - 2009) and using a market loss given default (LGD) between 60% and 70%.

In any event, Italian government bonds are excluded from such testing of securities in the HTM portfolio.

The portfolio of securities deriving from securitisation is divided into segments according to the nature of the assets underlying the ABSs (home mortgages, commercial mortgages, leases and other types of loans) and the geographic area of reference, and specific probability of default (PD) and loss given default (LGD) figures are developed for each segment.

In detail, the PD rates for each cluster were determined according to weighted average losses (defaults and delinquencies > 180 days) specifically observed on the underlying assets over the past two years.

The rates thus obtained are then multiplied by the expected residual lives of the issues, yielding the portion of underlying assets potentially at risk.

The expected loss on each issue in portfolio is then determined by multiplying those figures by the LGD rate (determined according to internal estimates produced by the Bank) and verifying the share of the underlying assets potentially at risk that exceeds the aggression threshold for the tranche in portfolio (senior, mezzanine or junior).

## PART A.3 – INFORMATION ON FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The arm's length concept requires that counterparties are fully operational and are not forced to wind up or significantly scale back operations or undertake transactions under unfavourable conditions.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

On the basis of the approach to determining fair value, international accounting standard IFRS 7 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation.

- **Level 1:** prices quoted on active markets for identical instruments;
- **Level 2:** prices quoted on non-active markets for the same instrument or on active markets for similar instruments or calculated through the use of valuation techniques, in which all significant inputs are based on estimation parameters observable on the market;
- **Level 3:** valuation techniques where a significant input for measurement at fair value is based on non-observable market data.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, that is to say whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.

Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of

transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered quoted on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

On 15 December 2010, Banca Generali approved its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Finance Department and review and validation of the data to the Risk Management Service.

The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is insignificant, the official closing price for the last day of market operation is also used.

For securities not quoted on active markets, the procedure calls for the analysis of:

- 1) prices of similar instruments quoted on active or inactive markets; and
- 2) inputs other than quotations observably directly or indirectly on the market.

The first category includes bonds that do not meet the price significance requirements for classification as listed on an active market but for which it is determined that there is:

1. **a single contributor** on a regulated market or exchange system capable of providing a fair, binding price at the measurement date;

2. a consensus pricing mechanism capable of determine the fair value on the basis of, for example:

**Bloomberg Bondtrade Composite** (CBBT/BBT), which provides prices constructed as the average of the most recent executable prices;

**Bloomberg Generic Number** (BGN), which represents Bloomberg's market consensus price and is calculated using the prices contributed to Bloomberg;

**Markit European ABS**, a consensus platform for measuring ABS-type instruments;

3. a reference to current market values of other essentially identical or similar instruments.

UCITS not listed on regulated markets are usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:

- the analysis of discounted cash flows;
- option pricing models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

## A.3.1 TRANSFERS BETWEEN PORTFOLIOS

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

and customers (Loans & Receivables), while equity securities held for trading were transferred to the AFS portfolio.

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

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

TYPE OF FINANCIAL INSTRUMENT (€ thousand)				31.12.2010	31.12.2010	Income components with no transfer		Income components for the year	
	from	to	date of transf.	Book value	Fair value	Valuation	Other	Valuation	Other
Equity securities	TRA	AFS	1/7/08	2,930	2,930	- 1,122	-	- 1,122	70
Debt securities	TRA	HTM	1/7/08	337,568	331,339	- 1,702	4,195	- 482	5,915
Debt securities	AFS	HTM	30/9/08	67,946	67,732	- 966	1,781	- 17	2,428
Total HTM portfolio				405,514	399,071	- 2,668	5,976	- 499	8,343
Debt securities	TRA	LOANS	1/7/08	101,116	90,713	- 7,367	2,117	- 438	3,038
Debt securities	AFS	LOANS	1/7/08	43,152	42,177	2,571	2,282	- 157	837
Total loan portfolio (banks and clients)				144,268	132,890	- 4,796	4,399	- 595	3,875
<b>Total reclassified financial assets</b>				<b>552,712</b>	<b>534,891</b>	<b>- 8,586</b>	<b>10,375</b>	<b>- 2,216</b>	<b>12,288</b>

In 2010 the process of dismantling the portfolios in question through redemptions and sales continued, bringing the total carrying amount at the reporting date to 552.7 million euros, compared to 853.5 million euros in the previous year (-300.8 million euros).

Such amount includes increases for the gradual maturity of their amortised costs.

Any change in the fair value of the transferred assets from the trading portfolio at the end of 2010 would have entailed negative differences compared to book values, before taxes of 17.8 million euros, compared to 18.5 million euros at the end of 2009 and 38.7 million euros in 2008.

Had the Bank not opted to reclassify such securities, they would have registered greater capital losses through profit and loss and equity in 2010 of 6.4 million euros, equal to the difference between the change in fair value during the year and the impairment losses actually recognised through profit and loss.

The negative contribution to profit and loss of the other components of income (realised gains and losses and interest) would have amounted to 1.9 million euros due to the lesser interest recognised according to the effective interest rate method.

## A.3.2 FAIR VALUE HIERARCHY

International accounting standard IFRS 7 - Financial Instruments: Disclosures, approved by the IASB in March 2009, requires that entities that apply IASs/IFRSs provide adequate disclosure of the fair value measurements used for each class of financial instrument, with especial reference to:

- 1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
- 2) any significant transfers between Level 1 and Level 2 during the year;

3) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

The information on the fair value hierarchy requires that financial assets designated at fair value be reclassified according to a level-based hierarchy that reflects the significance of the inputs used in valuations, as explained in further detail in the premise of the Section.

### A.3.2.1 Accounting portfolios: distribution by fair-value levels

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE (€ thousand)	31.12.2010				Total
	L1	L2	L3	at cost	
1. Financial assets held for trading	87,878	14,006	17,670		119,554
2. Financial assets at fair value					
3. AFS financial assets	1,442,976	69,224	17,837	3,190	1,533,227
4. Hedging derivatives					
<b>Total</b>	<b>1,530,854</b>	<b>83,230</b>	<b>35,507</b>	<b>3,190</b>	<b>1,652,781</b>
1. Financial liabilities held for trading		6,502			6,502
2. Financial Liabilities at fair value					
3. Hedging derivatives					
<b>Total</b>	<b>-</b>	<b>6,502</b>	<b>-</b>	<b>-</b>	<b>6,502</b>

FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE (€ thousand)	31.12.2009				Total
	L1	L2	L3	at cost	
1. Financial assets held for trading	131,212	69,094	18,247		218,553
2. Financial assets at fair value					
3. AFS financial assets	1,179,565	294,575	5,117	2,669	1,481,926
4. Hedging derivatives					
<b>Total</b>	<b>1,310,777</b>	<b>363,669</b>	<b>23,364</b>	<b>2,669</b>	<b>1,700,479</b>
1. Financial liabilities held for trading		494			494
2. Financial Liabilities at fair value					
3. Hedging derivatives					
<b>Total</b>	<b>-</b>	<b>494</b>	<b>-</b>	<b>-</b>	<b>494</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 92.6% financial assets eligible for allocation to class L1.

Italian and international government bonds amounted to 1,432 million euros, up by 212.7 million euros compared to the previous year.

The remainder consisted of bank bonds issued by the main Euro Area countries (89.2 million euros), essentially in line with the previous year (81.4 million euros).

This category also includes equity securities listed on regulated Italian and European markets (9.6 million euros).

On the whole, class L1 financial assets increased by 219 million euros.

Financial assets allocated to the trading portfolio belonging to class L2 consist primarily of units of money-market UCITs not listed on regulated markets (13.1 million euros). The Level 2 portfolio also includes derivative financial assets and liabilities consisting of asset swaps, interest rate swaps (IRSs) and currency outright valuations valued according to observable market parameters.

The L2-class assets in the AFS portfolio amounted to 69.2 million euros and consisted of bonds issued by banks based in Italy and major Euro Area countries.

On the whole, class-L2 financial assets decreased by 280.4 million euros, primarily due to the trading activity conducted during the year.

At the reporting date, transfers from class L2 to L1 and from class L1 to L2 were highly limited.



### A.3.2.2 Accounting portfolios: Annual changes in financial assets at fair value (level L3)

FINANCIAL ASSETS		31.12.2010			
		(€ thousand)	trading	AFS at fair value	AFS at cost
<b>1.</b>	<b>Amount at year-start</b>		<b>18,247</b>	<b>5,117</b>	<b>2,669</b>
<b>2.</b>	<b>Increases</b>		<b>1,595</b>	<b>12,825</b>	<b>521</b>
2.1	Purchases		0	6,379	214
2.2	Gains through:				
2.2.1	Profit and loss				
	- of which: Capital gains				
2.2.2	Net equity				
2.3	Transfers from other levels		1,595	6,299	
2.4	Other increases			147	307
	- of which business combinations				307
<b>3.</b>	<b>Decreases</b>		<b>2,172</b>	<b>105</b>	<b>0</b>
3.1	Sales				
3.2	Redemptions		2,172		
3.3	Losses through:				
3.3.1	Profit and loss				
	- of which: Capital losses				
3.3.2	Net equity			87	
3.4	Transfers to other levels				
3.5	Other decreases			18	
<b>4.</b>	<b>Amount at year-end</b>		<b>17,670</b>	<b>17,837</b>	<b>3,190</b>

The L3 financial assets in the trading portfolio consist solely of:

- the investment in the Quarzo 1 bond, a securitisation of residential mortgage-backed securities originated by Mediobanca and Morgan Stanley, in relation to the activity of the Scarlatti real-estate fund, promoted by the Assicurazioni Generali Group;
- an interest in the speculative hedge fund Fin.int, previously classified as L2;
- a defaulted Landesbanki bond, written off.

The L3 financial assets in the AFS portfolio include the 8.3 million euro equity investment in the private-equity vehicle Athena Private Equity, which was impaired during the previous year, and a residual amount of equity securities considered minority interests (CSE, GBS Caricese, SWIFT, etc.) and measured at purchase cost in the absence of reliable estimates of their fair value.

The portfolio of AFS debt securities allocated to class L3, in the amount of 12.7 million euros, consists of two defaulted Lehman issues (1.2 million euros) and

three recent unlisted bonds. The increase in the L3 securities portfolio is entirely attributable to those bonds.

### A.3.3 INFORMATION ON “DAY-ONE PROFIT/LOSS”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.

In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.

It should be noted that no such cases occur in the financial statements in question.

## PART B – INFORMATION ON THE BALANCE SHEET ASSETS

### SECTION 1 CASH AND DEPOSITS - ITEM 10

#### 1.1 Breakdown of cash and deposits

ITEMS/VALUES	31.12.2010	31.12.2009
(€ thousand)		
a) Cash	7,950	7,137
b) Demand deposits with central banks	-	-
<b>Total</b>	<b>7,950</b>	<b>7,137</b>

### SECTION 2 FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

#### 2.1 Financial assets held for trading: categories

ITEMS/VALUES	31.12.2010			31.12.2009		
(€ thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash</b>						
1. Debt securities	85,301	687	16,250	130,111	35,834	18,247
1.1 Structured securities	-	634	-	-	-	-
1.2 Other debt securities	85,301	53	16,250	130,111	35,834	18,247
2. Equity securities	2,577	-	-	1,097	-	-
3. UCIT units	-	13,120	1,420	4	33,150	-
4. Loans	-	-	-	-	-	-
4.1. Repurchase agreements	-	-	-	-	-	-
4.2. Other	-	-	-	-	-	-
<b>Total A</b>	<b>87,878</b>	<b>13,807</b>	<b>17,670</b>	<b>131,212</b>	<b>68,984</b>	<b>18,247</b>
<b>B. Derivatives</b>						
1. Financial derivatives	-	199	-	-	110	-
1.1 Trading	-	199	-	-	110	-
1.2. Related to the fair value option	-	-	-	-	-	-
1.3. Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2. Related to the fair value option	-	-	-	-	-	-
2.3. Other	-	-	-	-	-	-
<b>Total B</b>	<b>-</b>	<b>199</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>-</b>
<b>Total (A+B)</b>	<b>87,878</b>	<b>14,006</b>	<b>17,670</b>	<b>131,212</b>	<b>69,094</b>	<b>18,247</b>

#### Notes

- The trading portfolio contains a single non-performing position consisting of a bond issued by the Icelandic bank Landebanki, currently subject to a winding-up procedure by the national authorities and written off.
- Government bonds include 29,034 thousand euros relating to an Index Linked BTP related to an asset swap transaction. The derivatives component is recognised among liabilities held for trading.
- A more detailed analysis of the Fair value category of financial assets (L1, L2, L3) is given in Part A.3 of these Notes.

## 2.2 Financial assets held for trading: debtors/issuers

ITEMS/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>A. Cash</b>		
<b>1. Debt securities</b>	<b>102,238</b>	<b>184,192</b>
a) Governments and central banks	79,558	123,933
b) Other public institutions	-	-
c) Banks	6,578	29,965
d) Other issuers	16,102	30,294
<b>2. Equity securities</b>	<b>2,577</b>	<b>1,097</b>
a) Banks	3	3
b) Other issuers	2,574	1,094
- insurance companies	1,782	719
- financial companies	10	16
- non-financial companies	782	359
- other entities	-	-
<b>3. UCIT units</b>	<b>14,540</b>	<b>33,154</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other parties	-	-
<b>Total A</b>	<b>119,355</b>	<b>218,443</b>
<b>B. Derivatives</b>		
a) Banks	35	110
b) Customers	164	-
<b>Total B</b>	<b>199</b>	<b>110</b>
<b>Total (A+B)</b>	<b>119,554</b>	<b>218,553</b>

## SECTION 2 FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

### 2.3 Financial assets held for trading: year changes

(€ thousand)	Debt securities	Equity securities	UCIT units	Financing	Total
<b>A. Amount at year-start</b>	<b>184,192</b>	<b>1,097</b>	<b>33,154</b>	-	<b>218,443</b>
<b>B. Increases</b>	<b>1,284,325</b>	<b>3,858,071</b>	<b>1,153,505</b>	-	<b>6,295,901</b>
B1. Purchases	1,280,248	3,847,005	1,152,763	-	6,280,016
B2. Positive changes in fair value	159	33	312	-	504
B3. Other changes	3,918	11,033	430	-	15,381
of which business combination transactions	73	303	-	-	376
<b>C. Decreases</b>	<b>1,366,279</b>	<b>3,856,591</b>	<b>1,172,119</b>	-	<b>6,394,989</b>
C1. Sales	1,231,406	3,730,860	1,171,947	-	6,134,213
C2. Repayments	130,670	-	-	-	130,670
C3. Negative changes in fair value	1,108	278	99	-	1,485
C4. Transfer to other portfolios	-	-	-	-	-
C5. Other changes	3,095	125,453	73	-	128,621
<b>D. Amount at year-end</b>	<b>102,238</b>	<b>2,577</b>	<b>14,540</b>	-	<b>119,355</b>

#### Notes

- Item "B.3 Other changes - increases" includes final dividend accruals, final premiums/discounts, and gains on disposal.
- Item "C.5 Other changes - decreases" includes initial dividend accruals, initial premiums/discounts, and losses on disposal. This item also includes losses on the disposal of equity securities under equity-swap transactions.

## SECTION 4 AVAILABLE-FOR-SALE FINANCIAL ASSETS – ITEM 40

### 4.1 Available-for-sale financial assets: categories

ITEMS/VALUES	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
(€ thousand)						
1. Debt securities	1,435,959	69,224	12,720	1,170,594	294,575	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,435,959	69,224	12,720	1,170,594	294,575	-
2. Equity securities	7,017	-	8,307	8,971	-	7,786
2.1 Valued at fair value	7,017	-	5,117	8,971	-	5,117
2.2 Valued at cost	-	-	3,190	-	-	2,669
3. UCIT UNITS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
<b>Total</b>	<b>1,442,976</b>	<b>69,224</b>	<b>21,027</b>	<b>1,179,565</b>	<b>294,575</b>	<b>7,786</b>

#### Notes

1. The portfolio of debt securities includes two default positions consisting of debt securities issued by Lehman Brothers Holding with an amortised cost of 8,721 million euros, written down by 7,421 million euros in the previous years.
2. The portfolio of equity securities includes the residual 15% investment in Simgenia (amounting to Euro 1,033 thousand) and equity securities that fall into the category of what are known as "minor equity investments" and largely related to service agreements concluded by the Group (CSE, GBS Caricese, SWIFT, etc.). Those interests are usually non-negotiable and are measured at cost in the absence of reliable estimates of fair value.
3. AFS financial assets were tested for impairment to see whether there were objective reasons for which the book value of such assets could be deemed not to be fully recoverable. Following the test, impairment losses for an amount of 1,626 thousand euros were recognised on equity securities resulting from reclassification made the previous year, due to the fact that the the fair value relevant threshold compared to the book value had been exceed (significant loss).
4. A more detailed description of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.3 of these Notes.
5. Item "Other debts" includes transferrerd asstes not written-off, which refer to owned securities used in repurchase agreements for an amount of 382,381 thousand euros.

## 4.2 Available-for-sale financial assets: debtors/issuers

ITEMS/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>1. Debt securities</b>	<b>1,517,903</b>	<b>1,465,169</b>
a) Governments and central banks	1,352,479	1,095,437
b) Other public institutions	-	14,031
c) Banks	143,863	300,300
d) Other issuers	21,561	55,401
<b>2. Equity securities</b>	<b>15,324</b>	<b>16,757</b>
a) Banks	1,762	3,100
b) Other issuers	13,562	13,657
- insurance companies	840	1,049
- financial companies	6,561	6,377
- non-financial companies	6,161	6,231
- other entities	-	-
<b>3. UCIT units</b>	-	-
<b>4. Loans</b>	-	-
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other parties	-	-
<b>Total</b>	<b>1,533,227</b>	<b>1,481,926</b>

## 4.4 Available-for-sale financial assets : year changes

(€ thousand)	Debt securities	Equity securities	UCIT unit	Financing	Total
<b>A. Amount at year-start</b>	<b>1,465,169</b>	<b>16,757</b>	-	-	<b>1,481,926</b>
<b>B. Increases</b>	<b>2,697,093</b>	<b>682</b>	-	-	<b>2,697,775</b>
B1. Purchases	2,674,348	257	-	-	2,674,605
B2. Positive changes in fair value	257	29	-	-	286
B3. Reversal value	-	-	-	-	-
- P&L	-	X	-	-	-
- Net equity	-	-	-	-	-
B4. Transfer from other portfolios	-	-	-	-	-
B5. Other changes	22,488	396	-	-	22,884
of which business combination transactions	-	306	-	-	306
<b>C. Decreases</b>	<b>2,644,359</b>	<b>2,115</b>	-	-	<b>2,646,474</b>
C1. Sales	2,462,411	382	-	-	2,462,793
C2. Repayments	135,155	-	-	-	135,155
C3. Negative changes in fair value	31,477	5	-	-	31,482
C4. Write-downs of non-performing loans	-	1,626	-	-	1,626
- P&L	-	1,626	-	-	1,626
- Net equity	-	-	-	-	-
C5. Transfer to other portfolios	-	-	-	-	-
C6. Other changes	15,316	102	-	-	15,418
<b>D. Amount at year-end</b>	<b>1,517,903</b>	<b>15,324</b>	-	-	<b>1,533,227</b>

### Notes

- Item "B.5 Other changes - increases" includes adjustments arising from the measurement of securities at amortised cost, dividend accruals at the reporting date and gains on disposals, net of any transfers of equity reserves.
- The item C.6 "Other decreases" includes interest adjustment arising from measurement at amortised cost, initial dividend accruals, initial premiums/discounts, and losses on disposal, net of any transfers of equity reserves.
- 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

(€ thousand)	31.12.2010				31.12.2009			
	FV				FV			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Debt securities	608,118	344,205	173,951	73,799	666,074	144,032	520,442	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	608,118	344,205	173,951	73,799	666,074	144,032	520,442	-
2. Loans	-	-	-	-	-	-	-	-
<b>Total</b>	<b>608,118</b>	<b>344,205</b>	<b>173,951</b>	<b>73,799</b>	<b>666,074</b>	<b>144,032</b>	<b>520,442</b>	<b>-</b>

#### Notes

- Held-to-maturity financial assets were subjected to analytical impairment testing but no impairment was detected. To take into account the financial market turbulence in the Euro area, a collective reserve was established to cover potential losses of 765 thousand euros.
- A more detailed analysis of the fair value hierarchy of financial instruments (L1,L2,L3) is given in Part A.3 of these Notes.
- The item includes assets sold but not written-off, which refer to titles used in repurchase agreements amounting to 61,585 thousand euros.

### 5.2. Held-to-maturity financial assets: debtors/issuers

TYPE OF TRANSACTION/VALUES	31.12.2010	31.12.2009
(€ thousand)		
<b>1. Debt securities</b>	<b>608,118</b>	<b>666,074</b>
a) Governments and central banks	113,223	-
b) Other public institutions	-	-
c) Banks	411,604	548,016
d) Other issuers	83,291	118,058
<b>2. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and central banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Other parties	-	-
<b>Total</b>	<b>608,118</b>	<b>666,074</b>



## 5.4. Held-to-maturity financial assets: year changes

(€ thousand)	Debt securities	Financing	Total
<b>A. Amount at year-start</b>	<b>666,074</b>	-	<b>666,074</b>
<b>B. Increases</b>	<b>168,493</b>	-	<b>168,493</b>
B1. Purchases	156,711	-	156,711
B2. Reversal value	-	-	-
B3. Transfer from other portfolios	-	-	-
B4. Other changes	11,782	-	11,782
<b>C. Decreases</b>	<b>226,449</b>	-	<b>226,449</b>
C1. Sales	14,662	-	14,662
C2. Repayments	202,231	-	202,231
C3. Adjustments	765	-	765
C4. Transfer to other portfolios	-	-	-
C5. Other changes	8,791	-	8,791
<b>D. Amount at year-end</b>	<b>608,118</b>	-	<b>608,118</b>

### Notes

1. Other changes - increases (B.4) include dividend accruals at the reporting date and final adjustments at amortised cost established according to the effective interest rate and gains on disposal.
2. Other changes - decreases (C.5) include dividend accruals, final adjustments at amortised cost established according to the effective interest rate effective at the end of the previous year and losses on disposal.

## SECTION 6 LOANS TO BANKS — ITEM 60

### 6.1 Breakdown of item loans to banks: categories

TYPE OF TRANSACTION/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>A. Loans to central banks</b>	<b>11,680</b>	<b>188,206</b>
1. Term deposits	-	165,045
2. Mandatory reserve	11,680	23,161
3. Repurchase agreements	-	-
4. Other	-	-
<b>B. Loans to banks</b>	<b>436,147</b>	<b>431,513</b>
1. Current accounts and demand deposits	188,524	100,395
2. Term deposits	71,341	212,792
3. Other:	980	5,621
3.1 Repurchase agreements	-	-
3.2 Finance lease	-	-
3.3 Other	980	5,621
4. Debt securities	175,302	112,705
4.1 Structured securities	-	-
4.2 Other debt securities	175,302	112,705
<b>Total (book value)</b>	<b>447,827</b>	<b>619,719</b>
<b>Total (fair value)</b>	<b>442,426</b>	<b>618,297</b>

#### Notes

1. A specific impairment test was conducted on debt portfolio classified among loans to banks and customers but no impairment was detected. Moreover, a 471 thousand euros collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.
2. The item includes transferred assets not written-off, which refer to owned securities used in repurchase agreements for an amount of 5,161 thousand euros.

### Breakdown of item loans to banks - other transactions

TYPE OF TRANSACTION/VALUES		
(€ thousand)	31.12.2010	31.12.2009
Subordinated loan	-	4,651
Operating loans	943	969
Other	37	1
<b>Total</b>	<b>980</b>	<b>5,621</b>

## SECTION 7 LOANS TO CUSTOMERS - ITEM 70

### 7.1 Loans to customers: categories

TYPE OF TRANSACTION/VALUES (€ thousand)	31.12.2010		31.12.2009	
	Performing loans	Non-performing loans	Performing loans	Non-performing loans
1. Current accounts	441,581	14,576	114,516	875
2. Repurchase agreements	-	-	-	-
3. Loans	101,685	6,470	44,591	102
4. Credit cards, personal loans and loans on wages	-	-	-	-
5. Finance leases	-	-	-	-
6. Factoring	-	-	-	-
7. Other transactions	106,387	8,568	63,817	948
8. Debt securities	139,645	5,650	201,207	-
8.1 Structured securities	-	-	-	-
8.2. Other debt securities	139,645	5,650	201,207	-
<b>Total (book value)</b>	<b>789,298</b>	<b>35,264</b>	<b>424,131</b>	<b>1,925</b>
<b>Total (fair value)</b>	<b>781,645</b>	<b>34,154</b>	<b>408,825</b>	<b>1,925</b>

#### Notes

- Item debt securities includes by convention a GESAV guaranteed life insurance participating policy totaling 30,558 thousand euros, with tradability option.
- Items classified under "Loans to customers" were subjected to a specific impairment test, which detected an impairment loss amounting to 456 thousand euros. Impaired positions refer to a book value of 5,568 thousand euros, for four positions arising on third-party securitisation transactions which led to an impairment loss of 2,423 thousand euros. Such positions have been classified by convention under non-performing loans - substandard loans.
- Moreover, a 635 thousand euros collective reserve was allocated for potential losses on the securities portfolio that was not subjected to analytical impairment.

### Breakdown of item loans to customers - other transactions

TYPE OF TRANSACTION/VALUES (€ thousand)	31.12.2010	31.12.2009
Pooled financing	20,694	22,568
Other short-term financing	23,463	10,015
Interest-bearing daily margins Italian Stock Exchange	4,403	5,231
Sums advanced to financial advisors	31,020	8,671
Operating receivables	32,573	15,989
Interest-bearing caution deposits	306	209
Amounts to be collected	2,496	2,083
<b>Total</b>	<b>114,955</b>	<b>64,766</b>

## 7.2 Loans to customers: debtors/issuers

TYPE OF TRANSACTION/VALUES (€ thousand)	31.12.2010		31.12.2009	
	Performing loans	Non-performing loans	Performing loans	Non-performing loans
<b>1. Debt securities</b>	<b>139,645</b>	<b>5,650</b>	<b>201,208</b>	
a) Governments	-	-	-	-
b) Other public institutions	-	-	-	-
c) Other issuers	139,645	5,650	201,208	-
- non-financial companies	980	-	11,748	-
- financial companies	103,205	5,650	155,163	-
- insurance companies	35,460	-	34,297	-
- other entities	-	-	-	-
<b>2. Loans</b>	<b>649,653</b>	<b>29,614</b>	<b>222,924</b>	<b>1,925</b>
a) Governments	-	-	-	-
b) Other public institutions	-	-	-	-
c) Other parties	649,653	29,614	222,924	1,925
- non-financial companies	188,274	23,052	36,875	990
- financial companies	85,785	479	61,331	255
- insurance companies	5,899	-	3,588	-
- other entities	369,695	6,083	121,130	680
<b>Total</b>	<b>789,298</b>	<b>35,264</b>	<b>424,132</b>	<b>1,925</b>

## SECTION 10 EQUITY INVESTMENTS - ITEM 100

### 10.1 Equity investments in subsidiary companies, entities under common control or subject to significant influence: disclosure on type of relations

NAME			
(€ thousand)	Registered office	% held	% of voting rights
<b>A. Subsidiary companies wholly controlled</b>			
1. Bg Fiduciaria Sim S.p.A.	Trieste	100%	100%
2. Bg Sgr S.p.A.	Trieste	100%	100%
3. Generali Fund Management S.A.	Lussemburgo	51%	51%
4 Generfid S.p.A.	Milano	100%	100%

### 10.2 Equity investments in subsidiary companies, entities under common control or subject to significant influence: accounting disclosures

NAME						
(€ thousand)	Total assets	Revenue	Net profit (Loss)	Net equity	Book value	Fair Value (listed)
A. Subsidiary companies wholly controlled						
1. Bg Fiduciaria Sim S.p.A. (1)	26,246	12,677	1,667	8,886	11,779	X
2. Bg Sgr S.p.A.	42,353	40,340	2,995	30,191	25,393	X
3 Generfid S.p.A.	669	611	127	390	245	X
4. Generali Fund Management S.A.	83,469	196,444	89,985	44,550	2,000	X
<b>Total</b>	<b>152,737</b>	<b>250,072</b>	<b>94,774</b>	<b>84,017</b>	<b>39,417</b>	-

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

Note:

In accordance with IAS 36c, an impairment test was conducted on the participation in BG Fiduciaria but no impairment losses were detected.

## 10.3 Equity investments: year changes

(€ thousand)	31.12.2010	31.12.2009
<b>A. Amount at year-start</b>	<b>143,992</b>	<b>131,992</b>
<b>B. Increases</b>	<b>9,580</b>	<b>12,000</b>
B1. Purchases	9,580	12,000
B2. Reversal value	-	-
B3. Revaluations	-	-
B4. Other changes	-	-
<b>C. Decreases</b>	<b>114,155</b>	-
C1. Sales and repayments	-	-
C2. Adjustments	-	-
of which permanent write-downs	-	-
C3. Other changes	114,155	-
<b>D. Amount at year-end</b>	<b>39,417</b>	<b>143,992</b>
<b>E. Total revaluations</b>	-	-
<b>F. Total adjustments</b>	-	-

### Breakdown of changes in equity investments

(€ thousand)	31.12.2010	31.12.2009	change
Bg Fiduciaria Sim S.p.A.	11,779	11,779	-
Bg Sgr S.p.A.	25,393	15,893	9,500
Banca BSI S.p.A.	-	114,155	-114,155
Generfid S.p.A.	245	165	80
Generali Fund Management S.A.	2,000	2,000	-
<b>Total</b>	<b>39,417</b>	<b>143,992</b>	<b>-104,575</b>

## SECTION 11 PROPERTY AND EQUIPMENT - ITEM 110

### 11.1 Property and equipment: breakdown of assets valued at cost

ASSETS/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>A. Operating assets</b>		
<b>1.1 Owned assets</b>	<b>4,602</b>	<b>3,187</b>
a) land	-	-
b) buildings	-	-
c) furniture	2,997	1,878
d) electronic equipment	178	108
e) other	1,427	1,201
<b>1.2 Acquired under finance lease</b>	<b>-</b>	<b>-</b>
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
<b>Total A</b>	<b>4,602</b>	<b>3,187</b>
<b>B. Assets held as investments</b>		
<b>2.1 Owned assets</b>	<b>-</b>	<b>-</b>
a) land	-	-
b) buildings	-	-
<b>2.2 Acquired under finance lease</b>	<b>-</b>	<b>-</b>
a) land	-	-
b) buildings	-	-
<b>Total B</b>	<b>-</b>	<b>-</b>
<b>Total (A + B)</b>	<b>4,602</b>	<b>3,187</b>

## 11.3 Operating assets: year changes

(€ thousand)	Land	Buildings	Furniture	Electronic equipment	Other	Total
<b>A. Gross amount at year-start</b>	-	-	<b>11,014</b>	<b>795</b>	<b>5,098</b>	<b>16,907</b>
A.1 Total net impairment	-	-	9,136	687	3,897	13,720
<b>A.2 Net amount at year-start</b>	-	-	<b>1,878</b>	<b>108</b>	<b>1,201</b>	<b>3,187</b>
<b>B. Increases:</b>			<b>2,175</b>	<b>188</b>	<b>764</b>	<b>3,127</b>
B.1 Purchases			372	36	257	665
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						-
B0.7 Other changes			1,803	152	507	2,462
of which business combination transactions			1,803	152	507	2,462
<b>C. Decreases:</b>			<b>1,056</b>	<b>118</b>	<b>538</b>	<b>1,712</b>
C.1 Sales			-	-	-	-
C.2 Depreciation			1,056	118	538	1,712
C.3 Adjustments due to impairment						-
recognised in						-
a) Net equity						-
b) P&L						-
C.4 Fair value negative changes in						-
a) Net equity						-
b) P&L						-
C.5 Exchange losses						-
C.6 Transfers to:						-
a) property and equipment held as investments						-
b) assets held for sale						-
C..7 Other changes			-	-	-	-
of which business combination transactions			-	-	-	-
<b>D. Net amount at year-end</b>			<b>2,997</b>	<b>178</b>	<b>1,427</b>	<b>4,602</b>
D.1 Total net impairment			13,553	3,231	5,890	22,674
<b>D.2 Gross amount at year-end</b>			<b>16,550</b>	<b>3,409</b>	<b>7,317</b>	<b>27,276</b>
E. Valued at cost			2,997	178	1,427	4,602



## SECTION 12 INTANGIBLE ASSETS - ITEM 120

### 12.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES (€ thousand)	31.12.2010		31.12.2009	
	Specified maturity	Unspecified maturity	Specified maturity	Unspecified maturity
A.1 Goodwill		29,410	2,991	38,632
A.2 Other intangible assets	6,707	-	-	-
A.2.1 Assets valued at cost:	6,707	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	6,707	-	-	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>6,707</b>	<b>29,410</b>	<b>2,991</b>	<b>38,632</b>

### 12.2 Intangible assets: year changes

(€ thousand)	Goodwill	Other intangible assets: internally generated		Other intangible assets		Total
		Specified maturity	Unspecified maturity	Specified maturity	Unspecified maturity	
<b>A. Gross amount at year-start</b>	<b>2,991</b>			<b>41,175</b>		<b>44,166</b>
A.1 Total net impairment				37,597		37,597
<b>A.2 Net amount at year-start</b>	<b>2,991</b>	-	-	<b>3,578</b>	-	<b>6,569</b>
<b>B. Increases</b>	<b>26,419</b>	-	-	<b>4,879</b>	-	<b>31,298</b>
B.1 Purchases	-	-	-	630	-	630
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	26,419	-	-	4,249	-	30,668
of which business combination transactions	26,419	-	-	4,249	-	30,668
<b>C. Decreases</b>	-	-	-	<b>1,750</b>	-	<b>1,750</b>
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	1,750	-	1,750
- Amortisation	-	-	-	1,750	-	1,750
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	-	-	-	-	-	-
+ P&L	-	-	-	-	-	-
C.3 Fair value negative changes	-	-	-	-	-	-
- net equity	-	-	-	-	-	-
- profit and loss account	-	-	-	-	-	-
C.4 Transfer to non-current assets						
held for sale and disposal groups	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
of which business combination transactions	-	-	-	-	-	-
<b>D. Amount at year-end</b>	<b>29,410</b>	-	-	<b>6,707</b>	-	<b>36,117</b>
D.1 Total net adjustments				39,347		39,347
<b>E. Gross amount at year-end</b>	<b>29,410</b>			<b>46,054</b>		<b>75,464</b>
F. Valued at cost	29,410	-	-	6,707	-	36,117

## Breakdown of goodwill

(€ thousand)	31.12.2010	31.12.2009
Prime Consult Sim and Ina Sim	2.991	2.991
BG Fiduciaria SIM S.p.A.	-	-
Banca del Gottardo	26.419	-
<b>Total</b>	<b>29.410</b>	<b>2.991</b>

## Details of intangible assets - other assets

(€ thousand)	31.12.2010	31.12.2009
Charges associated with the implementation of legacy CSE procedures	2,819	3,304
Commissions to be amortised	61	85
Other software costs	86	187
Transactions with customers (former Banca del Gottardo)	3,675	-
Trademarks	-	2
Advance payments on intangible assets	66	-
<b>Total</b>	<b>6,707</b>	<b>3,578</b>

*Banca Generali's goodwill and intangible assets arising from the acquisition of Banca del Gottardo (customer relations) were tested for impairment in accordance with IAS 36, without detecting any impairment losses. Test execution procedures and results are analysed in greater detail in Part G of the Notes.*

## SECTION 13 TAX ASSETS AND LIABILITIES - ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

### Breakdown of item 130 (Assets): tax assets

BREAKDOWN OF ITEM 130 (ASSETS): TAX ASSETS - TYPE OF TRANSACTION/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>- IRES arising on National Tax Consolidation</b>	<b>24,726</b>	<b>4,324</b>
- IRAP	24,611	4,085
- IRPEG refund receivables	-	-
Deferred tax assets	115	239
<b>With impact on profit and loss account</b>	<b>39,879</b>	<b>9,699</b>
<b>- IRES</b>	<b>29,410</b>	<b>8,020</b>
- IRAP	26,418	7,473
With impact on net equity	2,992	547
<b>- IRES</b>	<b>10,469</b>	<b>1,679</b>
- IRAP	9,122	1,433
Total	1,347	246
<b>Totale</b>	<b>64,605</b>	<b>14,023</b>

#### Notes

1. Current tax assets represent the net positive unbalance between IRES and IRAP taxes payable for the year net of related payments on account and withholdings.
2. In light of the participation of Banca Generali to the national tax consolidation programme of Assicurazioni Generali, payments on account, withholdings paid, and IRES taxable amounts (+/-) are conferred to, used and liquidated by the consolidating company. Current IRES tax assets are therefore a receivable from Assicurazioni Generali S.p.A. The receivable includes 19,757 thousand euros for taxes paid by the consolidating company in favour of the merged company Banca BSI Italia.

### Breakdown of tax liabilities - item 80

TYPE OF TRANSACTION/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>Current taxation</b>	<b>1,932</b>	<b>336</b>
- Substitute tax (1)	640	-
- IRAP	1,292	336
<b>Deferred tax liabilities</b>	<b>1,187</b>	<b>1,991</b>
With impact on profit and loss account	1,066	665
- IRES	1,011	615
- IRAP	55	50
With impact on net equity	121	1,326
- IRES	106	1,161
- IRAP	15	165
<b>Total</b>	<b>3,119</b>	<b>2,327</b>

#### Notes

- (1) Remaining instalment of the substitute tax on the redemption of the intangible asset pursuant to Article 176, paragraph 2-ter of TUIR, to be paid in 2011 and 2012.

## 13.1 Breakdown of deferred tax assets

(€ thousand)	31.12.2010	31.12.2009
<b>With impact on profit and loss account</b>	<b>29,410</b>	<b>8,020</b>
Previous fiscal losses (1)	1,096	-
Provisions for liabilities and contingencies	15,306	5,340
Write-down of held-for-trading securities before 2008	422	511
Write-down of securities in the AFS portfolio	886	375
Write-downs on debt securities	144	-
Credit devaluation	1,283	740
Redeemed goodwill (pursuant to Art 15, para 10, of Leg. Decree 185/08)	9,845	-
Stock granting plan top management	-	857
Other operating expenses	428	197
<b>With impact on net equity</b>	<b>10,469</b>	<b>1,679</b>
Measurement at fair value of AFS financial assets	10,469	1,679
<b>Total</b>	<b>39,879</b>	<b>9,699</b>

### Notes

(1) Prior fiscal losses refer to the tax benefit for taxable amounts not used within the national tax consolidation of Assicurazioni Generali at the presentation date of the tax return for 2009 (CNM form 2010), integrated with an estimate of the portion of such losses to be absorbed by the taxable amount for 2010 of the national tax consolidation.

Losses are broken down as follows:

Banca Generali (2008): 209 thousand euros

Banca BSI Italia (2008): 887 thousand euros

## 13.2 Breakdown of deferred tax liabilities

(€ thousand)	31.12.2010	31.12.2009
With impact on profit and loss account	1,066	665
Goodwill, excluding off-balance sheet items	501	438
Provision for post-employment benefits (IAS19)	311	227
Provision for risks on loans, after off-balance sheet items	254	-
With impact on net equity	121	1,326
Measurement at fair value of AFS financial assets	121	1,326
<b>Total</b>	<b>1,187</b>	<b>1,991</b>

## SECTION 13 TAX RECEIVABLES AND LIABILITIES - ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

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

(€ thousand)	31.12.2010	31.12.2009
<b>1. Amount at year-start</b>	<b>8,020</b>	<b>8,274</b>
<b>2. Increases</b>	<b>27,869</b>	<b>3,797</b>
2.1 Deferred tax assets for the year	17,668	3,569
a) relative to prior years	191	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	17,477	3,569
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	10,201	228
of which adjustments of deferrerd taxes for the national tax consolidation	1,096	-
of which business combinatios	9,105	-
<b>3. Decreases</b>	<b>6,479</b>	<b>4,051</b>
3.1 Deferred tax assets eliminated in the year	6,475	3,612
a) transfers	6,071	3,612
b) write-downs for non-recoverability	404	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	4	439
of which business combinations	-	-
<b>4. Amount at year-end</b>	<b>29,410</b>	<b>8,020</b>

#### Notes

1. The difference between the change of deferred tax assets ion the P&L (11,189 thousand euros) and the overall change int balance sheet (21,390 thousand euros) is mainly attributable to the adjustment of tax losses contributed for the national tax consolidation.

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

(€ thousand)	31.12.2010	31.12.2009
<b>1. Amount at year-start</b>	<b>665</b>	<b>808</b>
<b>2. Increases</b>	<b>2,834</b>	<b>65</b>
2.1 Deferred tax liabilities for the year	65	65
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	65	65
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,769	-
of which business combinations	2,769	-
<b>3. Decreases</b>	<b>2,433</b>	<b>208</b>
3.1 Deferred tax liabilities eliminated during the year	2,433	3
a) transfers	2	3
b) change in accounting criteria	-	-
c) other (1)	2,431	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	205
<b>4. Amount at year-end</b>	<b>1,066</b>	<b>665</b>

### Notes

1. The amount 3.1 c) is made up of deferred taxes allocated by the merged company Banca BSI Italia and then eliminated following the exercise of the option for the redemption of the intangible asset of former Banca Del Gottardo, pursuant to article 176, paragraph 2-ter of TUIR.
2. The difference between the change of deferred tax assets in the P&L (net income amounting to 2,368 thousand euros) and the overall change in the balance sheet (increasing by 401 thousand euros) is attributable to business combinations.

## SECTION 13 TAX ASSETS AND LIABILITIES - ITEM 130 (ASSETS) AND ITEM 80 (LIABILITIES)

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

(€ thousand)	31.12.2010	31.12.2009
<b>1. Amount at year-start</b>	<b>1,679</b>	<b>3,654</b>
<b>2. Increases</b>	<b>10,045</b>	<b>85</b>
2.1 Deferred tax assets for the year	10,045	85
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	10,045	85
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>1,255</b>	<b>2,060</b>
3.1 Deferred tax assets eliminated in the year	1,255	2,060
a) transfers	1,255	2,060
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
<b>4. Amount at year-end</b>	<b>10,469</b>	<b>1,679</b>

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

(€ thousand)	31.12.2010	31.12.2009
<b>1. Amount at year-start</b>	<b>1,326</b>	<b>1,040</b>
<b>2. Increases</b>	<b>-</b>	<b>1,270</b>
2.1 Deferred tax liabilities for the year	-	1,270
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	-	1,270
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
<b>3. Decreases</b>	<b>1,205</b>	<b>984</b>
3.1 Deferred tax liabilities eliminated during the year	1,205	984
a) transfers	1,205	984
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>121</b>	<b>1,326</b>

## SECTION 15

### OTHER ASSETS - ITEM 150

#### 15.1 Breakdown of other assets

(€ thousand)	31.12.2010	31.12.2009
<b>Fiscal items</b>	<b>15,781</b>	<b>16,303</b>
Advances paid to fiscal authorities - current account withholdings (1)	10,008	10,377
Advances paid to fiscal authorities - stamp duty	5,125	5,673
Excess payment of substitute tax for tax shield	375	-
Other sums due from fiscal authorities	96	80
Sums due from fiscal authorities for taxes to be refunded	177	173
<b>Leasehold improvements</b>	<b>1,172</b>	<b>787</b>
<b>Operating receivables not related to financial transactions</b>	<b>723</b>	<b>348</b>
<b>Sundry advances to suppliers and employees</b>	<b>5,324</b>	<b>5,185</b>
<b>Cheques under processing</b>	<b>12,765</b>	<b>12,615</b>
C/a cheques drawn on third parties under processing	5,110	1,775
Our c/a cheques under processing c/o service	7,620	10,806
Cheques - other amounts under processing	35	34
<b>Other amounts to be debited under processing</b>	<b>11,246</b>	<b>9,401</b>
Amounts to be settled in the clearing house (debits)	2,620	1,876
Clearing accounts for securities and funds procedure	8,049	7,137
Other amounts to be debited under processing	577	388
<b>Amount receivables for legal disputes to non-credit transactions</b>	<b>5,239</b>	<b>146</b>
<b>Trade receivables from customers and banks that cannot be traced back to specific items</b>	<b>189</b>	<b>710</b>
<b>Other amounts</b>	<b>10,839</b>	<b>1,996</b>
Prepayments for the new supplementary commissions for FAs	8,229	1,246
Due from Assicurazioni Generali for claims to be settled	1,190	-
Other accrued income and deferred charges that cannot be traced back to specific items	984	701
Sundry amounts	436	49
<b>Total</b>	<b>63,278</b>	<b>47,491</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 BALANCE SHEET LIABILITIES

## SECTION 1 DUE TO BANKS - ITEM 10

### 1.1 Due to banks: categories

TYPE OF TRANSACTION/VALUES	31.12.2010	31.12.2009
(€ thousand)		
<b>1. Due to central banks</b>	-	-
<b>2. Due to banks</b>	<b>450,208</b>	<b>1,034,333</b>
2.1 Current accounts and demand deposits	35,873	859,840
2.2 Term deposits	9,391	42,739
2.3 Loans	382,950	131,754
2.3.1 Repurchase agreements	382,950	131,754
2.3.2 Other	-	-
2.4. Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Other debts	21,994	-
<b>Total</b>	<b>450,208</b>	<b>1,034,333</b>
<b>Total (fair value)</b>	<b>450,208</b>	<b>1,034,333</b>

#### Notes

1. Other liabilities refers to deposits made by BSI SA as a guarantee for some non-performing loans, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

## SECTION 2 DUE TO CUSTOMERS - ITEM 20

### 2.1 Due to customers: categories

TYPE OF TRANSACTION/VALUES	31.12.2010	31.12.2009
(€ thousand)		
1. Current accounts and demand deposits	2,685,716	2,144,349
2. Term deposits	78,400	-
3. Loans	107,881	25,538
3.1 Repurchase agreements	67,469	25,538
3.2 Other	40,412	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Other debts	57,690	62,561
<b>Total</b>	<b>2,929,687</b>	<b>2,232,448</b>
<b>Total (fair value)</b>	<b>2,929,687</b>	<b>2,232,448</b>

#### Notes

1. Item 5 Other liabilities refers for 39,944 thousand euros to the stock of bank drafts issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group and other amounts available to customers and, for the remaining amount, to trade payables to the sales network.

## 2.2 Due to customers subordinated debts

TYPE OF TRANSACTION/VALUES	31.12.2010	31.12.2009
(€ thousand)		
<b>Due to customers: subordinated debts</b>	<b>40,412</b>	-
Generali Versicherung subordinated loan	40,412	-

### Notes

Item 3.2 Loans - Other includes a subordinated loan in the amount of 40 million euros granted by the German associate insurance company Generali Versicherung AG to the merged company Banca BSI Italia S.p.A under the contractual form known as *Schuldschein* (loan), with a repayment schedule that calls for five annual instalments beginning on 1 October 2011 and an interest rate equal to the 12-month Euribor plus 225 basis points. The loan is subordinated in the event of a default by the bank.

## SECTION 3 SECURITIES ISSUED - ITEM 30

### 3.1 Securities issued: categories

TYPE OF SECURITY/VALUES	31.12.2010				31.12.2009			
	FV				FV			
(€ thousand)	Book value	L1	L2	L3	Book value	L1	L2	L3
<b>A. Securities</b>	<b>189</b>	-	<b>189</b>	-	-	-	-	-
1. Bonds	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	-	-	-	-
2. Other securities	189	-	189	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	189	-	189	-	-	-	-	-
<b>Total</b>	<b>189</b>	-	<b>189</b>	-	-	-	-	-

### Notes

1. Securities issued refer solely to certificates of deposit issued. There were no extant certificates of deposit in foreign currencies guaranteed by DCS (Domestic currency swaps).

## SECTION 4 FINANCIAL LIABILITIES HELD FOR TRADING — ITEM 40

### 4.1 Financial liabilities held for trading: categories

TYPE OF TRANSACTION/VALUES	VN	31.12.2010			VN	31.12.2009		
		FV				FV		
(€ thousand)		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>								
<b>1. Financial derivatives</b>		-	<b>6,502</b>	-		-	<b>494</b>	-
1.1 Trading	X	-	6,502	-	X	-	494	-
1.2 Related to the fair value option	X	-			X	-		
1.3 Other	X	-			X	-		
<b>2. Credit derivatives</b>		-	-	-		-	-	-
2.1 Trading	X	-			X	-		
2.2 Related to the fair value option	X	-			X	-		
2.3 Other	X	-			X	-		
<b>Total B</b>		-	<b>6,502</b>	-		-	<b>494</b>	-
<b>Total (A+B)</b>		-	<b>6,502</b>	-		-	<b>494</b>	-

(\*) FV\* 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 13 (Assets) provides an analysis

## SECTION 10

### OTHER LIABILITIES — ITEM 100

#### 10.1 Breakdown of other liabilities

(€ thousand)	31.12.2010	31.12.2009
<b>Trade payables</b>	<b>17,162</b>	<b>17,496</b>
Due to suppliers	12,341	13,879
Due for payments on behalf of third parties	4,821	3,617
<b>Due to staff and social security institutions</b>	<b>13,301</b>	<b>9,055</b>
Due to staff for accrued holidays etc.	2,946	3,312
Due to staff for productivity bonuses	6,765	3,227
Contributions to be paid to social security institutions	1,754	1,302
Contributions to advisors to be paid to Enasarco	1,836	1,214
<b>Tax authorities</b>	<b>6,006</b>	<b>4,821</b>
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	1,273	979
Withholding taxes to be paid to tax authorities on behalf of customers	3,862	1,709
Notes to be paid in to collection services	852	2,002
VAT payable	19	131
<b>Third-party assets available for customers (1)</b>	<b>4</b>	<b>2,261</b>
Sums made available to customers	4	1,645
Sums to be paid to Genertellife	-	616
<b>Amounts to be debited under processing</b>	<b>31,702</b>	<b>58,740</b>
Bank transfers, cheques and other sums payable	4,671	12,946
Amounts to be settled in the clearing house (credits)	10,770	27,687
Liabilities from reclassification of portfolio subject to collection (SBF)	1,083	5,928
Other amounts to be debited under processing	15,178	12,179
<b>Sundry items</b>	<b>3,998</b>	<b>1,104</b>
Amounts to be credited	274	215
Sundry items	3,561	820
Accrued expenses and deferred income	163	69
<b>Total</b>	<b>72,173</b>	<b>93,477</b>

#### Notes

1. Sums made available to customers for cheques, wire transfers, parking accounts, temporary accounts and interest to be credited to customers have been reclassified among payables to customers.

## SECTION 11 PROVISIONS FOR TERMINATION INDEMNITY — ITEM 110

### 11.1 Provisions for termination indemnity: year changes

(€ thousand)	31.12.2010	31.12.2009
<b>A. Amount at year-start</b>	<b>2,932</b>	<b>3,246</b>
<b>B. Increases</b>	<b>1,009</b>	<b>129</b>
B.1 Provisions for the year	448	129
B.2 Other increases	561	-
of which business combination transactions	561	-
<b>C. Decreases</b>	<b>562</b>	<b>443</b>
C.1 Amounts paid	562	298
C.2 Other decreases	-	145
of which business combination transactions	-	-
<b>D. Amount at year-end</b>	<b>3,379</b>	<b>2,932</b>

### 11.2 Other information

The amount of termination indemnity can be considered as a non financial defined benefit plans after the termination of employment, in accordance with IAS 19.

The provision was measured based on the actuarial value using the methods described in Part A.2 of the Notes.

(€ thousand)	31.12.2010	31.12.2009
Current service cost	1	8
Interest cost	129	121
Curtailment effect		
Actuarial gains & losses (Corridor method)	318	-
<b>Total provisions for the financial year</b>	<b>448</b>	<b>129</b>
Recorded value	3,379	2,932
Actuarial gains & losses not recognised (Corridor method)	392	346
<b>Actuarial value</b>	<b>3,771</b>	<b>3,278</b>
<b>Value calculated Re. art. 2120 of the Italian Civil Code</b>	<b>4,565</b>	<b>4,003</b>

## SECTION 12

### PROVISIONS FOR LIABILITIES AND CONTINGENCIES — ITEM 120

#### 12.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2010	31.12.2009
(€ thousand)		
<b>1. Company provisions for pensions</b>	-	-
<b>2. Provisions for liabilities and contingencies</b>	<b>51,501</b>	<b>18,843</b>
2.1 litigation	9,016	6,298
2.2 staff	5,653	1,373
2.3 Other	36,832	11,172
<b>Total</b>	<b>51,501</b>	<b>18,843</b>

#### Breakdown of other provisions for liabilities and contingencies

(€ thousand)	31.12.2010	31.12.2009
<b>Provision for staff expenses</b>	<b>5,653</b>	<b>1,373</b>
<b>Provisions for legal disputes</b>	<b>9,016</b>	<b>6,298</b>
Provision for risks related to litigations connected with advisors' embezzlements	4,862	3,415
Provision for other legal disputes with advisors	1,130	813
Provision for risks related to legal disputes with staff	774	613
Provision for other legal disputes	2,250	1,457
<b>Provisions for termination indemnity for financial advisors</b>	<b>11,717</b>	<b>4,477</b>
<b>Provisions for risks related to network incentives</b>	<b>24,794</b>	<b>6,695</b>
Provision for network development incentives	22,025	5,779
Provisions for manager incentives with access gate	1,083	-
Provision for commissions - travel incentives and tenders	1,500	632
Provision for commissions - other	67	180
Provision for loyalty bonuses	119	104
<b>Other provisions for liabilities and contingencies</b>	<b>321</b>	<b>-</b>
<b>Total</b>	<b>51,501</b>	<b>18,843</b>

## SECTION 12

### PROVISIONS FOR LIABILITIES AND CONTINGENCIES — ITEM 120

#### 12.2 Provisions for liabilities and contingencies: year changes

ITEMS/VALUES	Provisions for pensions	Other provisions	Total
(€ thousand)			
<b>A. Amount at year-start</b>	-	<b>18,843</b>	<b>18,843</b>
<b>B. Increases</b>	-	<b>47,976</b>	<b>47,976</b>
B.1 Provisions for the year	-	21,794	21,794
B.2 Other increases	-	26,182	26,182
of which business combination transactions		26,182	26,182
<b>C. Decreases</b>	-	<b>15,318</b>	<b>15,318</b>
C.1 Use in the year	-	12,492	12,492
C.2 Other decreases	-	2,826	2,826
of which business combination transactions		14	14
<b>D. Amount at year-end</b>	-	<b>51,501</b>	<b>51,501</b>

#### Provisions for liabilities and contingencies: details of movements

(€ thousand)	31.12.2009	Uses	Surplus	Other changes	Provisions	31.12.2010
<b>Provision for staff expenses</b>	<b>1,373</b>	<b>-910</b>	<b>-1,571</b>	<b>2,157</b>	<b>4,604</b>	<b>5,653</b>
<b>Provisions for legal disputes</b>	<b>6,298</b>	<b>-2,474</b>	<b>-73</b>	<b>2,006</b>	<b>3,259</b>	<b>9,016</b>
Provision for risks related to litigations connected with advisors' embezzlements	3,415	-2,026	-24	1,923	1,574	4,862
Provision for risks related to legal disputes with advisors	813	-172	-4	-9	502	1,130
Provision for risks related to legal disputes with staff	613	-90	-	201	50	774
Provision for other legal disputes	1,457	-186	-45	-109	1,133	2,250
<b>Provisions for termination indemnity for financial advisors</b>	<b>4,477</b>	<b>-649</b>	<b>-76</b>	<b>2,343</b>	<b>5,622</b>	<b>11,717</b>
<b>Provisions for risks related to network incentives</b>	<b>6,695</b>	<b>-8,459</b>	<b>-1,092</b>	<b>19,662</b>	<b>7,988</b>	<b>24,794</b>
Provision for risks related to network development incentives	5,779	-7,054	-1,081	19,138	5,243	22,025
Provisions for managers with access gate	-	-	-	-	1,083	1,083
Provision for commissions – travel incentives and tenders	632	-946	-	314	1,500	1,500
Provision for commission plans	180	-390	-	210	67	67
Provision for loyalty bonuses	104	-69	-11	-	95	119
<b>Other provisions for liabilities and contingencies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321</b>	<b>321</b>
<b>Total</b>	<b>18,843</b>	<b>-12,492</b>	<b>-2,812</b>	<b>26,168</b>	<b>21,794</b>	<b>51,501</b>

#### 12.4 Provisions for liabilities and contingencies — other provisions

##### Provision for staff expenses

These provisions include the following amounts:

- variable remuneration of managers accrued in the year, with payment postponed after the following year, subject to satisfaction of specific conditions.
- Such aggregate includes a portion of the variable remuneration of the banking group's managers characterised by a 2-year deferment and subject to the achievement of the access gate envisaged by the new remuneration policy adopted by the banking group and the new three-year loyalty-

building program targeted to top managers of the Assicurazioni Generali group (long term care).

- Other provisions aimed at sustaining the plan for staff leaving incentives promoted after the merger of Banca BSI Italia, non-contractual incentives and other charges tied to the level of personnel for whom at the moment it is deemed that the other conditions envisaged by IAS 19 are not present.

### Provisions for legal disputes

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

### Provisions for advisers' termination indemnity

These provisions include additional allowances for sales network customers and the portfolio overvaluation allowance, paid at certain conditions depending on the size of the portfolio managed at the date of severance. Following the implementation of procedures during the year and the clarification provided by the Bank of Italy's notice of 4 August 2010, Banca Generali perfected the process of detection of potential liabilities linked to portfolio valorization, by adopting a statistical-actuarial method.

### Provisions for risks related to network incentives

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

These plans envisage different kinds of incentives (joining bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow objectives and the presence in the company for one or more years (up to 5 or 7 years).

This amount includes also allocations for performance-based incentive programmes, including the "BG Premier Club Trip", and for other commission plans (supplementary allowances, stabilisers, objective-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuing employment in the network or the achievement of sales objectives.

### Tax Dispute

The tax audit of the parent company, Banca Generali, regarding fiscal year 2007 and launched in late 2009 under the new "tax tutoring" measure for large enterprises was completed in May 2010.

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

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



## SECTION 14

### COMPANY NET EQUITY - ITEMS 130, 150, 160, 170, 180, 190 AND 200

#### 14.1 Breakdown of capital and treasury shares

	Unit value	Number	Nominal value (euro)	Book value (€ thousand)
<b>Share capital</b>				
- ordinary shares	1.00	111,362,750	111,362,750	111,363
<b>Treasury shares</b>				
- ordinary shares	1.00	-70,071	-70,071	-660
		<b>111,292,679</b>	<b>111,292,679</b>	<b>110,703</b>

#### 14.2 Capital - No. of Shares: year changes

ITEMS/TYPE	Ordinary	Other
<b>A. Existing shares at year-start</b>	<b>111,313,176</b>	-
- paid up	111,313,176	-
- partially paid	-	-
A.1 Treasury shares (-)	-459,667	-
<b>A.2 Outstanding shares: at year-start</b>	<b>110,853,509</b>	-
<b>B. Increases</b>	<b>439,170</b>	-
B.1 Newly issued shares		
- against payment:	49,574	-
- business combination transactions	-	-
- bonds conversion	-	-
- Exercise of warrant	49,574	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	389,596	-
B0.3 Other changes	-	-
<b>C. Decreases</b>	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C0.4 Other changes	-	-
<b>D. Outstanding shares: at year-end</b>	<b>111,292,679</b>	-
D.1 Treasury shares (+)	70,071	-
<b>D.2 Existing shares at year-end</b>	<b>111,362,750</b>	-
- paid up	111,362,750	-
- partially paid	-	-

## SECTION 14

### GROUP EQUITY— ITEMS 130, 150, 160, 180, 190 AND 200

#### 14.3 Capital: further information

At the reporting date, the share capital of the bank consisted of 111,362,750 ordinary shares of 1.00 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 plan reserved for financial advisors, 49,574 newly issued shares were issued, for a total of 50 thousand euros.

During the period, the company also allotted to the CEO the whole tranche of the shares for the stock granting plan for No. 389,596 shares having a total book value of 3,810 thousand euros.

#### 14.4 Income reserves: further information

	31.12.2009	Distribution of Dividends	Merger Bank BSI Italia	Reple. of deficit from BSI merger	Purchases of treasury shares	Sale of treasury shares	Issue of treasury shares	Other	31.12.2010
Legal reserve	17,472	4,791	-	-	-	-	-	-	22,263
Unavailable reserve for treasury shares	3,851	-	-	-	619	-3,810	-	-	660
Unavailable reserve for shares of the parent company	1,364	-	-	-	-	-	-	91	1,455
Extraordinary reserve	5,197	-	-	-8,388	-619	3,810	-	-	-
Available reserve	-	-	-	-	-	-	-	-	-
Contribution to stock grant AG	648	-	-	-648	-	-	-	-	-
Merger surplus	10,757	-	-	-10,757	-	-	-	-	-
Negative reserve BSI merger			-52,238	52,238					-
Share-based payments reserve (IFRS2)	11,559	-	164	-	-	-3,117	-123	-14	8,469
Reserve from income (loss) carried forward	4,789	-189	-	1,219	-	-	-	-91	5,728
Reserve from first-time application	2,995	-	-	-2,995	-	-	-	-	-
Reserve from the disposal of the equity investment in Simgenia	8,588			-8,588					-
<b>Total</b>	<b>67,220</b>	<b>4,602</b>	<b>-52,074</b>	<b>22,081</b>	<b>-</b>	<b>-3,117</b>	<b>-123</b>	<b>-14</b>	<b>-38,575</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.

	31.12.2010	Possible draw-downs	Distributable portion	Distributable portion	Distributable portion	Draw-downs Dividends	(2010-2008) Losses
<b>Share capital</b>	<b>111,362</b>		-	-	-		
<b>Additional paid-in capital</b>	-	<b>ABC (3)</b>	-	-	-		
<b>Reserves</b>	<b>38,575</b>	-	<b>2,115</b>	<b>36,460</b>	<b>5,728</b>	<b>-1,523</b>	<b>-30,157</b>
Legal reserve	22,263	B	-	22,263	-	-	-
Unavailable reserve for treasury shares	660	B	660	-	-	-	-
Reserve for shares of the Parent Company	1,455	B	1,455	-	-	-	-
Extraordinary reserve	-	ABC	-	-	-	-1,523	-7,169
Available reserve	-	ABC	-	-	-	-	-
Merger surplus	-	ABC	-	-	-	-	-10,757
Contribution to stock grant AG	-	ABC	-	-	-	-	-648
Share-based payments reserve	8,469	ABC (4)	-	8,469	-	-	-
Reserve from income (loss) carried forward	5,728	ABC	-	5,728	5,728	-	-
Reserve from the disposal of the equity investment in Simgenia	-	ABC	-	-	-	-	-8,588
Reserve from first-time application	-	ABC	-	-	-	-	-2,995
<b>Valuation reserves</b>	<b>-23,712</b>		<b>-23,712</b>	-	-		
Revaluation reserves	-	ABC	-	-	-	-	-
Negative fair value reserve for AFS debt securities (2)	-1,761		-1,761	-	-	-	-
Negative fair value reserve for AFS equity securities (2)	-21,951		-21,951	-	-	-	-
Net profit (loss) for the year	106,932	ABC		106,932	106,923		
<b>Net equity for accounting purposes</b>	<b>233,157</b>		<b>-21,597</b>	<b>143,392</b>	<b>112,651</b>		

(1) Availability refers to possible draw-downs for:

- A capital increases
- B replenishment of losses
- C distribution to shareholders

(2) Restricted reserve pursuant to article 6 of Legislative Decree No. 38/2005

(3) May not be distributed until the legal reserve has reached 1/5th of share capital

(4) The reserve can only be used for stock option plans.

# PART B – INFORMATION ON THE BALANCE SHEET

## OTHER INFORMATION

### 1. Guarantees issued and commitments

TRANSACTION	31.12.2010	31.12.2009
(€ thousand)		
1) Financial guarantees issued	16,186	8,425
a) Banks	3,999	5,196
b) Customers	12,187	3,229
2) Commercial guarantees issued	12,783	1,168
a) Banks	-	-
b) Customers	12,783	1,168
3) Irrevocable commitment to dispense funds	85,861	1,765
a) Banks	84,642	1,570
i) of certain use	49,695	1,570
ii) of uncertain use	34,947	-
b) Customers	1,219	195
i) of certain use	-	-
ii) of uncertain use	1,219	195
4) Underlying commitments to credit derivatives: hedging sales	-	-
5) Assets pledged as collateral of third-party bonds	-	-
6) Other commitments	-	-
of which securities receivable for put option issued	-	-
<b>Total</b>	<b>114,830</b>	<b>11,358</b>

#### Notes

1. Financial guarantees to banks includes the commitment to FITD (interbank deposit protection fund) amounting to 3,999 thousand euros.
2. Commitments to grant specific-use funds to banks and customers only refer to financial commitments for securities receivable.
3. Uncertain use commitments to customers refer to margins available on irrevocable credit lines granted to customers.
4. Commitments with uncertain use towards banks refers to the available margin of the loan granted to the Austrian subsidiary Generali Bank for interbank lending transactions.

### 2. Assets pledged as collateral for own liabilities and commitments

PORTFOLIO	31.12.2010	31.12.2009
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. AFS financial assets	382,381	218,323
4. Held-to-maturity financial assets	61,585	14,571
5. Loans to banks	5,161	-
6. Loans to customers	-	-
7. Property and equipment	-	-
8. Intangible assets	-	-
<b>Total</b>	<b>449,127</b>	<b>232,894</b>

#### Notes

1. Assets pledged as collateral for own liabilities and commitments refer to repurchase agreements with a commitment to repurchase or sell back with customers and banks.

## OTHER INFORMATION

### 4. Management and trading on behalf of third parties

TYPE OF SERVICE	31.12.2010	31.12.2009
<b>1. Execution of orders on behalf of clients</b>		
a) Purchases	9,985,042	4,338,102
1. settled	9,943,403	4,315,186
2. to be settled	41,639	22,916
b) sales	11,268,409	4,615,606
1. settled	11,205,415	4,587,549
2. to be settled	62,994	28,057
<b>a) individual</b>	-	-
b) collective	-	-
b) collettive	-	-
<b>3. Custody and administration of securities</b>	<b>29,025,701</b>	<b>9,176,392</b>
(Excluding asset management)		
a) Third-party securities held in deposit		
related to services provided as depository bank	2,026,848	953,335
1. Issued by the bank that prepares the financial statements	-	-
2. Other	2,026,848	953,335
b) Other third-party securities held in deposit: other	11,065,267	2,294,038
1. issued by the bank that prepares the financial statements	38,826	43,449
2. Other securities	11,026,441	2,250,589
c) Third-party securities deposited with third parties	13,286,611	3,202,300
d) Portfolio securities deposited with third parties	2,646,975	2,726,719
<b>4. Other transactions</b>		

# PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

## SECTION 1 INTERESTS - ITEMS 10 AND 20

### 1.1 Breakdown of interest income and similar revenues

(€ thousand)	Securities Debt	Financing	Other	31.12.2010	31.12.2009
1. Financial assets held for trading	4,271	-	-	4,271	8,075
2. Financial assets at fair value	-	-	-	-	-
3. Available-for-sale financial assets	20,066	-	-	20,066	21,087
4. Held-to-maturity financial assets	13,848	-	-	13,848	16,641
5. Loans to banks	2,979	1,910	-	4,889	8,575
6. Loans to customers	2,028	11,336	-	13,364	10,918
7. Financial assets at fair value	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
9. Other assets	-	-	6	6	19
<b>Total</b>	<b>43,192</b>	<b>13,246</b>	<b>6</b>	<b>56,444</b>	<b>65,315</b>

#### Notes

1. Loan to costumers - financing include 1,119 thousand euros (1,132 thousand euros at 31/12/2009) for the return on the capitalisation policy Gesav.

### 1.3 Breakdown of interest income and similar charges: further information

(€ thousand)	31.12.2010	31.12.2009
1.3.1 Interest income on financial assets in foreign currencies	275	1,270
1.3.2 Interest income on finance lease transactions	-	-
1.3.3 Interest income on third-party funds under administration	-	-
<b>Total</b>	<b>275</b>	<b>1,270</b>

### 1.4 Breakdown of interest expense and similar charges

(€ thousand)	Debts	Securities	Other transactions	31.12.2010	31.12.2009
1. Due to central banks	-	-	-	-	-
2. Due to banks	2,819	-	-	2,819	5,227
3. Due to customers	10,835	-	-	10,835	15,012
4. Securities issued	-	7	-	7	-
5. Financial liabilities from trading	-	-	-	-	-
6. Financial liabilities measured at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	76	76	-
8. Hedging derivatives	-	-	-	-	-
<b>Total</b>	<b>13,654</b>	<b>7</b>	<b>76</b>	<b>13,737</b>	<b>20,239</b>

### 1.6 Breakdown of interest expense and similar charges: further information

(€ thousand)	31.12.2010	31.12.2009
1.6.1 Interest expense on financial assets in foreign currencies	748	91
1.6.2 Interest expense on finance lease liabilities	76	-
1.6.3 Interest expense on third-party funds under administration	-	-
<b>Total</b>	<b>824</b>	<b>91</b>

## SECTION 2 COMMISSIONS - ITEMS 40 AND 50

### 2.1 Breakdown of commission income

TYPE OF SERVICE/VALUES		
(€ thousand)	31.12.2010	31.12.2009
a) Guarantees issued	141	22
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	207,373	121,811
1) Trading of financial instruments	19,256	4,832
2. Currency trading	24	11
3. Asset management	-	-
3.1. Individual	-	-
3.2. Collective	-	-
4. Custody and administration of securities	928	691
5. Depository bank	-	-
6. Placement of securities	96,576	60,402
7. Order collection	12,641	10,812
8. Consultancy activities	64	-
8.1 on investments	64	-
8.2 on the financial structure	-	-
9. Distribution of third-party services	77,884	45,063
9.1. Asset management	19,617	9,900
9.1.1. Individual	19,323	9,721
9.1.2 Collective	294	179
9.2. Insurance products	56,432	32,516
9.3. Other products	1,835	2,647
d) Collection and payment services	2,069	1,974
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	3,032	2,151
j) Other services	728	859
<b>Total</b>	<b>213,343</b>	<b>126,817</b>

### 2.2 Commission income: distribution channels of products and services offered

CHANNELS/VALUES		
(€ thousand)	31.12.2010	31.12.2009
<b>a) Group branches:</b>	<b>1,687</b>	<b>2,393</b>
1. Asset management	-	-
2. Placement of securities	1,687	2,393
3. Third-party products and services	-	-
<b>b) External offer:</b>	<b>172,773</b>	<b>103,072</b>
1. Asset management	-	-
2. Placement of securities	94,889	58,009
3. Third-party products and services	77,884	45,063
<b>c) Other distribution channels:</b>	<b>-</b>	<b>-</b>
1. Asset management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
<b>Total</b>	<b>174,460</b>	<b>105,465</b>

## 2.3 Breakdown of commission expense

<b>SERVICES/VALUES</b>		
(€ thousand)	<b>31.12.2010</b>	<b>31.12.2009</b>
a) Guarantees received	313	-
b) Credit derivatives	-	-
c) Management and brokerage services:	138,732	79,955
1) Trading of financial instruments	7,248	4,441
2. Currency trading	-	-
3. Asset management:	-	-
3.1 own	-	-
3.2 from third parties	-	-
4. Custody and administration of securities	315	345
5. Placement of financial instruments	-	-
6. External offer of financial instruments, products, and services	131,169	75,169
d) Collection and payment services	853	545
e) Other services	1,223	1,366
<b>Total</b>	<b>141,121</b>	<b>81,866</b>



## SECTION 3 DIVIDENDS AND SIMILAR INCOME - ITEM 70

### 3.1 Breakdown of dividends and similar income

(€ thousand)	31.12.2010		31.12.2009	
	Dividends	UCIT units	Dividends	UCIT units
A. Financial assets held for trading	73,430	38	73,257	49
B. Available-for-sale financial assets	522	-	538	-
C. Financial assets at fair value	-	-	-	-
D. Shareholdings	115,455	X	48,750	X
<b>Total</b>	<b>189,407</b>	<b>38</b>	<b>122,545</b>	<b>49</b>

The dividends on financial assets held for trading refer to 73,375 thousand euros in total return swap transactions.

## SECTION 4 NET PROFIT FROM TRADING - ITEM 80

### 4.1 Breakdown of net income from trading: breakdown

TRANSACTIONS/INCOME COMPONENTS (€ thousand)	Capital gains	Income from trading	Capital loss	Loss from trading	Net result	
					31.12.2010	31.12.2009
<b>1. Financial assets</b>	<b>505</b>	<b>12,861</b>	<b>1,485</b>	<b>126,794</b>	<b>-114,913</b>	<b>-47,056</b>
1.1 Debt securities	160	1,666	1,108	1,224	-506	2,807
1.2. Equity securities	33	10,765	278	125,496	-114,976	-50,351
1.3. UCIT units	312	430	99	74	569	488
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
<b>2. Financial liabilities from trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
<b>3. Other financial assets and liabilities: exchange gains and losses</b>	<b>-</b>	<b>1,695</b>	<b>-</b>	<b>-</b>	<b>1,695</b>	<b>-106</b>
<b>4. Derivatives</b>	<b>-</b>	<b>62,431</b>	<b>1,060</b>	<b>19,182</b>	<b>42,189</b>	<b>-21,831</b>
4.1 Financial derivatives:	-	62,431	1,060	19,182	42,189	-21,831
- on debt securities and interest rates	-	550	1,031	1,641	-2,122	-2,385
Interest rate swaps	-	368	647	525	-804	-1,196
asset swaps	-	182	384	1,116	-1,318	-1,189
- on equity securities and stock indexes	-	55,059	29	13,547	41,483	-
options	-	36	29	582	-575	-
futures (1)	-	55,023	-	12,965	42,058	-
- on currency and gold (2)	-	262	-	-	262	-4
- other	-	6,560	-	3,994	2,566	-19,442
Total return swaps (1)	-	6,560	-	3,994	2,566	-19,442
4.2 Credit derivatives	-	-	-	-	-	-
<b>Total</b>	<b>505</b>	<b>76,987</b>	<b>2,545</b>	<b>145,976</b>	<b>-71,029</b>	<b>-68,993</b>

#### Notes

(1) Complex derivatives pertaining to equity swap transactions.

(2) 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 (€ thousand)	31.12.2010			31.12.2009		
	Gains	Losses	Net result	Gains	Losses	Net result
<b>Financial assets</b>						
1. Loans to banks	1,966	6	1,960	569	24	545
2. Loans to customers	1,398	19	1,379	739	1,886	-1,147
3. Available-for-sale financial assets (1)	12,071	5,177	6,894	19,059	2,927	16,132
3.1 Debt securities	11,981	5,157	6,824	19,005	2,537	16,468
3.2. Equity securities	90	20	70	54	390	-336
3.3. UCIT units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity financial assets	269	314	-45	1	-	1
<b>Total assets</b>	<b>15,704</b>	<b>5,516</b>	<b>10,188</b>	<b>20,368</b>	<b>4,837</b>	<b>15,531</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>

(1) Equity reserves back to the profit and loss account are illustrated in the following table.

(€ thousand)	Positive	Negative	Net
Debt securities	3,056	-1,084	1,972
Equity securities	83	-	83
<b>Total</b>	<b>3,139</b>	<b>-1,084</b>	<b>2,055</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				Reversal value				31.12.2010	31.12.2009
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Other		From interest	Other reversals	From interest	Other reversals			
(€ thousand)										
A. Loans to banks	-	-	219	-	-	-	-	-219	28	
- Loans								-	-	
- Debt securities			219					-219	28	
B. Loans to customers	3	1,787	444	553	55	-	-	-1,626	-2,830	
- Loans	-	7	333	553	37	-	-	250	-138	
- Operating loans	3	1,233			18	-	-	-1,218	-624	
- Debt securities		547	111					-658	-2,068	
<b>C. Total</b>	<b>3</b>	<b>1,787</b>	<b>663</b>	<b>- 553</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-1,845</b>	<b>-2,802</b>	

Specific adjustments on debt securities refer to impairment test of four positions of ABS (asset backed securities) allocated among "Loans to costumers". Three positions were written down on 31 December 2009.

Portfolio adjustments on debt securities classified under "Loans to customers" and "loans to banks" amounted to 330 thousand euros and refers to the adjustments of the collective reserves allocated to account for potential impairment on the corporate bond and ABSs portfolio.

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

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

TRANSACTIONS/INCOME COMPONENTS	Adjustments				Reversal value				31.12.2010	31.12.2009
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Other		From interest	Other reversals	From interest	Other reversals			
(€ thousand)										
A. Debt securities	-	-	-	-	-	-	-	-	-859	
B. Equity securities	-	1,625	-	-	-	-	-	-1,625	-3,363	
C. UCIT units										
C. Loans to banks	-	-	-	-	-	-	-	-	-	
D. Loans to customers	-	-	-	-	-	-	-	-	-	
<b>F. Total</b>	<b>-</b>	<b>1,625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,625</b>	<b>-4,222</b>	

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

TRANSACTIONS/INCOME COMPONENTS	Adjustments				Reversal value				31.12.2010	31.12.2009
	Specific		Portfolio	Specific		Portfolio				
	Write-offs	Other		From interest	Other reversals	From interest	Other reversals			
(€ thousand)										
A. Debt securities	-	-	765	-	-	-	-	-765	-	
B. Equity securities	-	-	-	-	-	-	-	-	-	
C. UCIT units										
C. Loans to banks	-	-	-	-	-	-	-	-	-	
D. Loans to customers	-	-	-	-	-	-	-	-	-	
<b>F. Total</b>	<b>-</b>	<b>-</b>	<b>765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-765</b>	<b>-</b>	

## SECTION 9 GENERAL AND ADMINISTRATIVE EXPENSE - ITEM 150

### Breakdown of general and administrative expense

(€ thousand)	31.12.2010	31.12.2009
150 a) Staff expense	52,968	39,774
150 b) Other general and administrative expense	69,558	52,313
<b>Total</b>	<b>122,526</b>	<b>92,087</b>

### 9.1 Breakdown of staff expenses breakdown

(€ thousand)	31.12.2010	31.12.2009
<b>1) Employees</b>	<b>51,517</b>	<b>38,933</b>
a) Wages and salaries	30,393	22,306
b) Social security charges	7,919	5,901
c) Termination indemnity	-	-
d) Retirement benefit plans	-	-
e) Provisions for termination indemnity	448	129
f) Provision for pensions and similar costs:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	3,188	2,424
- defined contribution	3,188	2,424
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	-123	1,114
i) Other employee benefits	9,692	7,059
<b>2) Other staff</b>	<b>496</b>	<b>135</b>
<b>3) Directors and Auditors</b>	<b>1,960</b>	<b>1,755</b>
<b>4) Retired personnel</b>	<b>-</b>	<b>-</b>
<b>5) Recovery of expenses for seconded staff to other companies</b>	<b>-1,064</b>	<b>-1,358</b>
<b>6) Repayments of expenses for seconded staff from other companies</b>	<b>59</b>	<b>309</b>
<b>Total</b>	<b>52,968</b>	<b>39,774</b>

### 9.2 Average number of employees by category

	31.12.2010	31.12.2009
<b>Employees</b>	<b>638</b>	<b>566</b>
a) Managers	31	24
b) Total executives	128	89
of whom 3rd and 4th level	78	48
of whom 1st and 2nd level	50	42
c) Employees at other levels	479	453
<b>Other employees</b>	<b>-15</b>	<b>-13</b>
<b>Total</b>	<b>623</b>	<b>553</b>

## Details of headcount

	31.12.2010	31.12.2009
<b>Employees</b>	<b>693</b>	<b>582</b>
a) Managers	36	26
b) Total executives	160	95
of whom 3rd and 4th level	103	53
of whom 1st and 2nd level	57	42
<b>c) Employees at other levels</b>	<b>497</b>	<b>461</b>
<b>Other employees</b>	<b>-15</b>	<b>-14</b>
Contract and temporary workers	6	1
Seconded staff from other companies	-	9
Seconded staff to other companies	-21	-24
<b>Total</b>	<b>678</b>	<b>568</b>

## 9.4 Other employee benefits

(€ thousand)	31.12.2010	31.12.2009
Productivity bonuses to be paid (CIA and Managers bonuses)	6,674	4,798
Charges for staff supplementary pensions	1,125	766
Expenses for missions - expense reimbursement and indemnities, and charges payable by the bank	1,009	731
Amounts replacing cafeteria indemnities	541	443
Training expenses	168	130
Transfer incentives and other indemnities	5	90
Allowances and charitable gifts	80	56
Other expenses (clothes, medical costs, etc.)	90	45
<b>Total</b>	<b>9,692</b>	<b>7,059</b>

## SECTION 9 GENERAL AND ADMINISTRATIVE EXPENSE - ITEM 150

### 9.5 Breakdown of other general and administrative expenses

(€ thousand)	31.12.2010	31.12.2009
<b>Administration</b>	<b>11,566</b>	<b>8,712</b>
- Advertising	3,465	895
- Consultancy and professional advice expenses	3,494	4,267
- Financial consultancy expenses	370	810
- Corporate boards and auditing firms	470	309
- Insurance	2,862	1,808
- Entertainment expenses	380	171
- Membership contributions	406	339
- Charity	119	113
<b>Operations</b>	<b>26,306</b>	<b>17,298</b>
- Rent and usage of premises and management of property	14,074	7,543
Outsourced administrative services	3,496	3,505
- Post and telephone	2,622	1,945
- Print material	771	723
- Other expenses for sales network management	2,469	1,584
- Other expenses and purchases	2,874	1,998
<b>Information system and equipment</b>	<b>24,108</b>	<b>20,604</b>
- Expenses related to outsourced IT services	15,455	14,483
- Fees for IT services and databases	3,942	3,108
- Software maintenance and servicing	3,148	1,743
- Fees for equipment hired and software used	867	707
- Other maintenance	696	563
<b>Indirect taxation</b>	<b>7,578</b>	<b>5,699</b>
<b>Total</b>	<b>69,558</b>	<b>52,313</b>

## SECTION 10 NET PROVISIONS FOR LIABILITIES AND CONTINGENCIES - ITEM 160

### 10.1 Breakdown of net provisions for liabilities and contingencies

(€ thousand)	31.12.2010			31.12.2009		
	Provisions	Surplus	Net	Provisions	Surplus	Net
<b>Provision for risks related to staff expenses (1)</b>	<b>4,095</b>	<b>-1,571</b>	<b>2,524</b>	<b>1,373</b>	<b>-1,418</b>	<b>-45</b>
Provisions for staff expenses: long-term incentives	1,860	-	1,860	-	-	-
Provision for staff expenses: other	2,235	-1,571	664	1,373	-1,418	-45
<b>Provision for legal disputes</b>	<b>3,259</b>	<b>-73</b>	<b>3,186</b>	<b>3,626</b>	<b>-325</b>	<b>3,301</b>
Provision for risks related to legal disputes with subscribers	1,574	-24	1,550	2,036	-80	1,956
Provision for risks related to legal disputes with advisors	502	-4	498	505	-2	503
Provision for risks related to legal disputes with staff	50	-	50	74	-	74
Provisions for risks related to legal disputes with other parties	1,133	-45	1,088	1,011	-243	768
<b>Provisions for termination indemnity for financial advisors</b>	<b>5,622</b>	<b>-76</b>	<b>5,546</b>	<b>1,232</b>	<b>-124</b>	<b>1,108</b>
<b>Provisions for risks related to network incentives</b>	<b>7,988</b>	<b>-1,092</b>	<b>6,896</b>	<b>3,523</b>	<b>-816</b>	<b>2,707</b>
Provision for risks related to network development incentives	5,243	-1,081	4,162	2,711	-770	1,941
Provisions for managers with access gate	1,083	-	1,083	-	-	-
Provision for commissions – travel incentives	1,500	-	1,500	632	-41	591
Provision for commission plans	67	-	67	180	-	180
Provision for loyalty bonuses for financial advisors	95	-11	84	-	-5	-5
<b>Other provisions for liabilities and contingencies</b>	<b>321</b>	<b>-</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>21,285</b>	<b>-2,812</b>	<b>18,473</b>	<b>9,754</b>	<b>-2,683</b>	<b>7,071</b>

#### Notes

(1) Provisions for staff expenses do not include the items that reclassified 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					
(€ thousand)	Depreciation	Adjustments for impairment	Reversal value	Net result 31/12/2010	Net result 31/12/2009
A. Property and equipment					
A.1 Owned	1,712	-	-	1,712	1,277
- operating	1,712	-	-	1,712	1,277
- investment	-	-	-	-	-
A.2 Leased	-	-	-	-	-
- operating	-	-	-	-	-
- investment	-	-	-	-	-
<b>Total</b>	<b>1,712</b>	<b>-</b>	<b>-</b>	<b>1,712</b>	<b>1,277</b>

## SECTION 12 NET ADJUSTMENTS/REVERSALS VALUE OF INTANGIBLE ASSETS - ITEM 180

### 12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS					
(€ thousand)	Depreciation	Adjustments for impairment	Reversal value	Net result 31/12/2010	Net result 31/12/2009
A. Intangible assets					
A.1 Owned	1,750	-	-	1,750	2,158
- generated in-house	-	-	-	-	-
- other	1,750	-	-	1,750	2,158
A.2 Leased	-	-	-	-	-
<b>Total</b>	<b>1,750</b>	<b>-</b>	<b>-</b>	<b>1,750</b>	<b>2,158</b>

### Breakdown of value adjustments of intangible assets - amortisation

(€ thousand)	31.12.2010	31.12.2009
Long-term no-load commissions	82	204
Charges associated with the implementation of legacy CSE procedures	982	1,691
Relations with customers	525	-
Other intangible assets	161	263
<b>Total</b>	<b>1,750</b>	<b>2,158</b>



## SECTION 13 OTHER OPERATING INCOME AND EXPENSES - ITEM 190

### 13.1 Breakdown of other operating expenses

(€ thousand)	31.12.2010	31.12.2009
Adjustments of leasehold improvements	803	627
Contingent liabilities and non-existent assets	2,103	1,285
Charges from accounting adjustments with customers	338	524
Indemnities and compensation for litigation and claims	310	385
Other operating expenses	2	-
<b>Total</b>	<b>3,556</b>	<b>2,821</b>

### 13.2 Breakdown of other operating income

(€ thousand)	31.12.2010	31.12.2009
Fees for outsourcing services	891	7,500
Recovery of expenses and taxes from customers	6,901	5,440
Redebit of overfees fro portfolio valorisation	136	46
Indemnities for advisors' notices	102	89
Recovery of other costs from advisors	773	455
Contingent assets and non-existent liabilities	2,952	514
Insurance compensation and indemnities	26	259
Other income	46	54
<b>Total</b>	<b>11,827</b>	<b>14,357</b>
<b>Total other net income</b>	<b>8,271</b>	<b>11,536</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

(€ thousand)	31.12.2010	31.12.2009
1. Current taxation (-)	-9,520	-6,864
2. Change in prior period current taxes	-213	383
3. Reduction of current taxes for the year (+)	-	-
4. Changes of prepaid taxation (+/-)	11,189	-254
5. Changes of deferred taxation (+/-)	2,368	143
<b>6. Taxes for the year (-)</b>	<b>3,824</b>	<b>-6,592</b>

Current and deferred taxation included the effects of the tax redemption of goodwill and intangible assets due to the merger of Banca del Gottardo Italia SPA, as follows.

REDEEMABLE ITEMS	Book value	Redeemable value	Substitute tax	Recognition of deferred tax assets	Reversal of deferred taxes	Net economic benefit
(€ thousand)						
Goodwill (Art. 15, para. 10, Leg. Decree No.195/08)	31,352	31,352	-5,016	9,845	-	4,829
Client relationships (Art. 176, para. 2-ter, TUIR)	7,628	7,628	-968	-	2,431	1,463
<b>Total</b>	<b>38,980</b>	<b>38,980</b>	<b>-5,984</b>	<b>9,845</b>	<b>2,431</b>	<b>6,292</b>

Deferred taxes regarding goodwill includes IRES for 8,622 euros and IRAP for 1,223 euros.

Reversal of deferred taxes regarding intangible assets includes IRES for 2,098 euros and IRAP for 333 euros.

## 18.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes for the year, including both current and deferred taxes, as set out in item 260 of the Profit & Loss Account and the theoretical IRES tax determined by applying the current applicable tax rate of 27.5% to the pre-tax profit.

The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the P&L account compared to the theoretical taxation.

(€ thousand)	31.12.2010	31.12.2009
Current taxation	-9,520	-6,864
IRES	-567	-5,386
IRAP	-2,948	-1,467
Substitute tax for redemption	-5,984	-
Other	-21	-11
Prepaid and deferred taxation	13,557	-111
IRES	11,637	-167
IRAP	1,920	56
Prior years taxes	-213	383
IRES	-92	434
IRAP	-121	-51
<b>Income taxes</b>	<b>3,824</b>	<b>-6,592</b>
<b>Theoretical tax rate</b>	<b>27.5%</b>	<b>27.5%</b>
<b>Profit (loss) before taxation</b>	<b>103,108</b>	<b>61,078</b>
<b>Theoretical taxation</b>	<b>-28,355</b>	<b>-16,796</b>
<b>Tax income (+) expense (-):</b>		
Non-taxable income (dividends)	30,365	12,961
Non-deductible Interest expense 4%	-130	-158
Charges for stock option plans IFRS2	-	-171
Impairment of equity securities PEX	-	-595
Other non-deductible costs	-1,347	-842
IRAP (net of redemption effect)	-2,715	-1,462
Prior year taxes	-92	434
Other - foreign taxation	-21	-11
Substitute tax for redemption of goodwill and intangible assets	-5,984	-
Recognition of prepaid taxes on redemption of goodwill and intangibles	10,719	-
IRAP (redemption effect on deferred taxes)	1,566	-
Changes in deferred taxes without offsetting entry	-182	49
<b>Actual tax expense</b>	<b>3,824</b>	<b>-6,592</b>
<b>Total actual tax rate</b>	<b>-3.7%</b>	<b>10.8%</b>
<b>IRES actual tax rate</b>	<b>-4.8%</b>	<b>8.4%</b>
<b>IRAP actual tax rate</b>	<b>-1.1%</b>	<b>-2.4%</b>

## SECTION 21 EARNINGS PER SHARE

### 21.1 Average number of ordinary shares, diluted capital

(€ thousand)	31.12.2010	31.12.2009
Net profit for the period (€ thousand)	106,932	54,485
Net profit attributable to ordinary shares	106,932	54,485
Average number of outstanding shares(thousand)	110,923	110,809
<b>EPS - Earnings per Share (euro)</b>	<b>0.964</b>	<b>0.492</b>
Average number of outstanding shares		
Average number of outstanding shares, diluted capital (thousand)	113,638	111,748
<b>EPS - Diluted earnings per share (euro)</b>	<b>0.941</b>	<b>0.488</b>

## PART D – COMPREHENSIVE INCOME

### ANALITICAL STATEMENT OF COMPREHENSIVE INCOME

ITEMS				
(€ thousand)		Gross amount	Income taxes	Net amount
<b>10.</b>	<b>Net profit (loss) for the year</b>	<b>X</b>	<b>X</b>	<b>106,932</b>
	<b>Other income</b>			
20.	AFS financial assets	-32,065	9,994	-22,071
	a) Fair value increases	-32,821	10,232	-22,589
	b) Transfer to profit and loss	756	-238	518
	- Adjustments due to impairment	1,626	-511	1,115
	- Gains (losses) on disposal	-870	273	-597
	c) Other changes	-	-	-
30.	Property and equipment			
40.	Intangible assets			
50.	Hedges of foreign investments:	-	-	-
	a) Fair value increases			
	b) Transfer to profit and loss			
	c) Other changes			
60.	Cash-flow hedges	-	-	-
	a) Fair value increases			
	b) Transfer to profit and loss			
	c) Other changes			
70.	Exchange differences:	-	-	-
	a) Fair value increases			
	b) Transfer to profit and loss			
	c) Other changes			
80.	Non-current assets held for sale:	-	-	-
	a) Fair value increases			
	b) Transfer to profit and loss			
	c) Other changes			
90.	Actuarial gains (losses) from defined benefit plans			
100.	Share of valuation reserves of investments valued at equity:	-	-	-
	a) Fair value increases			
	b) transfer to profit and loss	-	-	-
	- Adjustments due to impairment			
	- Gains (losses) on disposal			
	c) Other changes			
<b>110.</b>	<b>Total other income</b>	<b>-32,065</b>	<b>9,994</b>	<b>-22,071</b>
<b>120.</b>	<b>Comprehensive income (Item 10+110)</b>	<b>-32,065</b>	<b>9,994</b>	<b>84,861</b>

# PART E - INFORMATION ON RISKS AND RISK HEDGING POLICIES

## SECTION 1 – CREDIT RISK

### Qualitative Information

#### 1. General Aspects

Credit risk is defined as the possibility that a counterparty may become insolvent, or the likelihood that a debtor may fail to fulfil its obligations or fulfil its obligations on a delayed basis with respect to predetermined due dates.

In further detail, credit risk arises from the possibility that an unexpected variation in the creditworthiness of a counterparty to which the bank has an exposure may result in a corresponding unexpected variation in the market value of the loan position.

Banca Generali's lending operations are instrumental to its core business, which focuses on the management of investment services for private customers.

The bank's exposure to credit risk mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost, AFS and loans to customers (both corporate and retail).

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

Loans are issued to high-standing retail customers, generally with collaterals, and, to a lesser extent, to corporate customers to which selected loans were issued in 2010, backed by adequate guarantees. At any rate, the ratio of loans to customers to total loans remains relatively small.

As for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

The bank has formally defined a credit risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets forth the guidelines for the identification, measurement, monitoring and reporting of credit risk.

The bank has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The bank has defined an extensive system of powers and limits associated with loan authorisation.

In this context, it has formally defined detailed levels of autonomy and specific operating conditions for the loan authorisation powers held by the various decision-making levels.

In terms of the monitoring of loans after they have been disbursed, the bank has assigned specific tasks pertaining to timely monitoring of outstanding loan positions.

The Lending Department monitors the performance of loans and reports on anomalous positions.

In addition to the Lending Department, first-tier control is also conducted by the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Bank's overall credit exposure.

The Risk Management Service is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.

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

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

## 2. Credit Risk Management Policies

Loans are issued to customers by Banca Generali's Lending Department, which is responsible for activities relating to loan approval and outstanding loan management, as governed by and detailed in the specific Lending Rules and Regulations.

In addition to issuing loans, the Lending Department is also charged with managing and monitoring credit, with a special focus on the performance of doubtful loans.

With reference to adoption of IAS/IFRS, Banca Generali applied what has been developed in the Basel II framework. In this context, estimates of the PD (Probability of Default) and LGD (Loss Given Default) have been incorporated into the overall measurement process as a basis for segmenting the Group's loans and determining the write-down percentage for the portfolio of performing loans.

The credit risk on the securities portfolio is very low since it predominantly consists of government and bank-issued securities. The corporate securities in the portfolio are associated with issuers with high levels of creditworthiness.

### Credit Risk Mitigation Techniques

In order to mitigate credit risk, collateral or personal guarantees are typically required to secure the loans granted.

Collateral can be in the form of real-estate mortgages or pledges on securities, including managed assets, funds and insurance products. Real-estate mortgages are accepted when higher in value than the obligation being guaranteed. When collateral is in the form of securities, a discount is usually applied when the loan is issued and the market value of the securities is determined periodically.

Banca generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI SA for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.

This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity has been maintained for those positions managed with the aim of recovery and those positions that have shown a default event for

which payment of the indemnity was requested from the guarantor, BSI SA.

Finally, as for credit card issuance, the Bank continues to follow a very conservative policy, aimed almost exclusively at households.

### Non-performing financial assets

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority.

At present there are:

- bad loans;
- substandard loans;
- expired loans or outstanding over 180 days.

After value adjustments, overall impaired loans accounted for a negligible percentage of total loans to customers.

The process of identifying doubtful loan positions requires constant monitoring of expired positions: after sending an initial request to comply with the commitment, the next step is to turn the matter over to top national credit collection companies. The classification as bad loans occurs when the Bank receives a negative report from the credit collection company.

Losses are analysed and estimated for each loan based on all relevant factors, such as borrowers' net worth, income, estimated repayment date, etc.

Doubtful receivables of a significant amount refer to Banca del Gottardo Italia's clients and are guaranteed by the framework indemnity issued by the seller BSI SA. Such positions are not effectively a credit risk for the Bank, therefore no adjustments were made.

## QUANTITATIVE INFORMATION

### A. Credit Quality

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

##### A.1.1 Breakdown of credit exposures by portfolio and credit quality (balance sheet amounts)

PORTFOLIOS/QUALITY						
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans	Other assets	Total
1. Financial assets held for trading	175	-	-	-	102,262	102,437
2. AFS financial assets	1,300	-	-	-	1,516,603	1,517,903
3. Financial assets held to maturity	-	-	-	-	608,118	608,118
4. Loans to banks	-	-	-	-	447,827	447,827
5. Loans to customers	14,580	20,107	-	577	789,298	824,562
6. Financial assets at fair value	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	<b>16,055</b>	<b>20,107</b>	<b>-</b>	<b>577</b>	<b>3,464,108</b>	<b>3,500,847</b>
<b>Total at 31/12/2009</b>	<b>1,511</b>	<b>628</b>	<b>-</b>	<b>1,104</b>	<b>3,358,077</b>	<b>3,361,320</b>

##### A.1.2 Breakdown of exposures by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	Non-performing assets			Performing loans			Total (net exposure)
	Gross exposure	Special adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
(€ thousand)							
1. Financial assets held for trading	1,983	1,808	175	X	X	102,262	102,437
2. AFS financial assets	8,415	7,115	1,300	1,516,603	-	1,516,603	1,517,903
3. Financial assets held to maturity	-	-	-	608,883	765	608,118	608,118
4. Loans to banks	-	-	-	448,298	471	447,827	447,827
5. Loans to customers	52,994	17,730	35,264	793,723	4,425	789,298	824,562
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
<b>Total at 31/12/2010</b>	<b>63,392</b>	<b>26,653</b>	<b>36,739</b>	<b>3,367,507</b>	<b>5,661</b>	<b>3,464,108</b>	<b>3,500,847</b>
<b>Total at 31/12/2009</b>	<b>13,338</b>	<b>10,095</b>	<b>3,243</b>	<b>3,174,524</b>	<b>730</b>	<b>3,358,077</b>	<b>3,361,320</b>



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

Types of exposure/values				
(€ thousand)	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
<b>A. CASH EXPOSURE</b>				
a) Bad loans	1,983	1,808	-	175
b) Substandard loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
b) Other Assets	1,010,791	X	1,095	1,009,696
<b>TOTAL A</b>	<b>1,012,774</b>	<b>1,808</b>	<b>1,095</b>	<b>1,009,871</b>
<b>B. OFF-BALANCE SHEET EXPOSURE</b>				
a) Non-performing loans	-	-	-	-
b) Other	4,034	X	-	4,034
<b>TOTAL B</b>	<b>4,034</b>	<b>-</b>	<b>-</b>	<b>4,034</b>

### A.1.4 Cash exposure with banks: changes in gross non-performing loans

CAUSES/CATEGORIES				
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans
<b>A. Gross exposure at year-start</b>	<b>1,956</b>	-	-	-
of which: transferred positions not written off		-	-	-
<b>B. Increases</b>	<b>27</b>	-	-	-
B.1 Inflows from performing loans	-	-	-	-
B.2 Transfer from other categories				
non-performing loans	-	-	-	-
B.3 Other increases	27	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	-	-	-	-
C.3 Repayments	-	-	-	-
C.4 Gains from disposals	-	-	-	-
C.5 Transfer to other categories of				
non-performing loans	-	-	-	-
C.6 Other decreases	-	-	-	-
<b>Gross exposure at year-end</b>	<b>1,983</b>	<b>-</b>	<b>-</b>	<b>-</b>
of which: transferred positions not written off	-	-	-	-

#### Notes

1. The exposure to Lehman, classified among loans to banks in 2009 in the amount of 8,415 thousand euros, was transferred to loans to customers.

### A.1.5 Cash exposure with banks: change in total adjustments

CAUSES/CATEGORIES				
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans
<b>A. Total adjustments at year-start</b>	<b>1,938</b>	-	-	-
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>27</b>	-	-	-
B.1. Adjustments	27	-	-	-
B.2 Transfers from other categories of non-performing loans	-	-	-	-
B.3. Other increases	-	-	-	-
<b>C. Decreases</b>	<b>157</b>	-	-	-
C.1. Reversal of adjustments	157	-	-	-
C.2. Reversal of collections	-	-	-	-
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>1,808</b>	-	-	-
- of which: positions transferred but not written off	-	-	-	-

#### Notes

1. The exposure to Lehman, classified among loans to banks in 2009 in the amount of 7,115 thousand euros, was transferred to loans to customers.

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

TYPES OF EXPOSURE/VALUES				
(€ thousand)	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
<b>A. CASH EXPOSURE</b>		<b>Net</b>		
a) Bad loans	38,285	22,405	-	15,880
b) Substandard loans	22,547	2,440	-	20,107
c) Restructured loans	-	-	-	-
d) Expired loans	577	-	-	577
b) Other Assets	2,458,779	-	4,566	2,454,213
<b>TOTAL A</b>	<b>2,520,188</b>	<b>24,845</b>	<b>4,566</b>	<b>2,490,777</b>
<b>B. OFF-BALANCE SHEET EXPOSURE</b>				
a) Non-performing loans	288	-	-	288
b) Other	28,782	-	-	28,782
<b>TOTAL B</b>	<b>29,070</b>	-	-	<b>29,070</b>

### A.1.7 Cash exposure with customers: changes in gross non-performing loans

CAUSES/CATEGORIES				
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans
<b>- of which: positions transferred but not written off</b>	<b>9,641</b>	<b>637</b>	-	<b>1,104</b>
B. Increases	-	-	-	-
<b>B.1 Inflows from performing loans</b>	<b>38,198</b>	<b>37,101</b>	-	<b>8,159</b>
B.2 Transfers from other categories of non-performing loans	571	1,419	-	-
B.3 Other increases	9,848	-	-	-
of which business combinations	27,779	35,682	-	8,159
C. Decreases	26,830	27,563	-	8,159
<b>C.1 Outflows to performing loans</b>	<b>9,554</b>	<b>15,191</b>	-	<b>8,686</b>
C.2 Write-offs	-	-	-	-
C.3 Repayments	83	-	-	-
C.4 Gains from disposals	9,471	854	-	-
C.5. Transfer to other categories of non-performing loans	-	288	-	-
C.6. Other decreases	-	9,848	-	-
D. Gross exposure at year-end	-	4,201	-	8,686
<b>- of which: positions transferred but not written off</b>	<b>38,285</b>	<b>22,547</b>	-	<b>577</b>
- di cui: esposizioni cedute non cancellate	-	-	-	-

#### Notes

1. The exposure to Lehman, classified among loans to banks in 2009 in the amount of 8,415 thousand euros, was transferred to loans to customers.

### A.1.8 Cash exposure with customers: change in total adjustments

CAUSES/CATEGORIES				
(€ thousand)	Bad loans	Substandard loans	Restructured loans	Expired loans
<b>A. Total adjustments at year-start</b>	<b>8,147</b>	<b>9</b>	-	-
- of which: positions transferred but not written off	-	-	-	-
<b>B. Increases</b>	<b>14,926</b>	<b>2,889</b>	-	-
B.1. Adjustments	150	554	-	-
B.2. Transfers from other categories of non-performing loans	-	-	-	-
B.3. Other increases	14,776	2,335	-	-
of which business combinations	14,776	1	-	-
<b>C. Decreases</b>	<b>668</b>	<b>458</b>	-	-
C.1. Reversal of adjustments	566	-	-	-
C.2. Reversal of collections	21	168	-	-
C.3. Write-offs	81	290	-	-
C.4. Transfer to other categories of non-performing loans	-	-	-	-
C.5. Other decreases	-	-	-	-
<b>D. Total adjustments at year-end</b>	<b>22,405</b>	<b>2,440</b>	-	-
- of which: positions transferred but not written off	-	-	-	-

#### Notes

1. The exposure to Lehman, classified among loans to banks in 2009 in the amount of 7,115 thousand euros, was transferred to loans to customers.

## A.2 Classification based on internal and external ratings

Banca Generali does not yet have an internal rating system for evaluating its customers' credit standing.

The bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

### A.2.1 Cash and off-balance sheet exposures broken down by external rating classes

RESTRUCTURED (€ thousand)	External rating classes						Without rating	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
Financial assets held for trading	79,640	5,570	35	-	-	-	16,993	102,238
AFS financial assets	1,405,409	105,447	4,982	-	-	-	2,065	1,517,903
Financial assets held to maturity	282,240	253,144	61,242	7,947	-	-	3,545	608,118
Loans to customers	66,985	32,832	2,956	6,925	3,480	-	711,384	824,562
Loans to banks	52,055	98,479	21,857	2,911	-	-	272,525	447,827
<b>A. Cash exposure</b>	<b>1,886,329</b>	<b>495,472</b>	<b>91,072</b>	<b>17,783</b>	<b>3,480</b>	<b>-</b>	<b>1,006,512</b>	<b>3,500,648</b>
Financial derivatives	-	-	-	-	-	-	199	199
Credit derivatives	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199</b>	<b>199</b>
<b>C. Guarantees issued</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,968</b>	<b>28,968</b>
<b>D. Commitment to dispense funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,937</b>	<b>3,937</b>
<b>Total</b>	<b>1,886,329</b>	<b>495,472</b>	<b>91,072</b>	<b>17,783</b>	<b>3,480</b>	<b>-</b>	<b>1,039,616</b>	<b>3,533,752</b>

## A.3 Breakdown of guaranteed loans by type of guarantee

### A.3.1 Guaranteed exposure with customers

(€ thousand)	COLLATERALISED GUARANTEES (1)					PERSONAL GUARANTEES (2) GUARANTEES				TOTAL (1)+(2)	
	Loan amount	Buildings	Securities	Other assets	Total	Governments	Other public institutions	Banks	Other entities		Total
1. Guaranteed cash exposure:	566,881	108,775	184,138	216,123	509,036	-	-	191	50,807	50,998	560,034
1.1 totally guaranteed	545,665	108,547	176,474	211,472	496,493	-	-	191	48,981	49,172	545,665
-of which	14,449	13,444	496	24	13,964	-	-	-	484	484	14,448
1.2 partially guaranteed	21,216	228	7,664	4,651	12,543	-	-	-	1,826	1,826	14,369
-of which	7,909	-	4,000	-	4,000	-	-	-	704	704	4,704
2. Guaranteed off-balance sheet exposures:	22,557	1,205	13,162	6,202	20,569	-	-	224	516	740	21,309
2.1 totally guaranteed	20,557	1,205	12,410	6,202	19,817	-	-	224	516	740	20,557
-of which	128	-	-	50	50	-	-	-	79	79	129
2.2 partially guaranteed	2,000	-	752	-	752	-	-	-	-	-	752
-of which	-	-	-	-	-	-	-	-	-	-	-

## B. Breakdown and Concentration of credit exposures

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

EXPOSURE/COUNTERPARTY			
(€ thousand)	Net exposure	Specific adjustments	Portfolio adjustments
<b>A. Cash exposure</b>			
<b>1. Government and central banks</b>	<b>1,545,261</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	1,545,261	-	-
<b>2. Other public institutions</b>			
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	-	-	-
<b>3. Financial companies</b>	<b>301,882</b>	<b>9,607</b>	<b>2,945</b>
a. Bad loans	1,307	7,180	-
b. Substandard loans	6,117	2,427	-
c. Restructured loans	-	-	-
d. Expired loans	3	-	-
e. Other loans	294,455	-	2,945
<b>4. Insurance companies</b>	<b>41,359</b>	-	<b>19</b>
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Restructured loans	-	-	-
d. Expired loans	-	-	-
e. Other loans	41,359	-	19
<b>5. Non-financial companies</b>	<b>226,495</b>	<b>11,292</b>	<b>1,163</b>
a. Bad loans	9,508	11,291	-
b. Substandard loans	13,164	1	-
c. Restructured loans	-	-	-
d. Expired loans	380	-	-
e. Other loans	203,443	-	1,163
<b>6. Other entities</b>	<b>375,780</b>	<b>3,946</b>	<b>439</b>
a. Bad loans	5,065	3,934	-
b. Substandard loans	826	12	-
c. Restructured loans	-	-	-
d. Expired loans	194	-	-
e. Other loans	369,695	-	439
<b>TOTAL A - CASH EXPOSURE</b>	<b>2,490,777</b>	<b>24,845</b>	<b>4,566</b>

<b>EXPOSURE/COUNTERPARTY</b>			
(€ thousand)	<b>Net exposure</b>	<b>Specific adjustments</b>	<b>Portfolio adjustments</b>
<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>2,960</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	2,960	-	-
<b>4. Insurance companies</b>	<b>14,702</b>	-	-
a. Bad loans	78	-	-
b. Substandard loans	160	-	-
c. Other non-performing loans	50	-	-
d. Other loans	14,414	-	-
<b>5. Non-financial companies</b>	-	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	-	-	-
<b>6. Other entities</b>	<b>11,408</b>	-	-
a. Bad loans	-	-	-
b. Substandard loans	-	-	-
c. Other non-performing loans	-	-	-
d. Other loans	11,408	-	-
<b>TOTAL B - OFF-BALANCE SHEET EXPOSURE B</b>	<b>29,070</b>	-	-

<b>SUMMARY</b>			
(€ thousand)	<b>Net exposure</b>	<b>Specific adjustments</b>	<b>Portfolio adjustments</b>
Governments and central banks	1,545,261	-	-
Public institutions	-	-	-
Financial companies	304,842	9,607	2,945
Insurance companies	56,061	-	19
Non-financial companies	226,495	11,292	1,163
Other entities	387,188	3,946	439
<b>Overall total (A+B) at 31/12/2010</b>	<b>2,519,847</b>	<b>24,845</b>	<b>4,566</b>

## B.2 Geographical breakdown of cash and off-balance sheet credit exposure to customers (balance sheet amounts)

EXPOSURE/GEOGRAPHICAL AREA (€ thousand)	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Compl. adjust.	Net exposure	Compl. adjust.	Net exposure	Compl. adjust.	Net exposure	Compl. adjust.	Net exposure	Compl. adjust.
<b>A. Cash exposure</b>										
A.1 Bad loans	14,580	14,807	-	483	1,300	7,115	-	-	-	-
A.2 Substandard loans	14,104	17	6,003	2,423	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	577	-	-	-	-	-	-	-	-	-
A.5 Other exposure	2,198,990	4,160	196,049	305	53,589	101	5,585	-	-	-
<b>Total A</b>	<b>2,228,251</b>	<b>18,984</b>	<b>202,052</b>	<b>3,211</b>	<b>54,889</b>	<b>7,216</b>	<b>5,585</b>	-	-	-
<b>B. Off-balance sheet exposure</b>										
B.1 Bad loans	78	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	160	-	-	-	-	-	-	-	-	-
B.3 Other non-performing loans	50	-	-	-	-	-	-	-	-	-
B.4 Other exposure	26,057	-	2,725	-	-	-	-	-	-	-
<b>Total B</b>	<b>26,345</b>	-	<b>2,725</b>	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	<b>2,254,596</b>	<b>18,984</b>	<b>204,777</b>	<b>3,211</b>	<b>54,889</b>	<b>7,216</b>	<b>5,585</b>	-	-	-
<b>Total at 31/12/2009</b>	<b>1,303,221</b>	<b>1,486</b>	<b>478,624</b>	<b>157</b>	<b>77,026</b>	<b>129</b>	-	-	<b>10,258</b>	-

## B.3 Geographical breakdown of cash and off-balance sheet credit exposure to banks (book value)

EXPOSURE/GEOGRAPHICAL AREA (€ thousand)	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Compl. adjust.	Net exposure	Compl. adjust.	Net exposure	Compl. adjust.	Net exposure	Compl. adjust.	Net exposure	Compl. adjust.
<b>A. Cash exposure</b>										
A.1 Bad loans	-	-	175	1,808	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Expired loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	557,199	707	423,393	349	22,109	39	-	-	6,995	-
<b>Total A</b>	<b>557,199</b>	<b>707</b>	<b>423,568</b>	<b>2,157</b>	<b>22,109</b>	<b>39</b>	-	-	<b>6,995</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	3,999	-	35	-	-	-	-	-	-	-
<b>Total B</b>	<b>3,999</b>	-	<b>35</b>	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	<b>561,198</b>	<b>707</b>	<b>423,603</b>	<b>2,157</b>	<b>22,109</b>	<b>39</b>	-	-	<b>6,995</b>	-
<b>Total at 31/12/2009</b>	<b>793,301</b>	-	<b>639,775</b>	<b>2,190</b>	<b>36,167</b>	<b>7,115</b>	-	-	<b>34,307</b>	-

## B.4 Big Risks

The sixth update to Circular No. 263, “New Prudential Supervisory Provisions Concerning Banks” of 27 December 2010, revised prudential rules governing risk concentration to bring them into line with the provisions of Directive 2009/111/EC. In detail, under the new rules, “big risks” are identified as exposures equal to or greater than 10% of capital for regulatory purposes, by reference to the carrying amount of “exposures” rather than the amount weighted for counterparty risk.

Accordingly, risk positions that constitute “big risks” are identified by reference to both carrying amounts and weighted amounts.

<b>Big Risks</b>		
(€ thousand)	<b>31.12.2010</b>	<b>31.12.2009</b>
a) Carrying amount	2,509,863	X
b) Weighted amount	415,897	79,092
c) Number	25	3



## C. Securitisation and Disposal of Assets

### C.1 Securitisation

The securitisations portfolio contains only asset-backed securities (ABS) issued by European entities with underlying securities attributable exclusively to European originators.

The portfolio is made up of senior securities with ratings not less than investment grade.

The portfolio includes products with underlying residential and commercial mortgages (RMBS/CMBS).

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

TYPE OF UNDERLYING ASSETS/EXPOSURE	Cash exposure						Total net exposure
	Senior		Mezzanine		Junior		
(€ thousand)	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	
<b>Cash exposure</b>							
<b>A. With own underlying assets:</b>	-	-	-	-	-	-	-
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-
<b>B. With third-party underlying assets:</b>	<b>80,036</b>	<b>78,057</b>	<b>11,817</b>	<b>10,859</b>	-	-	<b>88,916</b>
a) Non-performing loans	-	-	-	-	-	-	-
b) Other	80,036	78,057	11,817	10,859	-	-	88,916

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

PORTFOLIO		TYPE OF UNDERLYING ASSETS/ EXPOSURE	ISIN CODE	UNDERLYING	CASH EXPOSURE							
					SENIOR		MEZZANINE		JUNIOR			
				Book value		Adjust./ Reversals		Book value		Adjust./ Reversals		
A.1	loans	AYT CAJAS N 10 FRN 30/06/2015	ES0312342001	mortgage	14,480	-	11	-	-	-	-	
A.2	loans	BANCAJA N6 TITULUZ FRN 20/02/2036	ES0312885017	RMBS	2,625	-	-	-	-	-	-	
A.3	loans	CAIXA D' ESTALVIS FRN 28/01/2043	ES0313252001	RMBS	1,139	-	-	-	-	-	-	
A.4	loans	ABS BBVA RMBS2 FRN 17/09/2050	ES0314148018	RMBS	1,476	-	-	-	-	-	-	
A.5	loans	GC FTPYME SABDEL FRN 31/03/2039	ES0332234014	Loans	543	-	-	-	-	-	-	
A.6	loans	SANTANDER HIP3 FRN 18/01/2050	ES0338093018	RMBS	2,185	-	-	-	-	-	-	
A.7	loans	MBS BANCAJA FRN 23/07/2050	ES0361797014	RMBS/CMBS	6,560	-	-	-	-	-	-	
A.8	loans	AYT KUTXA HIPOTECARIO II FRN 15/10/2059	ES0370154009	RMBS	1,326	-	-	-	-	-	-	
A.9	loans	BBVA HIPOTECARIO 3FND FRN 15/03/2039	ES0370459002	Loans	267	-	-	-	-	-	-	
A.10	loans	PYMES BANESTO FRN 31/12/2031	ES0372260010	Mortgage, personal loans	626	-	-	-	-	-	-	
A.11	loans	RURALPYME 2 FTA FRN 25/04/2030	ES0374352005	loans	261	-	-	-	-	-	-	
A.12	loans	DOLOMITI FIN FRN 15/12/2017	IT0003399018	Leasing	144	-	-	-	-	-	-	
A.13	loans	LOCAT SEC VEHICLE FRN 12/12/2024 A	IT0003733083	Leasing	641	-	-	-	-	-	-	
A.14	loans	FIP FUND FRN 10/01/2023	IT0003872774	CMBS	4,652	-	349	-	-	-	-	
A.15	loans	VELA MORT CL A FRN 30/07/2040	IT0003933998	RMBS	1,013	-	-	-	-	-	-	
A.16	loans	ASTI FINANCE FRN 27/09/2041	IT0003966477	RMBS	1,374	-	-	-	-	-	-	
A.17	loans	FE GOLD FRN 30/07/2025 ABS	IT0004068612	Leasing	717	-	-	-	-	-	-	
A.18	loans	CORDUSIO FRM 30/06/2035	IT0004087174	RMBS	1,696	-	-	-	-	-	-	
A.19	loans	ARCOBALENO FRN 28/10/2030	IT0004095672	Loans (Italian pharmacies)	479	-	-	-	-	-	-	
A.20	loans	LEASIMPRESA FRN 22/12/2025	IT0004123722	Leasing	691	-	-	-	-	-	-	
A.21	loans	APULIA FINA FRN 20/07/2044	IT0004127574	RMBS/CMBS	1,068	-	-	-	-	-	-	
A.22	loans	ABS VOBA FIN FRN 28/06/2043	IT0004153216	RMBS	210	-	-	-	-	-	-	
A.23	loans	SESTANTE FRN 23/04/2046 CL A1	IT0004158124	RMBS	689	-	-	-	-	-	-	
A.24	loans	ABS CLARIS FIN FRN 21/11/2053	IT0004189160	RMBS	567	-	-	-	-	-	-	
A.25	loans	BP MORT FRN 20/04/2043	IT0004215320	RMBS	3,965	-	-	-	-	-	-	
A.26	trading	QUARZO CL1 FRN 31/12/2019 ABS	IT0004284706	RMBS/CMBS	16,075	-	-	-	-	-	-	
A.27	loans	MAGELLAN MORT N 2 FRN 18/07/2036	XS0177944690	RMBS	1,022	-	-	-	-	-	-	
A.28	loans	LUSITANO MORT N 2 FRN 16/11/2036	XS0178545421	RMBS	1,873	-	-	-	-	-	-	
A.29	loans	ABS THEMELEION MTG FRN 27/12/2036	XS0194393640	RMBS	454	-	-	-	-	-	-	
A.30	loans	EMAC MORTG CL A FRN 25/01/2037	XS0207208165	RMBS	1,366	-	-	-	-	-	-	
A.31	loans	E-MAC MORTG FRN CL A 25/04/2038	XS0216513118	RMBS	1,707	-	-	-	-	-	-	
A.32	loans	ESTIA MORTG FRN 27/10/2040 CL A	XS0220978737	RMBS	1,069	-	-	-	-	-	-	
A.33	loans	AIRE VALLEY MORTG FRN 20/09/2066	XS0264192989	RMBS	1,873	-	-	-	-	-	-	
A.34	loans	ENTRY FNDG FRN 28/09/2013	XS0277614532	loans	1,419	-	144	-	-	-	-	
A.35	loans	ABS BLUEBONNET FRN 20/12/2016	XS0279760184	Mortgage	113	-	-	-	-	-	-	
A.36	loans	SAGRES PELICAN FRN 15/09/2054	XS0293657416	RMBS	522	-	-	-	-	-	-	
A.37	loans	WINDERM FRN 15/10/2019 CL A	XS0293895271	CMBS	1,532	-	-	-	-	-	-	
A.38	loans	ABS JUNO ECLIPSE FRN 24/11/2022	XS0299976836	CMBS	1,618	-	1,476	-	-	-	-	
A.39	loans	OPERA FIN ABS FRN 15/02/2012 CL C	XS0218490653	CMBS	-	-	2,793	-	119	-	-	
A.40	loans	ABS LOCAT SEC V FRN CL B 12/12/2026	IT0003951123	Leasing	-	-	2,828	-	-	-	-	
A.41	loans	ITALF VEHIC CL C FRN 14/03/2023	IT0003963433	Leasing	-	-	379	-	-	-	-	
A.42	loans	ATLANTE FINANCE FRN 28/07/2047	IT0004069040	RMBS/CMBS	-	-	767	-	-	-	-	
A.43	loans	ABM LOCAT SEC FRN 12/09/2028 B	IT0004153687	Leasing	-	-	1,133	-	-	-	-	
A.44	loans	GRANITE MAS FRN 20/12/2054	XS0229615603	RMBS	-	-	1,248	-	156	-	-	
A.45	loans	LAMBDA FIN FRN 08/11/2029	XS0237016000	Loans	-	-	427	-	-	-	-	
A.46	loans	WINDERM FRN 15/10/2019 CL D	XS0293898457	CMBS	-	-	2,242	-	683	-	-	
<b>Totale</b>					<b>80,036</b>	<b>-</b>	<b>1,979</b>	<b>11,817</b>	<b>-</b>	<b>958</b>	<b>-</b>	<b>-</b>

### C.1.4 Exposure arising on securitisations broken down by portfolio and type

EXPOSURE/PORTFOLIO (€ thousand)	Type of financial-asset portfolio						
	Fin. assets held for trading	Financial assets at fair value	Financial assets - AFS	Financial assets - HTM	Loans	31.12.2010	31.12.2009
<b>1. Cash exposure</b>	<b>16.075</b>	-	-	-	<b>72.841</b>	<b>88.916</b>	<b>135.780</b>
- senior	16.075	-	-	-	61.982	78.057	118.213
- mezzanine	-	-	-	-	10.859	10.859	17.250
- junior	-	-	-	-	-	-	317
<b>2. Off-balance sheet exposure</b>	-	-	-	-	-	-	-
- senior	-	-	-	-	-	-	-
- mezzanine	-	-	-	-	-	-	-
- junior	-	-	-	-	-	-	-

## C.2 Transfer Operations

### C.2.1 Transferred financial assets not written off

TECHNICAL TYPE /PORTFOLIO (€ thousand)	Fin. assets held for trading			AFS financial assets			HTM fin. assets			Financial assets - banks			Financial assets - customers			Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	
<b>A. Cash assets</b>	-	-	-	<b>382,381</b>	-	-	<b>61,585</b>	-	-	<b>5,161</b>	-	-	-	-	-	<b>449,127</b>
1. Debt securities	-	-	-	382,381	-	-	61,585	-	-	5,161	-	-	-	-	-	449,127
2. Equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>B. Derivatives</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	-	-	-	<b>382,381</b>	-	-	<b>61,585</b>	-	-	<b>5,161</b>	-	-	-	-	-	<b>449,127</b>
<b>Total at 31/12/2009</b>	-	-	-	<b>142,809</b>	-	-	<b>14,571</b>	-	-	-	-	-	-	-	-	<b>157,380</b>

A = fully recognised transferred financial assets (book value)

B = transferred financial assets partially recognised (book value)

C = partially recognised transferred financial assets (total value)

### C.2.2 Financial liabilities for transferred assets not written off

LIABILITIES/ASSETS PORTFOLIO (€ thousand)	Fina. assets held for trading	FVO financial assets	AFS financial assets	HTM financial assets	Loans to banks	Loans to customers	Total
<b>1. Due to customers</b>	-	-	<b>52,186</b>	<b>10,252</b>	-	<b>5,031</b>	<b>67,469</b>
a) for fully recognised assets	-	-	52,186	10,252	-	5,031	67,469
b) for partially recognised assets	-	-	-	-	-	-	-
<b>2. Due to banks</b>	-	-	<b>332,560</b>	<b>50,390</b>	-	-	<b>382,950</b>
a) for fully recognised assets	-	-	332,560	50,390	-	-	382,950
b) for partially recognised assets	-	-	-	-	-	-	-
<b>Total at 31/12/2010</b>	-	-	<b>384,746</b>	<b>60,642</b>	-	<b>5,031</b>	<b>450,419</b>
<b>Total at 31/12/2009</b>	-	-	<b>142,721</b>	<b>14,571</b>	-	-	<b>157,292</b>

## SECTION 2 – MARKET RISK

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

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

The bank has established a market risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of market risk.

The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the bank's Finance Rules.

Second-tier checks are a responsibility of the Risk Management Service, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk profile defined by the Board of Directors.

The Internal Audit Service conducts independent controls (third-tier controls) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Bank's Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the market risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with high credit ratings.

The portfolio's exposure to the equities market remains limited with respect to the bond component and derivatives transactions are absolutely marginal in extent.

The bank's investment policy is to contain country risk and exchange rate risk to very low levels. Exposure to non-OECD issuers and entities is limited.

The main objective of exchange rate operations is to contain open positions in foreign currencies. The main objective of interest rate operations is to align asset and liability items.

Banca Generali holds only small amounts of securities denominated in foreign currencies.

Market risks are measured based on a daily analysis of VaR (Value at Risk). VaR describes the maximum potential loss in value of a portfolio in the next ten working days in 99% of the cases. It is calculated based on the volatility of and correlations among the individual risk factors, including, for each currency, short- and long-term interest rates, exchange rates and share prices.

### 2.1 Interest Rate and Price Risk – Regulatory Trading Book

#### Qualitative Information

The main activities of the bank that increase its exposure to interest rate risk relating to its trading book include:

- management of the government bond book;
- management of the corporate bond securities;
- dealings in interest rate derivatives, all of them over the counter.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Financial Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the clientele, with particular reference to Generali Group counterparties (trading for its own account);
- providing medium-term liquidity management by investing in government securities and/or securities of major banks;
- investing with a view to asset allocation in floating- and/or fixed-rate corporate debt securities and asset-backed securities issued by companies with high investment grade, with the objective of improving the risk-return profile.

The average remaining duration of the securities portfolio is short as floating rate coupons outweigh fixed rate coupons.

This choice is aimed at reducing risk exposure and thus protecting the portfolio from unexpected changes in value caused by significant changes in interest rates.

The bank's investments in structured securities are negligible.

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

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

	Fourth quarter 2010	Third quarter 2010	Second quarter 2010	First quarter 2010
Average VaR (€/000)	5,337	4,694	2,879	3,802

## Quantitative Information

### 1. Regulatory trading portfolio: broken down by time-to-maturity (repricing date) of cash assets and liabilities and financial derivatives

TYPE/TIME-TO-MATURITY (€ thousand)	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>100,344</b>	<b>491</b>	<b>279</b>	<b>723</b>	<b>13</b>	-	-	<b>101,850</b>
1.1 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	100,344	491	279	723	13	-	-	101,850
1.2 Other assets	-	-	-	-	-	-	-	-	-
<b>2. Cash liabilities</b>	-	-	-	-	-	-	-	-	-
2.1 PCT liabilities	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
<b>3. Financial derivatives</b>	-	<b>280,045</b>	<b>49,850</b>	<b>2,602</b>	<b>90,034</b>	-	<b>84</b>	-	<b>422,615</b>
3.1 With underlying securities	-	50,309	49,638	74	34	-	84	-	100,139
- Options									
+ long positions	-	503	-	-	-	-	-	-	503
+ short positions	-	-	-	-	-	-	-	-	-
- other									
+ long positions	-	111	49,623	37	17	-	42	-	49,830
+ short positions	-	49,695	15	37	17	-	42	-	49,806
3.2 Without underlying securities	-	229,736	212	2,528	90,000	-	-	-	322,476
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- other									
+ long positions	-	114,868	106	1,264	45,000				161,238
+ short positions	-	114,868	106	1,264	45,000				161,238

## 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 (€ thousand)	Listed			Non
	Italy	Germany	Other	Listed
<b>A. Equity securities</b>				
- long positions	991	889	697	-
- 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	-	-	-	-
- 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 OICR units held in the portfolio, however, the Bank’s exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

### 3. Regulatory trading portfolio: Internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading portfolio.

This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali are interest-rate and price risk.

In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +/- 100 basis points in the rate curve.

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 +258/-258 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 -1.1/+1.1 million euros, gross of the tax effect.

(€ thousand)	HFT	AFS	HTM+L&R	LOANS**	TOT
<b>Delta FV Equity (+10%)*</b>	258	1,350,	-	-	1,608
<b>Delta FV Equity (-10%)*</b>	- 258	- 1,350	-	-	- 1,608
<b>Delta FV bonds (+1%)</b>	- 1,097	- 11,889	- 15,035	- 1,311	- 29,332
<b>Delta FV bonds (-1%)</b>	1,097	11,893	15,047	1,311	29,348
<b>Delta MI (+1%)</b>	580	7,684	6,117	7,917	22,299
<b>Delta MI (-1%)</b>	- 580	- 7,684	- 6,117	- 5,918	- 20,300

\*\*Loans to banks and loans to customers



## 2.2 Interest Rate and Price Risk – Banking Portfolio

### Qualitative Information

#### A. General Aspect, Management Processes and Interest Rate Risk Measurement Techniques

The interest rate risk to which the banking portfolio is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and therefore net equity.

The bank has established a specific policy for managing interest-rate risk in the banking portfolio.

The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.

The Risk Management Service is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking portfolio is exposed.

The Internal Audit Service is responsible for third-tier controls of loans and inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking portfolio and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Most of the interest rate risk in the bank's banking portfolio arises from:

- trading on the interbank deposits market and
- customer lending activities;
- investment operations for the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items, with a negative impact on the bank's objectives in terms of net interest income.

## B. FAIR VALUE AND CASH FLOW HEDGING

The bank does not currently engage in fair value or cash flow hedging.

### Quantitative Information

#### 1. Banking portfolio: broken down by time-to-maturity (according to repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY (€ thousand)	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>897,861</b>	<b>1,195,667</b>	<b>516,066</b>	<b>247,982</b>	<b>411,408</b>	<b>127,486</b>	<b>720</b>	<b>1,398</b>	<b>3,398,588</b>
1.1 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	62,707	1,095,127	505,011	247,597	409,824	126,527	-	-	2,446,793
1.2 Loans to banks	204,565	67,962	-	-	-	-	-	-	272,527
1.3 Loans to customers									
- current accounts	454,970	66	24	163	92	-	-	842	456,157
- other loans	175,619	32,512	11,031	222	1,492	959	720	556	223,111
- with early repayment option	78,831	32,096	122	222	1,492	959	720	268	114,710
- other entities	96,788	416	10,909	-	-	-	-	288	108,401
<b>2. Cash liabilities</b>	<b>2,850,676</b>	<b>251,616</b>	<b>8,974</b>	<b>198,733</b>	<b>24,000</b>	<b>16,000</b>	<b>-</b>	<b>-</b>	<b>3,349,999</b>
2.1 Due to customers									
- current accounts	2,764,091	-	-	-	-	-	-	-	2,764,091
- other payables	28,082	67,428	-	-	24,000	16,000	-	-	135,510
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	28,082	67,428	-	-	24,000	16,000	-	-	135,510
2.2 Due to banks									
- current accounts	873	-	-	-	-	-	-	-	873
- other payables	57,630	183,999	8,974	198,733	-	-	-	-	449,336
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other entities	-	189	-	-	-	-	-	-	189
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									

The price risk associated with the banking book is limited to the equity investments classified to the portfolio of financial assets available for sale (AFS) and the controlling interest investments of Banca Generali.

In further detail, the only listed securities consist of the equity investments in the parent company, Assicurazioni Generali, a limited package of Enel shares, and equity securities arising from the reclassification undertaken pursuant to the amendment to IAS 39.

The remainder of the portfolio consists of unlisted minority equity investments representing a marginal portion of financial assets. These financial assets have nonetheless continued to be carried at cost due to the lack of market bid prices.

Finally, there is a private equity minority interest in the Luxembourg-based Athena Private Equity SA.

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

The sensitivity analysis discussed in the foregoing paragraph has also been conducted for the banking portfolio with regard to the portfolio of assets available for sale, the portfolio of assets held to maturity, and the portfolio of loans to customers and banks.

On the whole, a change in market prices of +10%/-10% would result in a change in valuation reserves associated with equities classified among AFS assets of +1.3/-1.3 million euros, whereas a shock of +100/-100 basis points would yield a change in the fair value of AFS debt securities of +11.9/-11.9 million euros, gross of the tax effect.

A change of +100/-100 basis points in interest rates would have an effect of +21.7/-19.7 million euros on the flow of interest on the banking book consisting of debt securities classified among financial assets available for sale (AFS), held to maturity (HTM), loans and receivables (L&R) and loans.

The same criteria were also applied to a sensitivity analysis of net interest income, which resulted in a potential impact on the profit and loss account of -8.7 million euros, gross of the tax effect in case of reduction of interest rates by 1% and +9.3 million euros in case of increase by the same amount.

(€ thousand)	ASSETS	LIABILITIES	TOTAL
<b>Net interest income Delta (+1%)</b>	22,299	- 13,009	9,290
<b>Net interest income Delta (-1%)</b>	-20,300	11,582	- 8,718

Note:

*The -100 bps scenario is strictly theoretical inasmuch as rates on the short-term part of the curve are below 1%.*

## 2.3 Exchange Rate Risk

Exchange-rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.

### 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	Icelandic krona		
(€ thousand)							
<b>A. Financial assets</b>	<b>43,063</b>	<b>9,524</b>	<b>9,966</b>	<b>9,420</b>	<b>2,242</b>	<b>510</b>	<b>74,725</b>
A.1. Debt securities	41	-	-	-	-	-	41
A.2. Equity securities	1	-	-	-	-	-	1
A.3. Loans to banks	43,020	52	9,758	9,419	2,242	510	65,001
A.4. Loans to customers	1	9,472	208	1	-	-	9,682
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>30,587</b>	<b>9,414</b>	<b>7,679</b>	<b>6,708</b>	<b>2,193</b>	<b>173</b>	<b>56,754</b>
C.1. Due to banks	-	9,390	-	-	-	-	9,390
C.2. Due to customers	30,470	24	7,607	6,708	2,193	173	47,175
C.3. Debt securities	117	-	72	-	-	-	189
<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>- 541</b>	<b>4</b>	<b>- 129</b>	<b>- 35</b>	<b>-</b>	<b>- 519</b>	<b>- 1,220</b>
Options							
- long-term positions	-	-	-	-	-	-	-
- short-term positions	-	-	-	-	-	-	-
Other derivatives	- 541	4	- 129	- 35	-	- 519	- 1,220
- long-term positions	49,630	3,508	84	31	-	4,257	57,510
- short-term positions	50,171	3,504	213	66	-	4,776	58,730
<b>Total assets</b>	<b>92,693</b>	<b>13,032</b>	<b>10,050</b>	<b>9,451</b>	<b>2,242</b>	<b>4,767</b>	<b>132,235</b>
<b>Total liabilities</b>	<b>80,758</b>	<b>12,918</b>	<b>7,892</b>	<b>6,774</b>	<b>2,193</b>	<b>4,949</b>	<b>115,484</b>
<b>Excess</b>	<b>11,935</b>	<b>114</b>	<b>2,158</b>	<b>2,677</b>	<b>49</b>	<b>-182</b>	<b>16,751</b>

## 2.4 Derivative Financial Instruments

### A. Financial Derivatives

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

TYPES OF DERIVATIVES/UNDERLYING ASSETS (€ thousand)	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>1. Debt securities and interest rates</b>	<b>45,000</b>	-	<b>20,000</b>	-
a) Options				
b) Swaps	45,000		20,000	
c) Forwards				
d) Futures				
e) Other		-		-
<b>2. Equity securities and equity indices</b>	<b>1,430</b>	-	-	-
a) Options	1,430	-		-
b) Swaps				
c) Forwards				
d) Futures				
<b>e) Other</b>	<b>15,650</b>	-	<b>107,224</b>	-
<b>3. Currencies and gold</b>				
a) Options				
b) Swaps	15,650		107,224	
c) Forwards				
d) Futures				
<b>e) Other</b>	-	-	-	-
<b>4. Goods</b>	-	-	-	-
<b>5. Other underlying assets</b>	<b>62,080</b>	-	<b>127,224</b>	-
<b>Total</b>				

## A.2.2 Other derivatives

TYPES OF DERIVATIVES/UNDERLYING ASSETS (€ thousand)	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>A.2.1 Hedging derivatives</b>				
<b>1. Debt securities and interest rates</b>	-	-	40	-
a) Options			40	
b) Swaps	-		-	
c) Forwards				
d) Futures				
e) Other				
<b>2. Equity securities and equity indices</b>	-	-	2,174	-
a) Options				
b) Swaps				
c) Forwards			2,174	
d) Futures				
e) Other				
<b>3. Currencies and gold</b>	-	-	-	-
a) Options				
b) Swaps				
c) Forwards	-		-	
d) Futures				
e) Other				
<b>4. Goods</b>				
<b>5. Other underlying assets</b>				
<b>Total</b>	-	-	2,214	-

### A.3 Financial derivatives: Gross positive fair value – breakdown by products

PORTFOLIO/TYPE OF DERIVATIVES (€ thousand)	Positive FV 2010		Positive FV 2009	
	OTC	Central counterparties	OTC	Central counterparties
<b>A. Regulatory trading portfolio:</b>	<b>199</b>	-	<b>110</b>	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap Swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	199	-	110	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap 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 swap Swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>199</b>	-	<b>110</b>	-

#### A.4 Financial derivatives: gross negative fair value - breakdown by products

PORTFOLIO/TYPE OF DERIVATIVES (€ thousand)	Negative FV 2010		Negative FV 2009	
	OTC	Central counterparties	OTC	Central counterparties
<b>A. Regulatory trading portfolio:</b>	<b>6,502</b>	-	<b>494</b>	-
a) Options	73	-	-	-
b) Interest rate swaps	6,239	-	384	-
c) Cross currency swap Swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	190	-	110	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>B. Hedging portfolio</b>	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swap 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 swap Swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
<b>Total</b>	<b>6,502</b>	-	<b>494</b>	-



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

<b>CONTRACTS OTHER THAN COMPENSATION AGREEMENTS</b>	<b>Government and central banks</b>	<b>Other public institutions</b>	<b>Banks</b>	<b>Financial companies</b>	<b>Insurance companies</b>	<b>Non-financial companies</b>	<b>Other entities</b>
(€ thousand)							
<b>1) Debt securities and interest rates</b>							
- notional value			45,000				
- positive fair value							
- negative fair value			6,239				
- future exposure			225				
<b>2) Equity securities and equity indices</b>							
- notional value			1,430				
- positive fair value							
- negative fair value			73				
- future exposure			85				
<b>3) Currencies and gold</b>							
- notional value			7,902	4,707		75	2,966
- positive fair value			34	120			44
- negative fair value			156			1	32
- future exposure			79	47		1	30
<b>4) Other values</b>							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

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

<b>LIABILITIES/ASSETS PORTFOLIO</b>				
(€ thousand)	Up to 1 year	Over 1 year, up to 5 years	Over 5 years	Total
<b>A. Regulatory trading portfolio</b>	<b>17,080</b>	<b>45,000</b>	-	<b>62,080</b>
A.1 Financial derivatives on debt securities and interest rates	-	45,000	-	45,000
A.2 Financial derivatives on equity securities and stock indices	1,430	-	-	1,430
A.3 Financial derivatives on exchange rates and gold	15,650	-	-	15,650
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 31/12/2010</b>	<b>17,080</b>	<b>45,000</b>	-	<b>62,080</b>
<b>Total at 31/12/2009</b>	<b>109,438</b>	<b>20,000</b>	-	<b>129,438</b>

## SECTION 3 - LIQUIDITY RISK

Liquidity risk is manifested in the form of the breach of payment obligations, which may be caused by an inability to procure funding (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk).

Liquidity risk also includes the risk of fulfilling payment obligations at above-market costs, incurring a high cost of funding, or (and, in some occasions, simultaneously) incurring capital losses on the divestment of assets.

The bank has established a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of liquidity risk.

The Finance Department (more specifically, the Treasury and Corporate Finance Office) conducts first-tier controls and is responsible for managing liquidity risk and keeping it within the assigned limits in accordance with strategic goals. The transactions set out in the bank's Finance Rules, as approved by the Board of Directors, are as follows:

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

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

The Internal Audit Service is responsible for third-tier controls on investment and fund-raising transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

Banca Generali is primarily a supplier of funds to the market and has historically had surplus liquidity. Liquidity management is aimed at optimising market cash flow and rates.

Part of cash on hand is allocated to interbank deposits in order to obtain the most efficient results in terms of treasury management.

The own securities portfolio is mainly invested in Italian government securities, securities issued by eurozone governments, and domestic and international banks, corporate issuers, with high credit ratings and asset-backed/mortgage-backed securities with ratings not less than investment grade at purchase date.

The securities portfolio also featured a moderate residual average maturity and a prevalence of floating-rate securities over fixed-income securities aimed at avoiding exposure to the risk of mismatching against the interest rates on the bank's liabilities.

The Bank uses a maturity ladder to apply the guidelines set out in Annex D to the new prudential regulatory requirements governing the measurement of net financial position.

The maturity ladder permits an assessment of the balance of expected cash flows by comparing the assets and maturities whose maturities fall within each individual time range. The maturity ladder permits the determination of net balances and, consequently, of mismatches between expected inflows and outflows in each time range, as well as, through the construction of cumulative mismatches, the calculation of the net balance of funding requirements (or surpluses) over the holding period considered.

1 *Circular No. 263 of 27 December 2006, "New Prudential Supervisory Provisions Concerning Banks".*

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

ITEM /TIME-TO-MATURITY (€ thousand)	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	-	-	-	-	82,585	142,189	292,229	698,408	326,371	-	1,541,782
A.2 Other debt securities – listed	1,119	-	-	9,965	51,130	58,386	75,251	658,681	137,408	7,125	999,065
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-	-
A.4 UCIT units	14,327	-	-	-	-	-	-	-	-	-	14,327
A.5 Loans	-	-	-	-	-	-	-	-	-	-	-
- to banks	189,512	31,282	10,000	30,000	-	-	-	-	-	11,680	272,474
- to customers	509,326	37	523	2,062	5,274	15,009	23,616	69,354	53,624	3,845	682,670
<b>Total</b>	<b>714,284</b>	<b>31,319</b>	<b>10,523</b>	<b>42,027</b>	<b>138,989</b>	<b>215,584</b>	<b>391,096</b>	<b>1,426,443</b>	<b>517,403</b>	<b>22,650</b>	<b>3,510,318</b>
<b>Cash liabilities</b>											
B.1 Deposits	-	-	-	-	-	-	-	-	-	-	-
- from banks	35,873	-	-	-	414	8,974	-	-	-	-	45,261
- from customers	2,685,492	78,400	-	45	25	13	9	131	-	-	2,764,115
B.2 Debt securities	-	-	-	189	-	-	-	-	-	-	189
B.3 Other liabilities	46,378	1,831	5,038	222,314	21,829	-	198,733	24,000	16,000	-	536,123
<b>Total</b>	<b>2,767,743</b>	<b>80,231</b>	<b>5,038</b>	<b>222,548</b>	<b>22,268</b>	<b>8,987</b>	<b>198,742</b>	<b>24,131</b>	<b>16,000</b>	-	<b>3,345,688</b>
<b>Off-balance sheet transactions</b>											
C.1 Financial Derivatives With capital swap.	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	100,699	-	-	14,281	49,723	1,265	56	45	-	166,069
- short positions	-	150,285	-	-	14,281	114	1,265	56	45	-	166,046
C.2 Financial Derivatives With capital swap	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	6,239	-	-	-	-	-	-	-	-	-	6,239
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitment to dispense funds	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	1,219	-	-	-	-	-	-	1,136	75	-	2,430
C.5 Financial guarantees issued	-	-	-	-	-	-	-	160	-	-	160
<b>Total</b>	<b>7,458</b>	<b>250,984</b>	-	-	<b>28,562</b>	<b>49,837</b>	<b>2,530</b>	<b>1,408</b>	<b>165</b>	-	<b>340,944</b>

## SECTION 4 – OPERATING RISKS

### A. General Aspects

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

The bank has established an operating risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of operating risk.

The 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 and, if necessary, implements measures to guarantee a higher general level of security.

The Legal and Compliance Department is tasked with contributing to the management of operating risks, to the extent of its competence, through the management and monitoring of law suits. Particular attention is devoted to the control and monitoring of the risk of fraud, a risk of particular importance to the bank, given its organisational configuration.

The Risk Management Service is responsible for second-tier checks on operating risk and is thus charged with identifying, measuring, monitoring and managing operating risks. The Risk Management function identifies and assesses the operating risks inherent in company processes through risk assessment, scoring and analysis of operating losses, and also monitors action plans aimed at mitigating significant risks.

The Internal Auditing Service is responsible for third-level controls on operating risks. 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 that monitors 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 deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk Management Service.

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

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

# PART F - INFORMATION ON NET EQUITY

## SECTION 1 –NET EQUITY

### A. Qualitative Information

The main objective of the bank's management strategy for net equity is to ensure that its equity and ratios are consistent with its risk profile and regulatory requirements.

The bank is subject to the equity adequacy requirements established by the Basel Committee in accordance with the guidelines set forth by the Bank of Italy.

Such rules require that banks maintain a certain level of capital for regulatory purposes, which is separate from the net equity stated in the financial statements. Regulatory capital requirements are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Moreover, the ratio of regulatory capital to risk-weighted assets must be at least 8%; the Bank of Italy verifies conformity with these requirements every three months.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis as well as safeguarding the related databases of historical information. Lastly, when corporate actions are undertaken, capital adequacy is evaluated and any measures to be taken in relation to net equity and/or the balance sheet items that affect minimum capital requirements are identified.

### B. Quantitative Information

Banca Generali's net equity at 31 December 2010 amounted to 232.5 million euros, a 17.4 million euros decrease compared to the previous year, due to the following factors:

- merger deficit of 52.3 million euros as a result of the merger of Banca BSI Italia, covered through full use of the share premium reserve and other available profit reserves;
- net change in the reserves from valuation of AFS assets amounting to 22.1 million euros;
- payout of 2009 dividends,

whereas net profit for the year increased.

<b>Net equity at year start – 1 January 2010</b>	<b>249,875</b>
BSI merger deficit	- 52,322
Treasury shares of former BSI	- 507
Stock option plans of former BSI	134
Dividends for 2009, distributed in May 2010	- 49,884
Net change in AFS reserve	- 22,071
Exercise of stock options	355
Net change in IFRS2 reserves for stock option plans	- 14
Net profit of the year	106,932
<b>Net equity at 31 December 2010</b>	<b>232,498</b>

## B.1 Breakdown of Net Equity Attributable to the Company

(€ thousand)	31.12.2010	31.12.2009	Amount	%
1. Share capital	111,363	111,313	50	0.0%
2. Additional paid-in capital	-	22,309	- 22,309	-100.0%
3. Reserves	38,575	67,221	- 28,646	-42.6%
- retained earnings	38,575	67,221	- 28,646	-42.6%
a) legal reserve	22,263	17,472	4,791	27.4%
b) statutory reserve	-	-	-	n.a.
c) treasury shares	660	3,851	- 3,191	-82.9%
d) other	15,652	45,898	- 30,246	-65.9%
- other	-	-	-	n.a.
4. Equity instruments	-	-	-	n.a.
5. (Treasury shares)	- 660	- 3,851	3,191	-82.9%
6. Valuation reserves	- 23,712	- 1,602	- 22,110	1380.1%
- AFS financial assets	- 23,712	- 1,641	- 22,071	1345.0%
- 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	-	-	-	n.a.
- Share of valuation reserves of investee companies valued at equity	-	-	-	n.a.
- Special revaluation laws	-	39	- 39	-100.0%
7. Net profit (loss) for the year	106,932	54,485	52,447	96.3%
<b>Total net equity</b>	<b>232,498</b>	<b>249,875</b>	<b>- 17,377</b>	<b>-7.0%</b>

## B.2 Breakdown of Reserves from AFS Financial Assets

At year-end, valuation reserves for AFS assets were a negative 23,712 thousand euros, net of the associated tax effect, thus worsening by 22,071 million euros

compared to the end of 2009, mainly attributable to the debt securities portfolio.

ASSETS/VALUES	31.12.2010		Totale	31.12.2009		Totale
(€ thousand)	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
1. Titoli di debito	250	22,201	- 21,951	3,316	3,310	6
2. Titoli di capitale	13	1,774	- 1,761	356	2,003	- 1,647
3. Finanziamenti	-	-	-	-	-	-
<b>Totale</b>	<b>263</b>	<b>23,975</b>	<b>- 23,712</b>	<b>3,672</b>	<b>5,313</b>	<b>- 1,641</b>

### B.3 Change in Reserves from AFS Financial Assets

The worsening position was caused, for a net amount of 31,195 thousand euros, by the reduction in fair values pertaining to the bond component of the AFS portfolio and 870 thousand euros by the transfer back to the profit and loss account of existing net positive reserves. The net positive tax effect of these write-downs has been estimated at 9,994 thousand euros.

This trend is linked to the crisis affecting the financial debt of a number of EU countries which has also had repercussions for Italian public debt prices.

31.12.2010				
(€ thousand)	Equity securities	Debt securities	Bonds previously recognised as AFS	Total
<b>1. Amount at year-start</b>	<b>-1,647</b>	<b>1,732</b>	<b>-1,726</b>	<b>-1,641</b>
<b>2. Increases</b>	<b>1,681</b>	<b>11,777</b>	<b>1,308</b>	<b>14,766</b>
2.1 Fair value increases	29	257	0	286
2.2 Transfer to profit and loss of negative reserves	1,626	1,084	1,276	3,986
due to impairment	1,626	0	0	1,626
due to disposal	0	1,084	1,276	2,360
2.3 Other changes	26	10,436	32	10,494
<b>3. Decreases</b>	<b>1,795</b>	<b>34,547</b>	<b>495</b>	<b>36,837</b>
3.1 Fair value decreases	1,630	31,477	0	33,107
3.2 Transfer to statement of operations of positive reserves	83	3,056	91	3,230
due to impairment	0	0	0	0
due to disposal	83	3,056	91	3,230
3.3 Other changes	82	14	404	500
<b>4. Amount at year-end</b>	<b>-1,761</b>	<b>-21,038</b>	<b>-913</b>	<b>-23,712</b>

The reserve associated with debt securities also includes 913 thousand euros in decreases in fair value that were recognised due to the transfer of securities from the AFS portfolio to the portfolios held to maturity and loans and receivables (net of the relative tax effect). In accordance with IAS 39, these reserves will be absorbed over time through an amortisation process over the estimated residual life of the reclassified securities.



## SECTION 2 – NET EQUITY AND BANK SURVEILLANCE COEFFICIENTS

### 2.1 Capital for regulatory purposes

#### A. Qualitative Information

The Group's capital for regulatory purposes and capital ratios were calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IAS/IFRS, and bearing in mind the new rules defined in the update to Circular Letter No. 155/91 relating to the "Instructions on Reporting Regulatory Capital and Capital Ratios".

The objective of the new provisions is to ensure consistency between the criteria for determining capital for regulatory purposes and capital ratios and IAS.

Capital for regulatory purposes, as in the previously released rules, is calculated as the sum of positive items, which are included based on certain limitations, and negative items, which are included based on their quality; the positive items must be fully available to the bank in order for them to be used in calculating capital absorption.

Capital for regulatory purposes consists of Tier 1 capital, Tier 2 capital, net of several deductions, and Tier 3 capital.

Deductions from Tier 1 and Tier 2 capital include equity investments and other items (innovative equity instruments, hybrid equity instruments and subordinated assets) issued by the entity and the so-called "prudential filters".

The prudential filters, which were specified by the Basel Committee in defining the criteria to be used by national supervisory authorities to ensure consistency among regulations, were introduced to safeguard the quality of regulatory capital and reduce the volatility that could result from the application of the new standards. The prudential filters provide certain adjustments that can be made to accounting entries prior to their use for regulatory purposes.

In particular, the aspects of the new provisions that most affect Banca Generali are as follows:

- for financial assets held for trading, both unrealised gains and losses are fully recognised;
- for financial assets available for sale, unrealised gains and losses are netted: if the result is a negative balance, it reduces Tier 1 capital; if it is positive, it contributes for 50% to Tier 2 capital.

Furthermore, any unrealised gains and losses on loans classified as available-for-sale are sterilised;

- for hedges, unrealised gains and losses on cash-flow hedges, which are recorded in a specific reserve, are sterilised; no filter is applied to fair-value hedges.

The **Instruction of 15 May 2010** partly changed the regulatory framework in that it introduced the possibility of adopting the approach calling for the full "neutralisation" of capital gains and losses to net equity on AFS securities in alternative to the "asymmetrical" approach provided for in applicable supervisory regulations.

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

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

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

Banca Generali has opted for the full neutralisation method.

In determining consolidated capital for regulatory purposes, the **Note of 11 March 2009** was also taken into account concerning the ways in which prudential filters are calculated in the event of the tax redemption of goodwill in accordance with Article 15 of Law Decree No. 185/2008.

With this note, the Bank of Italy stated that, when the bank immediately reports in profit and loss both the substitute tax and the tax benefit – represented by the tax saving made through the tax amortisation of goodwill – thereby bringing forward to the first year the tax benefit expected over the 9-year period, a special negative prudential filter must be activated when calculating the regulatory capital:

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

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

### **1. Tier 1 capital**

Tier 1 capital includes paid-in share capital, issue premium, earnings and capital reserves, the net profit for the year, innovative and non-innovative equity instruments, net of treasury shares or units in portfolio, intangible assets, “other negative items”, as well as any losses reported in the previous and current years, net of the application of positive/negative “prudential filters”.

Banca Generali’s Tier 1 capital did not include any innovative or non-innovative equity instruments at year-end, whereas prudential filters consisted of negative reserves resulting from the measurement of available-for-sale financial assets according to the equity method.

### **2. Tier 2 capital**

Tier 2 capital includes valuation reserves, innovative and non-innovative equity instruments not included in Tier 1 capital, hybrid equity instruments, Tier 2 subordinated liabilities, net of non-performing loan projections due to country risk, and other negative items, net of positive/negative “prudential filters”.

Banca Generali’s year-end Tier 2 capital includes Tier 2 subordinated liabilities consisting of a subordinated loan, for an amount of 40 million euros, granted by the German insurance associate Generali Versicherung AG.

The loan was obtained on 1 October 2008 by the merged Banca Bsi Italia for the acquisition of Banca del Gottardo Italia.

The loan was contracted in the “schuldschein” contractual form, calls for repayment in five annual instalments over seven years beginning on 1 October 2011, and is subordinated if the bank defaults.

The interest rate agreed upon is equal to the 12-month Euribor plus 225 basis points.

The loan agreement does not call for step-ups, lock-ins, suspension of entitlement to interest, trigger events or prepayment clauses.

### **3. Tier 3 capital**

Tier 3 capital includes subordinated liabilities that may not be calculated as part of Tier 2 capital and Tier 3 liabilities, net of the application of negative “prudential filters”. This aggregate may only be used to cover market risk capital requirements – computed net of capital requirements for counterparty risk and settlement risk associated with the “regulatory trading book” – and up to a maximum of 71.4% of said market risk requirements.

Banca Generali did not have Tier-3 capital at year-end.

## B. Quantitative Information

The following is a brief account of the structure of the Group's capital for regulatory purposes, broken down into its main Tier 1 and Tier 2 components.

**Capital for regulatory purposes** amounted to 193.0 million euros at 31 December 2010, on the basis of projected total dividends to be distributed of 61.2 million euros.

The aggregate remained essentially unvaried compared to the previous year, owing to the acquisition of the subordinated loan with the German subsidiary Generali Versicherung, as a result of the merger of Banca BSI Italia and the benefit arising on the exercise of the option envisaged by the Bank of Italy's Order of 18 May 2010, which allowed the sterilisation of net negative fair value changes for the year accrued in the Euro area government bond portfolio.

ITEMS/VALUES			
(€ thousand)	31.12.2010	31.12.2009	Variazione
Tier 1 capital	153,414	192,968	- 39,554
Tier 2 capital	39,591	-	39,591
Tier 3 capital	-	-	-
<b>Total capital for regulatory purposes</b>	<b>193,005</b>	<b>192,968</b>	<b>37</b>
<b>Net equity for accounting purposes</b>	<b>232,498</b>	<b>249,875</b>	<b>- 17,377</b>

## Composition of Capital for Regulatory Purposes

ITEMS/VALUES	31.12.2010	31.12.2009
(€ thousand)		
<b>TIER 1 CAPITAL</b>		
Share capital	111,363	111,313
Additional paid-in capital	-	22,309
Reserves	38,575	67,221
Net profit (loss) for the year	106,932	54,485
Dividends for pay-out	- 61,211	- 49,884
Total positive items	195,659	205,444
Treasury shares	- 660	- 3,851
Goodwill	- 29,410	- 2,991
Intangible assets	- 6,707	- 3,578
Negative fair value reserve for AFS equity securities	- 1,761	- 1,647
Negative fair value reserve for AFS debt securities	- 884	-
50% net tax benefit redempt. Goodwill Re. Art. 15 of Leg. Decree 185/08	- 2,414	-
Total negative items	- 41,836	- 12,067
<b>Total Tier 1 capital</b>	<b>153,823</b>	<b>193,377</b>
Investment in Simgenia	- 409	- 409
<b>Total deductions</b>	<b>- 409</b>	<b>- 409</b>
<b>Total Tier 1 capital</b>	<b>153,414</b>	<b>192,968</b>
<b>TIER 2 CAPITAL</b>	-	-
Valuation reserves	-	-
- revaluation reserve	-	39
subordinated liabilities (up to 50% of Tier 1 capital)	-	6
Positive fair value reserve for AFS bonds	40,000	-
Total positive items	40,000	45
Inapplicable portion of positive AFS reserve	-	- 3
Other negative items	-	-
Total negative items	-	- 3
<b>Total Tier 2 Capital</b>	<b>40,000</b>	<b>42</b>
Investment in Simgenia	- 409	- 42
<b>Total deductions</b>	<b>- 409</b>	<b>- 42</b>
<b>Total Tier 2 Capital</b>	<b>39,591</b>	<b>-</b>
<b>Total capital for regulatory purposes</b>	<b>193,005</b>	<b>192,968</b>

## Prudential Filters

The following table illustrates the impact of the application of the prudential filters set out by the Basel

Committee on the calculation of capital for regulatory purposes.

(€ thousand)	31.12.2010	31.12.2009
<b>A. Tier 1 capital before application of prudential filters</b>	<b>158,882</b>	<b>195,024</b>
B. Prudential Tier 1 capital filters:	- 5,059	- 1,647
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	- 5,059	- 1,647
<b>C. Tier 1 capital before deductions</b>	<b>153,823</b>	<b>193,377</b>
D Deductions from Tier 1 capital	- 409	- 409
<b>E. TIER 1 capital (C - D)</b>	<b>153,414</b>	<b>192,968</b>
<b>F. Tier 2 capital before application of prudential filters</b>	<b>40,000</b>	<b>45</b>
G. Prudential filters of Tier 2 capital:	-	- 3
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	- 3
<b>H. Tier 2 capital before deductions</b>	<b>40,000</b>	<b>42</b>
Deductions from Tier 2 capital	- 409	- 42
<b>L. TIER 2 capital (H - I)</b>	<b>39,591</b>	-
M. Items to deduct from total Tier 1 and Tier 2 capital	-	-
<b>N. Capital for regulatory purposes (E+L-M)</b>	<b>193,005</b>	<b>192,968</b>
O. TIER 3 capital	-	-
<b>P. Capital for regulatory purposes, including TIER 3 (N+O)</b>	<b>193,005</b>	<b>192,968</b>

## 2.2. Capital Adequacy

### A. Qualitative Information

Based on the supervisory instructions, Banca Generali's capital for regulatory purposes, since the bank is part of a banking group, must amount to at least 8% of its risk-weighted assets (total capital ratio) in relation to credit risk, which is evaluated based on the category of the counterparty, maturity, country risk and guarantees received, with a forfait reduction of 25%.

Banks are also required to comply with regulatory capital requirements connected to trading activities. Related market risks are calculated on the entire trading portfolio for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.

Internal models may be used to calculate capital requirements for market risk; however, Banca Generali uses standard methods under all circumstances.

Banks are also required to set aside part of their regulatory capital to cover the operating risk, which, in the case of a Banking group, should be calculated using the basic method set forth by the Circular No. 263 of the Bank of Italy dated 27 December 2006.

Compliance with minimum capital requirements is monitored by the Regulatory Reporting function, which is responsible for calculating, disclosing and monitoring regulatory capital and capital requirements on a regular basis as well as safeguarding the related databases of historical information.

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items. Additional analysis and control of the capital adequacy is also carried out any time the Company carries out extraordinary transactions (e.g. acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

### B. Quantitative Information

Total capital adequacy requirements for credit, market and operating risks set by the Supervisory Authority at the end of the year amounted to 94.4 million euros, resulting in excess of capital for regulatory purposes of 98.6 million euros, decreasing compared to the previous year due to the greater requirements of credit risks related to Banca BSI Italia's activities.

Total capital ratio amounted to 16.35%, compared to a minimum requirement of 8%, net of the lump-sum reduction of 25% required by the new regulations (Basel 2) for banks belonging to Italian banking groups.

ITEMS/VALUES	31.12.2010		31.12.2009	
	Non weighted amounts	Weighted amounts	Non weighted amounts	Weighted amounts
(€ thousand)				
<b>A. RISK ACTIVITY</b>	<b>4,415,434</b>	<b>1,106,355</b>	<b>3,287,206</b>	<b>987,624</b>
<b>A.1 Credit and counterparty risk</b>				
1. standardised method	4,340,614	1,032,892	3,181,438	873,306
2. internal rating method	-	-	-	-
2.1 basic	-	-	-	-
2.2 advanced	-	-	-	-
3. securitisation	74,820	73,463	105,768	114,318
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 CREDIT RISK AND COUNTERPARTY RISK</b>		<b>88,508</b>		<b>79,010</b>
<b>B.2 MARKET RISKS</b>		<b>9,349</b>		<b>13,420</b>
1. Standard methodology	X	9,349	X	13,420
2. Internal models	X	-	X	-
3. Foreign exchange risk		-		-
<b>B.3 OPERATING RISK</b>	<b>X</b>	<b>28,029</b>	<b>X</b>	<b>18,593</b>
1. Basic method	X	28,029	X	18,593
2. Standardised method	X	-	X	-
3. Advanced method	X	-	X	-
<b>B.4 OTHER PRUDENTIAL REQUIREMENTS</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>-</b>
<b>B.5 TOTAL PRUDENTIAL REQUIREMENTS (3)</b>	<b>X</b>	<b>94,414</b>	<b>X</b>	<b>83,267</b>
<b>C. RISK-WEIGHTED ASSETS AND REGULATORY CAPITAL RATIOS</b>				
C.1 Risk-weighted assets	X	1,180,175	X	1,040,841
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	X	13.00%	X	18.54%
C.3 Capital for regulatory purposes/Risk-weighted assets (Total capital ratio)	X	16.35%	X	18.54%

(3) The amount takes into account the 25% reduction of requirements.

## PART G – MERGERS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.

The results of impairment testing of the company's goodwill are also stated in the interest of consistency of presentation.

### SECTION 1 - TRANSACTIONS UNDERTAKEN DURING THE YEAR

On 1 January 2010, within the banking Group two internal restructuring transactions authorised in the previous year were finalised:

- 1) the portfolio management business unit was contributed by Banca BSI Italia to BG SGR S.p.A.;
- 2) Banca BSI Italia S.p.A. was merged into its parent company, Banca Generali S.p.A.

The first of the two transactions was undertaken by Banca BSI Italia before it was merged into Banca Generali and thus is also presented in this chapter in order to provide a complete overview of the resulting situation.

Both of the foregoing qualify as transactions between entities under common control and have been accounted for in accordance with the principle of the continuity of the values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali's 2009 financial statements.

#### Contribution of the portfolio management unit to BG SGR

The business in which the contributed unit engages involves entering into agreements to manage clients' assets by investing them in shares and/or units of mutual funds/SICAVs and equities/bonds, on both Italian markets and foreign markets denominated in foreign currencies, as well as by making spot and forward currency sales and purchases.

The following are included in the business unit on the effective date of the contribution:

- portfolio management agreements in force with clients;
- client assets included in portfolio management accounts;
- the current accounts used to manage the liquidity contained in individual portfolio positions;
- the employees devoted to managing the foregoing agreements;
- the outsourcing agreement with Banca Generali for back-office services for the securities included in portfolio management services;
- the portion of goodwill and intangible assets attributable to the Business Unit and arising from the acquisition of Banca del Gottardo Italia, recognised in function of the proportion of total assets under management subject to conferment.

Banca Generali, in its capacity as the company merging Banca BSI Italia, continues in any case to act as the placement agent for the unit's portfolio management, in relation to the activity performed by its own relationship manager structure and the distribution activity carried out by the banking group's networks of financial advisors.

From an accounting standpoint, the contribution transaction was undertaken at the book value of the difference between the contributed unit's assets and liabilities, determined to amount to 9.5 million euros.

To account for the non-monetary contribution, BG SGR authorised a reserved share capital increase pursuant to Articles 2440 and 2441 of the Italian Civil Code.

In detail, on the basis of the exchange ratios, BG SGR issued 315,133 new shares to the transferee Banca BSI Italia, amounting to 19.6% of post-acquisition share capital, in the maximum total amount of 1,576 thousand euros. The remainder, 7,924 thousand euros, was allocated to the share premium reserve.



## Merger of Banca BSI Italia S.p.A..

As mentioned above, Banca BSI Italia was merged into Banca Generali after the portfolio management unit had been contributed and effective the same date, 1 January 2010.

Since Banca Generali holds the entirety of the share capital of Banca BSI Italia, the transaction was undertaken without any share capital increase by the merging entity, pursuant to Article 2504-*quinquies* of the Italian Civil Code.

In accounting terms the merger was carried out based on the book value of the assets and liabilities of the merged subsidiary, whilst the difference between this value and the carrying value of the parent company's holding was recognised in the merging bank's net equity.

In detail, at the effective date of the merger, the value of the Banca Generali's equity investment in Banca BSI Italia amounted to 114,155 thousand euros, while the latter's net equity after the contribution of the portfolio management unit was 61.8 million euros. Accordingly, Banca Generali recognised a negative merger difference ("merger deficit") in the amount of 52.3 million euros, allocated as a decrease in net equity.

The total reduction in Banca Generali's net equity amounted to 52.7 million euros, due to the acquisition of shares of the parent company Banca Generali held by Banca BSI and the redefinition of a related IFRS 2 plan.

(€ thousand)	31.12.2010
BG equity investment in BSI	114,155
BSI Net equity at 31/12/2009	61,833
<b>Merger deficit</b>	<b>-52,322</b>
shares of parent company BG	-620
difference between consolidated value of shares and individual value	113
restatement of former BSI stock option plan (IFRS 2 reserve)	164
difference compared to liabilities of former BSI financial statements and prepaid taxes	-30
<b>overall effect in Net Equity</b>	<b>-52,695</b>

With reference to the effects on the opening balance sheet of Banca Generali at 1 January 2010, the reader is referred to the discussion in Part G of Banca Generali's Financial Statements at 31 December 2009.

## SECTION 2 – TRANSACTIONS AFTER THE CLOSE OF THE PERIOD

During the first few months of 2010 and up to the date on which publication of these financial statements was authorised, no business combination transactions were authorised that affected Banca Generali directly.

## SECTION 3 RETROSPECTIVE ADJUSTMENTS

No retrospective adjustments to business combinations by the banking group in previous years were undertaken in 2010 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 2010, goodwill reported by Banca Generali totalled 29.4 million euros, including 26.4 million for the portion of goodwill from the acquisition of Banca Del Gottardo Italia by Banca BSI Italia and inherited following the latter's merger.

This value was initially recorded in the financial statements of Banca BSI Italia for an amount of 31.3 million euros, based on the book values shown for the first time recognition in the consolidated financial statements of the mutual parent company Assicurazioni Generali S.p.A, at the time of the acquisition of the

Swiss banking Group Banca del Gottardo S.A in 2008, as determined following the PPA – Purchase Price Allocation process, prepared in accordance with IFRS 3.

As illustrated in the previous paragraphs, a portion of this goodwill, amounting to 4.9 million euros, relating to retail customer management mandates, was subsequently eliminated by Banca BSI Italia following the contribution of the portfolio management unit to BG SGR.

As a result, goodwill is as shown in the following table.

(€ thousand)	31.12.2010	31.12.2009
Prime Consult and Ina sim	2,991	2,991
Banca Del Gottardo Italia	26,419	-
<b>Total</b>	<b>29,410</b>	<b>2,991</b>

(€ thousand)	Goodwill
Net amount at period-start	2,991
<b>Increases</b>	<b>26,419</b>
Purchases	26,419
Other changes	26,419
of which business combinations	26,419
<b>Decreases</b>	-
Sales	-
Adjustments	-
of which: a) depreciation and amortisation	-
of which: b) write-downs	-
Other changes	-
<b>Amount at year-end</b>	<b>29,410</b>

## Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is tested at least annually for impairment.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified, pursuant to IFRS 8, for management reporting.

To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Goodwill is monitored by Banca Generali's central functions.

The following CGUs have been defined in order to perform the impairment test for such goodwill in accordance with IAS 36

- "Relationship Management" CGU falling within the Private banking operating segment
- "Prime Consult and INA Sim CGU, falling within the Retail segment.

### 1. Relationship Management CGU ("RM CGU")

The "Relationship Management" CGU ("RM CGU") refers to the part of the activity of "Banca Generali's Private Banking Division", relating to the operations of the now merged Banca BSI Italia and Banca del Gottardo Italia, to which the goodwill arising from the acquisition is attributable in full.

This CGU, in view of the "confusion" arising following successive business merger and reorganisation operations, includes all Relationship Managers employed by Banca Generali.

The scope of the CGU and related future revenue flows have hence been identified in relation to Assets Under Management managed by them, including management mandates conferred on BG SGR, since Banca Generali receives the related profits through annual dividends.

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered.

Value in use was calculated by employing an analytical method as the main method, whereas fair value was calculated by employing an empirical method as the control method.

In detail, the analytical method employed was the Dividend Discount Model ("DDM"), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of the hypothetical dividend flows that it is capable of generating prospectively over the chosen holding period.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the RM CGU were based on an extract of the banking group's 2011-2014 forecast data. These data refer to the 2011 Budget, as approved by the Parent Company's Board of Directors, and cash flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information.

The expected long-term growth rate after the explicit forecasting period employed to determine the terminal value was set at 2%.

The cost of capital employed to discount cash flows, determined according to the Capital Asset Pricing Model, was estimated at 10.7%.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the RM CGU's carrying amount of **48.7 million euros**, the value obtained by applying the analytical method described above comes to a minimum of **56.1 million euros** and a maximum of **66.3 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 10.4%-10.9% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

## 2. Prime Consult and INA Sim CGU

To determine the recoverable amount, both market assessments (to arrive at fair value) and basic methodologies (to arrive at value in use) were considered. Specifically, the following were used to determine value in use:

- the CGU's earnings and cash flow projections, extrapolated from the Banca Generali Group's 2011-2013 forecast data, supplemented by management analyses of specific aspects; the Group's forecast data are based on the 2011 Budget, as approved by the Board of Directors, and cash-flow projections constructed on the basis of the Group's historical experience and in accordance with external sources of financial information;
- analytical valuation methods based on the discounting of expected future cash flows (cash flow method);
- a fixed cost of capital of 10.7%, constructed according to the Capital Asset Pricing Model;
- the terminal value determined according to the perpetual return method on the basis of growth rate of 2%.

The tests performed on the CGU did not detect any goodwill impairment.

Compared to the Prime Consult and INSA SIM CGU's carrying amount of **13.4 million euros**, the value obtained by applying the analytical method described above amounts to a minimum of **82.7 million euros** and a maximum of **85.3 million euros**.

In accordance with the requirements of IAS 36.134 f), a sensitivity analysis was conducted as a function of the parameters cost of capital and long-term growth rate, using a range of variation of 10.4%-10.9% and 1.5%-2.5%, respectively.

The test performed using the control method also confirmed that the carrying amount remained applicable.

# PART H – TRANSACTIONS WITH RELATED PARTIES

## 1. Disclosure of Directors and Executives Compensation

IAS 24 defines **key management personnel** as “those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors (whether executive or otherwise)” and establishes that key management personnel of an entity or an entity’s parent company are to be considered related parties.

Banca Generali’s financial statements and Procedure for transactions with related parties classifies key management personnel as the Directors, Statutory Auditors and General Manager of the bank and the Deputy General Managers, as well as the key

management personnel of the parent company Assicurazioni Generali.

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

31.12.2010				
(€ thousand)	Directors	Auditors	Other key management personnel	Total
Short-term benefits (current comp. and social security charges) (1)	1,468	117	2,330	3,915
Post-employment benefits (2)	200	-	307	507
Other long-term benefits (3)	175	-	321	496
Severance indemnities (4)	-	-	-	-
Share-based payments (5)	-	-	-	-
<b>Total</b>	<b>1,843</b>	<b>117</b>	<b>2,958</b>	<b>4,918</b>

(1) Includes current remuneration and social security charges payable by the company and short-term benefits

(2) Includes the company’s pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations

(3) Includes 40% of the bonus with access gate

(4) Includes charges for early retirement incentives

(5) Includes the cost of stock option plans determined based on IFRS 2 criteria and recorded in the financial statements

This table, unlike the next table prepared in accordance with article 78 of the Rules for Issuers, also includes the items excluded in that table such as social security charges for which the company is liable, the allocation to the provision for post-retirement benefits, charges for stock option plans, determined in accordance with IFRS 2, as well as projected productivity bonuses for the year which still have to be resolved upon by the Board of Directors.

The “Other long-term benefits” item includes the estimate for 40% of variable remuneration for the year, exceeding the 75,000 euros which is payable, in accordance with the bank’s new remuneration policy, in deferred stages over the next two years and is subject to specific gate conditions being met.

Pursuant to article 78 of the Rules for Issuers (No. 11971), as amended by Resolution No. 15915 of 3 May 2007, following the introduction of IASs/IFRSs, companies listed on regulated markets must include a table stating the compensation paid to members of their administrative and control bodies, general managers, and other key management personnel (data for the latter only in aggregated form).

Emoluments for positions held must include:

(i) emoluments pertinent to the period as authorised by the shareholders’ meeting, or pursuant to article 2389, paragraph 2, of the Italian Civil Code, if not yet paid, (ii) any right to a share of profits, (iii) attendance bonuses, and (iv) lump-sum reimbursements of expenses.

The amount of the sums indicated under (ii) must be stated on an accrual basis even if the shareholders’ meeting that is to approve the financial statements and the distribution of profits for the administrative body has yet to be held. If the shareholders’ meeting resolves on a different allocation of the profits for the year, the table must be modified accordingly.

The column non-monetary benefits must include fringe benefits (according to whether these are considered taxable income) and any insurance policies.

Bonuses and other incentives include the share of remuneration that accrues on a one-off basis. Under no circumstances is this column to include the values of stock options granted or exercised.

Other compensation must include: (i) emoluments for positions held with listed and unlisted subsidiaries; (ii) salaries (gross of social-security contributions and taxes for which the employee is liable, excluding mandatory collective social-security expenses for which the company is liable and allocations to the provision for post-employment benefits; (iii) end-of-term indemnities; (iv) and any other additional remuneration arising from other services rendered.

## Compensation paid to members of administrative and control bodies, general managers and key management personnel

(Article 78 of CONSOB Resolution No. 11971 of 14 May 1999, as amended – Annex 3C – Table 1)

Surname and name	Company	Office held	Period during which office was held	Term of office	Emoluments for the position held at the company drafting the financial statements	Non-monetary benefits (4)	Bonuses and other incentives	Other compensation	Total	Notes
PERISSINOTTO Giovanni	Banca Generali	Chairman	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	(1)
GIRELLI Giorgio Angelo	Banca Generali	CEO	1.1.-31.12.10	Approval of 2011 F. S.	775,000	-	462,000	200,000	1,437,000	(6) (7)
	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000	-	-	-	25,000	(1)
	Bg sgr	Director	1.1.-28.05.10	.....	-			4,055	4,055	(1)
	Generali fund management	Director	1.1.-31.12.10	Approval of 2011 F. S.				4,000	4,000	(1)
BAESSATO Paolo	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	
		Internal Control Committee			6,438				6,438	
BORRINI Amerigo	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	(1) (7)
BUSCARINI Fabio	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	(1)
DE VIDO Andrea	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	
		Compensation Committee			8,333				8,333	
LENTATI Attilio Leonardo	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	
		Internal Control Committee			22,083				22,083	
		Compensation Committee			8,333				8,333	
MIGLIETTA Angelo	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	(2)
		Internal Control Committee			22,083				22,083	(2)
		Compensation Committee			8,333				8,333	(2)
MINUCCI Aldo	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	(1)
RIELLO Ettore	Banca Generali	Director	1.1.-31.12.10	Approval of 2011 F. S.	25,000				25,000	
		Internal Control Committee			22,083				22,083	
MOTTA Pier mario	Banca Generali	General Manager	1.1.-31.12.10	.....	-	228,017	729,000	787,478	1,744,495	(3) (4)
		Bg sgr	Director	1.1.-31.12.10	Approval of 2011 F. S.	-		10,000	10,000	(1)
ALESSIO VERNI' Giuseppe	Banca Generali	Chairman of the Board of S. A.	1.1.-31.12.10	Approval of 2011 F. S.	40,000			-	40,000	(5)
		Generfid	Chairman of the Board of S. A..	1.1.-31.12.10	Approval of 2011 F. S.	-		5,000	5,000	(5)
VENCHIARUTTI Angelo	Banca Generali	Standing auditor	1.1.-31.12.10	Approval of 2011 F. S.	30,000			-	30,000	(8)
		BG Fiduciaria	Chairman of the Board of S. A..	1.1.-31.12.10	Approval of 2011 F. S.	-		7,500	7,500	(8)
GAMBI Alessandro	Banca Generali	Standing auditor	1.1.-31.12.10	Approval of 2011 F. S.	30,000				30,000	
		Bg sgr	Chairman of the Board of S. A..	1.1.-31.12.10	Approval of 2011 F. S.			10,500	10,500	
Key Management Personnel	Banca Generali	.....	.....	.....	-	65,837	197,400	420,561	683,798	(3) (4)
					<b>1,222,686</b>	<b>293,854</b>	<b>1,388,400</b>	<b>1,449,094</b>	<b>4,354,034</b>	

### Notes:

(1) The compensation for the position is not paid to the beneficiary but to the beneficiary's company.

(2) Compensation not yet paid as at 31 December 2010.

(3) The item "Other compensation" includes:

a) salaries, without considering social-security expenses for which the company is liable and the pertinent share of the allocation to the provision for post-employment benefits;

b) allowances in lieu of holidays and cancelled public holidays and other one-off allowances

c) compensation in subsidiary or associate companies, listed separately

d) any additional remuneration for services provided.

(4) The item "Non-monetary benefits" includes:

a) contributions for social security and supplementary pension plans and other company policies;

b) other company fringe benefits according to a tax liability criterion (company cars, accident policy, etc.)

(5) The item "Emoluments for the position held" is net of VAT and social-security contributions and also includes travel indemnities and reimbursements.

(6) "Other compensation" includes the payment of premiums for the year under the end-of-term indemnity insurance policy taken out to benefit the CEO.

(7) The party in question does not receive any compensation for participating in the BoD of BG Fiduciaria.

(8) Under independent service contract coordinated by the employer.

## Stock options granted to members of the administrative body, general managers and key management personnel

(Article 78 of CONSOB Resolution No. 11971 of 14 May 1999, as amended – Annex 3C – Table 2)

Article 78 of the Rules for Issuers (No. 11971), as amended by Resolution No. 15915 of 03/05/2007, also calls for the issuer to disclose stock-option plans in the form of the free granting of shares or the offer of options for the purchase or subscription of shares of the issuer or of a subsidiary of the issuer provided for members of the administrative body, general managers, and key management personnel (in aggregate form for the latter).

On 13 September 2010, 389,596 treasury shares, with a carrying value of 3,810 thousand euros, were assigned at no cost to Chief Executive Officer Giorgio Girelli in application of the Stock Granting plan in favour of the Chief Executive Officer and General Manager, authorised by the company on 26 May 2006 and linked to the listing of the company's shares on the electronic share market (MTA).

The Plan Rules that 50% of the shares assigned are not available for disposal for one year from the assignment date.

Name and Surname	Office held	Options held at year-start			Options granted during the year			Options exercised during the year			Options expired in the year		Options held at year-end		
		No. of options	Average strike price	Average maturity	No. of options	Average strike price	Average maturity	No. of options	Average strike price	Average market price for the year	No. of options	No. of options	Average strike price	Average maturity	
Giorgio Girelli	Chief Executive Officer	389,596	-	2007-2011	-	-	-	389,596	-	8,9035	-	-	-	2007-2011	
Key Management Personnel (*)		80,000	9,599	2009-2012	-	-	2009-2012	-	-	-	-	80,000	-	2007-2011	
		<b>469,596</b>	<b>9,599</b>	-	-	-	-	<b>389,596</b>	-	<b>8,9035</b>	-	<b>80,000</b>	-	-	

### Disclosure under article 78, paragraph 1-bis, of the Rules for Issuers

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

### Equity investments paid to members of administrative and control bodies, general managers and key management personnel (Art. 79 of Rules for Issuers)

Name and surname	Investee Company	No. Of shares owned at the end of the previous year	No. Of shares purchased	No. Of shares sold	No. Of shares owned at the end of the current year
Perissinotto Giovanni	Banca Generali	4,000	21,000	-	25,000
Motta Piermario	Banca Generali	293,284	-	- 280,000	13,284
Giorgio Girelli (*)	Banca Generali		584,394	- 389,596	194,798

(\*) On 15 September, 194,798 shares of the issuer Banca Generali were made available to the Chief Executive Officer Giorgio Girelli through a securities loan agreement entered into with the parent company Assicurazioni Generali and were sold at the same time. Therefore, at the reporting date, the Chief Executive Officer held 194,798 shares representing 50% of the shares received from the free assignment during the year and as collateral for the aforementioned securities loan transaction.



## 2. Disclosure of Transactions with Related Parties

In compliance with CONSOB Resolution No. 17221 on the provisions governing significant transactions with related parties, “related parties” includes parties defined as such by IAS 24 – Related Party Disclosures. According to this standard, a party is related to an entity if:

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

The related parties are the parent company Assicurazioni Generali S.p.A. and its direct or indirect subsidiaries and the subsidiaries of the Bank (BG Fiduciaria, BG SGR, Generfid S.p.A. and Generali Fund Management SA).

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

### Atypical and/or unusual transactions

During 2010, Banca Generali carried out no “atypical and/or unusual transactions” which in terms of significance/relevance could have given rise to doubts regarding the safeguarding of company’s assets and protection of minority shareholders, either with related parties or with entities other than related parties (any such transactions are also subject to market disclosure pursuant to art. 71-bis of CONSOB Regulation No. 11971/99), in force up to 1 December 2010), except for those indicated below.

On 1 January 2010, two internal restructuring transactions were undertaken within the banking group:

- 1) the discretionary portfolio management business unit was contributed by Banca BSI Italia to BG SGR;
- 2) Banca BSI Italia was merged into the parent company, Banca Generali;

### Ordinary or recurring transactions

As part of its normal operations, the Bank has numerous financial and commercial relationships with the companies in the banking group (BG Fiduciaria SIM, BG SGR, Generfid S.p.A. and Generali Fund Management Sa), the parent company Assicurazioni Generali S.p.A. and companies that are controlled by Assicurazioni Generali but in which Banca Generali has no equity investments.

Specifically, all items recorded in the accounts that are attributable to transactions with related companies originated from the following types of transactions:

- current accounts with the companies of the banking group, the parent company Assicurazioni Generali and its main Italian subsidiaries for the deposit and management of group financial flows (cash pooling);
- loan agreements for interbank transactions with Generali Bank AG;
- risk sharing agreement and indemnity for the loans portfolio of the former Banca del Gottardo Italia, granted by BSI SA;
- securities custody and administration and securities brokerage relationships with the parent company and with numerous group companies, including for the most part the Italian asset management companies and the foreign asset management companies;

- custody and administration of financial instruments in the service of the stock granting plan for Generali group employees;
- commercial portfolio collection for the group's real estate companies;
- conventions with Generali Investment Italy Sgr, BG SGR, Fondi Alleanza SGR, Banca BSI Italia and BG fiduciaria SIM for the placement of asset management products through the financial advisor network;
- an agreement with the SICAV Generali Investments Sicav governing the offering of the firm's units to the public in Italy;
- agreement with Generali Fund Management for the distribution of the BG Sicav and BG Selection Sicav;
- conventions with GenertelLife and Assicurazioni Generali for the placement of insurance and pension products;
- administrative outsourcing contracts for the provision of management and operating services to Banking Group companies and Simgenia S.p.A.;
- IT system outsourcing contracts with GBS –Generali Business Solution Srl – for the management of the non-legacy information system infrastructure (office automation), the GGSnet data transmission network and the outsourcing of administrative and logistics services;
- staff secondments to and from the parent company Banca Generali and with companies of the insurance and banking group;
- insurance agreements with Assicurazioni Generali (global public liability policy, public liability for financial advisors, IT policy, etc.), and other insurance group companies;
- lease agreements for premises used as the company's head offices and branches with Assicurazioni Generali and other properties companies of the Generali Group;
- investment consulting and financial database outsourcing transactions with Generali Sgr;
- transactions with the parent company Assicurazioni Generali in relation to the participation of the bank in the "tax consolidation" scheme;
- subordinated loan agreement from the German insurance associate Generali Versicherung AG.

Transactions with related parties are part of the ordinary course of business of the companies in the Group and of Banca Generali and are carried out at arm's length terms.

## 1. Companies of the Banking Group and of the Assicurazioni Generali Group

### 1.1 Assets and liabilities

(€ thousand)	Parent Company Assicurazioni Generali	Subsidiary companies Banking Group	Other associate companies Generali Group	31/12/2010	% weight 2010	31.12.2009
Financial assets held for trading	226	-	-	226	0.2%	110
AFS financial assets	657	-	1,165	1,822	0.1%	1,796
Loans to banks	-	-	37,842	37,842	8.5%	12,495
Loans to customers	30,722	33,387	9,830	73,939	9.0%	47,248
Equity investments	-	39,417	-	39,417	100.0%	143,992
Tax assets (AG tax consolidation)	24,611	-	-	24,611	38.1%	4,085
Other assets	407	157	1,343	1,907	2.7%	663
<b>Total assets</b>	<b>56,623</b>	<b>72,961</b>	<b>50,180</b>	<b>179,764</b>	<b>4.8%</b>	<b>210,389</b>
Due to banks	-	-	31,368	31,368	7.0%	895,995
Due to customers	296,349	24,603	509,559	830,511	28.3%	685,610
Financial liabilities held for trading	-	-	-	-	0.0%	110
Other liabilities	237	44	104	385	0.5%	866
<b>Total liabilities</b>	<b>296,586</b>	<b>24,647</b>	<b>541,031</b>	<b>862,264</b>	<b>23.0%</b>	<b>1,582,581</b>
<b>Guarantees issued</b>	<b>-</b>	<b>-</b>	<b>529</b>	<b>529</b>		<b>529</b>

## 1.2 Costs and revenues

(€ thousand)	Parent Company Assicurazioni Generali	Subsidiary companies Banking Group	Other associate companies Generali Group	31/12/2010	% weight 2010	31/12/2009
Interest income	1,122	102	523	1,747	3.1%	1,169
Interest expense	-1,100	-	598	-	44.5%	-
<b>Net interest</b>	<b>22</b>	<b>-</b>	<b>496</b>	<b>-</b>	<b>-10.2%</b>	<b>-</b>
Commission income	168	85,447	75,980	161,595	75.7%	77,511
Commission expense	-	-	12,396	-	8.8%	-
<b>Net commissions</b>	<b>168</b>	<b>85,447</b>	<b>63,584</b>	<b>149,199</b>	<b>206.6%</b>	<b>76,069</b>
Dividends	20	115,454	-	115,474	61.0%	48,784
<b>Operating income</b>	<b>210</b>	<b>200,405</b>	<b>59,697</b>	<b>260,312</b>	<b>106.9%</b>	<b>114,160</b>
General and administrative expense	-	3,146	-	185	-	10,190
Staff expenses	-	72	450	445	823	-1.2%
Other net operating profit	-	-	650	220	870	10.5%
<b>Net operating expense</b>	<b>-</b>	<b>3,218</b>	<b>915</b>	<b>-</b>	<b>9,525</b>	<b>-</b>
<b>Operating profit</b>	<b>-</b>	<b>3,008</b>	<b>201,320</b>	<b>50,172</b>	<b>248,484</b>	<b>197.50%</b>

## 2. Key management personnel and other related parties

(€ thousand)	Key Management Personnel	Other related parties	31.12.2010	31.12.2009
Loans to customers	2,662	-	2,662	218
Due to customers	3,061	8,457	11,518	3,002
Guarantees issued	-	2,500	2,500	-
Guarantees received	-	-	-	-

### Transactions of particular significance

On 15 December 2010, the temporary credit line granted to Generali Bank AG for interbank transactions up to a maximum amount of 60 million euros was extended to 31 December 2011.

## Direction and Coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of this company's latest Financial Statements is reported hereunder.

(€ million)	<b>Esercizio 2009</b>
<b>Net profit</b>	<b>555.7</b>
Aggregate dividend	544.9
Increase	167.9%
Total net premiums	8,428.5
Total gross premiums	9,270.9
Total gross premiums from direct business	7,003.0
Change on equivalent terms (a)	-4.9%
Total gross premiums from indirect business	2,267.9
Change on equivalent terms (a)	-1.6%
Acquisition and administration costs	1,271.6
Expense ratio (b)	15.1%
<b>Life Segment</b>	
Life net premiums	5,267.6
Life gross premiums	5,426.5
Change on equivalent terms (a)	-5.0%
Life gross premiums from direct business	3,742.6
Change on equivalent terms (a)	-5.8%
Life gross premiums from indirect business	1,683.9
Change on equivalent terms (a)	-3.4%
Life acquisition and administration costs	569.7
Expense ratio (b)	10.8%
<b>Non-life Segment</b>	
Non-life net premiums	3,160.9
Non-life gross premiums	3,844.4
Change on equivalent terms (a)	-2.7%
Non-life gross premiums from direct business	3,260.4
Change on equivalent terms (a)	-3.8%
Non-life gross premiums from indirect business	584.0
Change on equivalent terms (a)	4.1%
Non-life acquisition and administration costs	701.9
Expense ratio (b)	22.2%
Loss ratio (c)	78.2%
Combined ratio (d)	100.4%
<b>Current financial result</b>	<b>2,136.8</b>
Technical provisions	39,832.2
Life segment technical provisions	32,962.2
Non-life segment technical provisions	6,870.0
Investments	63,588.2
Capital and reserves	13,247.4

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 2009. These are available together with

the Independent Auditor's Report as provided for by the law. Consequently, these figures are not subject to audit performed by the auditing firm entrusted by Banca Generali.

# PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

## A. QUALITATIVE INFORMATION

### Payment Agreements Based on Own Equity Instruments

At 31 December 2010 the payment agreements based on own equity instruments activated by Banca Generali consisted of:

- two stock-option plans, one for financial advisors and the other for certain of the Group's directors relating to Banca Generali's listing on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A., approved by Banca Generali's Shareholders' Meeting on 18 July 2006 and operational since 15 November 2006;
- two new stock-option plans, one for financial advisors and private bankers and the other for relationship managers, approved by Banca Generali's Ordinary Shareholders' Meeting on 21 April 2010;
- a stock-option plan approved by the subsidiary Banca BSI Italia on 19 January 2007 for the company's then-Chairman, inherited through the merger with the company.

The stock-granting plan for top management, approved along with the stock-option plans by the Shareholders' Meeting on 18 July 2006, may be considered completed following the granting on 13 September of shares to Banca Generali's Chief Executive Officer.

The main features of the aforementioned plans are detailed below.

#### 1. Stock Option Plans for Employees and Financial Advisors

The stock-option plans approved by the Board of Directors on 24 May 2006, ratified by the extraordinary Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA, organised and managed by Borsa Italiana S.p.A., called for:

- the granting to employees of companies belonging to Banca Generali Group a maximum amount of 1,113,130 ordinary shares can be issued;
- the granting to Banca Generali's financial advisors, area managers and business managers and the private bankers in the BSI channel, a maximum of 4,452,530 shares can be issued.

To service these plans, the Banca Generali Extraordinary Shareholders' Meeting passed a resolution for a capital increase, in one or more tranches, subject to the admission of the company's shares to trading on the MTA for a maximum nominal amount of 5,565,660.00 euros, through the issuance of a maximum of 5,565,660 ordinary shares with a par value of 1.00 euro.

These plans became operational with the commencement of the trading of the ordinary shares of Banca Generali on the MTA on 15 November 2006. On 15 December 2006, 4,452,530 options were assigned to financial advisors and 818,500 options to Group executives; the strike price of both sets of options was 9.046 euros.

The plans' rules and procedures called for advisors' options to vest in three instalments over a three-year vesting period. Once the vesting period had lapsed, the options would have been exercisable until 31 March 2011 (36 months from the date of the determination that the targets had been met).

The plan called for a single three-year vesting period for managers, with the possibility of exercising the options over the following three years.

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

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

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

On 9 October 2009, Banca Generali's Board of Directors resolved to amend the plans' rules and procedures to include a three-year extension of the strike period of the options granted. That amendment was approved by the Shareholders' Meeting on 21 April 2010.

Following the extension of the strike period, the new terms for the exercise of the options as extended are as follows:

- for financial advisors - 31/03/2014;
- for employed managers - 15/12/2015.

All other plan conditions, from the strike price of 9.0 euros per share, to the obligation to reinvest 50% of capital gains in Banca Generali shares and retain said shares for at least 12 months, remain unchanged.

The vesting period for the final instalment of the plan for financial advisors also ended in 2010.

At the end of 2010, the options assigned under the plan for employees of banking group companies totalled **823,500**.

The option rights granted to financial advisors amounted to **2,424,386** at year-end.

### 1.1 Accounting effects of the extension of the stock-option plan

The effects of modifications to share-based payment agreements are governed by paragraphs 26-29 of IFRS 2 and the specific instructions set forth in paragraphs B42-B44 of the application guidance (appendix B).

In particular, the Standard requires that an entity recognise the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee.

In the case at hand, the extension of the option strike period, without prejudice to the vesting period, certainly represents a benefit for the plan beneficiary that may be measured by an increase in the fair value of the options granted.

In this situation, the effects of the modifications to stock-option plans must be determined as follows:

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

For shared-based payment transactions with employees and others providing similar services (financial advisors were considered to fall into this category), the measurement date of the fair value of the equity instruments granted coincides with the grant date.

The grant date is defined as “the date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date, the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.”

In the case at hand, the fair value measurement date coincides with the date of the Banca Generali shareholders’ meeting that ratified the plan on 21 April 2010.

However, a partial exception to this rule is indicated in the Application Guidance (Guidance on Implementing IFRS 2 Share-based Payment) for stock-option plans included in remuneration packages for certain categories of employees that are still subject to approval by shareholders.

In this case, the employee’s services begin to be received before the plan is formally approved.

Accordingly, the entity estimates the fair value of such instruments at the provisional grant date.

When the grant date has been determined by the shareholders’ meeting, the entity revises its estimate on the basis of the definitive fair value determined with respect to the grant date.

It is believed that the situation presented in the Application Guidance to IFRS 2 may also be applied in the specific case of the extension of existing plans. Accordingly, the expense of extending the plans was measured provisionally on the basis of the date of the Board of Directors’ resolution (9 October 2009).

The expense of plans for which vesting conditions had been satisfied by year-end was charged to the profit and loss account in its entirety, whereas the expense of plans that will vest in the following year has been charged on a pro-rated basis.

The amount of the plans has thus be re-measured at the date of the Shareholders’ Meeting called to approve the extension, and the resulting greater or lesser costs were recognised in profit and loss during 2010.

## 1.2 Measurement of fair value

Valuation of the stock option plan is based on the fair value of the options assigned, calculated on the options assignment date.

The impact on the profit and loss account was measured from year to year based on the vesting period of the option, i.e., the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

On the other hand, the measurement of the extension was carried out based on the incremental fair value, measured as the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification;

In both cases, 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.

Other peculiar features of the plan are considered, such as different dates and exercise conditions. The binomial pricing model also takes into account the possibility of early exercise.

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 S&P MIB 40 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.

As stated above, an initial estimate was conducted in reference to the date of approval of the extension by the Board of Directors (9 October 2009) and a final estimate was prepared at 21 April 2010, the date of the Shareholders' Meeting that approved the 2009 financial statements and the dividend paid for 2010.

The final measurement conducted in April 2010 yielded a significant decrease in the incremental fair value of 20% to 31%, largely due to the decrease in the stock's historical volatility compared to the figure surveyed in October 2009 and to the time decay on options that were out of the money at that date.

	Strike price	Maturity date	Original maturity	Original FV	New maturity	Valuation date	Delta FV	Valuation date	Delta FV	Difference
FAs - 1st tranche	9.003	31/01/2009	31/03/2011	1.732	31/03/2014	09/10/2009	1.155	21/04/2010	0.815	-0.340
FAs - 2nd tranche	9.003	30/11/2009	31/03/2011	1.683	31/03/2014	09/10/2009	1.155	21/04/2010	0.815	-0.340
FAs - 3rd tranche	9.003	30/09/2010	31/03/2011	1.592	31/03/2014	09/10/2009	1.178	21/04/2010	0.815	-0.363
Employed managers	9.003	15/12/2009	15/12/2012	1.943	15/12/2015	09/10/2009	0.741	21/04/2010	0.592	-0.149

The total value of the extension, measured as the difference between the fair value of the options with the original maturity and as extended, thus fell from 3.6 to 2.6 million euros, a decrease of 1.0 million euros.

The expense accrued in 2009 thus decreased from the 2.8 million euros allocated to a provision in profit and loss in the previous year to 2.1 million euros, resulting in a release to profit and loss of 0.8 million euros in 2010.

	No. of options	Estimated extension value	Final extension value	Delta	Amount due in 2009 based on BoD resolution	Final 2009 amount	Delta
PF	2,540,136	2,953	2,070	(883)	2,224	1,565	(658)
EMPLOYEES	829,000	614	491	(123)	614	491	(123)
	<b>3,369,136</b>	<b>3,567</b>	<b>2,561</b>	<b>(1,006)</b>	<b>2,838</b>	<b>2,056</b>	<b>(782)</b>



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

The stock-granting plan for the Company's top management, approved by the Company's Board of Directors on 24 May 2006, ratified by the Shareholders' Meeting on 18 July 2006 and contingent upon the commencement of trading of the Company's shares on the MTA organised and managed by Borsa Italiana S.p.A. called for the free granting of a maximum of 667,880 ordinary shares. Specifically:

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

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

Grants were to be made within five years of the commencement of trading of the Company's shares on the MTA, which occurred on 15 November 2006, and on the condition that the grantee remained under contract with or in the employ of the Company at the grant date.

In addition, 50% of the shares granted were to be locked up for a period of one year from the grant date, without prejudice to termination of employment or contract at the Company's initiative or for a cause not attributable to wilful misconduct or grave negligence on the part of the grantee.

To that end, the Shareholders' Meeting had authorised the Board of Directors to repurchase a maximum of 667,880 ordinary shares of Banca Generali stock in service of the plan.

On 13 September 2010, the stock-granting plan administration made a free grant of 389,596 shares of Banca Generali ordinary stocks, for a carrying amount of 3,810 thousand euros, to the Chief Executive Officer. For tax purposes, the grant was made at a strike price equal to the arithmetic mean of the market prices of Banca Generali shares surveyed from the grant date to the same date of the previous solar month (**8.90352** euros).

Fifty percent of the shares were locked up for a period of one year from the grant date.

The above grant brought the stock-option plan for the Chief Executive Officer and General Manager to definitive conclusion.

### 2.1 Measurement of fair value and accounting effects

The stock granting plan in favour of the Chief Executive Officer and the General Manager changed from its original formulation in the point where it envisages that the delegated organ or the Chairman of the Board of Directors, shall assign the shares within a maximum period of five years.

This change is a modification of the vesting conditions that is not beneficial to the employee, which, in accordance with IFRS 2, section B44, requires that the "entity shall nevertheless continue to account for the services received as consideration of the equity instruments granted as if that modification had not occurred".

For this reason the charge arising from this stock granting plan was recognised as if the vesting conditions were satisfied at original grant date, coinciding with the suspension condition or Banca Generali's admission to trading on the electronic share market (MTA) organised and managed by Borsa Italiana S.p.A.

The full cost of the plan was consequently charged to financial year 2006.

The fair value of the shares was calculated according to the price set for the public offering on 11 November 2006 (8.0 euros). The plans consequently had a total value of 5,343 thousand euros, gross of the tax effect.

### **3. Rules for the Stock Option Plan for Financial Advisors, Network Managers and Relationship Managers of Banca Generali S.p.A. for 2010**

The stock-option plans approved by the Shareholders' Meeting on 21 April 2010 called for:

- the granting to Banca Generali's financial advisors, area managers and business managers and the private bankers of a maximum of 2,300,000 shares to be issued;
- the granting to Banca Generali's relationship managers of a maximum amount of 200,000 ordinary shares to be issued.

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 two new stock-option plans indicated above for the issue of a maximum of 2.5 million new ordinary shares, in addition to the 5.5 million new shares already approved in relation to the existing stock-option plans, already examined.

The following is a summary of the salient characteristics of the plans in question.

<b>Recipients</b>	<p>1) Financial advisors under standard agency agreements at 1 July 2009, provided not on notice;</p> <p>2) Financial advisors engaged after the end of the Reference Period;</p> <p>3) the Network Managers on whom the Company conferred as of 1 July 2009, a specific additional appointment as Sales Manager for Italy, Area Manager, Private Banking Manager or District Manager, provided that the said additional appointment is not revoked and continues to remain in full force and effect through to the expiry of the Reference Period.</p> <p>4) any and all employees still in the service of Banca BSI Italia as Relationship Managers or Unit Coordinators of Relationship Managers, and not placed on notice of termination as of 30 September 2009.</p>
<b>Performance conditions</b>	<p>Granting of the Options to the Plan Recipients is contingent upon the satisfaction of:</p> <ul style="list-style-type: none"> <li>• overall net inflow targets set by the Board of Directors at 2.0 billion euros for 2010;</li> <li>• individual net inflow targets set by the Plan's Management Committee.</li> </ul> <p>Individual targets call for a minimum net inflow access threshold, above which the options granted are proportional to the net inflow level achieved.</p> <p>Since there is no individual cap mechanism, if results call for a total number of shares in excess of the total amount for the category to be assigned, an allotment will be conducted.</p>
<b>Reference period and measurement parameters</b>	<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>
<b>Vesting conditions</b>	<p>The assigned 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 assigned Options, as of 1 July 2011;</li> <li>- up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2012;</li> <li>- up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2013;</li> <li>- up to no more than one sixth of the sum total of the assigned Options, as of 1 July 2014;</li> <li>- up to no more than one sixth of the sum total of the assigned 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 granted or exercise the Options, except in the case of the decease of the Recipient or eligibility for an old-age, length-of-service or disability pension, following discontinuation of service and removal from the register of financial advisors, provided that such conditions occur (x) after the end of the Reference Period (31 December 2010).</p> <p>In such case, only the options that have already become exercisable may be exercised.</p>
<b>Exercise conditions</b>	<p>The assigned Options must be exercised by 30 June 2017 at the very latest.</p> <p>The shares may be freely disposed of and are not subject to any restrictions..</p>
<b>Effective date of the Plan</b>	<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 during which the financial statement results for 2010 are discussed have been met;</li> <li>• the Delegated Organ 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 granted to the entitled parties by 30 June 2011.</p>
<b>Strike Price</b>	<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 date on which the Options were assigned, and the same day of the calendar month immediately preceding the aforesaid assignment date..</p>

### **3.1 Accounting effects and measurement of Fair value**

The new plans will begin to affect profit and loss results starting from the year the options are granted.

The impact on the profit and loss account is measured based on the maturity period of the options, i.e. the period between assignment and final maturity, likewise taking into account the probability that exercise conditions for all recipients will not be realised.

### **4. Stock Option Plans for Parent Company Banca BSI Italia's Top Management**

On 19 January 2007, Banca BSI Italia's Board of Directors approved a stock-option plan for the bank's Chairman, who is not employed by the bank and was therefore not covered by the stock-option plan of the parent company reserved for managers employed by the Group.

The plan called for 60,000 options on shares of Banca Generali's ordinary stock to be granted effective 19 January 2007 at the strike price of 10.546 euros, the arithmetic mean of the quoted prices of Banca Generali shares on the MTA surveyed from the grant date of the rights to the same date of the previous solar month, with a three-year vesting period ending on 19 January 2010 and the possibility of exercise in one or more instalments during the following three years, or by 19 January 2013.

In service of the plan, Banca BSI Italia purchased 60,000 shares in its parent company, Banca Generali, on the market.

Following the merger with Banca BSI Italia, effective 1 January 2010, the plan beneficiary's employment was terminated for reasons not of said beneficiary's choosing. Accordingly, the plan vested under the surviving company, Banca Generali.

#### **4.1 Measurement of fair value**

The fair value of the options assigned was calculated according to the same methods employed for the Group's managers and financial advisors, as analysed in paragraph 1.1.

Based on the parameters set, the value of the option was initially calculated as 2.7848 euros.

The impact on profit and loss was measured at the consolidated level according to the vesting period for the options, the period between the grant date and final vesting of the right to exercise those options, and was recognised by Banca Generali according to that measurement following the merger.

## **B. QUANTITATIVE INFORMATION**

The expenses recognised in profit and loss in 2010 in relation to the stock-option plans approved in 2006 for executives and advisors totalled 0.8 million euros and are entirely attributable to the final tranche of stock options granted to financial advisors, the vesting period for which ended on 30 September 2010. However, those expenses were offset in their entirety by the effects of the re-measurement of the value of the extension of those plans at the date of ratification by the Shareholders' Meeting, which resulted in the release to profit and loss of the amount of 0.8 million euros.

As stated above, the expenses associated with the stock-granting plan for the top management were recognised in their entirety to the profit and loss account for 2006 through a specific equity reserve for share-based payments. Moreover, deferred taxes on these plans were set aside according to the plans' method of execution, namely through the purchase of own shares on the market.

During 2010 the IFRS 2 reserve of 3,117 thousand euros deriving from the measurement of the plan through profit and loss in 2006 was used to cover the carrying amount of the shares repurchased and granted to the Chief Executive Officer (3,810 thousand euros).

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

The total IFRS 2 equity reserve allocated at year-end thus was 8.5 million euros.

(€ thousand)	Top managers	Average Prices	Financial Advisors	Average prices	Employed Managers	Average prices	Total	Average prices	Average prices
A. Amount at year-start	389,596	-	2,540,136	9.00	829,000	8,78	3,758,732	8.02	2011-15
B. Increases	60,000	10.00	-	-	22,000	-	82,000	9.73	-
B.1 Newly issued shares					-	-	-	-	
B.2 Other changes	60,000	10.00	-		22,000	9,00	82,000	9.73	
C. Decreases	-389,596	-	-115,750	9.00	-27,500	9,00	-532,846	2.42	-
C.1 Cancelled			-66,176	9.00	-27,500	9,00	-93,676	9.00	2014-2015
C.2 Exercised	-389,596	-	-49,574	9.00			-439,170	1.02	
C.3 Expired							-	-	
C.4 Other changes			-		-		-	-	
<b>D. Amount at period-end</b>	<b>60,000</b>	<b>10.00</b>	<b>2,424,386</b>	<b>9.00</b>	<b>823,500</b>	<b>8,78</b>	<b>3,307,886</b>	<b>8.97</b>	<b>2014-15</b>
<b>E. Options that can be exercised at the end of the period</b>	<b>60,000</b>	<b>-</b>	<b>2,424,386</b>	<b>-</b>	<b>823,500</b>	<b>-</b>	<b>3,307,886</b>	<b>-</b>	<b>-</b>
Strike price	-		109		-123		-14		
IFRS 2 reserve	164		6,190		2,115		8,469		

**Trieste, 10 March 2011**

**THE BOARD OF DIRECTORS**

**REPORTS:  
INDEPENDENT AUDITORS' REPORT  
BOARD OF AUDITORS' REPORT**



**Independent auditors' report  
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010  
(Translation from the original Italian text)**

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

1. We have audited the financial statements of Banca Generali S.p.A. as of and for the year ended December 31, 2010, comprising the balance sheet, the profit and loss, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related notes and comments. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Generali S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 2, 2010.

3. In our opinion, the financial statements of Banca Generali S.p.A. at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Banca Generali S.p.A. for the year then ended.
4. The management of Banca Generali S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Company's Ownership regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the financial statements of Banca Generali S.p.A. as of December 31, 2010.

Milan, March 29, 2011

Reconta Ernst & Young S.p.A.

Signed by: Stefano Cattaneo, Partner

## **“BANCA GENERALI S.P.A.”**

Registered offices at Trieste, Via Machiavelli 4 - Italy

Authorised share capital 119,378,836.00 euros, underwritten and paid-up share capital 111,574,408.00 euros

Trieste Register of Companies, Tax Code 00833240328

Bank Register No. 5358

Parent Company of the Banca Generali banking group registered in the Banking Group Register

Company managed and coordinated by Assicurazioni Generali S.p.A.

### **Report of the Board of Statutory Auditors to the Shareholders' Meeting Called for the Approval of the Financial Statements for the Year Ended 31 December 2010, Pursuant to Article 153 of Legislative Decree 58/98 and Article 2429 Paragraph 3 of the Italian Civil Code**

Shareholders,

We have reviewed the Annual Financial Report for the year ended 31 December 2010, which consists of:

- the Draft Separate and Consolidated Financial Statements of Banca Generali S.p.A. for the year ended 31 December 2010, including the notes and detail accounting statements;
- the Report on Operations, which includes the Annual Report on Corporate Governance and Company Ownership, in accordance with Article 123-*bis* of Legislative Decree 58/98;

prepared by the Directors and duly forwarded to the Board of Statutory Auditors.

Worthy of note in 2010 is the completion of the merger of Banca BSI Italia S.p.A. into Banca Generali S.p.A., after the demerger of the portfolio management business unit, which was transferred to the subsidiary BG SGR. Both transactions became effective on 1 January 2010.

Except for the two transactions mentioned above, in 2010 no significant, atypical or unusual related party transaction was carried out, or in any case no transaction having an impact on the safety of the company's assets or the completeness or accuracy of accounting and other information related to the issuer, which would therefore require disclosure to the market.

The oversight activity was conducted by the Board of Statutory Auditors in 2010, in compliance with the law and, specifically, of Article 149 of Legislative Decree 58/1998, and in accordance with the code of conduct recommended by the *Roll of Certified Public Accountants and Commercial Experts*, as well as with the dispositions of article 19 of Legislative Decree 39/2010, and taking account of *CONSOB* and *Bank of Italy* recommendations.

The Board of Statutory Auditors herewith reports on the oversight activities it conducted in the course of 2010. The Board of Auditors:

- participated in one Shareholders' Meeting;



- participated in the 12 meetings of the Board of Directors, monitoring that the action resolved upon and implemented was compliant with the law and the Articles of Association, could not be considered imprudent and did not give rise to possible conflicts of interest; a meeting of non-executive Directors and one of independent Directors were held during the year;
- participated in the 9 meetings of the Internal Control Committee;
- participated in the 4 meetings of the Remuneration Committee;
- participated in 2 Supervisory Board's Meetings;
- met periodically to conduct its audits, recording 21 meetings in its book;
- requested and obtained from the Chief Executive Officer, the General Manager, the Manager in charge of preparing the company's financial reports and the company's other Executives, information concerning the most significant transactions executed by the Company and acknowledges that such transactions were not considered openly imprudent or risky, in potential conflict of interest, in contrast with resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets;
- verified the instructions given by the Company to its subsidiaries, pursuant to article 114, paragraph 2 of Legislative Decree 58/98 and deems that they are adequate;
- verified that the notes explained in the detail the effects on equity and on the profit and loss account for 2010 of prior year application of the option introduced by the amendment of IAS 39 and IFRS 7, issued by IASB on 13 October 2008, envisaging the reclassification of some categories of securities;
- exchanged information with the Statutory Auditors of other companies of the Group;
- issued legal opinions, the main ones of which are listed below:
  - remuneration policies;
  - approval and changes of Company Rules and Policies;
  - related Party Transaction Procedure;
  - opinions pursuant to Article 136 of the Consolidated Law on Banking regarding obligations of banks' corporate officers;
  - ICAAP process;
  - significant changes to organisational structure;
- verified that its members and the independent auditors possessed the independence requisites and found that the procedures adopted by the Board of Directors to ascertain its own internal independence compliance were adequate;
- systematically followed the activity carried out by the Internal Control System, stating its observations on the Internal Audit annual reports and the programs to be implemented, and checking the implementation status of the activity plans and ensuing results; the Internal Control

System, deemed adequate on the whole, is organised into three functions: Compliance; Risk Management and Internal Audit;

- verified investors' complaints;
- verified the general compliance of the Banks with the requirement for correspondence with and communication to the Supervisory Bodies, as well as with industry regulations;
- acknowledges that the Company has discharged its obligations relating to the prevention of money laundering, with particular regard to Legislative Decree 231 of 21 November 2007, as further amended and extended, and the provisions of the Bank of Italy and its Financial Information Unit;
- acknowledges that the Company complied with the privacy obligations concerning personal data and the preparation of the Programmatic Security Document within the meaning of Legislative Decree 196/03 and other applicable regulations;
- acknowledges that during the year the Supervisory Board monitored the operation and compliance of the Organisation and Management Model (MOG), and verified that it is suitable for preventing the commission over time of the crimes mentioned in the legislation. The work performed revealed no irregularities that could be related to the crimes in accordance with the dispositions of Legislative Decree 231/2001;
- evaluated and verified the appropriateness of the administrative and accounting system, as well as its reliability in accurately representing operations through the report received by the manager in charge of preparing the company's financial reports, by the Auditing Firm, by obtaining direct information from the heads of the respective departments, and from examination of company records. With reference to the application of law 262/2005 and the provisions of letter a) of article 19 of Legislative Decree 39/10, the Board of Directors also monitored the processes and activities carried out by the Bank, within the frame work of the Financial Accounting Risk Governance activity, aimed at continuously assessing the adequacy of administrative and accounting procedures and the ensuing financial reports;
- acquired information and monitored the adequacy of the Company's organisation structure;
- acknowledges that the company adopted, inter alia, the following codes and procedures:
  - internal dealing;
  - privileged information, and established the Insider Register;
  - transactions with related parties: the Report on Operations and Explanatory Notes present the details of transactions with related parties and the associated disclosure; during the year, the Bank approved the new Related Party Transaction Procedure, pursuant to CONSOB Regulation No.17221 of 12 March 2010 as further amended, that shall take effect as from 1 January 2011;
  - transactions with parties that have powers of management, administration and control

over the bank: the Bank applies the special regulations of article 136 of Legislative Decree 285/1993 (TUB);

- order execution and transmission policy;
- conflict of Interest policy;
- internal rules;

- acknowledges that the Company has adhered to the Corporate Governance Code of Listed Companies.
- acknowledges that the Company has adhered to the Code of Ethics of the Generali Group;
- checked that the Bank has adopted regulations, processes and structures suitable for monitoring and overseeing banking-related risks (market risks, credit risks, liquidity risks operating risks, compliance risks), as described in the Report on Operations and Explanatory Notes;
- deems 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 2010 the company's intra-group transactions were of a financial and commercial nature, and regarded the supply of services that the directors described in their report on operations and notes to the accounts. These ordinary transactions were made with streamlining and cost-cutting objectives;
- acknowledges that Banca Generali complies with the Fiscal Consolidation Tax of Assicurazioni Generali S.p.A.;
- acknowledges that the Report on Operations and the Explanatory Notes contain information concerning the ownership of treasury shares and shares of the Parent Company, in connection with which the associated unavailable reserves have been allocated;
- acknowledges that the Bank has complied with capital requirements (regulatory capital and solvency ratio), in accordance with supervisory regulations. In 2010, 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 Order of 18 May 2010;
- acknowledges that the Report on the Corporate Governance System includes the information pursuant to Art.123-*bis* of the Consolidated Finance Law;
- acknowledges that no complaints have been received during the year pursuant to article 2408 of the Italian Civil Code.
- acknowledges that during the year no complaints were received.
- Acknowledges that the Company is managed and coordinated by the Parent Company "Assicurazioni Generali S.p.A." and that, in compliance with the Italian Civil Code, the Company provided complete information on its relations with the Parent Company.

The periodic auditing, the review of the Half-year Report, and the audit of the Company and Consolidated Financial Statements were entrusted to the Auditing Firm “Reconta Ernst & Young S.p.A.”; therefore the Board of Directors periodically exchanged information with the Auditing Firm and the latter did not notify the Board of Auditors of any events, circumstances or irregularities requiring its attention. Therefore, during 2010, 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 2010 coincided with accounting results.

The Board of Auditors reports that the following additional engagements were conferred on the auditing firm Reconta Ernst&Young S.p.A. and companies belonging to the same network during the year, as described in the Explanatory Notes, and specifically:

- Reconta Ernst & Young S.p.A.: Provided attestation services issuing the opinion on the fairness of the criterium used to determine the issuing price pursuant to article 158 of TUF; carried out specific monitoring procedures on the relations with clients included in the merit signalling agreement in force with BSI Sa; checking procedures on the model used to determine collective writedowns of the securities portfolio classified in item 70 loans to clients;
- The law and tax accountancy firm Ernst&Young also billed fees for the certification of compliance with the requirements of the Qualified intermediaries (QI) procedure, set by the Internal Revenue Service (IRS);
- Ernst&Young Financial-Business Advisors S.p.A. collected compensation for advisory service in connection with the ICAAP project, the Operational Risk Management Framework project, the business continuity project and updating of the risk assessment process of the Group Privacy model.

In relation to the foregoing, no indications or situations that would jeopardise the independent auditors’ independence have emerged and the relevant costs were deemed adequate.

The manager in charge of preparing the company’s financial reports and the Chief Executive Office issued the statement and attestation of conformity provided for by regulations in the field of accounting and financial statement communications.

The Board of Auditors nonetheless controlled the general criteria used in drawing up the financial statements as well as its compliance with the law and specific regulations regarding the preparation of financial statements of banking institutions.

The Separate Financial Statements have been prepared in accordance with Legislative Decree 38/2005, according to the accounting standards issued by the IASB and the interpretations of those standards provided by the IFRIC; moreover, they were based on “Instructions for the preparation of company 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. The notes on the accounts

explain the assessment criteria adopted and provide the necessary information as required by current laws, including information on credit risk, market risk, liquidity risk and operational risk. The Directors' Report provides information on operations, highlighting developments underway and the potential outlook, and the banking Group's development and reorganisation process in 2010.

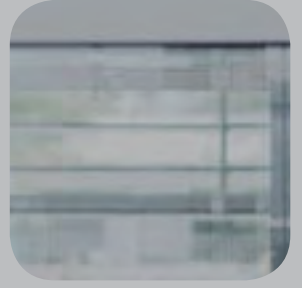
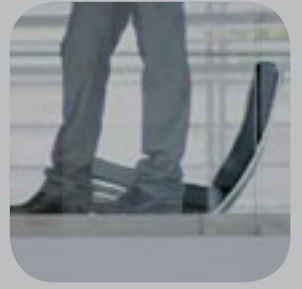
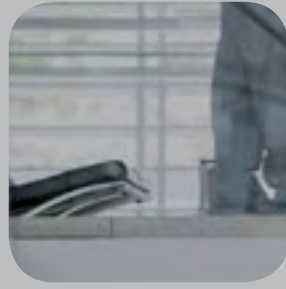
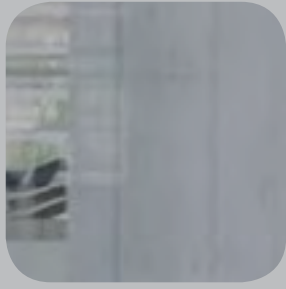
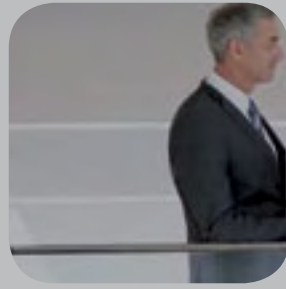
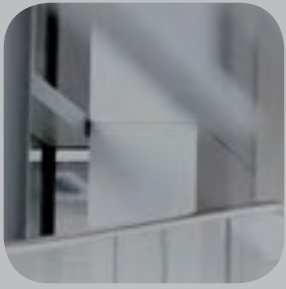
In carrying out our supervisory activity, as described above, no other significant facts emerged that need to be reported to the competent Supervisory Bodies or that are worthy of mention in this report.

The Board of Auditors points out that the Consolidated Financial Statements of the Banca Generali Group were prepared in compliance with Legislative Decree 38/2005 and in accordance with the accounting standards issued by IASB and IFRIC interpretations. Moreover, they were based on "Instructions for Preparing the Financial Statements and Consolidated Financial Statements for Banks and Parent Companies of Banking Groups" issued by the Bank of Italy. The scope of consolidation, which has changed compared to the previous year, includes the Parent Company, Banca Generali S.p.A., and its subsidiaries, B.G. Fiduciaria Sim S.p.A., BG SGR S.p.A., Generfid S.p.A., and Generali Fund Management SA. The scope of consolidation no longer includes Banca BSI Italia S.p.A., due to the above mentioned merger.

In consideration of the foregoing, the Board of Statutory Auditors believes that you may approve the 2010 Financial Statements, as presented to you by the Board of Directors, and expresses a favourable opinion regarding the allocation of the profit of 106,931,975.00 euros as proposed by the Board of Directors.

Trieste, 28 March 2011

The Board of Statutory Auditors  
Giuseppe Alessio Verni [signature]  
Angelo Venchiarutti [signature]  
Alessandro Gambi [signature]



## ATTESTATION

PURSUANT TO ARTICLE 154-BIS,  
PARAGRAPH 5 OF LEGISLATIVE  
DECREE 58/98







**Attestation to the Annual Financial Report Pursuant to Article 81-ter of  
CONSOB Regulation 11971 Dated 14 May 1999, as Further Amended and  
Extended**

1. The undersigned Giorgio Angelo Girelli, in his capacity as Chief Executive Officer, and Giancarlo Fancel, in his capacity as Manager in charge of the Financial Reports of Banca Generali S.p.A., taking into account the provisions set out in article 154-*bis*, paragraphs 3 and 4 of the Legislative Decree dated 24 February 1998, No. 58, hereby declare that the administrative and accounting procedures for preparing the Annual Financial Report for the year 2010:
  - 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 2010 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 2010:
    - a) was prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of Legislative Decree No. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
    - b) reflects the accounting books and records;
    - c) provides a true and fair view of the assets, 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 2011

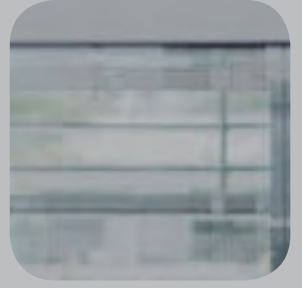
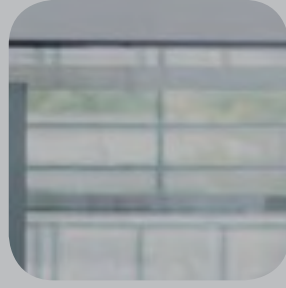
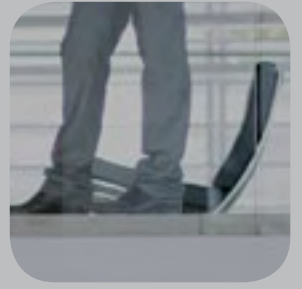
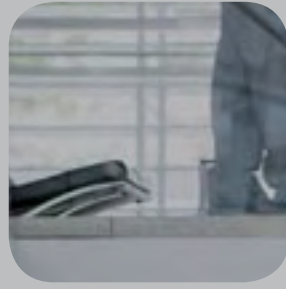
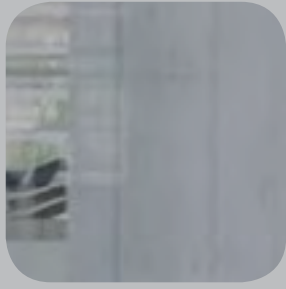
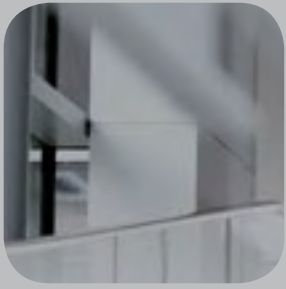
Giorgio Angelo Girelli  
Chief Executive Officer

BANCA GENERALI S.P.A.

[signature]

Giancarlo Fancel  
Manager in Charge of  
the Company's Financial Reports  
BANCA GENERALI S.P.A.

[signature]



# ANNEXES

BOARD OF DIRECTORS  
10 MARCH 2011





# ANNEX 1

## DISCLOSURE OF COMPENSATION FOR AUDITING PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB REGULATION 11971

The following table shows a breakdown of the compensation paid by Banca Generali and the companies of the Banking Group to the independent auditors Reconta Ernst & Young s.p.A. engaged to audit the financial statements in accordance with legislative decree No. 58/98, as well as the entities in the network to which the auditing firm belongs.

TYPE OF SERVICE			
(€ thousand)	Service provider	Banca Generali	Banking Group
Audit	Reconta Ernst & Young S.p.A.	277	489
Certification	Reconta Ernst & Young S.p.A.	43	44
	Studio Legale e Tributario Ernst & Young S.p.A.	-	-
Tax consultancy	Studio Legale e Tributario Ernst & Young S.p.A.	-	-
Other services	Ernst & Young Financial-Business Advisors S.p.A.	269	279
	Studio Legale e Tributario Ernst & Young S.p.A.	14	28
<b>Total</b>		<b>603</b>	<b>840</b>

*Notes:*

- 1. Amounts net of VAT and out-of-pocket expenses*
- 2. The auditing firm also audits the annual report on BG Sgr fund management, for an annual fee of 45,000 euros.*

## ANNEX 2

### RESTATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNTS OF BANCA GENERALI AT 31 DECEMBER 2009

Two tables are set out below illustrating the reconciliation between the balance sheet and profit and loss values, taken from the financial statements approved by Banca Generali at 31 December 2009 and the corresponding values restated after the following business combination transactions:

- 1) the contribution of the portfolio management business unit by Banca BSI Italia to BG SGR S.p.A;
- 2) the merger of Banca BSI Italia S.p.A. into the parent company Banca Generali S.p.A. The restated balances have been prepared based on the financial statements of Banca BSI Italia at 31 December 2009 and the accounting position of the unit contributed taken from the latter's internal accounting records, also taking account of the adjustments required to retroactively reflect the transaction as if it had taken effect on 1 January 2009.

#### Restated Profit and Loss Account

(€ thousand)	31.12.2009 BG (reported)	31.12.2009 BSI (reported)	31.12.2009 GP unit	31.12.2009 Adjustments	31.12.2009 BG Pro-forma
<b>Net interest</b>	<b>45,076</b>	<b>3,644</b>	<b>-324</b>	<b>0</b>	<b>48,396</b>
<b>Net commissions</b>	<b>44,951</b>	<b>23,598</b>	<b>-3,175</b>	<b>0</b>	<b>65,374</b>
Dividends	122,594	26	0	-5	122,615
Net income from banking operations	-53,463	482	0	23	-52,958
<b>Net operating income</b>	<b>159,158</b>	<b>27,750</b>	<b>-3,499</b>	<b>18</b>	<b>183,427</b>
Staff expenses	-39,774	-16,633	742	409	-55,256
Other general and administrative expense	-52,313	-24,907	1,413	6,640	-69,167
Net adjustments of property, equipment and intangible assets	-3,435	-2,700	429	0	-5,706
Other operating expense/income	11,536	-221	-49	-6,482	4,784
<b>Net operating expense</b>	<b>-83,986</b>	<b>-44,461</b>	<b>2,535</b>	<b>567</b>	<b>-125,345</b>
<b>Operating profit</b>	<b>75,172</b>	<b>-16,711</b>	<b>-964</b>	<b>585</b>	<b>58,082</b>
Net adjustments of non-performing loans	-2,802	-539	0	0	-3,341
Net adjustments of other assets	-4,222	0	0	0	-4,222
Net provisions	-7,071	-9,325	14	0	-16,382
Gains (losses) from the disposal of equity investments	0	0	0	0	0
<b>Operating profit/(loss) before taxation</b>	<b>61,077</b>	<b>-26,575</b>	<b>-950</b>	<b>585</b>	<b>34,137</b>
Income taxes on current operations	-6,592	4,617	461	-123	-1,637
Profit (loss) from non-current assets held for sale, net of taxes	0	0	0	0	0
Profit (loss) for the year attributable to minority interests	0	0	0	0	0
<b>Net profit</b>	<b>54,485</b>	<b>-21,958</b>	<b>-489</b>	<b>462</b>	<b>32,500</b>

The profit and loss account of the unit contributed at 31 December 2009 would show a profit of 0.5 million euros arising from the difference in the following items:

- Net interest relating to the business unit, determined based on the difference between interest paid to customers on portfolio management liquid balances and interest income accrued by Banca BSI in relation to their use;
- Net commissions consist of commission income charged to clients for portfolio management service and accessory services, such as order receipt service, net of the commissions given back and the management commission paid for the placement of these financial services.
- Net operating expense consists of the transferred unit's staff expenses, the amortisation of the intangible asset, and the unit's administrative expense. Administrative expense consists of the costs of the IT outsourcing services rendered by CSE (legacy) and GBS (office automation), as well as the share of the administrative outsourcing services rendered by Banca Generali, determined on the basis of parameters deemed appropriate (amount of assets, number of employees).
- Determination of the taxes for the year.

The adjustments relating to the Banca BSI Italia merger refer, on the other hand, primarily to the elimination of the reciprocal costs and revenues of Banca Generali and Banca BSI, relating to inter-company interest income and expense (totalling the same and opposite sign amount of 4.4 million euros), inter-company commission income and expense (1.6 million euros), inter-company costs of seconded personnel and recoveries (1.1 million euros) and outsourcing fee income and expense, stated amongst other net operating income and other administrative costs ( 6.3 million euros).

In order to reflect the additional effects of the business combination that can be isolated and measured objectively, account was also taken of commission income from the distribution of the portfolio management business contributed and related retrocessions, charges for inter-company VAT not paid on the aforesaid outsourcing agreements (0.6 million euros), costs relating to directors and statutory auditors (0.2 million euros) and other minor effects. The pertinent tax effect has also been determined.

## Restated Balance Sheet

<b>ASSETS</b>						
(€ thousand)	<b>31.12.2009 BG</b>	<b>31.12.2009 BSI</b>	<b>31.12.2009 GP unit</b>	<b>31.12.2009 CS increase</b>	<b>31.12.2009 Adjustments</b>	<b>31.12.2009 BG restated</b>
Financial assets held for trading	218,553	486	0		-110	218,929
AFS financial assets	1,481,926	813	0		-507	1,482,232
Financial assets held to maturity	666,074	0	0		0	666,074
Loans to banks	619,719	904,035	-41,611		-900,755	581,388
Loans to customers	426,057	331,033	-4,654		0	752,436
Equity investments	143,992	0	0	9,500	-114,155	39,337
Property, equipment and intangible assets	9,755	41,492	-8,361		0	42,886
Tax receivables	14,023	31,342	461		-131	45,695
Other assets	54,630	21,620	-527		259	75,982
<b>Total assets</b>	<b>3,634,729</b>	<b>1,330,821</b>	<b>-54,692</b>	<b>9,500</b>	<b>-1,015,399</b>	<b>3,904,959</b>

<b>NET EQUITY AND LIABILITIES</b>						
(€ thousand)	<b>31.12.2009 BG</b>	<b>31.12.2009 BSI</b>	<b>31.12.2009 GP unit</b>	<b>31.12.2009 CS increase</b>	<b>31.12.2009 Adjustments</b>	<b>31.12.2009 BG restated</b>
Due to banks	1,034,333	14,368	0		-900,757	147,944
Due to customers	2,232,448	1,190,703	-41,611		0	3,381,540
Financial liabilities held for trading	494	110	0		-110	494
Tax payables	2,327	2,769	0		0	5,096
Financial liabilities held for sale	0	0	0		0	0
Other liabilities	93,476	34,074	-2,988		-245	124,317
Special purpose provisions	21,776	26,964	-104		-131	48,505
Valuation reserves	-1,602	-78	0		78	-1,602
Reserves and share premium	89,530	3,634	-9,500	9,500	-33,841	59,323
Share capital	111,313	80,235	0	0	-80,235	111,313
Treasury shares (-)	-3,851	0	0		-620	-4,471
Net profit (loss) for the year (+/-)	54,485	-21,958	-489	0	462	32,500
<b>Total Net Equity and Liabilities</b>	<b>3,634,729</b>	<b>1,330,821</b>	<b>-54,692</b>	<b>9,500</b>	<b>-1,015,399</b>	<b>3,904,959</b>

The main balance sheet items associated with the transferred unit consist of payables to customers for the cash balances of individual discretionary accounts and the balancing entry consisting of the interbank balances held by Banca BSI.

The transferred intangible assets essentially consist of the proportionate share of the goodwill and intangible assets associated with the business unit arising from the acquisition of the merged company Banca del Gottardo Italia, computed in proportion to the ratio of the contributed assets under management in discretionary accounts to the total assets under management in these accounts. In detail, the proportionate share of goodwill amounts to 4.9 million euros, while intangible assets represented by the value of client relationship with the former Banca del Gottardo's clientele, net of accumulated amortisation, amounted to 3.5 million euros, gross of the associated deferred taxes, disclosed among tax payables.

Loans to customers refer essentially to amounts and charges to be debited at the year-end to portfolio management, whilst other liabilities and specially designated provisions (including post-retirement benefits) refer to substitute tax payable on portfolio management and amounts payable and accruals for personnel contributed.

The adjustments arising from the merger, in addition to those already mentioned in relation to the elimination of the holding in Banca BSI, refer essentially to the elimination of the reciprocal interbank position of the two companies.







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